

ORIGINAL

Decision 84 08 026 AUG 1 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Cedar Ridge Water Company, a)
California Corporation, for)
authority to borrow money under the)
Safe Drinking Water Bond Act, and)
to add a surcharge to water rates to)
repay the principal and interest on)
such loan.)

Application 84-05-084
(Filed May 21, 1984)

O P I N I O N

By Decision (D.) 93049, dated May 19, 1981, in Application (A.) 60152, the California Public Utilities Commission (Commission) authorized Cedar Ridge Water Company (Cedar Ridge) to borrow \$560,200 from the California Department of Water Resources (DWR) under the California Safe Drinking Water Bond Act of 1976 (SDWBA) (Water Code 13850 et seq.). The proceeds of the SDWBA loan were to be used to finance water system improvements. The terms of the SDWBA loan provided for a 35-year repayment schedule with equal semiannual payments of \$23,035, covering principal, interest, and reserve at a rate of 6-1/2% per annum. Also, the Commission authorized Cedar Ridge to institute a surcharge on existing customer rates to repay the principal and interest on the loan.

A.84-05-084 RR/TC/ARM/WPSC

In August of 1979, Cedar Ridge prepared the SDWBA project plans and specifications. The Sanitary Engineering Section of the California Department of Health Services, Fresno, (DHS) assisted in this task and contributed their recommendations. In January of 1980, Cedar Ridge submitted to DWR documents needed to obtain funding for the SDWBA loan. A subsequent request for additional funds to increase the amount of the SDWBA loan was made in February 1980.

In August of 1981, DWR gave notice to Cedar Ridge that the SDWBA loan was approved. Final plans and specifications were then approved by DHS.

In applying for the loan from DWR in January, 1980, it was estimated that the cost of the project would be \$560,200. In the one and one-half year interim to obtain approval of the SDWBA loan, inflation allowed the cost of construction to increase the estimated project cost from \$560,200 to \$575,650. Cedar Ridge attempted to complete the project without additional funds, but, found it is not possible. Cedar Ridge requested and received a commitment from DWR for the additional \$15,450 needed for the SDWBA project in March of 1984. A request is hereby made at this time for authority to borrow the additional \$15,450 i.e., to increase the loan balance to \$575,650 for 35 years at an interest rate of 6-1/2% per annum.

Decision (D.) 93049 dated May 19, 1981, Page 1.5 recites that at that time, "The utility provides water to the unincorporated area including Upper and Lower Cedar Ridge with approximately 380 customers." And, under Findings of Fact Number 10..... "The surcharge should be adjusted periodically to reflect changes in the number of connections and resulting overages and shortages in the balancing account."

It should be noted that if permission is granted Cedar Ridge by the Commission to borrow the additional \$15,450, thus increasing the SDWBA loan to \$575,650, the amount of the monthly surcharge per customer would actually decrease. (See surcharge schedule attached as Appendix "A".) This result is due to the fact that there are 62 more reported ratepayers helping in the repayment of the SDWBA loan.

Cedar Ridge now serves a total of 442 customers in its system. A comparison of the original loan authorized by D.93049 dated May 19, 1981, in A.60152 and the new loan authorized by DWR is set forth on the next page.

<u>Loan Costs</u>	<u>Original</u>	<u>Revised Loan</u>
Amount of Loan	\$ 560,200	\$575,650
Interest Rate	6-1/2%	6-1/2%
Annual Debt Service	44,987	46,070
Term of Loan	35 years	35 years
Monthly Surcharge	9.75	8.65
Number of Customers	380	442
<u>Customer Surcharge</u>		
5/8" x 3/4"	\$ 9.75	\$ 8.65
3/4"	14.65	13.00
1"	24.40	21.65
1-1/2"	48.75	43.25
2"	78.00	69.20

On May 21, 1984, Cedar Ridge filed this application for modification requesting that D.93049 be modified to permit Cedar Ridge to borrow the additional \$15,450 and to adjust the rate surcharge to repay the SDWBA loan. Notice of filing A.84-05-084 for Modification of D.93049 appeared on the Commission's Daily Calendar of May 25, 1984.

At the direction of the Commission, Cedar Ridge sent a notice to each customer on June 1, 1984, advising them of the need for the adjusted SDWBA loan and rate surcharge. The notice provided for customers wishing to express their comments to write to an assigned staff accountant. No letters were received.

The absence of customer comments is interpreted as expressing the same sentiments which were expressed at the public meeting held on January 21, 1981 in Sonora, California, to discuss A.60152. At the meeting, the customers overwhelmingly were in favor of improving the water quality and using SDWBA financing for the improvement project.

The SDWBA loan is clearly the most feasible and economic method of financing the needed additional cost of the improvement project. The Commission, therefore, will authorize Cedar Ridge to enter into the proposed revised loan contract with DWR and institute the adjusted rate surcharge on customer bills to pay the loan.

The SDWBA loan repayment surcharge should be separately identified on customers' bills. The utility plant financed through the surcharge should be permanently excluded from rate base for ratemaking purposes and the depreciation on this plant should be recorded in memorandum accounts for income tax purposes only.

By adopting this surcharge method of accounting, the Commission does not imply that SDWBA-financed plant should be treated any differently in the event of condemnation by a public agency than if such plant had been included in the utility's rate based and had been financed in some other manner. The Commission does not prejudice the valuation of utility plant based solely on the manner of financing.

Cedar Ridge should maintain a balancing account to be credited with revenue collected through the surcharge and with interest earned on funds deposited with the fiscal agent. The balancing account should be charged with payments of interest and principal on the loan. The surcharge should be adjusted periodically to reflect changes in the number of connections and resulting overages or shortages in the balancing account. Such changes in future rates should be accomplished by normal advice letter procedures.

It is appropriate to emphasize that the revised rate surcharge authorized will cover only the cost of the loan incurred to finance the added plant. It will not preclude the likelihood of future rate increase requests to cover rising costs of repair materials, wages, property taxes, power bills, or other operating expenses that may be incurred in the future.

The adjusted surcharge will produce enough revenue to meet the payment on the SDWBA loan due January 1, 1985. This will also enable the utility to make the regular semiannual payments thereafter.

Findings of Fact

1. The proposed water system improvements are needed to produce a healthful, reliable water supply.

2. The SDWBA loan provides low-cost capital for the needed water system improvements and is a prudent means of acquiring an estimated \$575,650 including a 3% administrative charge by DWR.

3. The proposed borrowing is for proper purposes and the money, property, or labor to be procured or paid for by the issue of the loan authorized by this decision is reasonably required for the purposes specified, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

4. The proposed surcharge will generate approximately \$46,070 per year. Approximately \$41,882 will be used to meet the loan payment. The remaining \$4,188, which is approximately 10% of the loan payment, will remain deposited with the fiscal agent approved by DWR, in order to accumulate a reserve equal to two semiannual loan payments over a 10-year period. Deposits of the SDWBA surcharge should be made with the fiscal agent within 30 days after collection from customers.

5. The establishment of a reserve equal to two semiannual loan payments is required by DWR administrative regulations.

6. The establishment of a separate bank account by Cedar Ridge is required to ensure adequate accountability for deposits and disbursements of SDWBA loan construction funds advanced by DWR to the utility.

7. The adjusted rate surcharge will increase the \$73,387 annual gross revenues by approximately \$1,083 and decrease the water rates by approximately \$1.10 per month for an average residential customer with a 5/8-inch by 3/4-inch meter or 3/4-inch flat rate service due to the increased number of customers. Water rates of residential or commercial customers with larger meter capacities would be increased proportionately.

8. The rate surcharge established to repay the SDWBA loan should last as long as the loan. The surcharge payment should not be intermingled with other utility charges.

9. The utility plant financed through this SDWBA loan should be permanently excluded from rate base for ratemaking purposes.

10. Special accounting requirements are necessary to ensure that there are no unintended windfalls to the utility's owners. Cedar Ridge should establish a balancing account to be credited with revenue collected through the surcharge, and with interest earned on funds deposited with the fiscal agent. The balancing account should be reduced by payments of principal and interest on the loan and with any charges for the services of the fiscal agent. The rate surcharge should be adjusted periodically to reflect changes in the number of connections and resulting overages or shortages in the balancing account.

11. The increases in rates and charges authorized by this decision are justified and are reasonable; and the present rates and charges, insofar as they differ from those prescribed by this decision are, for the future, unjust and unreasonable.

12. This surcharge should be continued in effect to meet the payments as they become due.

Conclusions of Law

1. The petition should be granted to the extent set forth in the following order because the revised rates are just and reasonable.

2. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Cedar Ridge Water Company (Cedar Ridge) is authorized to file the revised rate schedules attached to this order as Appendix A within 5 days after the effective date of this order. Such filing shall comply with General Order 96-A. The effective date of the revised rate schedules shall be 5 days after the date of filing, and shall apply only to service rendered on or after the effective date of the tariffs.

2. Cedar Ridge is authorized to borrow \$575,650 from the State of California to execute the proposed loan contract and to use the proceeds for the purposes specified in the application.

3. Cedar Ridge shall establish and maintain a separate balancing account in which shall be recorded all billed surcharge revenue and interest earned on deposits made to the fiscal agent. The balancing account shall be reduced by payment of principal and interest to the California Department of Water Resources (DWR) and by any charges for the services of the fiscal agent. A separate statement pertaining to the surcharge shall appear on each customer's water bill issued by Cedar Ridge.

4. As a condition of the rate decrease granted, Cedar Ridge shall be responsible for refunding or applying on behalf of its customers any surplus accrued in the balancing account when ordered by the Commission.

5. Plant financed through the California Safe Drinking Water Bond Act of 1976 (Safe Drinking Water Bond Act) loan shall be permanently excluded from rate base for ratemaking purposes.

6. To assure repayment of the loan, Cedar Ridge shall deposit all rate surcharge and revenue collected with the fiscal agent approved by DWR. Such deposits shall be made within 30 days after the surcharge and upfront cash payment moneys are collected from the customers.

7. Cedar Ridge shall file with the Commission a copy of the loan contract with DWR, and a copy of the agreement with the fiscal agent, within 30 days after these documents have been executed.

8. Cedar Ridge shall establish and maintain a separate bank account, to ensure adequate accountability for deposits and disbursements of SDWBA loan construction funds advanced by DWR to the utility.

The authority granted by this order to issue an evidence of indebtedness and to execute a loan contract will become effective when the issuer pays \$32, set by PU Code Section 1904(b).

In all other respects, this order becomes effective today.

Dated AUG 1 1984, at San Francisco, California.

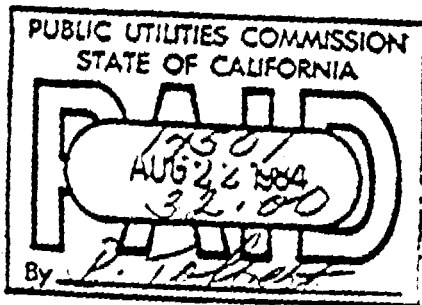
Commissioner Priscilla C. Grew,
being necessarily absent, did
not participate

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
DONALD VIAL

Commissioners

Commissioner William T. Bagley
being necessarily absent, did
not participate.



I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS

Joseph E. Bodorick
Joseph E. Bodorick, Executive Director

Schedule IA

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Cedar Ridge and vicinity, 5-1/2 miles northwest of Twain Harte, Tuolumne County.

RATES

	<u>Per Meter Per Year Charge</u>		<u>Per Meter Per Month Surcharge</u>
Annual Service Charge:			
For 5/8 x 3/4 inch meter.....	66.00	(N)	8.65
For 3/4 inch meter.....	72.60	(N)	13.00
For 1 inch meter.....	99.00	(N)	21.65
For 1-1/2 inch meter.....	132.00	(N)	43.25
For 2 inch meter.....	178.20	(N)	69.20

Quantity Rates

	<u>Per Meter Per Month</u>	
First 300 cu.ft., per		
100 cu.ft.	1.28	(I)
Over 300 cu.ft., per		
100 cu.ft.	1.89	(I)

This Service Charge applies to all meters service connections. To it is added to the charge for water used during the month of Quantity Rates. (C)

Schedule IA

ANNUAL GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. In the event that a customer reinstates service within twelve months of termination of service for the same premises, a reconnection charge will be applied, equal to the service and surcharge charges which would have been billed had the customer not terminated service. (N)
2. The cost of service pipes and meters shall be borne by the utility. Relocation of such facilities shall be at the expense of the party requesting relocation. (N)
3. The annual minimum charge applies to service during the 12-month period commencing January 1, is due in advance and is payable in annual, semiannual, or quarterly installments at option of customer. (N)
4. The charge for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly, or quarterly at the option of the utility on a noncumulative monthly consumption basis. (N)

METERED SERVICE SURCHARGE

1. NOTE: This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision _____ . (N)

Schedule 2A

ANNUAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water furnished on annual basis.

TERRITORY

Cedar Ridge and vicinity, 5-1/2 miles northwest of Twain Harte, Tuolumne County.

RATES

	<u>Per Service Per Month Charge</u>		<u>Connection Per Month Surcharge</u>
For each single-family residential unit or business establishment.....	12.50	(I)	8.65
For each additional residential unit or business establishment on the same premises and served from the same service connection.....	7.35	(I)	5.10

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one-inch in diameter. (C)
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule 1A Annual 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. (C)

Schedule 2A

ANNUAL FLAT RATE SERVICE
(Continued)

FLAT RATE SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular (N)
charge of \$94.00 per 3/4-inch service connection
per year. The total monthly surcharge must be
identified on each bill. This surcharge is
specifically for the repayment of the California
Safe Drinking Water Bond Act loan as authorized by
Decision _____ (N)

Schedule 3A

STATE BOND ACT LOAN FEE FOR UNDEVELOPED LOTS

APPLICABILITY

Applicable to undeveloped lots within the service area of Cedar Ridge Water Company as of the effective date of Decision 82-04-112.

TERRITORY

Cedar Ridge and vicinity, 5-1/2 miles northwest of Twain Harte, Tuolumne County.

RATES

A service fee to provide for reduction of the SDWBA loan surcharges is chargeable to customers requesting service to undeveloped lots within the service area as it existed as of May 21, 1982 per Decision 82-04-112.

The service fee shall be the accumulated total of the monthly surcharge provided for in Schedules 1A and 2A, as applied to the property being furnished water service from May 21, 1982 to the date of connection. The maximum service fee shall be \$1,000. The service fee shall be due and payable upon connection of water service to the lot. The surcharges authorized by the Commission, as contained in the Utility's filed tariffs, will apply thereafter.

The monthly surcharge established by the Public Utilities Commission in Decision 93049 is subject to periodic adjustment. The calculation of the accumulated surcharges shall take into account such periodic adjustments.

Schedule UF

SURCHARGE TO FUND
PUBLIC UTILITIES COMMISSION
REIMBURSEMENT FEE

APPLICABILITY

This surcharge applies to all water and sewer bills (C)
rendered under all tariff rate schedules authorized by the
Commission, with the exception of resale schedules where the
customer is a public utility. (C)

TERRITORY

This schedule is applicable within the entire territory
served by the utility.

RATES*

A 1-1/2% surcharge shall be added to all customer bills.

* In 1982 the Legislature established the Public Utilities
Commission Reimbursement Fee to be paid by utilities to fund
their regulation by the Commission, (Public Utilities (PU)
Code Section 401-443). The surcharge to recover the cost of (C)
that fee is ordered by the Commission under authority granted
by the PU Code Section 443. (C)