

ALJ/md

Decision 84 67 C12

JUL 5 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Donner Lake Utility Company, a California Corporation, for authority to borrow \$300,000 and to issue a note under Sections 816-830 of the Public Utilities Code.)

) Application 83-07-25 (Filed July 15, 1983; amended June 13, 1984)

(For appearances see Decision 84-05-099.)

SECOND INTERIM OPINION

By Decision (D.) 84-05-099 Donner Lake Utility Company (Donner) was authorized to borrow up to \$300,000 to make improvements to its system ordered by D.92446 and detailed in this application. As required by D.84-05-099 Donner has filed its schedule of construction for the projects outlined in the application. That schedule requires an initial loan of \$159,500 for the fiscal year 1984-85.

By its amendment to this application filed June 13, 1984, Donner requests, as contemplated by D.84-05-099, a surcharge be imposed on July 1, 1984 to cover its costs for depreciation, return on investment, and amortization of the loan over 10 years. The total annual surcharge requested is \$37,863, the detail of which is shown on Attachment C to the amendment filed June 13.

By letter dated June 15, 1984 to the assigned administrative law judge, Charles E. Luckhardt, Jr., an attorney representing several of Donner's customers and who appeared at the hearing held in April 1984 on this application, indicated that he has no objections to granting the requested surcharge provided that the calculations used to justify the request are correct.

In calculating the \$37,863 surcharge, Donner has made an error which results in some doubling up of part of the funds required. Donner's calculation is as follows:

Funds Required	\$159,500
Stipulated 10.5% return	\$16,748
Depreciation expense	5,165
Ten-year amortization of funds	<u>15,950</u>
Total surcharge	\$37,863

The correct calculation of the surcharge is as follows:

Depreciation expense	\$ 5,165
10.5% return on average rate base for the 84-85 fiscal year is (159,500-1/2x5165)x.105 =	<u>16,476</u>
Total surcharge	\$21,641

It will be noted that Donner's calculation doubles up the amortization of the loan with depreciation of the investment and, therefore, is incorrect for ratemaking purposes.

In its amended application Donner estimates it will have a total of 1,080 customers for the fiscal year 1984-85, with 1035 on 1" flat-rate service. Under Donner's estimate of the surcharge, the 1035 customers would pay an annual surcharge of \$34.05, whereas under the corrected calculation shown above, the surcharge would be about \$19.45 per year.

The record shows that Donner has operated at a loss for the past year and is planning a request to the Commission to raise its basic rates so its operation will be profitable. Therefore, the surcharge we will authorize in this decision, which will be based on the \$21,641 shown above, will result in reasonable rates for Donner's customers.

Findings of Fact

1. As required by D.84-05-099 Donner filed its schedule of construction for the projects outlined in A.83-07-25 in its amendment to A.83-07-25 filed June 13, 1984.

2. Donner's scheduled construction for the fiscal year 1984-85 will require an initial loan of \$159,500 as authorized by D.84-05-099.

3. Donner's proposed annual surcharge of \$37,863 to cover the construction loan noted in Finding 2 is not justified.

4. Donner will require an annual surcharge of \$21,641 in rates to cover the depreciation and a 10.5% rate of return which Donner has stipulated to as reasonable for this proceeding.

5. There are no protests to Donner's amended application and a public hearing is not required for this phase of A.83-07-25.

6. The \$21,641 surcharge authorized by this decision is justified and will produce rates for applicant which are reasonable.

7. Because the fiscal year for which the surcharge authorized by this decision has commenced, this order should be effective on the date signed.

Conclusion of Law

Based on the foregoing findings of fact and § 454 of the Public Utilities Code, the Commission may authorize Donner to amend its tariff as provided in the following order.

SECOND INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order Donner Lake Utility Company (Donner) is authorized to file a revised tariff schedule similar to the one attached to Donner's amended application as Attachment B with rates for the loan amortization charge calculated as shown in the table at the bottom of Attachment C of its amended application but reflecting an annual revenue surcharge of \$21,641.

2. The effective date of the revised schedule authorized by Ordering Paragraph 1 shall be 4 days after the date of filing and shall conform to General Order 96-A. The revised schedule shall apply only to service rendered on and after the effective date thereof.

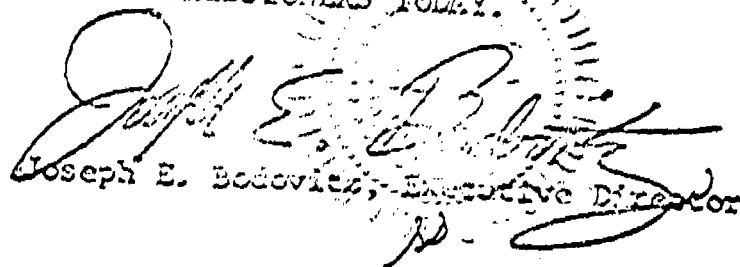
3. To the extent not granted by this decision, the amendment to A.83-07-25 filed June 13, 1984 is denied and the application is held open for consideration of any further changes in Donner's rates for service.

This order is effective today.

Dated JUL 5 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director