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Decision 88 10 006 OCT 14 1988

OCT 19 1988

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
QUAIL LAKE WATER COMPANY, a)	
California corporation, to borrow)	
funds under the Safe Drinking)	Application 85-06-014
Water Bond Act and to add a)	(Filed June 10, 1985;
surcharge to water rates to repay)	amended February 19, 1988)
the principal and interest on such)	
loan.)	

William G. Fleckles, Attorney at Law, and Stephen A. Lapkin, for Quail Lake Water Company, applicant.

Jean Green, for California Department of Water Resources, and Ben Karoly, for Public Water Supply Branch, California Department of Health Services, interested parties.

Harry P. Aubright, III, for the Commission Advisory and Compliance Division.

INTERIM OPINION

Quail Lake Water Company (QLWC), a California corporation, seeks authority to borrow \$234,370 under the Safe Drinking Water Bond Act (SDWBA) and to add a surcharge to water rates to repay the principal and interest on the loan.

A duly noticed public hearing was held before Administrative Law Judge Orville I. Wright in South Lake Tahoe on May 19, 1988, and the matter was submitted for decision on June 6, 1988.

Service Area

The area served by QLWC is located in an unincorporated area adjacent to Highway 89 near Homewood in Placer County and ranges in elevation from 6,800 at Quail Lake to 6,230 feet above sea level at Lake Tahoe.

Three-Step Project

This is the first of a three stage water supply improvement project mandated by the Department of Health Services (DHS).

When this application was originally filed in 1985, QLWC proposed to construct a filtration plant with associated storage facilities for treatment of water drawn from Quail Lake, applicant's principal supply source.

In 1987, following conferences and communications between applicant, its engineers, representatives of the Department of Water Resources (DWR), Division of Dam Safety, and DHS, it was determined that the improvements that will ultimately be needed exceed those originally anticipated and that these improvements can be accomplished in three inter-related, but independent, phases of work.

Step I involves the installation of a new gravity transmission line through the toe of Quail Lake Dam which connects with applicant's distribution system. This new line replaces an existing siphon system which was unreliable and caused major maintenance problems during winter months.

In order to install Step I improvements prior to the onset of inclement weather in 1987, and with the concurrence of DWR, applicant's parent corporation, Perini Land & Development Company, advanced funds to applicant to pay the cost of constructing the new gravity transmission line through Quail Lake Dam on an emergency basis. These costs, together with legal and administrative expenses, and the DWR three percent administration fee total \$234,370, are the subject of this proceeding. Step I work has been both required and approved by DWR.

Step II of the project involves the construction of a 300,000 gallon storage tank to store treated water prior to distribution to QLWC customers and to enhance

required fire flows. The current estimated cost of Step II work is \$230,700.

Step III of the project consists of the construction of a water treatment plant including filters, back-wash tank and associated facilities. This plant will enable applicant's water system to meet state and federal requirements for water quality which have been mandated for the system in the near future. The current estimated cost of Step III construction is \$245,500.

DWR testified that Steps II and III would soon be officially certified as required construction and that the loan commitment letter could be amended to provide a total loan of \$710,000 for 30 years at eight plus per cent.

Interim Decision

Because it is virtually certain that both Steps II and III will be before the Commission in the near future, this application will remain open to receive the additional loan approval requests of QLWC.

DWR approval of loans from SDWBA funds is conditioned upon approval by this Commission of a QLWC contract with DWR to increase its rates for water service to its customers by an estimated annual surcharge in amounts sufficient to repay principal and interest on such loan.

Surcharge Amounts

Applicant proposes that the \$234,370 required for Step I costs be amortized over 35 years at 8.5 percent, subject to periodic adjustment. This will result in an additional total revenue requirement of \$23,100 per year, or \$5.60 per month for each single-family residential customer.

QLWC's approximately 335 customers affected by these DHS required improvements can also expect two more rate increases of roughly equal magnitude as Steps II and III of the building plan are implemented.

Loan Approval

It is clear that a small water company with only 335 customers cannot secure loans from conventional sources in amounts necessary to complete the improvements required by DHS. The SDWBA loan is thus the only source of funds of this magnitude available to QLWC to solve the problems it is experiencing.

We conclude that the SDWBA loan should be authorized. In addition, the Commission Advisory and Compliance Division recommends that a service connection fee be established for vacant lots. That fee would be assessed at the time a lot was developed and water service sought by the developer or owner. The staff recommends that the connection fee be based upon the accumulated SDWBA monthly surcharges, up to a maximum of five years. The connection fee would not exceed \$336.00 for a typical residential customer with 3/4" meter. This is a reasonable proposal that will place some of the burden of the construction of these new facilities upon those who will be added to the system. It should be adopted.

Findings of Fact

1. The increases in rates and charges authorized by this decision are justified and are just and reasonable.
2. The proposed water system improvements are needed to produce a healthy and reliable water supply.
3. The SDWBA loan provides low-cost capital for the needed water system improvements and is a prudent means of acquiring an estimated \$234,370, including a three percent administrative charge by DWR.
4. The rate surcharge will increase QLWC's annual gross revenues by approximately \$23,100 and increase the water rates by approximately \$5.60 per month for an average residential customer with larger meter capacities increased proportionately.

5. It is reasonable to establish a service fee, based upon the current surcharge, payable at the time of connection for vacant or undeveloped lots.

Conclusions of Law

1. The surcharge rates in Appendix A should be adopted.
2. The surcharges established to repay the SDWEA loan should last as long as the loan. The surcharge payment should not be intermingled with other utility funds.
3. The utility plant financed through this SDWEA loan should be permanently excluded from rate base for ratemaking purposes.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order, Quail Lake Water Company (QLWC) is authorized to file the surcharge rates attached to this order as Appendix A. Such filing shall comply with General Order 96-A. The effective date of such filing shall be 5 days after filing. The revised schedules shall apply to service rendered on or after the effective date hereof.
2. QLWC is authorized to borrow \$234,370 from the State of California, Department of Water Resources (DWR), to execute the proposed loan contract and to use the proceeds for the purposes specified in the application.
3. QLWC 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 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 QLWC.

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

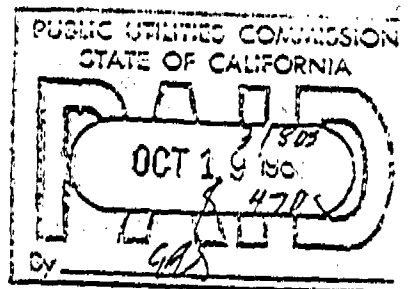
5. QLWC shall file with the Commission Advisory and Compliance Division a copy of the loan contract with DWR, and a copy of the agreement with the fiscal agent, within 30 days after these documents have been executed.

6. A.85-06-014 is granted as set forth above and remains open to consider loans for Steps II and III.

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 \$470, set by Public Utilities Code Section 1904(b). In all other respects this order becomes effective 30 days from today.

Dated OCT 14 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



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

Victor Weisser
Victor Weisser, Executive Director
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Appendix A
Page 1Schedule No. 1
ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including Chamberlands Subdivision, and Chambers Lodge resort and vicinity, located adjacent to State Highway 89, approximately eight miles south of Tahoe City, Placer County.

RATES

Annual Service Charge:	Per Meter Per Year (Charge)	Per Meter Per Year (Surcharge)	
Per 5/8 x 3/4-inch meter	\$79.00	\$ 67.20	(N)
3/4-inch meter	87.00	67.20	
1-inch meter	119.00	100.80	
1-1/2-inch meter	166.00	141.00	
2-inch meter	213.00	181.20	
3-inch meter	395.00	336.00	
4-inch meter	537.00	456.00	(N)

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.

Quantity Rate:

Per 100 cu.ft.

NOTE: This surcharge is in addition to the regular monthly metered water bill for the Chamberlands Subdivision and vicinity but does not apply to the entire Chambers Landing development. 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) . This surcharge will become effective on May 1, 1989.

(a) Insert Decision No. in A.85-06-014 before filing tariff.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1, and is due in advance.
2. The charge for water used may be billed monthly, bi-monthly, or quarterly, at the option of the utility.

Appendix A
Page 2

Schedule No. 2
ANNUAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a Flat Rate Basis.

TERRITORY

The unincorporated area including Chamberlands Subdivision and Chambers Lodge resort and vicinity, located adjacent to State Highway 89, approximately eight miles south of Tahoe City, Placer County.

RATES

	Per Service Connection Per Year (Charge)	Per Service Connection Per Year (Surcharge)	
For a single-family residence or hotel, or motel unit on the same premises and served from the same service connection	\$193.00	\$67.20	(N)
For each additional residence or motel unit on the same premises and served from the same service connection	97.00	33.77	(N)

NOTE: This surcharge is in addition to the regular charge of \$193.00 per service connection, per year for the Chamberlands Subdivision and vicinity but does not apply to the entire Chambers Landing development. The 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). This surcharge will become effective on May 1, 1989.
(a) Insert Decision No. in A.85-06-014 before filing tariff. (N)

SPECIAL CONDITIONS

1. All service not covered by the above classification will be furnished only on a metered basis.
2. When unusually large or wasteful use of water is apparent, meters may be installed at the option of the utility for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, Annual General Metered Service. (C)

Appendix A
Page 3

Schedule No. 3
STATE BOND ACT LOAN FEE FOR UNDEVELOPED LOTS

APPLICABILITY

Applicable to undeveloped lots within the service area of Quail Lake Water Company, as of the effective date of Decision _____ a/

TERRITORY

The unincorporated area including Chamberlands Subdivision, and Chambers Lodge resort and vicinity, located adjacent to state Highway 89, approximately eight miles south of Tahoe City, Placer County.

RATES

A service fee to provide for reduction of the SDWBA loan surcharges is chargeable to customers requesting future service to undeveloped lots.

The service fee shall be the accumulated total of the monthly surcharge provided for in Schedules 1 and 2, as applied to the property being furnished water service from the effective date of Decision _____ a/ to the date of the connection. The maximum service fee shall be \$336.00. The service fee shall be due and payable upon connection of water service to the lot. The surcharge 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 _____ a/ is subject to periodic adjustment. The calculation of the accumulated surcharges shall take into account such periodic adjustments.

a/ Insert Decision No. in A.85-06-014 before filing tariff.

(End of Appendix A)

APPENDIX A

Page 3

Schedule NO. 3

STATE BOND ACT LOAN FEE FOR UNDEVELOPED LOTS

APPLICABILITY

Applicable to undeveloped lots within the service area of of Quail Lake Water Company, as of the effective date of Decision _____^{a/}

TERRITORY

The unincorporated area including Chamberlands Subdivision, and Chambers Lodge resort and vicinity, located adjacent to State Highway 89, approximately eight miles south of Tahoe City, Placer County.

RATES

A service fee to provide for reduction of the SDWBA loan surcharges is chargeable to customers requesting future service to undeveloped lots.

The service fee shall be the accumulated total of the monthly surcharge provided for in Schedules 1 and 2, as applied to the property being furnished water service from the effective date of Decision _____^{a/} to the date of the connection. The service fee shall be due and payable upon connection of water service to the lot. The surcharge 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 _____^{a/} is subject to periodic adjustment. The calculation of the accumulated surcharges shall take into account such periodic adjustments.

^{a/} Insert Decision No. in A.85-06-014 before filing tariff.

(End of Appendix A)