

Decision 84 10 039

OCT 3 1984

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 Big Hill Water Company, Inc., a )  
 California Corporation, to borrow )  
 additional funds under the safe )  
 Drinking Water Bond Act and to use )  
 the existing surcharge to water )  
 rates to repay the principal and )  
 interest on such loan. )

Application 84-07-008  
(Filed July 5, 1984)

O P I N I O N

By Decision (D.) 82-10-006, dated October 6, 1982, in Application (A.) 82-06-52, the California Public Utilities Commission (Commission) authorized Big Hill Water Company, Inc. (Big Hill) to borrow \$130,400 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 \$6,465, covering principal, interest, and reserve at a rate of 8-1/2% per annum. Also, the Commission authorized Big Hill to institute surcharge on existing customer rates to repay the principal and interest on the loan.

Big Hill provides water to two noncontiguous systems known as the Monte Grande Division (MG) and the Big Hill Division (BH), which are separated from each other by approximately 20

miles. The unincorporated MG service area is located approximately 10 miles southeast of the City of Sonora, Tuolumne County, with an estimated population of 250. The unincorporated BH service area is located approximately 10 miles northeast of the City of Sonora, Tuolumne County, with an estimated population of 500. Currently, there are 50 active metered connections and 166 active flat rate connections in Big Hill's MG and BH systems, respectively. Big Hill has a potential to serve approximately 16 and 24 additional customers, within the MG and BH systems, respectively.

MG's present water supply is obtained from the Soulbyville Ditch of the Pacific Gas and Electric Company's (PG&E) Tuolumne County ditch systems. The water flows into a 350,000-gallon reservoir before it is chlorinated and filtered by Big Hill. Then, the treated water flows into a 40,000-gallon, redwood storage tank, for eventual distribution to the utility's customers living within MG's service area.

BH's present water supply is obtained from the Columbia or Main Ditch of PG&E's Tuolumne County ditch systems. The water flows into a 350,000-gallon reservoir before it is chlorinated and filtered by Big Hill. Then, the treated water flows into a 20,000-gallon, redwood storage tank and a 60,000-gallon, steel storage tank, for eventual distribution to the utility's customers living within BH's service area. For standby purposes, BH has an

additional source of water obtained from an underground well located within the utility's property. The water derived from this well is treated only for iron content.

Upon receiving the decision (D.82-10-006), Big Hill immediately proceeded to prepare the SDWBA project plans and specifications. In the fall of 1981, Big Hill submitted to DWR documents needed to obtain funding for the SDWBA loan. DWR advised Big Hill that the SDWBA loan program was temporarily out of funds, because all money from the first sale of bonds had been distributed, and the sale of additional bonds had been delayed until interest rates dropped to the legal limits for California bonds.

In applying for the loan from DWR it was estimated that the cost of the project would be \$130,400. Because of the delay in securing funds from DWR, increased requirements (such as the size of the storage tank in the Big Hill Division) by the Department of Health Services, the painting of the tanks at the Monte Grande Division (ordered by the Tuolumne County Planning Department as a condition of their permit) and inflation resulting from lapse of time allowed the cost of construction to increase the estimated project cost from \$130,400 to \$166,450. Big Hill attempted to complete the project without additional funds, but, found it is not possible. Big Hill requested and received a commitment from DWR

for the additional \$36,050 needed for the SDWBA project in June of 1984. The request is made at this time for authority to borrow the additional \$36,050 i.e., to increase the loan balance to \$166,450 for 35 years at an interest rate of 8-1/2 per annum.

Big Hill serves a total of 166 customers in its main Big Hill Division and 50 customers in its noncontiguous Monte Grande system. A comparison of the original loan authorized by D.82-10-006 dated October 6, 1982, in A.83-06-52 and the new loan authorized by DWR is set forth as follows:

<u>Loan Costs</u>	<u>Original</u>	<u>Additional</u>	<u>Total</u>
1. Amount of the loan	\$130,400	\$ 36,050	\$166,450
2. Interest rate	8-1/2%	8-1/2%	8-1/2%
3. Annual debt service	\$ 6,465	\$ 1,783	\$ 8,248
4. Term of loan	35 years	35 years	35 years
5. Monthly surcharge	\$ 1,078	\$ 297	\$ 1,375

CUSTOMER MONTHLY FLAT RATE SURCHARGE

	<u>Monte Grande Division</u>			<u>Big Hill Division</u>		
	<u>Original</u>	<u>Additional</u>	<u>Total</u>	<u>Original</u>	<u>Additional</u>	<u>Total</u>
Residential Flat Rate	\$ 8.20	\$ 3.00	\$11.20	\$ 4.45	\$ .90	\$ 5.3
Residential (Part Time)	8.20	3.00	11.20	4.45	.90	5.3

CUSTOMER MONTHLY METER RATE SURCHARGE

	<u>Monte Grande Division</u>			<u>Big Hill Division</u>		
	<u>Original Surcharge</u>	<u>Additional</u>	<u>Total</u>	<u>Original Surcharge</u>	<u>Additional</u>	<u>Total</u>
5/8 by 3/4 inch meter	\$ 8.20	\$ 3.00	\$11.20	\$ 4.45	\$ .90	\$ 5.35
3/4 inch meter	12.30	4.45	16.75	6.70	1.35	8.05
1 inch meter	20.50	7.50	28.00	11.15	2.25	13.40
1-1/2 inch meter	41.00	15.00	56.00	22.25	4.50	26.75
2 inch meter	65.60	24.00	88.60	35.60	7.20	42.80

On July 5, 1984, Big Hill filed A.84-07-008 requesting that D.82-10-006 be modified to permit Big Hill to borrow the additional \$36,050 and to increase the rate surcharge to repay the SDWBA loan. Notice of filing A.84-07-008 for modification appeared in the Commission's Daily Calendar of July 10, 1984.

At the direction of the Commission, Big Hill sent a notice to each customer on July 17, 1984, advising them of the need for the increased 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 lack of customer comments is interpreted as expressing the same sentiments which were expressed at the public meetings held on July 14 and 15, 1984, in Sonora, California, to discuss A.82-06-52. 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 Big Hill to enter into the proposed revised loan contract with DWR and institute the increased rate surcharge on customer bills to pay the loan.

The SDWBA loan repayment surcharge should be separately identified on customer's 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 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.

Big Hill 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.

In order for the surcharge to produce enough revenue to meet the initial payment on the SDWBA loan due in July, 1985, it

is necessary for Big Hill to place the revised surcharge in effect beginning September, 1984. This will enable the utility to meet the July, 1985 payment and 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 additional estimated \$36,050 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 additional surcharge will generate approximately \$3,566 per year. Approximately \$3,242 will be used to meet the additional loan payment. The remaining \$324, 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 Greenbelt is required to ensure adequate accountability for deposits and disbursements of SDWBA loan construction funds advanced by DWR to the utility.

7. The rate surcharge will increase Big Hill's annual gross revenues by approximately \$3,566 and increase the water rates by approximately \$3.00 per month for an average residential customer with a 5/8-inch by 3/4-inch meter or 3/4-inch flat rate service in the Monte Grande Division and .90 cents per month in the Big Hill Division. 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. Big Hill 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 placed in effect beginning September 1, 1984, to meet the initial payment due in July, 1985.

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, Big Hill Water Company, Inc. (Big Hill) is authorized to file the revised rate schedules attached to this order as Appendix A. 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. Big Hill authorized to borrow \$166,450 from the State of California to execute the proposed loan contract and to use the proceeds for the purposes specified in the application.

3. Big Hill 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 Big Hill.

4. As a condition of the rate increase granted, Big Hill 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, Big Hill 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.

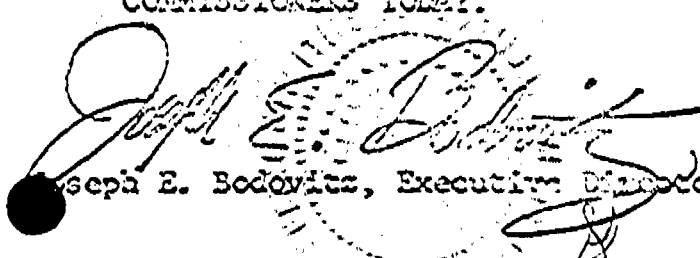
8. Big Hill shall establish and maintain a separate bank account, to ensure adequate accountability for deposits and disbursements of SDWBA loan construction funds advanced by DWR to the utility.

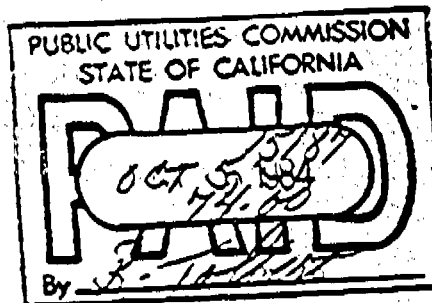
The authority granted by this order to issue an evidence of indebtedness and to execute a loan contract will become effective when the issuer pays \$74, set by PU Code Section 1904(b). In all other respects, this order becomes effective today.

Dated OCT 3 1984, at San Francisco, California.

VICTOR CALVO  
FRISCILLA 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



APPENDIX A  
 Page 1  
 Schedule No. MG-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Monte Grande Division on Soulsbyville Road and vicinity, located approximately 1 mile south of Soulsbyville, Tuolumne County.

RATES

	<u>Per Meter Per Month Charge</u>	<u>Per Meter Per Month Surcharge</u>	(N)
Service Charge:			
For 5/8 x 3/4 inch meter.....	\$ 2.75	\$ 11.20	
For 3/4 inch meter.....	4.00	16.75	
For 1 inch meter.....	6.75	28.00	
For 1-1/2 inch meter.....	13.75	56.00	
For 2 inch meter.....	22.00	89.60	(N)

The service charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charges computed as Quantity Rates.

Quantity Rates

	<u>Per Meter Per Month</u>
First 300 cu.ft., per	
100 cu.ft. ....	\$ 0.42
Over 300 cu.ft., per	
100 cu.ft. ....	0.48

APPENDIX A  
Page 2  
Schedule No. MG-1

GENERAL METERED SERVICE  
(Continued)

METERED SERVICE SURCHARGE

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 (a). (N)

(a) Insert D. Number in A. 84-07-008 before filing tariff. (N)

APPENDIX A  
Page 3  
Schedule No. MG-2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished to permanent residents on a monthly basis.

TERRITORY

Monte Grande Division on Soulsbyville Road and vicinity, located approximately 1 mile south of Soulsbyville, Tuolumne County.

RATES

	<u>Per Service Connection Per Month Charge</u>	<u>Per Service (N) Connection Per Month Surcharge</u>
For each service connection...	\$ 9.75	\$ 11.20

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one-inch in diameter.
2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. MG-1, General Metered Service, and this schedule will be closed.

APPENDIX A  
Page 4  
Schedule No. MG-2R

RESIDENTIAL FLAT RATE SERVICE

FLAT RATE SERVICE SURCHARGE

(N)

NOTE: This surcharge is in addition to the regular charge of \$9.75 per one-inch or less service connection, per month. 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 D. (a).

(a) Insert D. Number in A. 84-07-008 before filing tariff.

(N)



APPENDIX A  
Page 5  
Schedule No. MG-2RS

RESIDENTIAL PART TIME FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished to non-permanent residents on a monthly basis.

TERRITORY

Monte Grande Division on Soulsbyville Road and vicinity, located approximately 1 mile south of Soulsbyville, Tuolumne County.

RATES

	<u>Per Service Connection Per Month Charge</u>	<u>Per Service (N) Connection Per Month Surcharge</u>
For each service connection...	\$ 4.90	\$ 11.20

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one-inch in diameter.
2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. MG-1, General Metered Service, and this schedule will be closed.

APPENDIX A  
Page 6  
Schedule No. MG-2RS

RESIDENTIAL PART TIME FLAT RATE SERVICE  
(Continued)

FLAT RATE SERVICE SURCHARGE

(N)

NOTE: This surcharge is in addition to the regular charge for residential part-time flat rate service. 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 D. (a).

(a) Insert D. Number in A. 84-07-008 before filing tariff.

(N)

APPENDIX A  
 Page 7  
 Schedule No. BH-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Big Hill Division on Monte Grande and vicinity, located approximately 5 miles east of Columbia, Tuolumne County.

RATES

	<u>Per Meter Per Month Charge</u>	<u>Per Meter Per Month Surcharge</u>	(N)
Service Charge:			
For 5/8 x 3/4 inch meter.....	\$ 2.75	\$ 5.35	
For 3/4 inch meter.....	4.00	8.05	
For 1 inch meter.....	6.75	13.40	
For 1-1/2 inch meter.....	13.75	26.75	
For 2 inch meter.....	22.00	42.80	(N)

The service charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charges computed as Quantity Rates.

Quantity Rates

	<u>Per Meter Per Month</u>
First 300 cu.ft., per	
100 cu.ft. ....	\$ 0.42
Over 300 cu.ft., per	
100 cu.ft. ....	0.48

APPENDIX A  
Page 8  
Schedule No. BH-1

GENERAL METERED SERVICE  
(Continued)

METERED SERVICE SURCHARGE

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 (a). (N)

(a) Insert D. Number in A. 84-07-008 before filing tariff. (N)

APPENDIX A  
Page 9  
Schedule No. BE-2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished to non-permanent residents on a monthly basis.

TERRITORY

Big Hill Division on Big Hill Road and vicinity, located approximately 5 miles east of Columbia, Tuolumne County.

RATES

	<u>Per Service Connection Per Month Charge</u>	<u>Per Service (N) Connection Per Month Surcharge</u>
For each service connection....	\$ 9.75	\$ 5.35 (N)

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one-inch in diameter.
2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. BE-1, General Metered Service, and this schedule will be closed.

APPENDIX A  
Page 10  
Schedule No. BH-2R

RESIDENTIAL FLAT RATE SERVICE  
(Continued)

FLAT RATE SERVICE SURCHARGE

(N)

NOTE: This surcharge is in addition to the regular charge of \$9.75 per one-inch or less service connection, per month. 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 D. \_\_\_\_\_ (a) .

(a) Insert D. Number in A. 84-07-008 before filing tariff.

(N)

APPENDIX A  
Page 11  
Schedule No. BE-2RS

RESIDENTIAL PART-TIME FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished to non-permanent residents on a monthly basis.

TERRITORY

Big Hill Division on Big Hill Road and vicinity, located approximately 5 miles east of Columbia, Tuolumne County.

RATES

	<u>Per Service Connection Per Month Charge</u>	<u>Per Service (N) Connection Per Month Surcharge</u>
For each service connection....	\$ 4.90	\$ 5.35

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one-inch in diameter.
2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. BE-1, General Metered Service, and this schedule will be closed.

APPENDIX A  
Page 12  
Schedule No. BH-2RS

RESIDENTIAL PART-TIME FLAT RATE SERVICE  
(Continued)

FLAT RATE SERVICE SURCHARGE

(N)

NOTE: This surcharge is in addition to the regular charge for residential part-time flat rate service. 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 D. \_\_\_\_\_ (a).

(a) Insert D. Number in A. 84-07-008 before filing tariff.

(N)

(END OF APPENDIX A)