

Cypress Ridge Sewer Co

P.O. Box 745, Grover Beach, CA 93483 805-473-3661

August 18, 2020

Advice Letter No. 37-SS

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Cypress Ridge Sewer Co (Cypress) hereby transmits for filing one digital copy of this advice letter 37-SS including the following tariff sheets and supporting information which are enclosed:

<u>NEW SHEET #</u>	<u>TITLE</u>	<u>CANCELLING SHEET #</u>
236-SS	Sch. No. 1, Residential Flat Rate Sewer Service	231-SS
237-SS	Sch. No. 2, Commercial Flat Rate Sewer Service	232-SS
238-SS	Table of Contents	235-SS

REQUEST

By AL 37-SS compliance filing in accordance Decision 20-07-036 ordering par 3, dated July 17, 2020 resulting from a petition for rehearing of GRC Resolution W-5187 dated March 28, 2019. Cypress requests permission to decrease its revenues by 6.08%, from the rates effective on April 3, 2020 CPI-U and permission to issue a sur-credit in the amount of \$9.78 per customer (386 customers) for one year for a total of \$45,291. See attached workpapers supporting this request and the Tariff Sheets to be effective on August 1, 2020.

BACKGROUND

Resolution W-5187 was approved by the Commission with proforma calculations for State and Federal taxes as has been customary for S-Corporations, LLC's, and individuals in the past. The petition for re-hearing resulted in that tax treatment to be removed from the rates of Cypress.

During the preparation process of AL 37-SS it was realized that the Rate of Margin formula in the Resolution W-5187 did remove State and Federal Taxes from that calculation, however the complete calculation did not and the necessary changes were made in the Summary of Earnings attached to this Advice Letter. Standard Practice U-3-SM Par 38 used in this filing reads as follows:

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“Determining the recommended return using the Authorized Rate of Margin¹: The calculation is based on the individual Class C or Class D Company’s operating expenses. Operating expenses shall include operations and maintenance expenses, annual depreciation on non-contributed facilities, amortization of multi-year expenses and applicable taxes (income taxes are excluded from the calculation). Applicable taxes include property taxes, taxes other than income and payroll taxes. Total operating expenses are then multiplied by the Authorized Rate of Margin to determine the recommended pre-tax return under the Rate of Margin method. The pre-tax rate of margin is then grossed up using the net-to-gross multiplier, see below to determine the after-tax Rate of Margin.”

Using the above rule the calculation for Cypress works as follows, total operating expense excluding State and Federal tax is \$422,929, which is grossed up by 1.24 the authorized Rate of Margin, which gives the total revenue requirement \$524,432 and net revenue of \$101,503 as reflected on the attached summary of earnings.

TIER DESIGNATION AND REQUESTED EFFECTIVE DATE

This AL and the enclosed tariff sheets are submitted pursuant to General Order (GO.) 96-B. AL 37-SS is designated as a Tier 1 compliance AL filing in accordance with D.20-07-036.²

NOTICE

A copy of this AL has been served to all parties listed on the service list³ on the last page of this AL. This AL requires no customer notice as this is a compliance filing. This filing will not cause withdrawal of service nor conflict with any other schedule or rule.

RESPONSE OR PROTEST⁴

Anyone may respond to or protest this AL. A response supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A protest objects to the AL in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

1. The utility did not properly serve or give notice of the AL;
2. The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;

¹ It should be noted that in D.92-03-093, the term “Operating Ratio” was used to describe a particular methodology, when, in fact, the method the Commission described and ordered the use of is more properly called the “Rate of Margin” method. The Rate of Margin being “1 – Operating Ratio”

² GO. 96-B, Water Industry Rule 7.3.1 (3)

³ GO. 96-B, Water Industry Rule 4.1

⁴ GO. 96-B, General Rule 7.4.1

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3. The analysis, calculations, or data in the AL contain material error or omissions.
4. The relief requested in the AL is pending before the Commission in a formal proceeding;
or
5. The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
6. The relief requested in the AL is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require re-litigating a prior order of the Commission.

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility.

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. The Water Division must receive a response or protest via email (or postal mail) within 20 days of the date the AL is filed. The addresses for submitting a response or protest are:

Email Address:

Water.Division@cpuc.ca.gov

Mailing Address:

California Public Utilities Commission
Water Division, 3rd Floor
505 Van Ness Avenue
San Francisco, CA 94102

On the same day the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy of the protest to Eric Sweeney at: Cypress Ridge Sewer Co.

Email Address:

cypressridgewwtp@gmail.com

Mailing Address:

Cypress Ridge Sewer Co
P.O. Box 745
Grover Beach, CA 93483

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform DWA, within the 20-day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

REPLIES

The utility shall reply to each protest and may reply to any response. Any reply must be received by DWA within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.⁵

⁵ GO. 96-B, General Rule 7.4.3

Cypress Ridge Sewer Co

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SERVICE LIST

- Recipient 1 Thomas J. MacBride Jr.
tmacbride@goodinmacbride.com
- Recipient 2 Ann Watson
watconsult@sbcglobal.net
- Recipient 3 Jose E. Guzman, Jr.
jeguzmanjr@gmail.com
- Recipient 4 Cypress Ridge Sewer Co
kathybaker9871@gmail.com
- Recipient 5 Cypress Ridge Sewer Co
cypressridgewwtp@gmail.com
- Recipient 6 Cypress Ridge HOA
rgreen2275@charter.net
- Recipient 7 Jon Rokke
jon.rokke@waterboards.ca.gov
- Recipient 8 Arocles Aguilar
aro@cpuc.ca.gov
- Recipient 9 Legal Division
apprhg@cpuc.ca.gov
- Recipient 10 Frank Brommenschenkel
frank.brommen@verizon.net

I hereby certify that the above service list has been served a copy of AL 37-SS on August 18, 2020.

Executed in Santa Paula, California on the August 18, 2020.

Cypress Ridge Sewer Co

By: /s/Frank Brommenschenkel
Cypress Ridge Sewer Co

Enclosures

Schedule No. 1

RESIDENTIAL FLAT RATE SEWER SERVICE

APPLICABILITY

Applicable to all residential sewer service.

TERRITORY

Cypress Ridge, within Tract # 1933, and including Golf Course Complex, San Luis Obispo County.

RATES

Per Connection
Per Month

For all residential sewer service..... \$115.82 (R)

SPECIAL CONDITIONS

- 1. A late charge will apply per Schedule No. LC.
- 2. Bills will be rendered in advance of the period for which service will be provided.
- 3. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (D)
- 4. For a period of 12 months beginning August 1, 2020, all sewer service will have a monthly sur-credit of \$9.78, to refund State and Federal income tax allowance collected from April 2019 through July 2020 in the amount of (\$45,291) in accordance with D.20-07-036. (N)
(N)
(N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 37-SS

Charles M. Baker

Date Filed _____

Decision No. 20-07-036

President

Effective _____

Resolution No. _____

Schedule No. 2

COMMERCIAL FLAT RATE SEWER SERVICE

APPLICABILITY

Applicable to all commercial sewer service.

TERRITORY

Cypress Ridge, within Tract # 1933, and including Golf Course Complex, San Luis Obispo County.

RATES

Per Connection
Per Month

For Golf Pro Shop.....	\$115.82	(R)
For Golf Maintenance Facility.....	\$115.82	(R)
For Commercial/Office Facility...	\$115.82	(R)
For Pavilion.....	\$115.82	(R)

SPECIAL CONDITIONS

- 4. A late charge will apply per Schedule No. LC.
- 5. Bills will be rendered in advance of the period for which service will be provided.
- 6. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (D)
- 7. For a period of 12 months beginning August 1, 2020, all sewer service will have a monthly sur-credit of \$9.78, to refund State and Federal income tax allowance collected from April 2019 through July 2020 in the amount of (\$45,291) in accordance with D.20-07-036. (N)
(N)
(N)

(To be inserted by utility)

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Decision No. 20-07-036

President

Effective _____

Resolution No. _____

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

<u>Subject matter of Sheet</u>	Cal. P.U.C. <u>Sheet No.</u>
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Preliminary Statement	197-SS, 71-SS, 72-SS, 179-SS, 180-SS
Service Area Map	73-SS
<u>Rate Schedules:</u>	
Schedule No. 1, Residential Flat Rate Sewer Service	236-SS (D)
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Schedule No. UF, Surcharge to Fund PUC Reimbursement Fee	234-SS
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No. 19 Service to Separate Premises and Multiple Units; and Resale of Sewer Service	133-SS
No. 20 Limitation of Wastes Discharged into the Utility's Sewer System	134-SS, 135-SS
No. 21 Commercial, Institution, and Industrial Wastes	136-SS
(Continued)	

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

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Date Filed _____

Decision No. 20-07-036President

Effective _____

Resolution No. _____

Cypress Ridge Sewer Co.

Summary of Earnings AL37-SS For D. 20-07-036

August 18, 2020

	Res. W-5187 5-Apr-19	Recorded 2019	RoR Test For D 20-07-036	RoM Test For D 20-07-036
<u>Operating Revenues:</u>				
Unmetered Revenue	\$ 558,400	\$ 548,274	\$ 456,278	\$ 524,432
<u>Operating Expenses:</u>				
Purchased Power	\$ 32,086	\$ 30,250	\$ 32,086	\$ 32,086
Other Vol. Rel. Exp.	\$ 10,374	\$ 10,253	\$ 10,374	\$ 10,374
Employee Labor	\$ 167,997	\$ 195,219	\$ 167,997	\$ 167,997
Materials	\$ 13,089	\$ 27,445	\$ 13,089	\$ 13,089
Contract Work	\$ 54,255	\$ 59,052	\$ 54,255	\$ 54,255
Transportation	\$ 2,500	\$ 2,902	\$ 2,500	\$ 2,500
Other Plant Maintenance	\$ 1,355	\$ 1,429	\$ 1,355	\$ 1,355
Office Salaries	\$ -	\$ -	\$ -	\$ -
Management	\$ 10,000	\$ 6,250	\$ 10,000	\$ 10,000
Employee Pensions & Benefits	\$ 14,564	\$ 15,965	\$ 14,564	\$ 14,564
Uncollectible Accounts Expense	\$ 1,000	\$ 881	\$ 1,000	\$ 1,000
Office Services & Rentals	\$ 5,529	\$ 9,417	\$ 5,529	\$ 5,529
Office Supplies & Exp.	\$ 3,675	\$ 1,620	\$ 3,675	\$ 3,675
Professional Services	\$ 35,000	\$ 29,777	\$ 35,000	\$ 35,000
Insurance	\$ 17,964	\$ 20,545	\$ 17,964	\$ 17,964
Reg. Comm Exp.	\$ 7,500	\$ 6,151	\$ 7,500	\$ 7,500
General Expenses	\$ 17,000	\$ 20,668	\$ 17,000	\$ 17,000
Total Operating Expenses	\$ 393,888	\$ 437,824	\$ 393,888	\$ 393,888
Depreciation Expense	\$ 12,703	\$ 13,434	\$ 12,703	\$ 12,703
Taxes Other than Income	\$ 16,338	\$ 16,654	\$ 16,338	\$ 16,338
State Tax	\$ 11,976	\$ 7,100		
Federal Income Taxes	\$ 25,934	\$ 15,385		
Interest Expense	\$ -		\$ -	
Total Deductions	\$ 460,839	\$ 490,397	\$ 422,929	\$ 422,929
Net Operating Income (Loss)	\$ 97,562	\$ 57,877	\$ 33,349	\$ 101,503
Avg Plant	\$ 5,179,323	\$ 5,238,375	\$ 5,179,323	\$ 5,179,323
Avg Accum Depreciation	\$ 2,284,979	\$ 2,595,383	\$ 2,284,979	\$ 2,284,979
Net Plant	\$ 2,894,344	\$ 2,642,992	\$ 2,894,344	\$ 2,894,344
Less: CIAC	\$ 2,606,738	\$ 2,330,371	\$ 2,606,738	\$ 2,606,738
Plus: Working Cash	\$ -	\$ -	\$ -	\$ -
Materials and Supplies	\$ 13,925	\$ 15,100	\$ 13,925	\$ 13,925
Rate Base	\$ 301,531	\$ 327,721	\$ 301,531	\$ 301,531
Rate of Return (RR)	32%	18%	11.06%	
Rate of Margin (RM)	24%	15%		24%

Cypress Ridge Sewer Company, Co

2019 CPI-U - 2.3% Increase & D. 20-07-036 Decrease

RATES:

Schedule No. 1

	Res. 5187	D. 20-07-036 (1)	2019 CPI-U (2)
For all residential sewer service per month =	\$ 120.55	\$ 113.22	\$ 115.82

Schedule No. 2

	Res. 5187	D. 20-07-036 (1)	2019 CPI-U (2)
For Golf Pro Shop	\$ 120.55	\$ 113.22	\$ 115.82
For Golf Maintenance Facility	\$ 120.55	\$ 113.22	\$ 115.82
For Commercial/Office Facility	\$ 120.55	\$ 113.22	\$ 115.82
For Pavilion	\$ 120.55	\$ 113.22	\$ 115.82

(1) The rates reflected exclude State and Federal taxes in accordance with D. 20-07-036

(2) CPI-U Rates were effective on April 3, 2020 a 2.3% Increase over 2019 Rates

Cypress Ridge Sewer Company, Co

D. 20-07-036 Sur-Credit and Standard Practice U-3-SM par 38
8/18/2020

GRC Rates with State and Federal taxes were implemented in April 2019

Nine months of State and Federal taxes were collected in 2019

Seven months of taxes were collected in 2020 assuming AL 37-SS will be approved after the July 2020 billing for a total of 16 months

Surcredit Calculations in accordance with D. 20-07-036 and Standard Practice U-3-SM par 38 results in an annual refund of \$33,968

Annual state and Federal Customer refund per Summary of Earnings (\$558,400 less \$524,432 equals \$33,968	\$ 33,968.00
Monthly Amount Collected	\$ 2,830.67
Months collected (April '19 to July '2020	16
Total collected	\$ 45,290.67
Refund per month over 12 months	\$ 3,774.22
Refund per Customer per Month for 12 months for 386 Customers	\$ 9.78