

Decision 90 05 003 MAY 04 1990

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 Water )	Application 85-06-014
Bond Act and to add a surcharge to )	(Filed June 10, 1985;
water rates to repay the principal )	amended February 19, 1988
and interest on such loan. )	and June 30, 1989)

William G. Fleckles, Attorney at Law, for Quail Lake Water Company, applicant.  
William Ewers, for himself, protestant.  
Dian E. Frye, for California Department of Water Resources, and Ben Karoly, for Public Water Supply Branch, California Department of Health Services, interested parties.  
Barry Carlson, for the Commission Advisory and Compliance Division.

FINAL OPINION

Quail Lake Water Company (QLWC), a California corporation, seeks authority to borrow \$731,887 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. QLWC serves approximately 370 flat rate and 13 metered customers near Homewood, Placer County.

A duly noticed public hearing was held before Administrative Law Judge Orville I. Wright in South Lake Tahoe on November 9, 1989, and the matter was submitted for decision on December 16, 1989.

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 entirety 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 involved 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.

A SDWBA loan to cover the costs of Step I improvements totaling \$234,370, plus the DWR 3% administrative fee, were approved by the Commission on October 14, 1988, after a public hearing disclosed no opposition to the borrowing (Decision (D.) 88-10-006).

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. The current estimated cost of Step III construction is \$245,500.

All work in this three stage project has been officially certified as required construction, and the DWR loan commitment letter has been amended to provide a total loan of \$710,570 for 30 years at 8.1%.

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 loans.

#### Surcharge Amounts

Applicant proposes that the \$234,370 required for Step I costs, plus DWR's 3% administration fee, authorized by D.88-10-006 be consolidated with the \$476,200 required for Step II and Step III costs, plus DWR's 3% administration fee. The total project cost of \$731,887 should then be authorized in lieu of and in place of the surcharge previously approved by D.88-10-006.

Amortizing the total project cost over 30 years at 8.1%; subject to periodic adjustment, will result in an additional revenue requirement of \$71,400 per year, or about \$200 per year for the typical single-family residential customer. Those customers with larger meter capacities than the typical user will pay proportionately greater surcharge amounts.

Applicant proposes to establish a balancing account which will be credited with revenues to be collected through proposed surcharges. This account would be charged with payments of

principal and interest on the DWR loan. Surcharges would be adjusted from time to time when authorized by the Commission to reflect changes in the number of applicant's connections, if any, and overages and/or shortages in the balancing account.

The water utility will earn no profit from the surcharge revenue and the cost of the system improvements authorized in this proceeding shall be excluded from rate base.

Chambers Landing Condominium Development

The annual surcharge applies to all customers in the Chamberlands subdivision (approximately 350) but does not apply to Chambers Landing condominium owners (approximately 43). Testimony shows that the latter group of water users are not supplied from Quail Lake, but from Lake Tahoe.

QLWC represented that if it becomes necessary to add filtering facilities to treat Lake Tahoe water, the equitable arrangement would be to spread the cost of those developments to the Chambers Landing condominium owners alone.

Loan Approval

As we noted in D.88-10-006, 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 \$1,000 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 \$731,887, including a 3% administrative charge by DWR in the amount of \$21,317.

4. The rate surcharge will increase QLWC's annual gross revenues by approximately \$71,400 and increase water rates by approximately \$200 per year for the typical residential customer. QLWC.

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 SDWBA loan should last as long as the loan. The surcharge payment should not be intermingled with other utility funds.

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

FINAL 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 five days after filing. The revised schedules shall apply to service rendered on or after the effective date hereof.

2. QLWC is authorized to borrow \$731,887 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. QLWC shall establish and maintain a separate bank account, preferably interest bearing to ensure adequate accountability for deposits and disbursements of SDWBA loan funds advanced by DWR to the utility. All surcharge amounts collected from customers shall be deposited in the account within 30 days.

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

6. 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.

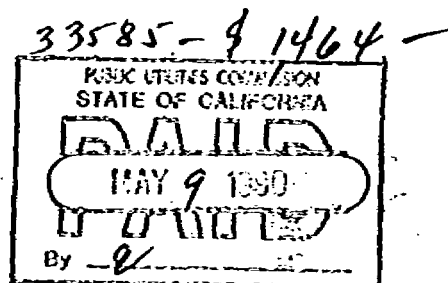
7. A.85-06-014 is granted as set forth above.

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 \$1,464, set by Public Utilities Code

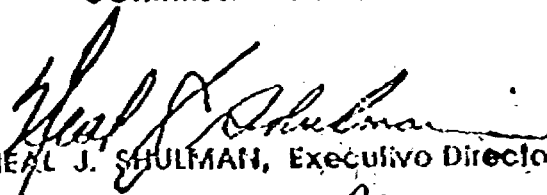
§ 1904(b). In all other respects this order becomes effective 30 days from today.

Dated MAY 04 1990, at San Francisco, California.

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



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

  
NEAL J. SHULMAN, Executive Director  
PS

## APPENDIX A

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## Schedule 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

## Quantity Rate:

Per 100 cu. ft. .... \$ 1.85

## Service Charge:

		<u>Per Meter Per Year</u>		
		<u>Service</u>	<u>SDWBA</u>	
		<u>Charge</u>	<u>Surcharge</u>	
For 5/8 x 3/4-inch meter	....	\$ 79.00	\$ 200.00	(N)
3/4-inch meter	....	87.00	200.00	1
1-inch meter	....	119.00	300.00	1
1-1/2-inch meter	....	166.00	420.00	1
2-inch meter	....	213.00	540.00	1
3-inch meter	....	395.00	1,000.00	1
4-inch meter	....	537.00	1,350.00	(N)

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

(T)  
1  
(T)

SPECIAL CONDITIONS

1. The SDWBA (Safe Drinking Water Bond Act) surcharge is an addition to the water bill.  
This surcharge must be identified on each bill.  
The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 90 05 003.  
This surcharge will become effective on \_\_\_\_\_.
2. The SDWBA surcharge applies to all metered customers except does not apply to the entire Chambers Landing Development.

(N)  
1  
1  
1  
1  
1  
1  
1  
(N)

(Continued)

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Schedule No. 1  
(Continued)

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS

3. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance.
4. The charge for water used may be billed monthly, bimonthly, or quarterly at the option of the utility.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)  
(L)

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## Schedule No. 2

ANNUAL FLAT RATE SERVICEAPPLICABILITY

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

	<u>Per Service Connection Per Year</u>	
	<u>Flat Rate</u>	<u>SDWBA</u>
	<u>Charge</u>	<u>Surcharge</u>
For a single-family residence or a hotel, or motel unit on the same premises and served from the same service connection. ....	\$193.00	\$200.00
For each additional residence or motel unit on the same premises and served from the same service connection. ....	97.00	100.00

SPECIAL CONDITIONS

1. The SDWBA (Safe Drinking Water Bond Act) surcharge is an addition to the water bill. (N)  
This surcharge must be identified on each bill. 1  
The surcharge is specifically for the repayment of the 1  
California SDWBA loan authorized by Decision 90 05 003 1  
This surcharge will become effective on \_\_\_\_\_ 1  
1
2. The SDWBA surcharge applies to all flat rate customers except does not apply to the entire Chambers Landing Development. 1  
1 (N)

(Continued)

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Schedule No. 2  
(Continued)

ANNUAL FLAT RATE SERVICE

SPECIAL CONDITIONS

3. All service not covered by the above classification will be furnished only on a metered basis.
4. 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.
5. All bills are subject to the reimbursement fee set forth on (L) on Schedule No. UF.

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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 90 05 003.

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 SDWBA surcharge provided for in Schedules 1 or 2, as applied to the property being furnished water service from the effective date of Decision 90 05 003 to the date of the connection. The maximum service fee shall be \$1,000.00. 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 90 05 003 is subject to periodic adjustment. The calculation of the accumulated surcharges shall take into account such periodic adjustments

(End of Appendix A)