

Decision S3 04 061

APR 20 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of the Lake Almanor Water Supply)
Inc., a California corporation,)
to borrow funds 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 60808
(Filed August 12, 1981)

O P I N I O N

Lake Almanor Water Supply, Inc. (Almanor) originally requested authority to borrow \$905,000 for 35 years at an interest rate of 6-1/2% per annum, under the California Safe Drinking Water Bond Act of 1976 (SDWBA) (Water Code Sections 13850 et seq.), and to add a surcharge to water rates to repay the principal and interest on such loan. Due to the increase in the cost of money, Department of Water Resources (DWR) notified Almanor by letter of January 6, 1983, that the present rate of interest for SDWBA loans has been increased to 8-1/2%. On January 3, 1983, by agreement among all the parties to the SDWBA project, the plant improvement plan was revised and the new estimated cost of construction is \$803,400. Almanor therefore revises its request to borrow \$803,400 for 35 years at an interest rate of 8-1/2% per annum.

Notice of the filing appeared on the Commission's daily Calendar of August 14, 1981.

The utility provides water to approximately 394 customers in an area extending about three miles along the northeastern shore at Lake Almanor in Plumas County. Currently, there are 259 active metered connections and 135 active flat rate connections, with an estimated average population of 1,100. Almanor has 275 vacant lots within its service area and there are several undeveloped tracts which may be developed within the next five years.

The utility's present water supply is obtained from a natural spring located within Almanor's service area. The water does not require filtration but must be chlorinated because surface water mixes with the spring water in the utility's reservoir.

Almanor has serious deficiencies within its water system, including the need for a storage tank at the spring site, construction of a transmission line between the proposed storage tank and the present distribution system, replacement of existing undersized distribution mains, provision of fire hydrants and metering the remainder of the system.

The SWDBA states, among other things, that water utilities failing to meet California Health and Safety Code standards and which cannot otherwise finance necessary plant

improvements may apply to the California Department of Water Resources (DWR) for low-interest loans. The California Department of Health Services (DHS) is required by SDWBA to analyze the public health issues and determine plant improvements needed to meet water quality and quantity standards. DWR assesses financial need and acts as the lending agency and fiscal administrator. Before a loan is granted, the applicant must demonstrate to DWR its ability to repay the loan and show that it has taken steps to maximize water conservation. Under the provisions of Public Utilities (PU) Code Sections 816 through 851, public utility water companies must obtain authorization from the Commission to enter into any long-term loan. PU Code Section 454 requires a public utility water company to obtain Commission approval for rate increases.

The DHS has reviewed the Almanor loan proposal and has set forth a summary of construction to be undertaken with the loan proceeds.

The original items of construction and estimated costs as proposed by DHS are detailed as follows:

	<u>Description of Item</u>	<u>Estimated Cost</u>
1.	Storage tank and Facilities	\$130,000
2.	Transmission main - tank to service area	95,000
3.	Replace undersize mains	455,600
4.	Looping of mains	18,000
5.	Valves/controls in loops	12,000
6.	Install water meters to unmetered connections	17,000
7.	Water conservations devices	<u>4,600</u>
	Subtotal	\$732,200
	10% Engineering	73,200
	10% Contingencies	<u>73,200</u>
	Total Contract Work	\$878,600
	Department of Water Resource Fees	<u>26,400</u>
	Total Loan Amount	<u><u>\$905,000</u></u>

The proposed loan from DWR will provide for a 35-year repayment schedule with equal semiannual payments of principal and interest, at an interest rate of 8-1/2% per annum.

The revenue to meet the semiannual payments on the SDWBA loan will be obtained from surcharges on all metered and flat rate services. The total amount of revenue from the proposed surcharge will exceed the loan repayment requirements by approximately 10%. In accordance with DWK requirements, this surcharge including the overcollection will be deposited with the fiscal agent to accumulate a reserve of two semiannual loan payments over a ten-year period. Earnings on funds deposited with the fiscal agent, net of charges for the fiscal agent's services, will be added to the fund. Net earnings of the fund will be used, together with the rate surcharge amounts collected from customers, to meet the semiannual loan payments. The Commission reserves the right to review the manner in which the fund is invested and to direct that a different fiscal agent acceptable to DWK be selected if appropriate.

The amount of the surcharge to repay principal, interest, and necessary reserve on the loan will be in direct proportion to the capacity of each customer's service connection. The following surcharge would produce approximately \$6,619 per month, requiring \$16.70 per month for each residential customer.

If the actual construction costs of the water system improvements exceed the presently estimated costs, and if the utility is authorized to increase the amount of the SDWBA loan to

cover such additional costs, it may be necessary to adjust the monthly rate surcharge.

SURCHARGE SCHEDULE

<u>Size of Service or Meter</u>	<u>Monthly Surcharge 2/</u>
Residential 1/	\$ 16.70
3/4" Meter	25.05
1" Meter and 1" flat rate	41.75
1-1/2" Meter	83.50
2" Meter	133.60
1/ 5/8" x 3/4" meter or flat rate service not larger than 3/4".	
2/ This surcharge is in addition to regular charges for water service.	

Almanor's present rates were authorized by Commission Resolution No. W-2513, effective June 1, 1979.

On the evening of September 10, 1981, staff representatives from the Commission's Revenue Requirements Division conducted a public meeting at the Hamilton Branch Fire Hall, 3791 Big Springs Road, Lake Almanor, California. The meeting was attended by about 150 customers of the utility. Also participating were representatives from DHS, DWR, and Almanor's consulting engineer. At the direction of the Commission, Almanor had sent a letter to all customers notifying them of the public meeting. A notice was also published in the local newspaper.

The meeting began by introducing the panel members representing DHS, DWR, the Commission and a member of the consulting engineering firm of Cook Associates. The Commission's staff accountant, who was chairing the meeting, announced that due to the size of the audience, the amount of the loan, and the extensive plant improvements, the meeting would be divided into two parts.

Part One would consist of a report by the DHS representative giving a summary of the water quality needs and his recommended improvements to bring Almanor's water system up to Safe Drinking Water Standards. The consulting engineer would then present an in-depth description of the plant improvements to be financed with the SDWBA funds. At the conclusion of these two presentations, the floor would be open to customer questions.

Part Two would consist of the DWR representative giving information regarding Almanor's application for a SDWBA loan. The Commission's staff accountant would then describe the cost of the loan to the customers and the safeguards that are required to provide control of the SDWBA funds.

Part One started with the DHS representative identifying the two major water quality problem areas which are the lack of adequate storage and poor water pressure in certain parts of

Almanor's distribution system. He recommended a storage tank with a minimum 350,000 gallon capacity be constructed. This would provide adequate storage to meet customer water pressure and peak demands as well as meet required fire flow. A new transmission main would be required to connect the proposed storage tank to Almanor's distribution system. He also recommended replacing existing undersized distribution lines, adding lines to loop the existing system along with new gate valves, fitting and appurtenances at reasonable intervals for system control and maintenance.

Part One continued with the meeting being turned over to the consulting engineer. He had prepared maps of Almanor's service area outlining the specific proposed plant improvements. He described, in detail, each of the major items of construction. These included construction of a new storage tank, transmission line from the tank to the storage area, replacing undersized mains, looping the mains and adding necessary valves and controls. This concluded the panel's presentation for Part One of the meeting.

The floor was then opened to the customers. The questions were numerous and responses were lengthy. The main focus of interest centered on which distribution mains should be replaced.

During this portion of the meeting, the fact that the Hamilton Branch Community Services District (HBCSD) had been formed in June 1981 became a principal topic of discussion.

HBCSD was established for the purpose of ultimately providing water for the area now serviced by Almanor. Elections of directors for HBCSD were scheduled for November 1981. Five of the seven candidates for directors were in attendance at the meeting.

Major differences of opinion were expressed by the candidates for HBCSD's board of directors and Almanor's consulting engineer. The basic disagreements concerned the water main replacement portion of the SDWBA project. This part of the meeting which lasted over two hours, was inconclusive.

Part Two of the panel's presentation began with the DWR's representative giving the basic financial and loan information regarding Almanor's SDWBA project. The Commission staff accountant described in detail the surcharge rate increase needed to repay the loan. He also gave a detailed description of the surcharge billing, collection, transfer of funds to the fiscal agent and the loan repayment provisions.

Another question and answer period followed. Although the financial aspects of the SDWBA project was the subject of Part Two of the meeting, the basic differences of opinion on the

water main replacement portion of the SDWBA project continued to be the central theme of the entire evening.

Several customers asked if the owners of the 275 vacant lots in the Almanor service area would be required to pay the monthly SDWBA surcharge. The staff accountant replied that all present and future Almanor customers would benefit from the SDWBA project. In C.10991 of Cedar Ridge Water Company^{1/} the Commission considered the issue of requiring collecting a service fee, based upon the SDWBA surcharge, payable at the time water connection is made to the vacant lots. In D.82-04-112, the Commission concluded that a prospective service fee was proper. The fee is to be calculated from the time the SDWBA surcharge is effective until water service is provided to the lot. A maximum fee was set.

The DWR representative was asked if HBCSD could assume the SDWBA loan if and when it becomes the operator of the water system. The answer was yes.

The staff accountant, at the conclusion, asked for the customers' sentiments regarding the need to improve Almanor's system by providing storage and replacing undersized mains. Nearly everyone was in agreement that these needs existed. The customers were then asked whether they were in favor of having Almanor borrow

^{1/} D.82-04-112, dated April 21, 1982 (mimeo)

the SDWBA funds from DWR and incur the rate surcharge increases needed to repay the loan. Their response was inconclusive. A majority of the customers felt that the questions of which distribution mains were to be replaced and who should operate the water system required an answer before expressing their opinions on the loan approval and rate surcharge increases.

The panel members also discussed the SDWBA loan interest rate. DWR's authorization letter to Almanor's projects an interest rate of 8-1/2% per annum. However, the true interest rate will be recalculated at the time all of the State of California's Safe Drinking Water bonds have been sold. At that time an average interest cost for the entire SDWBA program will be calculated. Almanor's loan interest rate will then be adjusted to the average. Utilities currently in the SDWBA program will have the option to either:

1. Continue repaying the SDWBA loan at the contract rate, and extend the term until the equivalent of the adjusted interest rate has been paid;
- or
2. Increase the amount of semiannual payments so that the adjusted interest rate will be paid by the end of the term of the contract for the SDWBA loan.

The DHS representative reminded the customers that the need to improve the water system would continue whether Almanor or the newly formed HBCSD operated the system. He stated that it was the DHS's responsibility to be sure that the water quality meet the Safe Drinking Water Act Standards. He strongly advised that they take advantage of the long-term, low cost loan being described at the meeting. Some of the customers were in agreement with his recommendations. Others still had reservations about the present management of the water system and its ability to provide better service after the SDWBA project was completed.

The staff accountant assured the audience that he would not make a recommendation until the scheduled election of the HBCSD directors was held and the district would then be able to formally express its opinions on the SDWBA project.

The directors were elected in November 1981. Numerous conversations and several meetings have been held, all of which failed to obtain a consensus regarding the SDWBA loan project.

On December 23, 1982, DWR notified all of the interested parties that its loan commitment would be withdrawn unless an agreement could be reached on a mutually acceptable SDWBA project within a reasonable time. Another meeting was held on January 5, 1983. In attendance were representatives from DWR, the Commission, Almanor's owner and consulting engineer, and the President of the board of directors of HBCSD.

A revised project which is described in detail by the following was agreed to by all the interested parties:

1.	Storage tank and related items	\$145,000	
	Chlorinated equipment	10,000	
	Hydropneumatic equipment	10,000	
	Miscellaneous valves, etc.	10,000	
	New mains to distribution	62,000	
	Subtotal		237,000
2.	Main distribution lines	254,000	
	Loop closure	76,000	
	Water meters	20,000	
	Fire hydrant, valves and fittings	70,000	
	Water conservation items	5,000	
	Total		425,000
3.	Engineering, contingencies and administration		118,000
4.	DWR administration fee 3%		23,400
	Total		<u>\$803,400</u>

Almanor therefore requests that its original loan authorization of \$905,000 be reduced to \$803,400.

On March 8, 1983, the HBCSD conducted a Special Tax Measure (STM) election. The purpose of the election was to obtain authority from more than two-thirds of the voters to:

1. Levy a special tax for four consecutive years not to exceed \$125 per year on each parcel.
2. Finance the cost of organizing the HBCSD.
3. Finance the cost of acquiring Almanor's water distribution facilities.
4. Finance the cost of additional improvements to the water system.

The Plumas County Clerk-Recorder certified that the STM was approved by the voters. The results were:

PRECINCT VOTE	-	YES	-	175	NO	-	71
ABSENTEES VOTE	-	YES	-	18	NO	-	13
TOTAL VOTE	-	YES	-	<u>193</u>	NO	-	<u>84</u>

The staff of the Commission's Revenue Requirements Division reviewed the application together with the opinions of the DHS representative, the president of the HBCSD board of directors, and Almanor's consulting engineer concerning the proposed plant improvements and believes that service will be substantially improved. The proposed SDWBA loan is clearly the most feasible and economical method of financing these improvements. The Commission, therefore, will authorize Almanor to enter into the proposed loan contract with DWR and to institute a surcharge on customers' bills to repay the loan.

To ensure adequate accountability of SDWBA loan construction funds advanced by DWR to the utility, such funds should be deposited by Almanor in a separate bank account. All disbursements of such DWR loan funds should also pass through this bank account.

The DWR has expressed a clear preference for the surcharge method of financing SDWBA loans, in lieu of rate base treatment because the surcharge method provides greater security for its

loans. The Commission considered this issue of surcharge versus rate base in A.57406 of Quincy Water Company^{2/} and concluded that the surcharge method, which requires a substantially lower initial increase in customer rates, is the most desirable method of financing SDWBA loans.

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 SWDBA-financed plant should be treated any differently in the event of condemnation by a public agency than if such plant had been included in the utility's rate base and had been financed in some other manner.

Almanor 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. Surcharge revenues should be deposited with the fiscal agent within 30 days after collection. The balancing account should be charged with payments of principal and interest on the loan, and for the services of the fiscal agent. The surcharge should be adjusted

^{2/} D.88973, dated June 13, 1978

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 surcharge 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 of interest on the SDWBA loan due in December 31, 1984, it is necessary for Almanor to place the surcharge in effect beginning April 1, 1984. This will enable the utility to meet the initial 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 estimated \$803,400 including a 3% administrative charge by DWK.

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 \$79,430 per year. Approximately \$72,209 will be used to meet the loan payment. The remaining \$7,221 which is approximately 10% of the loan payment, will be 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 funds 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 Almanor 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 Almanor's annual gross revenues by approximately \$79,430 and increase the water rates by approximately \$16.70 per month for an average residential customer

with a 5/8" x 3/4" meter or 3/4-inch flat rate service. Water rates of customers with larger meter or service 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. Almanor 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 April 1, 1984, to meet the initial payment due in December 31, 1984.

13. An average interest rate for all SDWBA loans will be determined after all of the State of California Safe Drinking Water bonds have been sold. At that time the interest rate on each SDWBA loan outstanding will be adjusted to reflect the average rate.

14. The undeveloped lots will benefit from the expenditures being made from the proceeds of the SDWBA loan. The benefits include the availability of water furnished by a public utility which meets health standards.

15. It is reasonable to establish a service fee and set a maximum. To set a maximum service fee it is determined that new connections made within the first five years after completion of the SDWBA project will receive full benefit from these improvements.

16. A maximum service fee of \$1,002.00 is set. This represents the accumulation of five years of the SDWBA surcharge. Any higher amount might discourage development of the lots and be counter productive.

Conclusions of Law

1. The increased rates are just and reasonable, and the application should be granted to the extent set forth in the following order.

2. A public hearing is not necessary.

The following order should be effective the date of signature to enable the utility to place the rate surcharge in effect.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Lake Almanor Water Supply, Inc., (Almanor) 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 five days after the date of filing, and shall apply only to service rendered on or after April 1, 1984.

2. Almanor is authorized to borrow \$803,400 from the State of California, to execute the proposed loan contract, and to use the proceeds for the purposes specified in the application.

3. Almanor 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 Almanor.

4. As a condition of the rate increase granted, Almanor 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 (SDWBA) loan shall be permanently excluded from rate base for ratemaking purposes.

6. To assure repayment of the loan, Almanor shall deposit all rate surcharge collected with the fiscal agent approved by DWR. Such deposits shall be made within 30 days after the surcharge are collected from customers.

7. Almanor shall file with the Commission 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.

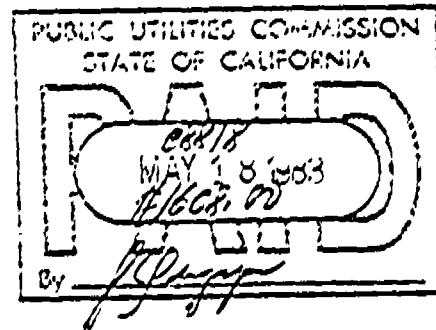
8. Almanor shall establish and maintain a separate bank account, to ensure adequate accountability for deposits and disbursements of SDWBA loan construction funds advanced by DWR to the utility.

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 \$1,608 set by PU Code Section 1904(b). In all other respects, this order becomes effective five days from today.

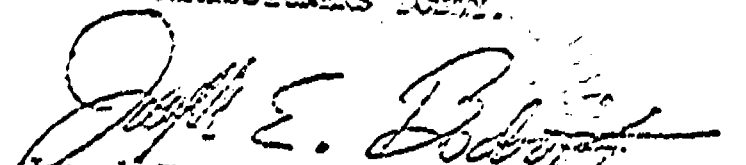
Dated APR 20 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
DONALD VIAL
Commissioners

Commissioner Priscilla C. Grew, being necessarily absent, did not participate in the disposition of this proceeding.



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


Joseph Z. Bodovitz, Executive Director

APPENDIX A

Schedule No. 1
Sheet 1 of 2GENERAL METERED SERVICEAPPLICABILITY

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

TERRITORY

An area extending about 3 miles along the northeastern shore of Lake Alamanor, in Plumas County.

<u>RATES</u>	<u>Per Meter Per Year (Charge)</u>	<u>Per Meter (N) Per Year (Surcharge)</u>
Annual Service Charge:		
For 5/8 x 3/4-inch meter.....	\$45.00	200.40
For 3/4-inch meter.....	50.00	300.60
For 1-inch meter.....	67.50	501.00
For 1 1/2-inch meter.....	90.00	1,002.00
For 2-inch meter.....	125.00	1,603.20 (N)

Monthly Quantity Rate:

First 300 cu.ft., per 100 cu.ft...	\$.28
Next 1,200 cu.ft., per 100 cu.ft..	.46
Over 1,500 cu.ft., per 100 cu.ft..	.34

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.

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) _____.

(a) Insert Decision Number in A.60808 before filing tariff. (N)

APPENDIX A

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Schedule No. 1

Sheet 2 of 2

ANNUAL METERED SERVICE

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 the 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 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

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Schedule No. 2
Sheet 1 of 2ANNUAL RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

An area extending about 3 miles along the northeastern shore of Lake Almanor, in Plumas County.

RATES

	Per Service Connection Per Year Charge	Per Service Connection (N) Per Year Surcharge	
For a single-family residential unit, including premises.....	\$62.50	200.40	
For each additional single-family residential unit on the same premises and served from the same service connection.....	\$37.50	120.24	(N)

NOTE:

This surcharge is in addition to the regular charge of \$62.50 per 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).

- (a) Insert Decision Number in A.60808 before filing tariff.

APPENDIX A

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Schedule No. 2

Sheet 2 of 2

ANNUAL RESIDENTIAL FLAT RATE SERVICE

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 No. 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.

3. 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. A nonpermanent resident may elect to pay the annual charge in two equal installments. Where such a resident has failed to pay the first half of the annual charge due January 1, service will not be restored until the total annual charge has been paid.

4. 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. 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

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Schedule No. 3

STATE BOND ACT LOAN FEE FOR UNDEVELOPED LOTS

APPLICABILITY

1. Applicable to undeveloped lots within the service area of Lake Almanor Water Supply, Inc. as of the effective date of Decision (a). (N)

TERRITORY

The area extending about three miles along the northeastern shore of Lake Almanor, in Plumas 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 \$1,002.00. 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 Number in A.60808 before filing tariff. (N)

(END OF APPENDIX A)