

PROPOSED RESOLUTION

RES. W-4975
DWA/RSK/BMD/MCV/ds4

AGENDA ID #12786

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4975
March 27, 2014

RESOLUTION

(RES. W-4975) BIG BASIN WATER COMPANY.
GENERAL RATE CASE FILING IN ACCORDANCE
WITH GENERAL ORDER 96-B, INDUSTRY RULE 7.3,
AND DECISION 92-03-093. ORDER AUTHORIZING
BIG BASIN WATER COMPANY A RATE INCREASE
RESULTING IN AN ADDITIONAL ANNUAL
REVENUE OF \$84,937, OR 23.48%, FOR TEST YEAR
2013.

BY ADVICE LETTER 52 FILED ON July 2, 2013.

SUMMARY

This Resolution addresses the general rate case filed by Big Basin Water Company by Advice Letter 52 on July 2, 2013 in accordance with General Order 96-B and Decision 92-03-093. By Advice Letter 52, Big Basin Water Company requested an increase in gross water revenues in the amount of \$119,943, or 31.60%, for Test Year 2013 based on a rate of return 10.80%.

This Resolution authorizes an increase in gross annual revenues in the amount of \$84,937 for Big Basin Water Company for the Test Year 2013, which is estimated to provide a rate of return of 11.30%. The Division of Water and Audits' recommended revenue represents a reduction of \$58,821 to Big Basin Water Company's estimate of \$505,521 for total revenue for Test Year 2013. This is primarily due to adjustments to expenses and the company's rate base estimates in the amounts of \$37,752 and \$223,698, respectively.

BACKGROUND

Big Basin Water Company (BBWC) is a Class C investor-owned water utility with 597 service connections consisting of 584 metered, nine (9) flat rate, and four (4) private fire

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protection service customers in Santa Cruz County.¹ BBWC's service area is located along Big Basin Highway between Boulder Creek and Big Basin.

The California Public Utilities Commission's (Commission) D. 92-03-093, General Order (GO) 96-B, and Public Utilities Code 451 provide the general guidelines and rules by which Class B, C, or D investor-owned water utilities may request a general rate increase through an informal general rate case (GRC) filing. Accordingly, BBWC filed Advice Letter (AL) 52 on July 2, 2013, with its request for a general rate increase for Test Year (TY) 2013.

Additionally, by AL 51, filed on July 2, 2013, BBWC requested an interim rate increase in accordance with Commission Resolutions (Res.) W-4950 and W-4658. AL 51 was approved on July 22, 2013 with an effective date of July 22, 2013 and authorized an interim rate increase of 1.7% at the Consumer Price Index (CPI), which resulted in an increase in annual revenues in the amount of \$6,732. BBWC's interim rate increase is subject to refund or increase, relative to the rates established in this GRC.

Commission Res. W-4526 authorized BBWC's last GRC for TY 2003, which approved an increase in gross annual revenues in the amount of \$106,725, or 46.5%, over previously authorized revenues.

BBWC's water system is supplied by three surface water intakes (Jamison Springs 1 and 2, and Corvin Creek) and one groundwater well (Well No. 4). The three surface water intakes, each with a discharge capacity of 200 gallons per minute (gpm) are the primary sources of supply. BBWC has eleven above ground storage tanks in the water system with a total storage capacity of 780,000 gallons. The water distribution system has five pressure zones, and the water pressure throughout the system is maintained by the elevation head provided by the water level in the storage tanks and by booster pumps located throughout the system.

For TY 2013, BBWC proposes replacing two of its storage tanks and a variable pump drive on the water system at an estimated cost of \$150,000. The two water storage tanks will replace the Camino Verde and Roseta tanks with new factory coated bolted carbon steel water storage tanks with a capacity of 22,000 and 84,000 gallons, respectively. More information on the proposed system improvements and reasonableness of these improvements is provided in the Utility Plant and Rate Base section of this Resolution.

¹ As defined in G.O. 96-B Water Industry Rules Section 1.2., Class B, C, and D investor-owned water utilities serve 2,001 through 10,000, 501 through 2,000, and less than 500 service connections, respectively.

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NOTICE AND PROTESTS

In accordance with GO 96-B, BBWC served a copy of the AL to its service list on July 1, 2013, and a customer notice of the proposed rate increase and public meeting was mailed to each customer and to the general service list on August 6, 2013.

One customer filed a protest on BBWC's rate increase request. The customer in protest's letter states that the customer is doing everything in to conserve water and that if rates are increased there would be no incentive to continue conserving water. Division disagrees with the customer's statement given that BBWC's metered service rate structure consists of a service and a volumetric charge and therefore customers that conserve water benefit by having a lower quantity charge and as a result a lower water bill. The customer's protest should therefore be denied because it does not provide any facts or reasonable justification for denying BBWC's rate increase request. On August 28, 2013, Division of Water and Audits (Division) held a Public Participation Meeting at the Boulder Creek Country Club located in Boulder Creek at which time BBWC explained to its customers the need for its proposed rate increase, and Division staff provided an overview of the Commission's GRC process for Class C and D water utilities. Eighteen (18) customers attended the meeting. BBWC's customers were given an opportunity to ask questions of BBWC and Division, and to comment on BBWC's proposed rate increase and service. Customers overall are satisfied with the quality of BBWC's water service but their main concern was the overall percentage amount of the rate increase.

In setting rates in this Resolution, we have balanced the financial requirements of BBWC with the rate concerns of its customers.

DISCUSSION

The Division made an independent analysis of BBWC's operations. Appendix A provides BBWC's and Division's estimated Summary of Earnings (SOE) at present and proposed rates for TY 2013. BBWC is in agreement with Division's recommended revenue requirement for TY 2013 shown in Appendix A, and the recommended rates shown in Appendix B. Division recommends that the Commission approve the rate increases and resulting rates included in Appendix B for TY 2013.

Total Operating Revenues

BBWC's and Division's estimated operating revenues at present and proposed rates are slightly different because of the values used for estimated water sales for TY 2013. BBWC used 68,314 and 57,682 hundred cubic feet (ccf) as its estimated water sales for calculating its operating revenues under present and proposed rates, respectively. Whereas Division used 60,628 ccf for its revenue calculations under present and proposed rates based on BBWC's water sales during 2011 through 2013 averaged over this period. Division's analysis of the water sales data the company reported in

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Schedule D-7 of its annual reports found that data is not for actual water sales but for water the company places into the water system measured through its production meter on well No. 4 and the meter at the water treatment plant. This data therefore does not reflect actual water sales given that it does not account for water losses. Based on BBWC's billing data for metered service, Division determined that BBWC's metered water sales in 2011, 2012, and 2013 were 55,483, 60,869, and 65,533 ccf respectively. BBWC is not expecting any significant changes in its customer base or water sales for TY 2013, Division therefore recommends that the Commission adopt 60,628 ccf as the estimated water sales forecast for TY 2013 based on average water sales during 2011 through 2013.

Other Water Revenue

Res. W-4526, Ordering Paragraph 3, ordered BBWC to establish a balancing account to track revenues and expenses associated with timber harvesting anticipated during 2005 through 2009. BBWC has not established the balancing account as directed by Res. W-4526. Furthermore, Res. W-4526 indicated that BBWC had agreed to the disposition of timber revenues in accordance with Decision (D.) 00-07-018 which established a sharing of gross revenues of 30% and 70% for passive investments, between ratepayers and shareholders, respectively.² BBWC reports that in 2005 and 2006 it had \$331,129 in timber revenues and that \$99,399, or 30%, of this amount is the customers' share of revenues. BBWC indicates that as of December 31, 2012 it has paid its customers \$76,567 and that it plans to pay the additional \$22,772 in 2013, 2014 and 2015 to its customers.

Based on the information provided by BBWC, Division was unable to confirm the amount of timber revenues BBWC has paid its customers and therefore recommends that this issue be further investigated by the Utility Audit, Finance and Compliance Branch (UAFCB). Once UAFCB completes its investigation and determines the amount timber revenues owed to its customers it should establish a method, including a schedule, for payment. Division also recommends that BBWC establish a balancing account to record expenses and revenues associated with its timber operations, as directed by Res. W-4526, given that BBWC has indicated it may have additional timber operations in the future.

Total Operating Expenses

The Division's estimate of BBWC's operating expenses for TY 2013 is based on the Division's analysis of the company's operations and expense data from the years 2010

² Res. W-4526, pg. 2, and D.00-07-018, pg. 14.

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through 2012, except for expenses relating to purchased power, employee labor, employee pensions and benefits, insurance, office and management salaries. For employee labor, office and management salaries, Division evaluated the salaries of comparable positions, with similar level of work experience, responsibilities and qualifications, in Santa Cruz and Santa Clara counties. For estimating all other expense categories, Division analyzed the company's operations and based its expense estimate on this analysis.

Division finds BBWC's operating expense estimates for TY 2013 reasonable, except where noted. The main difference in Division's and BBWC's operating expense estimates, provided in the SOE in Attachment A, is the reallocation of BBWC's operating expenses to the appropriate expense accounts, in accordance with the Commission's Uniform System of Accounts (USOA) for Class B, C, and D water utilities adopted by D. 85-04-076. Division reviewed BBWC's utility operations and the corresponding expense accounts and found that BBWC has not properly followed the USOA for booking several expenses in the appropriate accounts. Division in the SOE therefore adjusted the expense accounts to more accurately reflect the company's expenses associated with each respective utility operation. For example, Division re-allocated utility expenses for materials, contract work and volume related expenses that BBWC had booked in the Other Plant Maintenance expense account. Division also re-allocated utility plant maintenance and professional service expenses that BBWC booked into its General Expense account, and subtracted expenses associated with BBWC's sewer operations that had been booked to the General Expense account.

For employee labor, office and management salaries, Division evaluated the salaries of comparable positions with similar levels of work experience, responsibilities, and qualifications in Santa Cruz and Santa Clara counties and determined that the requested salaries were within or below the salary range for similar positions in these nearby counties. Division therefore finds BBWC's requested salaries reasonable, and based on these salary amounts determined that BBWC's calculation for employee pensions and benefits were accurately computed.

Division's recommended amount of \$10,606 for Insurance expense for TY 2013 is based on the cost of BBWC's insurance policy for 2013 and 2014 in the amount of \$11,568 minus 6.0% of this cost allocated to the Big Basin Sanitation Company, per the cost allocation established by Res. W-4720.

Division's recommended amount of \$5,160 for Uncollectible Accounts expense is based on the company's three year average, 2010 through 2012 for uncollectible amounts. Division believes that this is a reasonable estimate for Uncollectible Accounts expense, given that it is based on BBWC's actual uncollectable amounts for the last three years.

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For Office Service and Rentals, Division recommends \$5,000 based on amount of \$416 per month for Office Service and Rentals for the utilities business operations.

For Office Supplies and Expenses, BBWC requested \$5,824 for TY 2013. Division recommends \$6,500 to adequately cover office supplies and expenses associated with billing, printing, general accounting supplies, and other office expenses for 597 water service connections/ customer accounts.

BBWC requested \$18,840 for Purchased Power expense for TY 2013. Division recommends \$19,463 based on the average energy usage during 2011 through 2013 of 105,084 kilowatt hours (kWhs) billed at the current average composite energy rate of \$0.18521 under Pacific Gas and Electric's (PG&E) A-6 Time-of-Use tariff schedule. BBWC's Purchased Power expense estimate was based on the average energy usage during 2010 through 2012 of 107,290 kWhs at an energy rate of \$0.18 per kWh. Division's Purchased Power expense estimate for TY 2013 provides a more accurate estimate given that it is based on the most current purchased power, water sales, and pump data from 2011 through 2013.

Utility Plant and Rate Base

Division's analysis of BBWC's rate base estimate for TY 2013 included examining utility plant-in-service since the company's last GRC for TY 2003, proposed utility plant additions, materials & supplies, working cash, and depreciation reserve.

BBWC's rate base estimate for TY 2013 is \$882,213 based on an estimated average utility plant-in-service in the amount \$2,112,249 as of December 31, 2012 and \$150,000 in anticipated plant additions for TY 2013. Division's estimated rate base for TY 2013 is \$658,515 based on utility plant balance as of December 31, 2012 of \$2,132,414³ plus the \$150,000 in plant additions for TY 2013 less accumulated depreciation. The main difference between BBWC and Division's rate base estimate is that Division excludes \$1,228,968 in utility plant funded by the State's Safe Drinking Water Bond Act (SDWBA) in 1991 which is treated as Contribution in Aid of Construction (CIAC) per the Commission's accounting rules and ratemaking policies adopted by D.10-12-058 for utility plant that is funded by public loans. Of the total SDWBA loan amount, Division subtracted \$901,243⁴ the amortized SDWBA utility funded plant to compute an average plant-in-service of \$1,381,171 for TY 2013. This amount was further adjusted by subtracting \$399,931 for the accumulated depreciation on utility plant and \$327,725 for

³ Division utility plant calculation is based an analysis of BBWC's utility plant in service since 2004.

⁴ Division calculated that \$901,243 of the \$1,228,968 in utility plant funded by SDWBA loan has been amortized as of December 31, 2013, based on an amortizing rate of 3.3% for a 30-year useful-life period, and the plant placed in service in 1992.

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the unamortized SDWBA funded plant which is treated as CIAC. Division then added \$5,000 for construction work in progress to calculate its rate base estimate.

As noted above for TY 2013 BBWC proposes replacing two of its storage tanks and the variable pump drive on the water distribution system at an estimated cost of \$150,000. The two new water storage tanks will replace the Camino Verde and Roseta tanks with factory coated bolted carbon steel water storage tanks with a capacity of 22,000 and 84,000 gallons, respectively. In support of the cost estimate, BBWC included a cost estimate for replacement of the storage tanks from Palmer Tank & Construction Incorporated.

Division reviewed BBWC's proposed capital improvement projects and determined that these improvements are necessary to maintain adequate and reliable water service. Division staff during its site visit and inspection of the water system confirmed the need for replacing the water storage tanks given the deteriorating condition of the existing tanks. Division also finds BBWC's cost estimate for replacing the storage tanks reasonable based on the size and material of the storage facilities and job involved. Division also evaluated BBWC's proposal to replace the existing water pump with a variable pump drive and found it to be reasonable since it eliminates the need for BBWC to replace the pressure tank at the pump location and incur an additional expense. Division therefore finds BBWC's proposed projects reasonable for Commission approval and the associated costs prudent for inclusion into the company's rate base.

Res. W-4526 recommended that BBWC undertake a number of system improvement projects. Division reviewed BBWC's capital improvement projects and confirmed that the company has carried out most of the recommended system improvements and the projects not yet completed are being proposed as part of this GRC, which include the Roseta and Camino Verde storage tank replacements. Appendix E provides a list of the projects BBWC has completed including cost and the year each project was completed. Division has accounted for these capital improvement projects in its utility plant and rate base estimates provided in the SOE in Appendix A.

Results of Operations

BBWC's rate increase request was based on a rate of return (ROR) on utility investment of 10.80%. In accordance with Commission ratemaking policy adopted by D.92-03-09, two methods are available for Division to utilize for ratemaking for Class C and D water utilities, the ROR and Rate of Margin (ROM) methods.⁵ D. 92-03-09 directs

⁵ The revenue requirement and rates under the ROR method are based on company's rate base and under the ROM method the revenue requirement is based on the company's overall expenses which include operating and maintenance and depreciation expenses, income and other taxes, and an operating margin.

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Division to calculate the company's rates and revenue requirement using both of these methods and to recommend the ratemaking method resulting in the higher result.⁶ In this case Division determined that the ROR ratemaking method produces the higher revenue requirement result and recommends that the ROR method be used for BBWC's TY 2013 GRC.

Division's recommended range of ROR for Class C water utilities for 2013 is between 10.30% and 11.30%.⁷ Division considers a number of factors in determining the range of the recommended ROR, which include an assessment of the movement in actual and forecasted interest rates over last year's, the operational risk faced by Class C and D water utilities, and the authorized rates of returns for Class A utilities in 2012 and 2013. For BBWC's TY 2013 GRC, Division recommends an ROR of 11.30% based on the company's record of providing good quality water service and to help the company alleviate the cash flow issues it has experienced over the last few years. Using an ROR of 11.30% Division estimated a revenue requirement of \$446,700.

Rates and Rate Design

BBWC's rate structure consists of three (3) rate schedules: Schedule No. 1, General Metered Service; Schedule No. 2, Residential Flat Rate Service;⁸ and Schedule No. 4, Private Fire Protection Service. The rate design adopted by Res. W-4526 for BBWC's General Metered Service did not apply fully the Commission's recommended meter ratios established through D.86-05-064, due to the rate impact it had on the large size metered-service customers. BBWC's proposed rate design for metered service for TY 2013 fully implements the Commission's recommended meter size ratios. Division finds BBWC's application of the Commission's established meter size ratios acceptable given that these ratios are intended to account for the water demand the meter size and associated service connection imposes on the water system. The bill impact to customers with larger meter sizes has also been reduced as a result of incrementally applying the full meter size ratios. BBWC's proposed metered service and quantity charges conform to the rate design policy established by D. 92-03-093 which allows a Class C utility to recover 65% of fixed costs through the service charges.

At the recommended rate of return the resulting increase in revenue will be \$84,937 or 23.48% for TY 2013. The rates proposed by Division are shown in Appendix B. At the

⁶ D. 92-03-093, Ordering Paragraph 8.

⁷ Division's March 22, 2013 memorandum on the recommended rates of return and rates of margin for class C and D water utilities.

⁸ As of May 1, 1985, Residential Flat Rate Service is no longer available to BBWC's customers, and the company is in the process of converting the remaining nine (9) flat rate service customers to metered service.

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recommended rates for metered service for TY 2013, a monthly bill for a customer with 5/ 8 x 3/4-inch size meter with an estimated average monthly water usage of 8.70 ccf will increase from \$47.50 to \$58.28, a difference of \$10.73 or 22.59%. A comparison of customer bills at present and recommended rates for TY 2013 for 5x8 x 3/4-inch size meter are presented in Appendix C.

COMPLIANCE

The utility has been filing annual reports as required. As noted above, the utility has not been following the USOA for Class B, C, and D water utilities with regard to booking its operating expenses. However the Division's UAFCB is working with BBWC to bring the company's accounting records into compliance with the Commission's USOA. It is to BBWC's benefit to cooperate with the UAFCB's directives and guidance. If lack of cooperation is reported to the Commission by UAFCB, the Commission could open an Order Instituting Investigation (OII).

BBWC is in compliance with the Commission's and California Department of Public Health (CDPH) water quality standards. However, based on CDPH's July 22, 2013 water system inspection report for BBWC's water system, CDPH found some miscellaneous deficiencies with BBWC's storage facilities (e.g., installation of lock at the roof access hatch on well tank No. 4). Division contacted and discussed the July 22, 2013 water deficiency report with CDPH's Monterey District regional engineer and confirmed that BBWC is in the process of correcting the identified system deficiencies, and therefore no further action is needed at this time.

Division in Res. W-4526 found that BBWC had shorted the SDWBA trust fund by \$176,293 from 1997 through 2004, and the Commission directed BBWC to pay down the shorted amount.⁹ According to BBWC it has paid back to the SDWBA trust \$41,554 and the remaining balance owed to the trust, excluding penalties and interest, is \$134,739. The Division's UAFCB is currently examining the amount the company has paid back to the trust and once it determines the amount BBWC owes to the trust it will set-up a repayment plan, so no additional action is needed from the Commission at this time on this issue. However, BBWC should cooperate with the UAFCB and respond timely to its requests.

⁹ Res. W-4526, Ordering Paragraph 6.

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COMMENTS

Public Utilities Code section 311(g)(1) requires that a draft resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

A draft of this resolution was distributed for comment to the utility and other interested parties on February 11, 2014, informing these parties that this draft resolution is available for public comment.

FINDINGS

1. Big Basin Water Company (BBWC) filed its general rate case (GRC) on July 2, 2013, by Advice Letter (AL) 52, with a Test Year (TY) of 2013 in accordance with General Order (GO) 96-B and Decision (D.) 92-03-093.
2. By AL 52, BBWC requested an increase in gross water revenues in the amount of \$119,943 or 31.60% for TY 2013 based on a rate of return (ROR) 10.80%.
3. One customer filed a protest on BBWC's rate increase request stating that the rate increase does not provide an incentive to conserve water.
4. The customer's protest should be denied because it does not provide any facts or reasonable justification for denying BBWC's rate increase request.
5. AL 52 was served in accordance with GO 96-B on July 1, 2013. On August 6, 2013, a notice of the proposed rate increase was mailed to each customer and the general service list.
6. By AL 51, filed on July 2, 2013, BBWC requested an interim rate increase in accordance with Commission Resolutions (Res.) W-4950 and W-4658.
7. AL 51 was approved on July 22, 2013 with an effective date of July 22, 2013 and authorized an interim rate increase of 1.7% at the Consumer Price Index, which resulted in an increase in annual revenues in the amount of \$6,732.
8. In reviewing BBWC's rate increase request, Division of Water and Audits (Division) made an independent analysis of BBWC's utility operations and associated expenses.
9. Division's estimate of BBWC's operating expenses for TY 2013 is based on the Division's analysis of the company's operations and expense data from the years 2010 through 2012, except for expenses relating to purchased power, employee labor, employee pensions and benefits, insurance, office and management salaries.
10. Division finds BBWC's request for employee labor, office and management salaries reasonable based on its evaluation of the salaries of comparable positions with similar levels of work experience, responsibilities, and qualifications in Santa Cruz and Santa Clara counties.
11. Based on Division's evaluation of BBWC's operating expenses, Division finds BBWC's operating expense estimates for TY 2013 reasonable, except where noted.

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12. Division adjusted the BBWC's expense accounts to more accurately reflect the company's expense associated with the respective utility operation, given that BBWC has not been accurately following the Commission's Uniform System of Accounts (USOA) for Class B, C, and D water utilities adopted by D. 85-04-076.
13. Division's Utility Audit, Finance and Compliance Branch (UAFCB) is working with BBWC to bring the company's accounting records into compliance with the Commission's USOA.
14. Division's rate base estimate for TY 2013 is \$658,515 based on its analysis of BBWC's utility plant-in-service since the company's last GRC for TY 2003, proposed utility plant additions, materials and supplies, working cash, and depreciation reserve.
15. The main difference between BBWC and Division's rate base estimate is that Division excludes \$1,228,968 in utility plant funded by the State's Safe Drinking Water Bond Act (SDWBA) in 1991 which is treated as Contribution in Aid of Construction (CIAC) per the Commission's accounting rules and ratemaking policies adopted by D.10-12-058 for utility plant that is funded by public loans.
16. BBWC's proposal to replace the Camino Verde and Roseta tanks and variable pump drive on its water system is necessary to maintain adequate and reliable water service.
17. Division finds BBWC's costs estimate of \$150,000 for replacing the storage tanks and variable pump drive reasonable and recommends Commission approval of these capital improvements for inclusion into the company's rate base.
18. Appendix E provides a list of the capital improvements BBWC has completed that were recommended by Res. W-4526.
19. Division calculated BBWC's rates and revenue requirement using the ROR and Rate of Margin method as required by D. 92-03-093, and determined that the ROR ratemaking method produces the higher revenue requirement.
20. Division recommends an ROR of 11.30% for BBWC's TY 2013 GRC which is within the Division's recommended range of ROR for Class C water utilities.
21. Using a ROR of 11.30% the estimated a revenue requirement is \$446,700.
22. The rate design adopted by Res. W-4526 for BBWC's General Metered Service Schedule did not fully apply the meter size ratios established through the Commission's D.86-05-064, due to the rate impact it had on the large size metered-service customers.
23. BBWC's proposed metered service rate design for TY 2013 fully applies the Commission's recommended meter size ratios.
24. Division finds BBWC's proposal to apply the Commission's established meter size ratios reasonable because it accounts for the water demand each respective meter size and associated service connection imposes on the water system.

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25. The bill impact on customers with larger size meters has been reduced as a result of incrementally applying the full meter size ratios.
26. BBWC's metered service and quantity charges conform to the rate design policy established by D. 92-03-093 which allows a Class C utility to recover 65% of fixed costs through the service charges.
27. At the recommended ROR the resulting increase in revenue is \$84,937 or 23.48 % for TY 2013.
28. Division's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
29. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
30. The quantities (Appendix D) used to develop Division's recommendations are reasonable and should be adopted.
31. BBWC is in compliance with the Commission's and California Department of Public Health water quality standards and regulations.
32. Division recommends that the UAFCB investigate the amount of timber revenues owed to BBWC's customers; once the investigation is completed UAFCB should establish a method, including a schedule, for payment.
33. Division recommends that BBWC establish a balancing account to record expenses and revenues associated with any future timber operations, as directed by Res. W-4526.
34. Res. W-4526 found that BBWC had shorted the SDWBA trust fund by \$176,293 from 1997 through 2004.
35. Division's UAFCB is examining the amount BBWC owes the SDWBA trust fund and will set-up a payment method and schedule for repayment of the amount owed.
36. BBWC should be allowed to file a Tier 2 AL within 30 days from the effective date of this Resolution to collect the under-collected revenues from the interim rate date to the effective date of the new rates. This AL should become effective upon approval by Staff of the Division.

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THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Big Basin Water Company to file a supplemental Advice Letter with the revised rate schedules attached to this Resolution as Appendix B, and concurrently cancel its presently effective rate Schedules: Schedule No. 1, General Metered Service; Schedule No. 2, Residential Flat Rate Service; and Schedule No. 4, Private Fire Protection Service. The effective date of the revised schedules shall be five days after the date of filing.
2. Big Basin Water Company is authorized to file a Tier 2 Advice Letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from July 22, 2013, the interim rate date, to the effective date of the new rates established by this Resolution. This Advice Letter shall become effective upon approval by Staff of the Division of Water and Audits.
3. Big Basin Water Company's proposed capital improvement projects, replacement of the Camino Verde and Roseta water storage tanks and replacement the variable pump drive, in the amount of \$150,000 are approved for inclusion into the company's rate base.
4. The customer protest is denied because it does not provide any facts or reasonable justification for denying Big Basin Water Company's rate increase request.
5. The quantities found in Appendix D used to develop the Division of Water and Audits' recommendations are adopted.
6. The Utility Audit, Finance and Compliance Branch (UAFCB) should investigate the amount of timber revenues Big Basin Water Company owes its customers and establish a payment method and schedule upon completion of its investigation; and Big Basin Water Company shall cooperate with UAFCB's support in bringing the company's accounting records into compliance with the Commission's Uniform System of Accounts.
7. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 27, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A

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Big Basin Water Company Summary Of Earnings Test Year 2013

	Big Basin		Division		Division
	Present Rates	Requested Rates	Present Rates	Requested Rates	Recommended Rates
Operating Revenues					
Metered Service	\$ 373,618	\$ 499,357	\$ 356,254	\$ 511,789	\$ 439,898
Flat Service	\$ 5,221	\$ 5,784	\$ 5,221	\$ 5,784	\$ 6,446
Private Fire Protection	\$ 576	\$ 379	\$ 288	\$ 379	\$ 356
Total Revenue	\$ 379,415	\$ 505,521	\$ 361,763	\$ 517,952	\$ 446,700
Operating Expenses					
610 Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 18,840	\$ 18,840	\$ 19,463	\$ 19,463	\$ 19,463
618 Other Volume Related Expenses	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 5,000
630 Employee Labor	\$ 47,953	\$ 47,953	\$ 47,953	\$ 47,953	\$ 47,953
640 Materials	\$ 4,638	\$ 4,638	\$ 10,000	\$ 10,000	\$ 10,000
650 Contract Work	\$ 7,000	\$ 7,000	\$ 10,000	\$ 10,000	\$ 10,000
660 Transportation Expenses	\$ 14,172	\$ 14,172	\$ 14,172	\$ 14,172	\$ 14,172
664 Other Plant Maintenance	\$ 20,936	\$ 20,936	\$ 5,000	\$ 5,000	\$ 5,000
670 Office Salaries	\$ 33,773	\$ 33,773	\$ 33,773	\$ 33,773	\$ 33,773
671 Management Salaries	\$ 82,021	\$ 82,021	\$ 82,021	\$ 82,021	\$ 82,021
674 Employee Pensions and Benefits	\$ 37,656	\$ 37,656	\$ 37,656	\$ 37,656	\$ 37,656
676 Uncollectable Accounts	\$ 6,372	\$ 6,372	\$ 5,160	\$ 5,160	\$ 5,160
678 Office Services and Rentals	\$ 2,135	\$ 2,135	\$ 5,000	\$ 5,000	\$ 5,000
681 Office Supplies and Expenses	\$ 5,824	\$ 5,824	\$ 6,500	\$ 6,500	\$ 6,500
682 Professional Services	\$ 1,071	\$ 1,071	\$ 7,500	\$ 7,500	\$ 7,500
684 Insurance	\$ 13,414	\$ 13,414	\$ 10,606	\$ 10,606	\$ 10,606
688 Regulatory Commission Expense	\$ -	\$ -	\$ 2,000	\$ 2,000	\$ 2,000
689 General Expense	\$ 26,416	\$ 26,416	\$ 8,000	\$ 8,000	\$ 8,000
Subtotal	\$ 322,221	\$ 322,221	\$ 309,804	\$ 309,804	\$ 309,804
403 Depreciation	\$ 42,216	\$ 42,216	\$ 14,926	\$ 14,926	\$ 14,926
408 Taxes Other Than Income	\$ 25,190	\$ 25,190	\$ 20,480	\$ 20,480	\$ 20,480
409 State Income Taxes	\$ 800	\$ 7,398	\$ 1,463	\$ 15,270	\$ 8,972
410 Federal Income Taxes	\$ -	\$ 13,038	\$ 7,500	\$ 41,790	\$ 18,130
Total Deductions	\$ 390,427	\$ 410,063	\$ 354,173	\$ 402,271	\$ 372,311
Net Revenue	\$ (11,012)	\$ 95,458	\$ 7,589	\$ 115,681	\$ 74,389
Rate Base					
Average Plant	\$ 2,112,249	\$ 2,112,249	\$ 1,381,171	\$ 1,381,171	\$ 1,381,171
Average Dep. Reserve	\$ 1,235,036	\$ 1,235,036	\$ 399,931	\$ 399,931	\$ 399,931
Net Plant	\$ 877,213	\$ 877,213	\$ 981,240	\$ 981,240	\$ 981,240
Less: CIAC	\$ -	\$ -	\$ 327,725	\$ 327,725	\$ 327,725
Acc. Deferred Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Plus: Construction Work in Progress	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Working Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Materials and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
Rate Base	\$ 882,213	\$ 882,213	\$ 658,515	\$ 658,515	\$ 658,515
Rate of Return	-1.25%	10.82%	1.15%	17.57%	11.30%

END OF APPENDIX A

PROPOSED RESOLUTION

RES. W-4975
DWA/RSK/BMD/MCV/ds4

AGENDA ID #12786

APPENDIX B BIG BASIN WATER COMPANY

(Page 1 of 4) SCHEDULE NO. 1 GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a monthly basis.

TERRITORY

Big Basin and vicinity, Santa Cruz County

RATES

Quantity Rate:

All water, per 100 cu. ft.....\$ 3.15 (I)

Service Charges:

		<u>Per Meter</u> <u>Per Month</u>
For 5/ 8 x 3/4 inch meter.....	\$ 31.00	(I)
For 3/4 inch meter.....	\$ 46.60	
For 1 inch meter.....	\$ 77.60	
For 1½ inch meter.....	\$155.20	
For 2 inch meter.....	\$248.38	
For 3 inch meter.....	\$465.71	(I)

The Service Charges are a readiness-to-serve charges which are applicable to all metered services and to which are added the charge for water used computed at quantity rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(CONT.)

PROPOSED RESOLUTION

**RES. W-4975
DWA/RSK/BMD/MCV/ds4**

AGENDA ID #12786

**APPENDIX B
BIG BASIN WATER COMPANY
(Page 2 of 4)
SCHEDULE NO. 2**

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable only to flat rate residential water service furnished prior to May 1, 1985. This schedule is not open to new customers.

TERRITORY

Big Basin and vicinity, Santa Cruz County.

RATES

	Per Service Connection Per Month
All existing flat rate connections, where meters have not been located.....	\$59.69 (I)

SPECIAL CONDITIONS

1. The above flat rate applies to service connection not larger than one inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No.1, General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
3. All bills are subject to the reimbursement fee set forth in Schedule UF.

(CONT.)

PROPOSED RESOLUTION

RES. W-4975
DWA/RSK/BMD/MCV/ds4

AGENDA ID #12786

APPENDIX B BIG BASIN WATER COMPANY (Page 3 of 4)

SCHEDULE NO. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to water service furnished for private fire systems and to private fire hydrants.

TERRITORY

Big Basin and vicinity, Santa Cruz County.

RATES

	<u>Per Service Connection Per Month</u>
For each inch of diameter of service connection	\$7.41

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such Payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection service in addition to all other normal service does not exist in the street or alley adjacent to the premises to be serviced, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection service to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility.

(CONT.)

PROPOSED RESOLUTION

RES. W-4975
DWA/RSK/BMD/MCV/ds4

AGENDA ID #12786

APPENDIX B

BIG BASIN WATER COMPANY

(Page 4 of 4)

SCHEDULE NO. 4

PRIVATE FIRE PROTECTION SERVICE

(Continued)

The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage, or waste of water and the cost shall be paid by the applicant. Such payment shall not be subject to refund.

5. The utility undertakes to supply such water at such pressure as may be available at any time through the normal operation of its system.
6. All water bills are subject to the Public Utilities Commission reimbursement fee set forth in Schedule No. UF.

END OF APPENDIX B

PROPOSED RESOLUTION

RES. W-4975
DWA/RSK/BMD/MCV/ds4

AGENDA ID #12786

APPENDIX C

Big Basin Water Company COMPARISON OF RATES Test Year 2013

Per Service Connection Per Month				
	Present	Recommended	Percent	Increase
	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
Service Charge:				
5/8 x 3/4" \$	27.95	\$ 31.00		10.91%
3/4" \$	39.69	\$ 46.60		17.41%
1" \$	62.87	\$ 77.60		23.43%
1-1/2" \$	119.32	\$ 155.20		30.07%
2" \$	186.11	\$ 248.40		33.47%
3" \$	419.16	\$ 465.70		11.10%
Quantity Charge:				
All water usage, per 100 cubic feet (ccf)	\$2.26	\$3.15		39.29%

A monthly bill comparison for a customer with a 5/8 x3/4-inch meter is shown below:

	Usage <u>per ccf</u>	Present <u>Rates</u>	Recommended <u>Rates</u>	Amount <u>Increase</u>	Percent <u>Increase</u>
	0.0	\$27.95	\$31.00	\$3.05	10.91%
	5.0	\$39.25	\$46.74	\$7.49	19.08%
Average	8.7	\$47.50	\$58.23	\$10.73	22.59%
	15.0	\$61.85	\$78.22	\$16.37	26.47%
	40.0	\$118.35	\$156.92	\$38.57	32.59%

END OF APPENDIX C

PROPOSED RESOLUTION

RES. W-4975
DWA/RSK/BMD/MCV/ds4

AGENDA ID #12786

APPENDIX D Big Basin Water Company

ADOPTED QUANTITIES

Test Year 2013

1. Purchased Power	\$19,463
2. Water Sales	68,857 Ccf
3. Payroll	
Employee Labor	\$47,953
Office Salaries	\$33,773
Management Salaries	\$82,021
4. Payroll taxes	\$13,605
5. Property Taxes	\$6,876
Metered Service Connections	
5/8 -inch by 3/4 inch	542
3/4 -inch	5
1 -inch	30
1 1/2 -inch	4
2 -inch	<u>3</u>
Total	584

Tax Calculations

	<u>T Y 2013</u>
Operating Revenues	\$446,700
Operating Expenses	\$309,804
Depreciation	\$14,926
Taxes Other than Income	\$20,480
Taxable Income for State	\$101,490
State Taxes	\$8,972
Taxable Income for Federal	\$92,518
Federal Taxes	\$18,130

END OF APPENDIX D

PROPOSED RESOLUTION

RES. W-4975
DWA/RSK/BMD/MCV/ds4

AGENDA ID #12786

APPENDIX E

Big Basin Water Co.

Utility Plant Additions and Compliance with Res. W-4526

	<u>Project Description</u>	<u>Estimated</u>	<u>Actual</u>	<u>Date Completed</u>	<u>Comment</u>
1)	filter media repairs	\$ 12,000	\$ 8,925	2005	
2)	turbidimeter & graph recorder	\$ 6,500	\$ 6,424	2006	
3)	Pickup truck replacement	\$ 15,000	\$ 22,778		
4)	New pump house @ King Highway pump station	\$ 15,000	\$ 2,582		
5)	8-inch main to connect Chaparral Tank to system	\$ 5,000			
6)	Automation of Roseta Storage Tank	\$ 6,000			Will be part of Roseta tank replacement under item #10
7)	Hillhouse Tank Replacement	\$ 7,000	\$ 5,003	2006	
8)	Hilton Bridge water main repair	\$ 15,000	\$ -	2007	Completed at no cost
9)	King Highway Tank replacement	\$ 40,000			
10)	Roseta Tank Replacement	\$ 80,000	Combined cost for the two tanks, items #10 and #11 is \$97,756 plus \$25,000 for preparation and installation of tanks		Plant addition for TY 2013 (84,000 gallon tank)
11)	Camino Verde Tank Replacement	\$ 12,000			Plant addition for TY 2013 (22,000 gallon tank)

END OF APPENDIX E

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W- 4975 on all parties in these filings or their attorneys as shown on the attached lists.

Dated February 11, 2014 , at San Francisco, California.

/s/ DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

**BIG BASIN WATER COMPANY
ADVICE LETTER 52
SERVICE LIST**

Jim Moore, Manger
Big Basin Water Company
16575 Jamison Creek Rd.
Boulder Creek, CA 95006
bbwater197@yahoo.com

Janet Coons
161 E. Hilton Drive
Boulder Creek, CA 95006
Janet_coons@yahoo.com

John Mazetier
15520 Big Basin Way
Boulder Creek, CA 95006
imazer@cruzio.com

Martin McCue
221 W. Hilton
Boulder Creek, CA 95006
martmacu@aol.com

Felicitas Johnson
222 Compass Court
Boulder Creek, CA 95006
felicitasj@comcast.net

Mr. and Mrs. Edgemon
409 Bloom Greda
Boulder Creek, CA 95006
cedgemon@comcast.net
cfedgemon@aol.com

Mr. and Mrs. Moxon
104 Kings Highway
Boulder Creek, CA 95006
moxonbc@comcast.net

Bob Fuller
343 W. Hilton Drive
Boulder Creek, CA 95006
Bob.fuller.slv@comcast.net

Mr. and Mrs. Wohld
P.O. Box 2413
Boulder Creek, CA 95006
rickvonw@comcast.net

Hank Stanley
165 E. Hilton Drive
Boulder Creek, CA 95006
hankers@gmail.com

Ann Thrift
15520 Big Basin Way
Boulder Creek, CA 95006
athryft@earthlink.net

Gene Robles
210 Compass Court
Boulder Creek, CA 95006
bcrobles@comcast.net

Owen Doyle
500 Crows Nest Drive
Boulder Creek, CA 95006
Odoyle163@gmail.com

Mr. and Mrs. Hicok
650 Locksley Rd.
Boulder Creek, CA 95006
willmary@comscast.net

Susan Higgins
17750 Big Basin Way
Boulder Creek, CA 95006
gazoopus@earthlink.net

Steve Gonia
171 Tradewinds Drive
Boulder Creek, CA 95006
Sgonice@prodigy.net

**BIG BASIN WATER COMPANY
ADVICE LETTER 52
SERVICE LIST**

Matt Snow
134 Cypress Tree Lane
Boulder Creek, CA 95006
mattsnow@gmial.com

San Lorenzo Water District
13060 Highway 9
Boulder Creek, CA 95006

Gundy Sartor
145 E. Hilton Dr.
Boulder Creek, CA 95006
Gundy.2@netzero.com

California Department of Public Health
1 Lower Ragsdale, Building 1, Suite 120
Monterey, CA 93940

Jack Hawks
California Water Association
601 Van Ness Ave., Suite 2047
San Francisco, CA 94102
jhawks@calwaterassn.com