

Decision 89 04 013

APR 12 1989

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA)
WATER COMPANY (U 133 M) to undertake)
financing to drill and equip a water)
well under terms of a Groundwater)
Production Well Agreement.)

Application 88-10-039
(Filed October 24, 1988)

OPINION

Summary of Decision

This decision grants Southern California Water Company (SCWC) authority to undertake financing under the terms of a Groundwater Production Well Agreement (the Agreement) with the Orange County Water District (the District) to drill and equip a water well (the Well).

Background

SCWC is an operating public utility corporation with headquarters in Los Angeles, California. SCWC provides water service in 17 operating districts and electric service in the vicinity of Big Bear Lake, California.

On October 24, 1988, SCWC filed Application 88-10-039 requesting authority pursuant to Public Utilities (PU) Code §§ 816 through 818 to undertake financing under the terms of the Agreement dated July 6, 1988, as supplemented on August 9, 1988, with the District to drill and equip the Well.

Notice of the filing of the application appeared on the Commission's daily calendar of October 27, 1988. No protests have been received.

The Water Utilities Branch of the Commission Advisory and Compliance Division has reviewed the application and is of the opinion that the approval of SCWC's request will be in the best interest of the ratepayers.

Reason for the Request

According to SCWC, it entered into the Agreement to increase the groundwater production in its district in Orange County in order to reduce the need for more costly imported water from the Metropolitan Water District of Southern California (MWD). SCWC estimates the following cost savings per acre-foot of water under the Agreement based on current costs:

	<u>Per Acre-foot</u>
Current MWD Purchased Water Rate	\$232.00
Reimbursement Assessment under the Agreement	(40.00)
District Pump Tax	(40.00)
SCWC's Pumping Cost (estimated)	<u>(50.00)</u>
Estimated Cost Difference	<u>\$102.00</u>

At an estimated production of 2,000 acre-feet per year, such differential would result, at present rates, in \$204,000 per year in lower water costs.

In addition SCWC claims that the financing under the Agreement will be at an interest rate (8%) which is more favorable than currently obtainable rates in the long-term markets.

Terms of the Agreement

As outlined in the Agreement, the District will drill and equip the Well using specifications and equipment specified and/or approved by SCWC. Upon completion of the Well, SCWC will assume the responsibility of operating and maintaining the Well, including all related costs. The title to and ownership of the Well would pass to SCWC upon repayment of the principal and related interest.

Actual costs to be financed under the Agreement are not presently known, however, such costs are currently estimated by SCWC at \$400,000. The Agreement is for a term not to exceed 15

years. The costs financed under the Agreement will bear simple interest at the rate of 8% per annum on the unpaid balance from the date of completion and acceptance of the Well by SCWC until paid. Payments of principal will be based upon a rate of \$40 per acre-foot of water produced from the Well. Principal and interest payments are to be made semiannually on January 31 and July 31 of each year.

A copy of the Agreement is attached to the application as Attachment C.

Discussion

A review of the application demonstrates that the terms of financing the Well under the terms of the Agreement will result in savings to the ratepayers. In addition, the Water Utilities Branch believes that approval of the application will be in the best interest of the ratepayers. Therefore, we will authorize SCWC to undertake the financing of the Well under the terms of the Agreement.

While we authorize SCWC to finance the Well, we place SCWC on notice that such authorization does not find that SCWC's acquisition of the Well is necessary or reasonable. These issues should be addressed in a general rate or rate base offset proceeding.

Findings of Fact

1. SCWC requests authority to undertake the financing of the Well under the terms of the Agreement.
2. The undertaking of the financing called for under the Agreement would not be adverse to public interest and would be in the best interest of the ratepayers.
3. The proposed financing is for proper purposes.
4. There is no known opposition to SCWC's request.
5. There is no reason to delay granting the authority requested by SCWC.

Conclusions of Law

1. A public hearing is not necessary.
2. SCWC's request for authority to finance the Well should be granted.
3. This order should be made effective immediately.

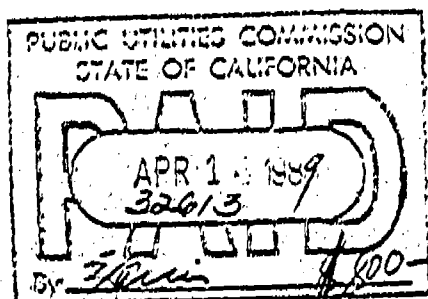
O R D E R

IT IS ORDERED that:

1. Southern California Water Company (SCWC), on or after the effective date of this order may, for the purposes specified in the application, undertake the financing of the Well in accordance with its Groundwater Production Well Agreement with the Orange County Water District attached as Exhibit C to the application.
2. SCWC shall file the reports required by General Order Series 24.
3. This proceeding is closed.

The authority granted by this order to issue a new debt security will become effective when SCWC pays \$800, the fee set by PU Code § 1904(b). In all other respects, this order is effective today.

Dated APR 12 1989, at San Francisco, California.



G. MITCHELL WILK
President
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Commissioner Frederick R. Duda,
being necessarily absent, did
not participate.

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

[Signature]
Victor Weister, Executive Director