

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the Matter of the Application of GOLDEN HILLS SANITATION COMPANY (U 438-SWR) for Authority to Increase Rates Charged for Sewer Service by \$148,076 or 120% in January 2012, \$148,076 or 54% in January 2013, and \$148,076 or 35% in January 2014.

Application 11-08-XXX
(Filed _____)

A1108019

APPLICATION

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Dated: August 26, 2011

Attorney for the
GOLDEN HILLS SANITATION COMPANY
(U 438-SWR)

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BEFORE THE PUBLIC UTILITIES COMMISSION
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In the Matter of the Application of GOLDEN HILLS SANITATION COMPANY (U 438-SWR) for Authority to Increase Rates Charged for Sewer Service by \$148,076 or 120% in January 2012, \$148,076 or 54% in January 2013, and \$148,076 or 35% in January 2014.

Application 11-08-XXX
(Filed _____)

APPLICATION

Golden Hills Sanitation Company, Inc. (GHSC) (U 438-SWR) respectfully requests authority to increase its rates charged for sewer service for the three-year period 2012 – 2014.

The requested rate increases are as follows:

Year	% Increase	Amount Increase
2012	120%	\$148,076
2013	54%	\$148,076
2014	35%	\$148,076

GHSC requests an increase in its revenue requirement of \$444,228 or 359% to be authorized in 2012. The above table reflects the phase-in of this increase over three years. Additionally GHSC requests an increase in operating revenues equal to the Consumer Price Index-U for each of the three years (2012, 2013, and 2014) and a return on rate base of 13.5%.

This Application is filed, served, and noticed pursuant to Articles 2 and 3 of the Commission's Rules of Practice and Procedure. All rule citations herein are to those Articles.

I.
REQUESTED RELIEF (Rule 2.1)

A. Background

In Decision (D.) 10-05-025, the Golden Hills Sanitation Company (GHSC) was granted a certificate of public convenience and necessity (CPCN) by the Commission to provide sewer service to the Golden Hills Community (Tehachapi, California). GHSC, with 168 active sewer service connections, and 87 inactive service connection commitments, totaling 255 revenue producing connections, qualifies as a Class D sewer company (those serving less than 500 customers).¹

Pursuant to D.10-05-025, GHSC was also authorized to establish tariff schedules, establish and maintain a set of Commission-compliant accounts, file an annual report, and charge and establish tariffs reflecting its existing rates for sewer service.² All of these steps have been taken by GHSC through advice letters and other submissions to, with approval by, the Commission's Division of Water and Audits (DWA).³

D.10-05-025, however, did not specify or limit the manner in which GHSC could request authorization to increase its rates for sewer service. For that reason, GHSC followed the requirements contained in Standard Practice U-9-SM, which directs a Class D water or sewer utility to seek a general rate increase through advice letter. Between April and May 2011, following preparation and submission of its tariffs (GHSC AL SWR-1 (effective September 20, 2010) and its 2010 Annual Report (March 31, 2011), GHSC prepared and completed workpapers and data requests required for submission of a general rate increase advice letter pursuant to

¹ D.10-05-025, at p. 2, n. 1.

² D.10-05-025, at pp. 23-25.

³ On September 20, 2010, DWA approved GHSC's Advice Letter 1-SWR, establishing GHSC's tariffs. On March 30, 2011, GHSC filed its annual report for the calendar year ending December 31, 2010, with subsequent corrections to comply with the Commission's Uniform System of Accounts submitted on May 17, 2011.

Standard Practice U-9-SM. On May 10, 2011, GHSC representatives met with DWA staff to review and ensure compliance of its advice letter submission with DWA and Standard Practice U-9-SM requirements. On May 16, 2011, GHSC submitted its draft advice letter rate increase request (AL SWR-2) to DWA.

On May 25, 2011, GHSC received a letter from DWA's Water and Sewer Advisory Branch (Branch) stating: "The Branch has completed its preliminary review of your submittal and finds it complete for filing as of today." This letter is attached hereto as Exhibit A. By that letter, the Branch also directed GHSC to schedule a public meeting "to afford customers the opportunity to be heard and to ask questions about the proposed increase and the approval process." GHSC was also instructed to distribute an approved notice to each customer by mail, with copies to specified divisions of the Commission.

On June 9, 2011, GHSC held a customer meeting to explain the basis and answer questions regarding the rate increase request. This meeting was attended by thirty four (34) GHSC customers.

On June 23, 2011, a public meeting on GHSC's general rate increase request (AL SWR-2) was held at 6 o'clock p.m. in Tehachapi, California. This meeting was facilitated by DWA staff Peter Liu, Project Manager, and attended by GHSC representatives Clint Hilderbrand and Michael Popichak. According to the signed attendee record, fifty-seven (57) customers attended this meeting. No protests to AL SWR-2 were lodged at that time.

Following notice of AL SWR-2, correspondence was received by GHSC from 16 individuals. Some of these letters, however, were identical to each other and some were authored by individuals without an active GHSC sewer connection. All letters received by

GHSC, or provided to GHSC by the DWA, were responded to in writing by GHSC within the timeframe stated in the notice.

Prior to July 21, 2011, GHSC had no basis to believe that its AL SWR-2 would not proceed to be processed in the manner outlined in Standard Practice U-9-SM. However, on that date (July 21), GHSC was surprised to receive a letter from DWA Branch (Exhibit B hereto) rejecting AL SWR-2 on the basis that over 50% of GHSC's customers had protested AL SWR-2 by protest letter and petition. The letter also mentions "the complexity of the issues involved in this rate case" and the level of the requested rate increase as bases for DWA to "exercis[e] discretion and rejec[t] the advice letter without prejudice" and to "refer this advice letter to the ALJ Division via the docket office." The letter was signed by an individual (Bruce DeBerry) who had not been present at any of the meetings preceding submission of AL SWR-2, did not sign the May 25 Branch letter, and did not attend the June 23 public meeting with customers.

In response, GHSC wrote to DWA to object to the "findings" of this July 21st letter. (Exhibit C hereto.) In GHSC's review of the protest letters and petition, on which the DWA based its rejection of AL SWR-2, GHSC believes that the DWA failed to account for the total number of revenue producing connections in calculating the actual percentage of the customer base that submitted a protest or joined a petition in protest of AL SWR-2.

In a subsequent call by GHSC to Mr. DeBerry for clarification as to what issues the Branch deemed "complex" and how the Branch had calculated the percentage of complaints, no greater light was shed on either determination. Instead, GHSC was told that its first rate increase request after being granted a CPCN should be by formal application and that a general rate increase request from GHSC was expected to have been submitted earlier following the issuance of D.10-05-025.

First, as noted above, an order requiring GHSC to file its first general rate increase request as an application is not only at odds with Standard Practice U-9-SM, but, more importantly, was *not* part of D.10-05-025, and GHSC can find no Commission precedent to support that determination. Second, as to the timing of this application, it took GHSC, a *very small* Class D sewer utility with resources devoted to ensuring safe and reliable sewer service, nearly 10 months from the issuance of that decision to comply with the initial requirements of its CPCN authorization of preparing, finalizing, and submitting compliant tariffs and its 2010 Annual Report, including working cooperatively and continuously with DWA staff on both.⁴

As discussed below, GHSC believes that these circumstances warrant reconsideration by the Commission to determine, initially, whether an application or advice letter is appropriate to the rate relief requested by this Class D sewer company, first, in AL SWR-2 and now this application. However, without waiving that request, in compliance with the DWA Branch's rejection of GHSC's AL SWR-2, GHSC submits this general rate increase request by formal application. This application supersedes AL SWR-2.

B. The Commission Should First Determine Whether This Request Should be Processed As an Application or an Advice Letter.

GHSC is and remains a Class D sewer utility. As noted above, the applicable advice letter process for a Class D sewer utility rate increase request is detailed in Standard Practice U-9-SM. Nothing in D.10-05-025, in which GHSC's CPCN was granted, created any exception from that Standard Practice nor did it require GHSC to file its "first" rate increase by formal application. GHSC also is not, and was not, aware of any precedent that supersedes Standard Practice U-9-SM, which would require GHSC, as a Class D sewer utility, to file its first rate increase request, once its existing rates were in effect, by formal application.

⁴ See, p. 2 and n. 3, *supra*.

Under these circumstances, GHSC's only alternative, following issuance of D.10-05-025, was to request a rate increase by advice letter pursuant to the directions of Standard Practice U-9-SM. GHSC did so, following those requirements to the letter, including a meeting prior with DWA staff prior to submission of the advice letter to ensure compliance and scheduling and holding public meetings, one of which was facilitated by DWA staff, with GHSC customers.

GHSC is greatly disappointed that the Commission and its staff have wasted its limited resources and required a further expenditure of time and money to draft, file, and process this application. GHSC certainly hopes that the ALJ Division will give initial consideration as to the necessity of this rate increase being filed and processed as a formal application, as opposed to the advice letter process identified in Standard Practice U-9-SM. To that end, GHSC asks that the ALJ Division issue a ruling to determine if Standard Practice U-9-SM is applicable to GHSC, and, if it is, to direct DWA to process GHSC's AL SWR-2. At that point, this application could be withdrawn as moot.

C. GHSC's Requested Rate Increase Is Fair, Just, and Reasonable.

Whether processed as an application or advice letter, GHSC's rate request is the same. Specifically, GHSC requests authority to increase its sewer rates by 337.81% over present rates. GHSC's present rates have been in effect since the issuance of Commission Decision (D.) 10-05-025 (May 2010), in which GHSC was granted a certificate of public convenience and necessity (CPCN) to offer its public utility sewer service. The increase is necessary to offset increased and forecasted operating expenses and provide an adequate rate of return. Without this increase, GHSC's present rates, currently and as projected for the test years, are unfair, unjust, and unreasonable. GHSC's proposed rates herein are fair, just, and reasonable.

In this regard, GHSC's present rates were inherited from the previous owner and do not represent the cost of service. The principal shareholder of GHSC declared to financially support the operating expenses of GHSC through September of 2011. Due to the expiration of this transition funding, GHSC must begin to operate according to the cost of service.

GHSC appreciates that the rate increases being requested are significant. GHSC, therefore, is open to providing a rate design that would allow a discounted rate to be charged qualifying lower income customers. However, GHSC has not found a precedent for such a rate design for a Class D water or sewer company. GHSC believes that such a rate design would, in turn, require an upward adjustment to rates for non-qualifying customer to cover the lost revenue for the discounted rate. This suggestion was made and discussed at the meeting GHSC held with its customers on June 9, 2011. However, it was met with disapproval by the customers present who would not currently qualify for a discounted rate.

II. ORGANIZATION AND BUSINESS QUALIFICATIONS (Rule 2.2)

GHSC is a California corporation providing public utility sewer service to customers in the Golden Hills community located near Tehachapi, California. A certified copy of GHSC's articles of incorporation, issued by the Secretary of State, has been previously filed in Application (A.) 08-08-011. The Articles of Incorporation have not been subsequently amended.

III. FINANCIAL STATEMENT (Rule 2.3)

In compliance with Rule 2.3 of the Commission's Rules of Practice and Procedure, GHSC provides the following financial statement information.

A. Rule 2.3(a) – (c) – Stock & Property Ownership

GHSC is authorized in its Articles of Incorporation to issue twenty-five thousand (25,000) shares of common stock. Currently there are 238 shares outstanding. There are no preferred shares or any difference in the rights for any shareholder.

The principal shareholders of GHSC are:

The Estate of Carlie W. Smith
BB&T Wealth Management
1820 Scottsville Road
Bowling Green, Kentucky 42104

And

The Estate of Lillian M. Smith
c/o Linda Maycock and Cherrie Middleton
BB&T Wealth management
1820 Scottsdale Road
Bowling Green, Kentucky 42104

B. Rule 2.3(d) – (f) – Bonds & Indebtedness

The indebtedness of GHSC totals \$808,504 earning 7% interest as reflected in the 2010 Annual Report. No interest or principal has been paid by the Company to the Creditor since the loans were made. There is no other indebtedness of any other form or class, except for usual monthly operating expenses.

C. Rule 2.3 (g) – Dividends

No dividends have been paid by GHSC during the five previous fiscal years. There is no knowledge of any dividends ever being paid.

D. Rule 2.3(h) – Balance Sheet

A balance sheet of December 31, 2010, together with an income statement covering the period from the close of December 31, 2010, for which an annual report was filed with the Commission to the date of the balance sheet, is attached here to as Exhibit D.

**IV.
ADDITIONAL REQUIREMENTS FOR AUTHORITY TO INCREASE RATES
(Rule 3.2)**

A. Rule 3.2(a)(1) – Balance Sheet

The balance sheet required by this rule is the same as required by Rule 2.3(h). That balance sheet is attached hereto as Exhibit D.

B. Rule 3.2(a)(2) – Presently Effective Rates

The existing services and the associated charges are as follows:

Single Family Residential Sewer Service	\$ 58.00
Apartment Service Connection	\$ 52.87
Motel Service Connection	\$ 56.26
Service Commitment Fee	\$ 10.00

C. Rule 3.2(a)(3) – Proposed Rate Increase

Based on a 13.5% return, the proposed increase in revenues is \$444,228 or 359% (See, Exhibit E (“Summary of Earnings”). GHSC proposes to spread this increase linearly over three years as follows

The proposed rates for Years 2012, 2013, and 2014 are as follows:

	<u>TY 2012</u>	<u>TY2013</u>	<u>AY 2014</u>
Single Family Residential Sewer Service	\$127.41	\$196.82	\$266.23
Apartment Service Connection	\$ 116.14	\$179.41	\$242.68
Motel Service Connection	\$123.59	\$190.91	\$258.24
Service Commitment Fee	\$ 21.97	\$ 33.93	\$ 45.90
	<u>TY 2012</u>	<u>TY2013</u>	<u>AY2014</u>
The resulting gross revenues for each year are:	\$271,813	\$419,889	\$567,965
The resulting percentage changes in revenues are:	120%	54%	35%

As per standard Commission practice GHSC proposes that its O&M cost be increased in Test Year (TY) 2013 and Attrition Year (AY) 2014 by the CPI-U. Changes in rate base are not requested in this application. Any future capital investment will be included in rates by the use of a Construction Work in Progress offset when construction begins and a Rate Base Offset when the final project cost is known.

D. Rule 3.2(a)(4) – Property and Equipment Description

The Golden Hills Sanitation Co., Inc., Wastewater Treatment Facility (WWTF) is located at Monroe Lane - Utility Extension, Old Camp Road, Tehachapi, Ca. 93561, in a portion of section 7, T32S, R33E, MDBM. Exhibit C of the Application for a Certificate of Public Convenience and Necessity, A.08-08-011 (CPCN), incorporated by reference, is a legal description and survey map which describes the location of the WWTF.

The treatment facility is an activated sludge processing unit consisting of a bar screen box type head-works, two (2) equalization basins, twelve (12) extended aeration basins, four (4) clarifying sedimentation basins, two (2) filter wet-well holding tanks, a filter pump station, a vertical pressure automatic backwashing sand media filter, a disinfection unit, and an aerobic digester chamber. The facility has two (2) parallel treatment trains for the primary and secondary treatment processes. Facility specifications, engineering drawings and schematics for the treatment facility are included in Exhibit F of A.08-08-011 (CPCN), which is incorporated here by reference.

The service system is comprised of a sewer collection system consisting of 6,531 linear feet of 12 inch diameter and 16,987 feet of 8 inch diameter gravity sewer line, totaling 23,518 linear feet, one lift station, 5,818 linear feet of 6 inch force main leading to the effluent discharge site, and a water storage reservoir of approximately 110 acre-feet (13.6 ha/m) for

treated effluent. The current service territory served by the service system is defined in Attachment A to D.10-05-025, and is incorporated here by reference.

E. Rule 3.2(a)(5) – Rate of Return Summary

GHSC is a Class D Sewer Company. The presently authorized rate of return for this size utility is 13.5%. As the selected Rate of Return for Test Year 2012 has not yet been determined by the Division of Water and Audits, GHSC is aware that the authorized rate of return may change.

F. Rule 3.2(a)(7) – IRC Depreciation Methodology

No accelerated depreciation methodology is employed. Depreciation is calculated using straight line remaining life.

G. Rule 3.2(a)(8) – Annual Report Statement

No relationships as described in Section 2 of Commission General Order 104-A existed after the filing of Golden Hill's 2010 Annual Report.

H. Rule 3.2(a)(10) – Cost Pass Through

This increase request does not reflect or pass through to customers only increase costs to the corporation. It also includes the costs needed to provide a reasonable return on rate base.

I. Rule 3.2(b) - (d) – Required Notices

Upon this application being accepted for filing by the Commission, GHSC will provide all notices and publication required for this application by Rule 3.2, subsections (b) through (d). GHSC will also file the required proofs of compliance within the time specified by these rules. Exhibit F is GHSC's Proposed Notice to Customers (to be approved by the Commission's Public Advisor's Office).

V.
PROCEDURAL REQUIREMENTS (Rule 2.1 (a) – (c))

In accordance with Rule 2.1 (a) – (c) of the Commission’s Rules of Practice and Procedure, GHSC provides the following information:

A. Rule 2.1 (a) – Legal Name

Golden Hills Sanitation Co., Inc. (GHSC) is a Corporation organized and existing under the laws of the State of California. GHSC is engaged in providing sewer service to the community of Golden Hills, near Tehachapi, California. GHSC’s principal place of business is 21030 Mission Street, Suite B, Tehachapi, California 93561. There is no postal mail accepted at this address. GHSC’s attorney in this matter is Sara Steck Myers.

B. Rule 2.1 (b) – Communications

Correspondence or communications regarding this application should be addressed to:

Mike Popichak, General Manager
Golden Hills Sanitation Co, Inc.
P.O. Box 1468
Tehachapi, California 93581
(661) 822-4623 ex. 224 (Telephone)
(661) 822-4546 (Facsimile)
mpopichak@goldenhillssanitation.com (E-mail)

And

Sara Steck Myers
Attorney at Law
122 – 28th Avenue
San Francisco, California 94121
(415) 387-1904 (Telephone)
(415) 387-4708 (Facsimile)
ssmyers@att.net (E-mail)

C. Rule 2.1(c)

1. Proposed Category of Proceeding

This application, which requests an increase in the rates charged for sewer service by GHSC, should be categorized as “ratesetting.”

2. Issue to Be Considered and Need for Hearing

The sole issue presented by this application is whether the requested rate relief is just and reasonable. GHSC does not request a hearing in this matter and instead seeks expedited, ex parte relief if there are no formal protests.

3. Proposed Schedule

For the following reasons, GHSC asks that this application be given expedited consideration:

PROPOSED SCHEDULE

Action	Date
Protests to Application	September 26, 2011
Reply to Protests	October 6, 2011
Ruling on Propriety of Application v. Advice Letter	October 14, 2011
Prehearing Conference (If Required)	October 28, 2011
Scoping Memo (If Required)	November 4, 2011
Proposed Decision	December 12, 2011
Comments on Proposed Decision	January 3, 2012
Commission Decision	January 12, 2012

**VI.
PRAYER**

GHSC respectfully requests that the Commission do the following in this application:

1. Issue an initial ruling determining whether Standard Practice U-9-SM applies to GHSC (Class D Sewer Company) and, if so, directing that the Commission's Division of Water and Audits (DWA) to process GHSC AL SWR-2.
2. To the extent that this rate increase request continues to be processed as an application, a final decision on this application should find and order:
 - a. The present rates authorized for GHSC, currently and as projected for the test years, are unfair, unjust, and unreasonable.
 - b. The rates proposed and requested by GHSC in this application are fair, just, and reasonable.
 - c. GHSC is authorized to increase the rates charged for sewer service as follows:

Year	% Increase	Amount Increase
2012	120%	\$148,076
2013	54%	\$148,076
2014	35%	\$148,076

Respectfully submitted,

August 26, 2011

By: /s/ SARA STECK MYERS
SARA STECK MYERS

122 – 28th Avenue
San Francisco, California 94121
(415) 387-1904 (Telephone)
(415) 387-4708 (Facsimile)
ssmyers@att.net (E-mail)

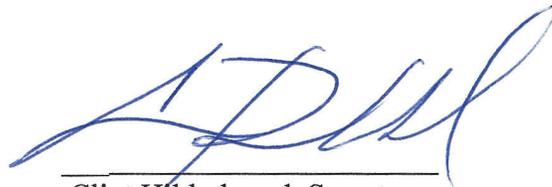
Attorney for the
GOLDEN HILLS SANITATION COMPANY
(U 438-SWR)

VERIFICATION

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf in the above entitled matter; the statements in the foregoing document are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 26, 2011, at Tehachapi, California.



Clint Hilderbrand, Secretary

EXHIBITS

Exhibit A

**Letter from DWA to GHSC
May 25, 2011**

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 25th, 2011

File No: 602-19

Clint Hilderbrand, Vice President
Golden Hills Sanitation Co.
P O Box 1468,
Tehachapi, CA. 93581

Dear Mr. Hilderbrand:

This is to acknowledge receipt of your draft advice letter rate increase request, which was received by the Water Division on May 16, 2011. The Branch has completed its preliminary review of your submittal and finds it complete for filing as of today.

In order to promote greater awareness during the rate increase process and to avoid later claims of lack of due process, we require that a public meeting be held to afford customers the opportunity to be heard and to ask questions about the proposed increase and the approval process.

We request that you arrange for a suitable meeting room which must be accessible to the handicapped. The time and place of the meeting should be convenient to the sewer company's customers. Please contact me at the telephone number below to make sure the date is convenient for all concerned.

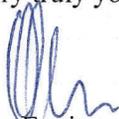
Please date and distribute the approved notice to each customer. This may be distributed by mail or otherwise, but should be received by the customer at least 20 days before the public meeting date. In addition to mailing the notice to all customers of record, you should also distribute a sufficient number of copies to your customers who sub meter others (if any) and request that they make a distribution to their sub metered users. Please furnish the Commission with three copies of the notice as distributed, one to the attention of the Press Office, Executive Division, one to the Public Advisor and one to the Water Branch of the Water Division, advising of the date of such distribution and whether by mail or otherwise.

The company's representative(s) at the public meeting should be prepared to discuss and answer customer questions concerning the need for an increase, system of operations, and other problems.

The Branch will evaluate any letters received from the utility's customers and will correspond with you regarding further processing of your request for an increase in rates.

If you have any further questions in this matter, please contact me at (415) 355-5564. We appreciate your cooperation in this matter.

Very truly yours,


Oge Enyinwa, Utilities Engineer
Water and Sewer Advisory Branch
Division of Water and Audits

Enclosure

Exhibit B

**Letter from DWA to GHSC
July 21, 2011**

CALIFORNIA PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 21, 2011

Clint Hilderbrand
Secretary
Golden Hills Sanitation Co, Inc.
P O. Box 1468
Tehachapi, CA 93581

Dear Mr. Hilderbrand:

Please be advised that the Water and Sewer Advisory Branch of the Division of Water and Audits (DWA) is rejecting Golden Hills Sanitation Company's (GHSC) Advice Letter No. 2 filed on June 1, 2011. In addition, the following Cal. P.U.C. Tariff sheets that were submitted with Advice Letter 744 are rejected:

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>
83-SS	Schedule No. 1
84-SS	Schedule No. F
85-SS	Table of Contents

Advice Letter No. 2 requests authority to increase sewer rates by \$263,144 or 213% in Test Year 2011 over present rates. It states that this is necessary in order to offset increased and forecasted operating expenses, and to provide an adequate rate of return for GHSC.

DWA's review indicates that GHSC's request to increase sewer rates by \$263,144 or 213% in Test Year 2011 over present rates has been protested by 105 out of the 168 connections it serves, which represents over 50% of the customers.

Standard Practice U-9-SM., P: 8, states in relevant part as follows: "If over 50% of the customers protest the proposed rate increase by letter or petition, then the Water Division will consider rejecting the advice letter and refer the GRC (General Rate Case) request to the ALJ Division to assign an application number, and the GRC will be processed as a formal proceeding".

Furthermore, the complexity of the issues involved in this rate case, and particularly, because of the fact that this increase will result in 213% increase in current rates, the DWA believes that this issue is better handled in a formal proceeding before an ALJ. Consequently, this Division exercises discretion and rejects the advice letter without prejudice, and refers this advice letter to the ALJ Division via the docket office. The docket office can be contacted at (415) 703-2121.

GHSC

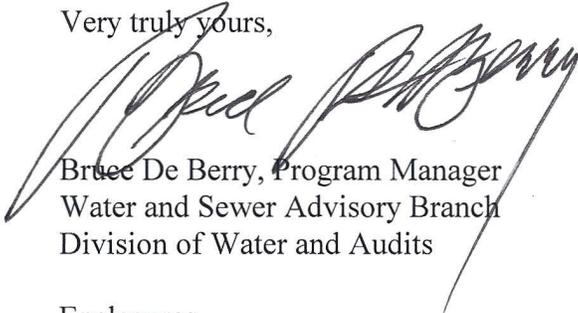
July 21, 2011

Page 2 of 2

Enclosed is a copy of the rejected advice letter for the utility's files. We are returning a copy of the advice letter and tariff sheets listed therein, with the date of rejection stamped thereon. In accordance with General Order 96-B, rejected tariff sheets shall be retained in the utility's file of cancelled and superseded sheets and sheet numbers and advice letter numbers of rejected filings shall not be reused.

If you have any questions regarding the above, please contact Oge Enyinwa at (415) 335-5564.

Very truly yours,

A handwritten signature in black ink, appearing to read "Bruce De Berry", is written over the typed name and title. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Bruce De Berry, Program Manager
Water and Sewer Advisory Branch
Division of Water and Audits

Enclosures

Exhibit C

**Letter from GHSC to DWA
July 23, 2011**

GOLDEN HILLS SANITATION CO, INC.

POST OFFICE BOX 1468

TEHACHAPI, CALIFORNIA 93581

661-822-4623 tel . 661-822-4546 fax

www.goldenhillssanitation.com

July 23, 2011

Mr. Bruce De Berry, Program Manager
California Public Utilities Commission
Water and Sewer Advisory Branch
Division of Water and Audits
505 Van Ness Avenue
San Francisco, CA 94102-3298

Re: Advice Letter No. 2, and Corresponding Tariff Sheets

Dear Mr. De Berry:

I am in receipt of your letter dated July 21, 2011, which indicates the Water Division's discretionary rejection of the Company's Advice Letter No. 2, filed on June 1, 2011, and the accompanying Cal. P.U.C. Tariff sheets, based on the calculation that 105 of 168 customers have either protested the filing by letter, or signed a petition of protest. Please review the following analysis for your consideration.

In review of the indicated 105 protests, most of which by petition, it is revealed that many protestant customers, hold inactive service connections, which are customers affected by the proposed rate increase. In consideration of this fact, the entirety of the Company's connections must be considered when applying Standard Practice U-9-SM, P:8. Therefore, 105 out of 255 connections (168 active plus 87 inactive) calculates to 41% of the customer base, 9% less than required for this discretionary action to be available.

Further, it appears that some of the signatures provided on the petition may in fact be multiple representatives of a single customer. Also, it appears that all of the letter submitters have also signed the petition and therefore cannot be counted twice, and in some cases more

GOLDEN HILLS SANITATION COMPANY

Mr. Bruce De Berry, Program Manager
Water and Sewer Advisory Branch
Division of Water and Audits
July 23, 2011
Page 2

than twice where multiple signatures appear on the petition representing a single customer connection, in addition to submitting a protest letter, however, these multiple entries, and submittals are only ancillary facts, and are not considered in the primary argument presented in this communication.

In light of the fact that the total number of received protests, and/or customers represented by petition does not break the 50% threshold of the Company's customers, the Company requests the Division of Water and Audits to reconsider, and withdraw its discretionary rejection of the Company's Advice Letter No. 2, and the accompanying Cal. P.U.C. Tariff sheets, since the provisions provided in Standard Practice U-9-SM, P:8, are not available, and that the Division of Water and Audits continue to process this filing.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Clint Hilderbrand', is written over a faint, illegible typed name.

Clint Hilderbrand, Secretary
Golden Hills Sanitation Co, Inc.

CH/

Exhibit D
Balance Sheet (Rules 2.3(h) and 3.2(a)(1))

Golden Hills Sanitation Company, Inc.

Balance Sheet

Accrual Basis

As of December 31, 2010

	Dec 31, 10	Dec 31, 09	\$ Change
ASSETS			
Current Assets			
Checking/Savings			
131.1 · Cash Drawer	588.00	0.00	588.00
131.2 · United California Bank	1,668.59	15,151.24	-13,482.65
Total Checking/Savings	2,256.59	15,151.24	-12,894.65
Other Current Assets			
141.1 · Accounts Receivable Clearing	16,586.81	6,865.00	9,721.81
174 · Other current assets			
174.5 · Prepaid Insurance	7,236.40	0.00	7,236.40
174.6 · Rental Deposits	850.00	5,914.00	-5,064.00
174.7 · Downpayments on Purchases	0.00	7,500.00	-7,500.00
174.9 · Prepaid Warranty Expense	1,887.00	0.00	1,887.00
Total 174 · Other current assets	9,973.40	13,414.00	-3,440.60
Total Other Current Assets	26,560.21	20,279.00	6,281.21
Total Current Assets	28,816.80	35,430.24	-6,613.44
Fixed Assets			
100 · Utility Plant			
105 · Construction work in progress			
105.1 · Plant Expansion (new applicatn)	17,099.37	0.00	17,099.37
105.2 · Hospital Mainline Extension	2,000.00	0.00	2,000.00
105.3 · Plant Rehabilitation	22,267.11	12,277.23	9,989.88
Total 105 · Construction work in progress	41,366.48	12,277.23	29,089.25
300 · Depreciable plant			
320 · Treatment plant	534,746.00	534,746.00	0.00
331 · Mains	45,380.00	45,380.00	0.00
339 · Other equipment	17,194.78	876.75	16,318.03
340 · Office furniture & equipment	3,601.47	0.00	3,601.47
341 · Transportation equipment	26,000.00	0.00	26,000.00
Total 300 · Depreciable plant	626,922.25	581,002.75	45,919.50
108 · Depreciation of Plant	-483,757.38	-461,741.00	-22,016.38
Total 100 · Utility Plant	184,531.35	131,538.98	52,992.37
299 · Non-depreciable plant			
301 · Intangible plant	68,000.00	5,000.00	63,000.00
303 · Land	76,240.00	76,240.00	0.00
Total 299 · Non-depreciable plant	144,240.00	81,240.00	63,000.00
Total Fixed Assets	328,771.35	212,778.98	115,992.37
TOTAL ASSETS	357,588.15	248,209.22	109,378.93
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Other Current Liabilities			
231.1 · A/P-Other	0.00	11,611.00	-11,611.00
231.2 · A/P-Legal, Current Bills	57,171.33	0.00	57,171.33
231.3 · A/P-Legal, AIG Litigation	90,500.00	90,500.00	0.00
Total Other Current Liabilities	147,671.33	102,111.00	45,560.33
Total Current Liabilities	147,671.33	102,111.00	45,560.33
Long Term Liabilities			
224 · Long-term debt			
224.1 · N/P-Carlie Smith Trust	800,504.00	445,296.00	355,208.00
224.4 · N/P-Dave Hansen, Engineer	0.00	18,006.00	-18,006.00
Total 224 · Long-term debt	800,504.00	463,302.00	337,202.00
Total Long Term Liabilities	800,504.00	463,302.00	337,202.00
Total Liabilities	948,175.33	565,413.00	382,762.33
Equity			

Golden Hills Sanitation Company, Inc.

Balance Sheet

Accrual Basis

As of December 31, 2010

	<u>Dec 31, 10</u>	<u>Dec 31, 09</u>	<u>\$ Change</u>
201 · Common stock	2,500.00	2,500.00	0.00
211 · Other paid-in capital	940,787.00	865,787.00	75,000.00
215 · Retained Earnings	-1,185,490.78	-977,338.10	-208,152.68
220 · Prior Period Adjustment	0.00	19,439.00	-19,439.00
Net Income	-348,383.40	-227,591.68	-120,791.72
Total Equity	<u>-590,587.18</u>	<u>-317,203.78</u>	<u>-273,383.40</u>
TOTAL LIABILITIES & EQUITY	<u>357,588.15</u>	<u>248,209.22</u>	<u>109,378.93</u>

Exhibit E
Summary of Earnings

Summary of Earnings

Based on the forms in Standard Practice U-9-SM, October 2007, Appendix A

Line	Column	A	B	C
		2010 annual report as Stated in Workpapers	Is this a typical value? (If no, please attach explanation)	2012 Test Year Estimate (present rates)
1	Acct			
		Operating Revenue		
2	460	Unmetered sewer revenue	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$123,737
3	462	Fire protection revenue	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	0
4	465	Irrigation revenue	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	0
5	470	Metered sewer revenue	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	0
6	480	Other sewer revenue	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	0
7		Total Revenue		\$123,737
8	610	Purchased Water	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$0
9	615	Power	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$15,522
10	618	Other volume related expenses	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$17,554
11	630	Employee labor	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$12,500
12	640	Materials	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$9,026
13	650	Contract work (excluding water testing)	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$49,606
14		Water testing portion of contract work	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$6,343
15	660	Transportation expenses	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$3,137
16	664	Other plant maintenance	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$10,334
17	670	Office salaries	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$20,800
18	671	Management salaries	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$65,000
19	674	Employee pensions & benefits	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$640
20	676	Uncollectibles expense	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$13,000
21	678	Office services and rentals	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$5,064
22	681	Office supplies and expenses	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$19,089
23	682	Professional services	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$14,380
24	684	Insurance	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$27,458

Summary of Earnings (Continued)

25	688	Regulatory Commission expense	\$367	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>	\$15,000
26	689	General expenses	\$25,251	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$25,251
27	Total Operating Expenses (sum of Lines 8 thru 26)		\$396,148		\$329,714
28	403	Depreciation expense	\$29,292	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$29,292
29	408	Taxes other than income taxes	\$8,529	yes <input checked="" type="checkbox"/> no <input type="checkbox"/>	\$13,080
30	409	Income tax on proposed net income			\$46,697
31	Total Expenses at proposed rates (Lines 27 +28 + 29 + 30)				\$418,733
32	Net Income (From Page 4, Line 21)				\$149,192
33	Total Revenue Requirement (Line 31 + Line 32)				\$567,965
34	Net Change in Revenue (Column C, Line 33 minus Column C, Line 6)				\$444,228
35	Percent Change in Revenue (Column C, Line 34 divided by Column C, Line 6)				359.01%

Notes:

Line	
11	\$12,500 labor increase required for SSO Program as per RWQCB*
12	\$9,026 maintenance material, chemicals, lab supplies, expected mechanical replacements
13	\$49,606 less lab testing + includes an estimated \$16,000 for contract SSO costs*
14	\$6,343 lab testing - calculated as Contract Work in 2010
17	\$20,800 projected increase in office
20	we are currently carrying app 13,000 in uncollectibles not including AB Land
21	less 5,064 in prepaid rents booked in 2010 year
22	less 2000 in website cost
23	14,380 accounting, gen legal exps
24	projected 12 mos - gen liability + auto
25	estimate based on doing a Formal GRC
29	projected increase employment taxes
30	if profit is calculated fed tax would total \$46,697.00 . No profit only CA Tax

Exhibit F
Proposed Notice to Customers (Rule 3.2(a)(5))

**NOTICE OF PROPOSED RATE INCREASE
BEFORE THE
CALIFORNIA PUBLIC UTILITIES COMMISSION**

On August 26, 2011, Golden Hills Sanitation Company filed a general rate case application (A.11-08-XXX) with the California Public Utilities Commission (“Commission”) to increase rates for sewer service in the years 2012 through 2015. The effect of the proposed increase by year is as follows:

Year	% Increase	Amount Increase
2012	120%	\$148,076
2013	54%	\$148,076
2014	35%	\$148,076

The principal reason leading to this request for rate relief is that the existing rates are not adequate to meet or cover current or forecasted expenses, including a reasonable rate of return, for the test years.

Formal evidentiary hearings may be conducted by the Commission. At these hearings, the Commission will receive testimony of GHSC’s expert witnesses, the Commission staff, and other interested parties.

The Commission welcomes your comments. If you wish to comment on GHSC’s request or want to participate in the hearings and require information on how to participate, you may write to the Commission at the address below. The Public Advisor will give your letter to the Commissioners, and it will become part of the formal correspondence file for this application.

Public Advisor’s Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

A copy of GHSC’s application may be inspected at its business office or the Commission office listed below:

Golden Hills Sanitation Company
21030 Mission Street, Suite B
Tehachapi, CA 93561

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102