

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch**

**RESOLUTION W-5051
August 13, 2015**

RESOLUTION

**(RES. W-5051) BIG BASIN WATER COMPANY. ORDER
AUTHORIZING BIG BASIN WATER COMPANY'S STANDARD
TIMBER SALE CONTRACT FOR ITS TIMBER HARVEST PLAN
FOR FALL 2015 AND FOR OTHER FUTURE TIMBER OPERATIONS.**

SUMMARY

By Advice Letter 56, filed on May 28, 2015, Big Basin Water Company, a Class D water utility, requests approval of its standard timber sale contract for its timber harvest plan for the Fall Season of 2015, and Big Basin Water Company also requests to simplify the compliance process on an annual basis moving forward as Big Basin Water Company intends to use this same contract for other future timber operations.

Big Basin Water Company estimates the timber sales revenue for Fall 2015 to be \$90,685. Furthermore, Big Basin Water Company does not anticipate using any of its resources in the timber operations. Finally, Big Basin Water Company projects that the ratepayers' share of the revenue will be \$27,206, or 30% of the total revenue.

Also, in this advice letter, Big Basin Water Company proposes the following:

"Big Basin proposes to apply its share of the revenue to reimburse the remaining balance of the \$92,903 owed to its customers through a surcredit. As of April 30, 2015, the remaining amount owed in its Timber Operations Balancing Account (TOBA) is \$9,224. The ratepayer's share of the 2015 timber harvesting operation and any additional revenues in the future subject to sharing will be reimbursed through a surcredit that will be reflected in its TOBA."

The Division of Water and Audits reviewed the above proposal and finds it unreasonable because Big Basin Water Company is proposing to combine its past 2005 and 2006 timber operations with both future, and separate, 2015 timber operations.

Currently, Big Basin Water Company is in full compliance with Resolution W-4985, dated June 12, 2014, Ordering Paragraph No. 5, which states the following:

“Big Basin Water Company shall reimburse its customers \$92,903, the customers’ share of timber revenues from the company’s 2005 and 2006 timber operations, through a monthly bill surcredit of \$2.61 over a five year period, or until the full amount is reimbursed. The starting date of the monthly bill surcredit shall be the first billing period of the rates authorized by this Resolution.”

The Division of Water and Audits reviewed the balance in the Timber Operations Balancing Account from the 2005 and 2006 timber operations, and the remaining balance of \$9,224 as of April 30, 2015 will be fully reimbursed in early Fall 2015. Therefore, in accordance with Resolution W-4985, the \$2.61 surcharge, pertaining to the 2005 and 2006 timber operations, will cease when the full amount is reimbursed.

The ratepayers’ share of the future 2015 timber harvesting operations shall be accounted for separately, and any additional revenues in the future subject to sharing shall be reimbursed through a new surcredit, to be determined by a future advice letter, that will be reflected in its Timber Operations Balancing Account.

BACKGROUND

In 1994, Big Basin Water Company (BBWC) incorporated a 600-acre water shed into its plant account. The water shed has timber, a portion of which was harvested in 1998. Timber harvesting occurs approximately once every ten years, the last timber harvest was in 2005 and 2006, and the next one will occur in the Fall of 2015.

On July 7, 2014, the Commission approved Advice Letter (AL) 53 authorizing BBWC to establish a Timber Operations Balancing Account (TOBA) in compliance with Resolution (Res.) W-4985. The TOBA requires BBWC to record and track all revenues obtained by BBWC from the timber operations that are subject to sharing with BBWC’s ratepayers, including, but not limited to, expenses, capital, labor, and other applicable costs, jointly used for water and timber operations. BBWC’s TOBA was applied to track the repayment of the \$92,903 owed to customers from BBWC’s 2005 and 2006 timber operations. All revenues and expenses accumulated in this balancing account are subject to Commission audit.

Resolution W-4526, dated April 21, 2005, Ordering Paragraph No. 3, states the following:

“Big Basin Water Company shall establish a full cost balancing account to track revenues and expenses associated with timber harvesting.”

BBWC failed to comply with the Commission’s directive and did not establish the balancing account as directed by Resolution W-4526. Furthermore, Resolution W-4526 states that BBWC agreed to the sharing of timber revenues in accordance with the revenue sharing mechanism adopted by Decision D.00-07-018 which established a sharing of gross revenues of 30% and 70% for passive investments, between ratepayers and shareholders, respectively.

Resolution W-4985, Ordering Paragraph 4, ordered BBWC to reimburse its customers \$92,903, the customers’ share of timber revenues from the company’s 2005 and 2006 timber operations, through a monthly bill surcredit of \$2.61 over a five year period, or until the full amount is reimbursed.

DISCUSSION

AL 56 was filed in compliance with Ordering Paragraph (O.P.) No. 5 of Res. W-4985 and General Order (G.O.) 96-B and is designated as a Tier 3 filing.

O.P. No. 5 of Res. W-4985 outlines the procedure for BBWC to conduct its timber operations and states the following:

Big Basin Water Company shall file a Tier 3 Advice Letter for approval of any future timber operations and the Advice Letter shall include the following: 1) a copy of the contract agreement for the timber operations; 2) information on the company resources that will be used for the operations; 3) the estimated amount of revenues; and 4) a reimbursement plan and schedule to repay the remaining balance of the \$92,903 owed to its customers, and add additional revenues subject to sharing.

The Division of Water and Audits (Division) reviewed AL 56, filed in compliance with the above O.P. No. 5 of this Resolution, and has determined that BBWC is in full compliance with each of the provisions as follows:

1. A copy of the timber operations contact agreement was included in AL 56.
2. BBWC indicated, and the Division confirmed, that there is no information on company resources that will be used for such operations.
3. Attached to AL 56 is a copy of a letter dated March 12, 2015 from the lumber company estimating the amount of revenues BBWC anticipates receiving.
4. The reimbursement plan and schedule to repay the remaining balance of the \$92,203 owed to its customers, and additional revenues subject to sharing, was approved by the Division, via AL 53, on July 7, 2014.

BBWC shall not combine its past 2005 and 2006 timber operations surcredit with that of the Fall 2015 timber operations because the Commission has authorized the former to track revenue sharing for a specific project, for a definite period of time, and to be itemized as a unique billing line-item surcredit on customers' bills.

General Order 96-B, Section 8.5.5 Rate Schedules, states the following:

"Each utility's tariffs shall set forth all of its rate schedules, including for each schedule the schedule number or other designation, the schedule title (e.g., general, residential, "life-line," low-income), the requirements to obtain service, the rates and charges (in tables if possible), and any special conditions, limitations, qualifications, or restrictions specific to the service or rates under the schedule. Amounts subject to refund, contingent charges, and offset surcharges are examples of such special conditions." (Emphasis added)

As such, the specific surcredit in question is tied to specific project, for a specific time period, and shall terminate when the full amount is reimbursed. Each timber harvesting project shall be accounted for separately, and BBWC's request to merge unique projects into a single ongoing and continuous surcredit is impermissible under current Commission tariff rules absent a Commission-authorizing decision to do so.

After the 2015 timber harvest has been completed, and the ratepayers' applicable portion has been booked to the TOBA, BBWC should file a Tier 2 advice letter and calculate a new monthly bill surcredit within 60 days of the completion of the 2015 timber harvest.

In addition, BBWC requests that it be allowed to use the same Timber Sale Contract for future timber sales after 2015. This proposal is reasonable because Resolution W-4985 indicated that BBWC had not provided a copy of the contract agreement for timber operations for Commission review. Since this copy of the Timber Sale Contract provided in AL 56 is reasonable, this same contract should apply to future timber sales agreements as well. If, in the future, should any material changes to this current contract arise, BBWC should file a Tier 2 advice letter with the proposed modifications.

SAFETY

As this resolution pertains solely to BBWC's standard timber sales contract for its timber harvest plan, this is strictly a ratemaking issue and there are no safety implications.

NOTICE AND PROTESTS

AL 56 was served on May 28, 2015, in accordance with General Order 96-B, including adjacent utilities and persons on the general service list. No protests were received.

COMMENTS

This is an uncontested matter that pertains solely to a water corporation. Accordingly, pursuant to Public Utilities Code Section 311(g)(3), this resolution is exempt from the 30-day period for public review and comment.

FINDINGS AND CONCLUSIONS

1. Big Basin Water Company (BBWC) filed Advice Letter (AL) 56 on May 28, 2015 to request approval of its standard timber sale contract for its timber harvest plan for the Fall Season of 2015.
2. AL 56 has been filed in compliance with Ordering Paragraph (O.P.) No. 5 of Resolution (Res.) W-4985 that outlined the procedures for BBWC to follow in its timber operations.
3. BBWC is in full compliance with each provision of O.P. No. 5 of Res. W-4985.
4. BBWC requests that it be allowed to use the same contract for future timber sales after 2015.
5. BBWC should file a Tier 2 AL in the future should there be any material changes to the current Timber Sale Contract.
6. BBWC shall not combine its past 2005 and 2006 timber operations with the Fall 2015 timber operations.
7. BBWC shall file a Tier 2 advice letter and calculate a new monthly bill surcredit within 60 days of the completion of the 2015 timber harvest.

THEREFORE IT IS ORDERED THAT:

1. Big Basin Water Company's Timber Sale Contract for its Timber Harvest Plan for the Fall Season of 2015 as requested in Advice Letter 56 is approved.
2. Big Basin Water Company is authorized to use the same contract for future timber sales after 2015.
3. Big Basin Water Company shall file a Tier 2 advice letter in the future should there be any material changes to the current Timber Sale Contract.
4. Big Basin Water Company shall not combine its past 2005 and 2006 timber operations with the Fall 2015 timber operations.
5. Once the 2015 timber harvest has been completed, and the ratepayers' applicable portion has been booked to the TOBA, BBWC shall file a Tier 2 advice letter and calculate a new monthly bill surcredit within 60 days of the completion of the 2015 timber harvest.
6. 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 August 13, 2015; the following Commissioners voting favorably thereon:

/s/TIMOTHY J. SULLIVAN

TIMOTHY J. SULLIVAN
Executive Director

MICHAEL PICKER
President

MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
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Commissioners

Big Basin Water Company

Advice Letter 56

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