

EC/TC/ARM/WPSC

Decision 84 11 024 NOV 7 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Crystal Falls Water Company, a)
California Corporation, 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 84-08-069
(Filed August 17, 1984)

O P I N I O N

By Decision (D.) 93048, dated May 19, 1981, in Application (A.) 60151, the California Public Utilities Commission (Commission) authorized Crystal Falls Water Company (Crystal Falls) to borrow \$726,000 from the California Department of Water Resources (DWR), under 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 \$29,460, covering principal, interest, and reserve at a rate of 6-1/2% per annum. Also, the Commission authorized Crystal Falls to institute a surcharge on existing customer rates to repay the principal and interest on the loan.

In August of 1979, Crystal Falls 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, Crystal Falls 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 Crystal Falls 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 \$726,000. In the one and one-half year interim prior to obtaining approval of the SDWBA loan, inflation caused the estimated cost of construction to increase \$726,000 to \$741,450. Crystal Falls attempted to complete the project without additional funds, but, found it is not possible. Crystal Falls requested and received a commitment from DWR for the additional \$15,450 needed for the SDWBA project in March of 1984. A request is made for authority to borrow an additional \$15,450 i.e., to increase the loan balance to \$741,450 for 35 years at an interest rate of 6-1/2% per annum.

Decision (D.) 93048 dated May 19, 1981 in A.60151, Page 2.2 recites that at that time, "The service connections consist of 220 Flat Rate and 688 Metered services." And, under Findings of Fact Number 10 of that decision..... "The rate surcharge would be adjusted periodically to reflect changes in the number of connections and resulting overages and shortages in the balancing account". By this application the request is made for the Commission to make this adjustment at this time.

It should be noted that if permission is granted to Crystal Falls by the Commission to borrow the additional \$15,450, thus increasing the SDWBA loan to \$741,450, the amount of the monthly surcharge per customer would actually decrease. This result is due to the fact that 57 additional ratepayers have been added to the system.

Crystal Falls now serves 1030 metered, and 15 flat rate services, a total of 1045 customers in its main system. Crystal Falls also serves Meadows Mutual Water Company's 325 customers under a separately filed tariff. A comparison of the original loan authorized by D.93048 dated May 19, 1981, in A.60151 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	\$726,000	\$741,450
Interest Rate	6-1/2%	6-1/2%
Annual Debt Service	58,918	59,338
Term of Loan	35 years	35 years
Monthly Surcharge	4,910	4,945
Percentage Increase	51.0%	0.7%

Customer Surcharge
Main System

3/4" meter	\$ 4.90	\$ 3.90
1"	8.15	6.50
1-1/2"	16.25	13.00
2"	26.00	20.80
Sonora Meadows Mutual Water Co.	\$ 695.00/mo.	\$ 820.00/mo.

On August 17, 1984, Crystal Falls filed this application requesting that D.93048 be modified to permit Crystal Falls to borrow the additional \$15,450 and to adjust the rate surcharge to repay the SDWBA loan. Notice of filing A.84-08-069 for Modification of D.93048 appeared on the Commission's Daily Calendar of August 23, 1984.

At the direction of the Commission, Crystal Falls sent a notice to each customer on October 2, 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 lack of customer comments is interpreted as expressing the same sentiments which were expressed at the public meeting held on January 22, 1981 in Sonora, California, to discuss A.60151. 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 Crystal Falls to enter into the proposed revised loan contract with DWR and adjust the rate surcharge on customer bills to repay 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 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.

Crystal Falls 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 \$741,450 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 \$59,338 per year. Approximately \$53,944 will be used to meet the loan payment. The remaining \$5,394, 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 Crystal Falls 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 the \$173,918 annual gross revenues by approximately \$420 and decrease the water rates by approximately \$1.00 per month for an average residential customer with 3/4-inch flat rate meter service due to the increased number of customers. Water rates of residential or commercial customers with larger meter capacities would be decreased 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. Crystal Falls 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, Crystal Falls Water Company (Crystal Falls) 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. Crystal Falls is authorized to borrow \$741,450 from the State of California to execute the proposed loan contract and to use the proceeds for the purposes specified in the application.

3. Crystal Falls 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 Crystal Falls.

4. As a condition of the rate decrease granted, Crystal Falls 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, Crystal Falls 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. Crystal Falls shall file with the Evaluation and Compliance Division a copy of the amended loan contract with DWR, and a copy of the agreement with the fiscal agent, within 30 days after these documents have been executed.

8. Crystal Falls 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.

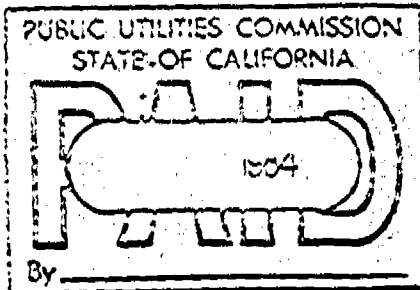
9. The application is granted as set forth above.

10. 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).

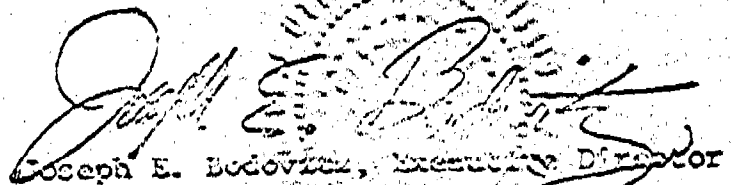
In all other respects, this order is effective today.

Dated NOV 7 1964, 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. Bodovick, Executive Director

APPENDIX A
 Schedule IA
 Page 1

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Willow Springs, Crystal Falls Ranch and vicinity, located approximately two miles southwest of Twain Harte, Tuolumne County.

RATES

	<u>Per Meter Per Year Charge</u>	<u>Per Meter Per Month Surcharge</u>	(N)
Annual Service Charge:			
For 5/8 x 3/4 inch meter.....	\$ 84.00	\$ 2.60	
For 3/4 inch meter.....	93.00	3.90	
For 1 inch meter.....	126.00	6.50	
For 1-1/2 inch meter.....	168.00	13.00	
For 2 inch meter.....	228.00	20.80	(N)

Quantity Rates

	<u>Per Meter Per Month</u>
First 300 cu.ft., per 100 cu.ft.	\$0.48
Over 300 cu.ft., per 100 cu.ft.54

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.

APPENDIX A
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ANNUAL 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 Decision Number in Application 84-08-069 before filing tariff. (N)

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods. Meters will be read and quantity charges billed monthly, bimonthly, or quarterly in accordance with the utility's established billing periods except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.
2. The opening bill for metered service, except upon conversion from flat rate service, shall be established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable

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ANNUAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS (Cont'd)

to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

APPENDIX A
 Schedule No. 2 RA
 Page 3

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Willow Springs, Crystal Falls Ranch and vicinity, located approximately two miles southwest of Twain Harte, Tuolumne County.

RATES

	<u>Per Service Connection Per Year Charge</u>	<u>Per Service Connection Per Month Surcharge (N)</u>
For a single-family residential unit, including premises.....	\$131.40	\$ 3.90
For each additional single-family residential unit on the same premises and served from the same service connection.....	103.80	2.60 (N)

SPECIAL CONDITIONS

1. The above flat rates apply to a 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 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.

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ANNUAL RESIDENTIAL FLAT RATE SERVICE
(Continued)

METERED SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular (N)
of \$131.40 per one inch or less 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 (a) - (N)

- (a) Insert Decision Number in Application 84-08-069
before filing tariff.

SPECIAL CONDITIONS

1. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods.
2. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year.

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ANNUAL RESIDENTIAL FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Cont'd)

The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

(End of Appendix A)

8. Crystal Falls 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 is effective today.

Dated NOV 7 1984, at San Francisco, California.

VICTOR CALVO
FRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners