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ORIGINAL

Decision No. 88973 JUN 13 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Quincy Water Company to execute a Loan Contract with the State Department of Water Resources for a $500,000 loan and to increase its rates.	Application No. 57406 (Filed June 29, 1977; amended September 30, 1977)

Robert G. Dellinger, Sr., and Phillip Miller, for Quincy Water Company, applicant.
Harold T. Cook, for the Department of Water Resources; Brobeck, Phleger & Harrison, by Robert N. Lowry, Attorney at Law, for California Water Association; Louis E. Graham, for Conlin Strawberry Water Co.; and John C. Luthin, for Brown and Caldwell; interested parties.
Mary Carlos, Attorney at Law, for the Commission staff.

O P I N I O N

This is the first decision by this Commission considering our regulatory responsibilities in the implementation of the California Safe Drinking Water Bond Act (Act) of 1976. (Water Code § 13850 et seq.)

This Act provides, among other things, that water utilities whose systems fail to meet California Health and Safety Code standards and which could not otherwise finance the necessary improvements may apply to the California Departments of Health and Water Resources for low interest loans. The Department of Health is responsible for analyzing the public health issues; the Department of Water Resources (DWR) analyzes the need for financial assistance and acts as the lending agency and fiscal administrator. Before the loan is granted, the applicant must demonstrate to DWR its ability to repay the loan,

and must also show that it has instituted measures that will maximize water conservation.

Quincy Water Company provides water service to residential, commercial, and governmental customers and for fire protection in the town of Quincy, Plumas County. The water supply is obtained from wells located within the service area and from surface water sources located on the mountain slopes south of town. There are three open, unlined earthen reservoirs and one open concrete-lined reservoir located near the water supplies. There are 654 services of which 107 are metered.

In January of 1970 the Department of Health notified applicant that "It is necessary for all domestic water purveyors using surface sources to provide treatment including filtration and failsafe chlorination and covered reservoirs to protect the quality of the filtered water". Applicant thereafter filed Application No. 52730 with the Commission requesting an increase in rates which would produce sufficient revenue to recover operating expenses at a reasonable return on investment including a return on the cost of the proposed improvements. Decision No. 80271 (1972) granted an increase in rates designed only to satisfy the revenue requirements of the then-current operation without the improvements and proposed that applicant apply for rates needed to support the capital cost and operating cost upon completion of the work. Applicant was unable to raise the necessary funds and the improvements were not made.

Applicant seeks authority to borrow $500,000 of funds and to increase rates to recover from customers the amount needed to make the periodic payments on the loan.

The items of construction and cost as estimated in the application are detailed as follows:

Item	Cost
840,000-gallon covered reservoir	$143,000
420,000-gallon reservoir	83,000
Booster station	8,000
Transmission mains	35,000
Meter installations	80,000
Surface treatment plant	76,000
Pump replacement - Well No. 2	3,000
Flow meters on wells	2,000
Subtotal	$430,000
Engineering and contingencies at 20 percent	86,000
Total estimated project costs	$516,000

During the course of the hearing, applicant amended to seek authority to borrow an additional $50,000 to cover, among other elements, DWR's administration fee. The loan contract provides a repayment schedule of equal semi-annual payments of principal and interest. The exact rate of interest will not be known until the bonds have been sold but it is estimated to be 5.5 percent. On this basis the annual charges for debt service will be $32,000[1/] for a $550,000 loan.

Applicant proposes to recover the principal and interest payments through surcharges assessed against the customers as part of the monthly charges for water service. The amount of the monthly surcharge would be directly proportionate to the capacity of the customer's meter. For this purpose, all services would be rated on the basis of capacity of an equivalent number of 5/8 by 3/4-inch meters. If all present services were metered with the appropriate size meters, applicant would have the equivalent of 1,076 meters of this size. To generate $32,000[1/] annually, the charge for a 5/8 by 3/4-inch meter would therefore be approximately $2.50[2/] per month, with proportionately higher charges for larger meters.

1/ Increased to approximately $35,000 by amended application.

2/ Increased to approximately $2.70 by amended application.

Applicant further proposes that the utility plant funded by this loan should not be included in rate base for ratemaking purposes during the term of the loan and that the depreciation on this plant be recorded for income tax purposes only. Applicant's total revenue at present rates is estimated to be $77,000. A $32,000[3/] increase would thus increase applicant's revenues by approximately 41.6[4/] percent.

Hearings before Administrative Law Judge Gilman were conducted in Quincy and in San Francisco. The Utilities Division and the Water Association presented evidence and argument on the question of whether the results reached herein should be treated as precedent for other Act applications. The matter was submitted on November 21, 1977.

A witness from the Commission's Finance Division was presented to analyze and make recommendations on the company's proposal for non-rate base or flow-through treatment. He compared the utility proposal with conventional ratemaking treatment at both a 9.5 percent and a 5.5 percent rate of return. The table below summarizes his analysis:

Method	Total Revenue Requirement Over the Life Of the Loan	Total Revenue Requirement Discounted at 5.5%	Total Revenue Requirement Discounted at 7.5%
1. Conventional Method			
a. 9.5% Rate of Return	$1,354,987	$703,714	$586,586
b. 5.5% Rate of Return	994,990	499,997	413,420
2. Flow-through Method	1,137,045	500,000	398,695

The last two columns are a present worth analysis from the customer's standpoint. The witness recommended that the Commission adopt the company's proposed surcharge method of treatment. He found the following advantages from this method:

3/ Increased to approximately $35,000 by amended application.

4/ Due to amended application now 45.5 percent.

1. Initial monthly charges to the customers will be substantially less than under the conventional ratemaking method. The conventional ratemaking method will eventually produce reduced monthly payments but only after the thirteenth year.5/

2. The surcharge method gives somewhat greater assurance that funds will be available to make payments on the interest and principal.

3. The surcharge indicates to the customers the exact cost to them of the plant facilities that are being constructed with the loan proceeds.

4. The surcharge method provides the customers with some assurance that the company will not benefit unreasonably in future years.

The Finance witness was concerned that if the traditional method was adopted the low cost of this financing might be overlooked in future rate cases, thus allowing the company to earn an unnecessarily high rate of return on plant financed with low-cost money. The Finance witness believed that the only disadvantage in the flow-through method was that it gives no consideration to the added financial risk and management responsibilities that applicant will incur as a result of this project. He recommended that the surcharge be implemented by use of a balancing account to record both surcharge billings to customers and the payments of principal and interest. The surcharge rate would be periodically adjusted to reflect over- or undercollections in the prior year. He also recommended that plant built with loan proceeds should be permanently excluded from rate base even though still in use when the loan has been paid off. He did not make comparisons of the impact of investment tax credit, interest deductions, or tax depreciation since they were not required for comparative purposes. The witness noted, however, that in initial years the utility would have significant tax benefits.

5/ See Appendix B.

During the early years of the loan, income tax deductions for interest and depreciation on the new property would be high, particularly if accelerated depreciation is used. Furthermore, investment tax credits at 10 percent of the cost of the project are usable only during the early years. The witness proposed, nevertheless, that the tax benefits other than investment tax credit be ignored in calculating the surcharge since the benefit of the early years would be offset by disadvantages in later years when surcharge revenues will produce taxable income in excess of the amounts deductible for interest expense and depreciation. The witness recommended, however, that investment tax credit should be credited to the balancing account when utilized.

The Utilities Division disputed the Finance Division's conclusions concerning rate design and exclusion of the plant from rate base. It made the following recommendations:

1. That the Commission find that the facilities to be constructed by the applicant are prudent investments and necessary to provide better service to its customers.

2. That applicant be autnorized to execute a loan contract with DWR for a $550,000 loan.

3. That all plant and other capital construction charges financed by Act be treated in the conventional ratemaking manner and be included in the utility's rate base.

4. That applicant be authorized to increase rates so that additional revenues generated on an equivalent rate base method will be sufficient to cover depreciation expense and a return on the new plant based on an average useful life of 35 years and a rate of return of 5.5 percent.

5. That the effective date of the rate increase be August 1, 1978.

6. That the tariffs authorized by this Commission be designed to provide lifeline rates, encourage water conservation, and to generate additional revenue by increased commodity costs rather than the flat surcharge method as proposed by the applicant.

The testimony of the Utilities Division witness supported the traditional ratemaking method and opposed the surcharge method sponsored by the Finance Division. He saw no reason for changing the basic principles of ratemaking that the Commission has developed and practiced since 1912. He believed that all loans from whatever source and at whatever interest rate should be treated for ratemaking purposes in the conventional manner and that the revenue to repay the loan debt should be generated by the traditional rate base method. He opposed the proposal of the Finance Division to exclude plant constructed with Act funds from rate base. He pointed out that applicant, under the terms of the proposed contract, has the financial obligation to repay this debt just as it has to repay any other debt incurred for capital improvements, and it should not be treated or categorized as contributed capital. In making the distinction, the witness explained that contributed capital is most often acquired when a system is being expanded or extended to accommodate new developments and applicant knows that it will never have the cash flow necessary to refund all the costs of construction advanced by the developer. For ratemaking, applicant is not allowed to earn on contributed plant and rightfully so because it is a gift; an applicant would have no investment in the plant and no financial obligation to repay the cost of construction. He contrasted the case of Quincy Water Company; in order to qualify and obtain an Act loan, it has been necessary for applicant to obtain professional services to prepare plans and file separate applications with three state agencies; its credit and operations have been scrutinized in four days of public hearings; when authority to enter into the loan contract is granted, it will have the responsibility of designing and constructing the facilities and ultimately will have the financial obligation to repay every penny of the invested loan funds. In the opinion of the witness, the plant constructed with Act funds cannot be considered in the

same light as contributed plant; in essence, it is plant constructed with invested capital and should be in the rate base.

On the subject of rate increases, the witness recommended that a rate increase be granted to applicant to meet the early needs of the bond repayment schedule. After the construction program is complete and all facilities are operating, the witness anticipated that the utility will apply for general rate relief based on increased operating and maintenance expenses, ad valorem taxes, and the general inflationary trend. At that time, he recommended that all plant constructed with bond funds be included in the general rate base, that the rates and total revenue requirements be determined by the traditional rate base method, and that any reference in the tariffs to surcharges for repayment of bond debt be deleted.

On the subject of rate structures, the witness noted that applicant has both flat rate and metered customers. He recommended that the metered rate structure be changed to provide a lifeline quantity of 300 cubic feet and all quantities above 300 cubic feet would be surcharged $0.24 per 100 cubic feet, as shown in the schedule following:

Schedule No. 1

GENERAL METERED SERVICE

RATES

Quantity Rates:	Per Meter Per Month: Present	Per Meter Per Month: Proposed	Surcharge Per 100 c.f.
First 300 cu.ft. or less		$ 4.00	
Next 1,700 cu.ft., per 100 cu.ft.		.50	$0.24
First 600 cu.ft. or less	$ 4.20		
Next 1,400 cu.ft., per 100 cu.ft.	.50		
Next 3,000 cu.ft., per 100 cu.ft.	.44	.44	.24
Over 5,000 cu.ft., per 100 cu.ft.	.37	.37	.24

Minimum Charge:			
For 5/8 x 3/4-inch meter	4.20	4.00	
For 3/4-inch meter	5.80	5.80	
For 1-inch meter	9.00	9.00	
For 1-1/2-inch meter	16.50	16.50	
For 2-inch meter	25.00	25.00	
For 3-inch meter	45.00	45.00	
For 4-inch meter	65.00	65.00	

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

All quantities in excess of 300 cubic feet will be surcharged at a rate of $0.24 per 100 cubic feet.

[redacted] testified that the Utilities Division rate structure satisfies the Commission's policy on lifeline rates, encourages water and energy conservation, and makes customer cost proportional to use. He opposed the flat rate surcharge to all metered customers supported by the Finance Division on the basis that such a rate structure did not give any consideration to lifeline rates, did not provide any incentive for conservation, and ignored the philosophy that rates should be based on use.

In his report the witness contended that consumption is usually directly proportional to the size and capacity of a meter, and the proposal to effect a flat surcharge for each meter size based on the ratio of the relative capacity of each size meter was a reasonable method to use for a limited time if a commodity surcharge could not be developed.

He also supported the theory behind applicant's interim rate structure for single-family and large flat rate users based on sizes of lots and services, as shown in Exhibit E of the application. The magnitude of the staff's surcharge differs from applicant's due to the staff having a more current customer count and using the rate base method. [redacted]he theory behind the flat rate surcharge is to convert the various size lots and services to equivalent units of water consumption, then by dividing the flat rate revenue requirements by the total equivalent units, a minimum interim surcharge is developed. The interim surcharge for each size lot or service is then developed by multiplying the equivalent units in each size lot or in each size service by the minimum surcharge. The monthly interim surcharges for flat rate customers developed by the Utilities Division are shown in Table I.

TABLE I

Flat Rate Surcharge

Size of Lot Or Service	Number As of 11/17	Equivalent Unit Factor	Equivalent Units	Monthly Surcharge
7,000 sq.ft. or less	212	1.0	212	$ 2.40
7,000 - 15,000 sq.ft.	245	1.5	363	3.60
Over 15,000 sq.ft.	39	2.5	98	6.00
Each 2nd House	91	1.0	91	2.40
1-inch service	1	2.5	3	6.00
1-1/2- " "	2	5.0	10	12.00
2- " "	1	8.0	8	19.20
3- " "	2	15.0	30	36.00
4- " "	2	25.0	50	60.00
	595		865	

The Commission appreciates the extraordinary amount of time and effort the Utilities Division has expended in its effort to develop an appropriate ratemaking methodology to deal with the revenue requirements for Act financing. Nevertheless, we are constrained to reject its proposals to utilize traditional ratemaking methods in this instance.

We have adopted the following policies to govern this and other situations in which there is an opportunity to employ publicly furnished capital to provide better service and/or lower rates for customers of privately owned utilities.

1. Any such program is the economic equivalent of a subsidy. All benefits of the subsidy must be flowed through to the customer in the most direct fashion possible, except when there is unequivocal evidence that the legislature intended otherwise.

2. The program should contain checks and balances to ensure that there are no unintended windfalls to the utilities. We should be able to provide assurances that future Commission and/or staff members cannot use the program to provide under-the-table extra benefits to utility managements.6/

3. Customers have a right to be fully informed as to costs and benefits of projects financed in this matter. They should have at least the same basic information about both original project costs and financing costs as they would about the purchase and financing of a used car. Without such information, it is difficult for consumers to participate intelligently in the decision-making process.

4. Unless there are overriding consumer interests, we should not act in a manner which will diminish the lender's security. In particular, we should avoid a solution which arbitrarily creates substantial cash flow deficiencies in any year.

The Finance Division proposal to utilize the surcharge method meets these objectives.

6/ When and if extra incentives for managements of small utilities are needed, they should be expressly provided and labeled as such in the findings in a general rate case.

If we were dealing with the capital formation problems of conventional credit-worthy utilities, this phenomenon would be of little importance. Since such utilities normally seek new capital on a recurring basis and have regular programs of continued plant additions, the excess revenue requirements from newer projects are largely offset by the cash-flow deficiencies of older projects.

Here, however, there is one massive plant addition, the effects of which are not masked by the effects of earlier projects and which will not, in all probability, be offset by future construction.

We note that this project may produce a substantial amount of useable investment tax credits in early years. These investment tax credits can be used to reduce early years' payments under either of the proposals. Such use would tend to mitigate the harshest features of the Utilities Division's proposal. However, since this method of reducing consumer payment will be utilized under either proposal, we do not find this to be a reason for accepting or rejecting either proposal.

The Finance Division's proposal, while it avoids excessive revenue requirements in the early years, nevertheless produces a revenue requirement pattern which tilts up sharply in the last years of the loan. This phenomenon is due to the impact of federal tax laws and is unavoidable under any procedure which is intended to level-out the revenue requirement. It should be noted, however, that there is a corresponding tax benefit in the early years of the loan which more than offsets the additional revenue requirement experienced in the later years.

Finance Division noted both effects in its presentation. For simplicity of administration it recommended that both the early benefits and the subsequent burdens should both be excluded from calculating the surcharge.

On purely logical grounds it might be justifiable to sequester a small portion of the early years' tax benefits and require that the utility retain them so that (together with interest) they are available as a sinking fund to be used to offset the excessive tax payments of the latter years. However, practical considerations support the Finance Division's recommendation on this point. It would make little economic sense to require chronically capital-short water utilities to keep idle funds on deposit for an outlay which will not occur for several decades.

It, therefore, appears that we are compelled to choose between a proposal which arbitrarily imposes a high revenue requirement on today's customers and one which, apparently unavoidably, imposes a high revenue requirement several decades hence.

As long as we cannot achieve the ideal, i.e., a level or gradually increasing revenue requirement over the full life of the plant, a proposal such as the Finance Division's which defers excessive revenue requirements is far more acceptable. With a deferred revenue requirement, any long-term growth in the system will increase the number of customers thus reducing each customer's share. Furthermore, inflation will also tend to reduce the burden on individual future consumers.

Position of Department of Water Resources

DWR has been careful not to intrude upon this Commission's jurisdiction over the financing and rates of regulated utilities and has attempted to provide alternative courses of action which would be compatible with whatever policies we adopt. It would be willing, if the Commission found it necessary, to adopt repayment schedules with other than uniform semiannual payments, for example, a repayment pattern under which each semiannual payment of principal could match the amount allowable for straight-line depreciation in that same period. If such a pattern were used, the sum applicant would be obligated to pay to DWR would change each six months to match or nearly match the declining amount of each semiannual revenue requirement under the Utilities Division's proposal. Such a repayment schedule would eliminate the cash flow excesses and deficiencies which traditional ratemaking would otherwise produce.

DWR is somewhat reluctant to make all loans for a 35-year period. In some cases it has offered only a 25-year term. It would prefer to reserve the longer term loans for especially difficult problem areas. As a practical matter it is not able to extend the term of any loan beyond 40 years even in the most compelling circumstances. Within those limits, it would reluctantly consider basing the term of all loans on our estimate of the plant's useful life.

In a letter directed to the Commission after submission of this proceeding, DWR has indicated that it prefers the flow-through method of calculating overall revenue requirements.

Participation of the California Water Association (Association)

The Association participated in the hearings on September 23 and November 10, 1977. A final definitive statement of the Association's position was filed with the Commission on November 21, 1977. In this final statement the Association indicated that it took no position on the rate form used by the Commission in dealing with Act proposals.

It argued that regulatory policy should be developed in proceedings, intended for that purpose, not in proceedings in which the real parties interests are indifferent to the policy questions presented. This argument has considerable merit. It was an unfortunate set of circumstances that compelled us to use a test case approach to determine the appropriate treatment for Act projects. For the future we hope to avoid such circumstances when policy determinations are required. Hopefully, we will thus be able to avoid unnecessary delay or expense to individual applicants.

The Association also argued that the cost of plant financed by the loan should be included in applicant's rate base. Its argument is based on the following statement:

> "Implicit in the Finance Division's proposed exclusion from rate base of the plant to be funded out of the proposed loan is the assumption that the ratepayers are providing the capital here involved directly through the proposed surcharge. This is not so. The capital to be supported by the proposed rate increase is being provided by the Department of Water Resources, not by the ratepayers, and is being borrowed upon the credit of the applicant which has an unconditional obligation to repay it."

It also asserts, "...the conventional ratemaking method advanced by the Hydraulics Branch would provide a greater correlation between costs as incurred and the rates necessary for their recovery."

Both statements are in error. The foundation for the Finance Division proposal is not a theory that this plant has been contributed by the ratepayers, and that Division's proposal does recognize that the capital is being supplied by the State of California and not by the ratepayers. Its proposal is entirely consistent with the source of the funds. The Hydraulic Branch proposal does not necessarily provide a correlation between costs as incurred and the rates necessary for their recovery. On the contrary, as indicated in Appendix B, that method provides a highly distorted correlation between income and outlay unless DWR adopts a matching repayment schedule.

Metering

At the time of the hearing, DWR had a firm policy requiring that all unmetered systems install meters as part of any Act project. That policy has since been relaxed and DWR would not now require the addition of meters where not found justified.

In this case metering is justified, even though providing meters for all services will cost about $80,000. Nevertheless, if meters were not authorized, the cost of the project would not be reduced significantly. If meter-induced conservation could not be relied upon, the size of several elements of the new plant would have to be increased; these additional costs would approximate the amount saved by omitting the meters.

Metering will increase operating costs, principally for meter reading. However, the expected conservation effects are expected to provide offsetting reductions in other expense accounts.

The element of fairness to all customers is also important to us. The applicant indicates that with an all-metered system it probably could have avoided, or significantly shortened the rationing period necessary during the recent drought. This would indicate that most, if not all, of the responsibility for applicant's recent rationing program should be attributed to those unmetered customers who consumed more than their share of water.

We are also concerned about energy conservation. With or without meters, energy consumption for pumping on the new system will be significantly higher. If meters are not installed there will be an even greater consumption of energy caused by unnecessary or excessive water usage.

We will therefore not reject applicant's proposal to include metering as part of the project.

Possible Operating Expense Increases

It is necessary to emphasize that the surcharge authorized herein covers only the costs of ownership associated with the added plant, not any additional operating expenses. There could be significant increases in current expenses, for example, for meter reading and possibly an ad valorem tax increase. Such increases will be offset by increased income tax deductions and by savings in pumping costs because of the conservation effects of metering. Nevertheless, there is no guarantee that such offsetting impacts will be sufficient to enable applicant to avoid seeking a general rate increase soon after the project is completed.

We find that:

1. The proposed system improvements are needed to produce a healthful, reliable water supply. The improvements will cost $550,000, excluding operating costs but including a service charge by DWR.

2. The financing program provides very low-cost capital for the needed improvements and is a prudent means of acquiring necessary capital. The proposed borrowing is for proper purposes and the money, property, or labor to be procured or paid for by the issue of the security 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.

3. A rate surcharge should be established which provides in each six-month period an amount of revenue approximately equal to the periodic payment. 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.

4. Capital charges for this loan should be offset by a quantity surcharge which lasts as long as the loan. The charges should not be intermingled with other utility charges; special accounting requirements and a refund condition are necessary to ensure that there are no unintended windfalls to private utility owners.

5. This rate increase should not affect applicant's return on equity. It should increase applicant's annual gross revenues by approximately $35,000 per year.

6. The Utilities Division's proposal, insofar as it requires non-uniform annual payments by consumers, is discriminatory and unreasonable.

7. The property should not be included in rate base; the customer should not be required to pay more than once for the property; the revenue requirement should be fixed by a system which avoids excessive or insufficient revenues in any period.

8. A quantity surcharge of 0.23 cents per 100 cubic feet is appropriate.

9. Applicant, as a condition of the rates authorized herein, should consent that any surplus surcharge revenue may be ordered refunded to consumers.

10. Metering will not add significantly to capital or operating costs of the system. A fully metered system will make possible a less discriminatory rate pattern, and will encourage conservation of water and energy.

Conclusions

1. The application should be granted to the extent set forth in the following order.

2. The loan and rate increase should be granted subject to conditions as stated in Finding 9.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant Quincy Water Company is authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be five days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date of the revised schedules.

2. Applicant is authorized to borrow $550,000 from the State of California to execute the proposed loan contract and to use the proceeds as specified in the application.

3. As a condition of the rate increase granted herein, applicant should be responsible for refunding or applying, on behalf of consumers, any surplus accrued in the balancing account when ordered by the Commission.

4. Applicant shall establish and maintain a separate balancing account which shall include all billed surcharge revenue and the value of investment tax credits on the plant financed by the loan and which shall be reduced by payments of principal and interest to the Department of Water Resources.

The authority granted by this order to issue an evidence of indebtedness and to execute a loan contract will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is $1,100. In all other respects the effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 13th day of JUNE, 1978.

Robert Batinovich
President

Vernon L. Sturgeon

Richard D. Gravelle

Claire T. Dedrick
Commissioners

I dissent. Nothing in the California Safe Drinking Water Bond Act of 1976 or the history of its enactment causes me to believe that this loan should be treated for ratemaking purposes other than in the conventional manner. Applicant is not merely a manager, but is the owner of this water system. He is fully at risk for this loan. I would utilize the traditional rate base method in this and similar cases.

William Symons, Jr.
Commissioner

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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JUN 21 1978
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By

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Quincy and vicinity, Plumas County.

RATES

Quantity Rates:	Per Meter Per Month	Surcharge Per 100 cu.ft.
First 300 cu.ft. or less	$ 4.00	$0.23
Next 1,700 cu.ft., per 100 cu.ft.	.50	0.23
Next 3,000 cu.ft., per 100 cu.ft.	.44	0.23
Over 5,000 cu.ft., per 100 cu.ft.	.37	0.23

Minimum Charge:

For 5/8 x 3/4-inch meter	4.00
For 3/4-inch meter	5.80
For 1-inch meter	9.00
For 1½-inch meter	16.50
For 2-inch meter	25.00
For 3-inch meter	45.00
For 4-inch meter	65.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Quincy and Vicinity, Plumas County.

RATES

	Per Service Connection Per Month
For each single-family residence including premises having an area of:	
4,000 sq.ft. or less	$6.20
4,001 - 7,000 sq.ft.	6.60
7,001 - 10,000 sq.ft.	7.40
10,001 - 15,000 sq.ft.	7.85
Over - 15,000 sq.ft.	8.25
For each additional residential unit served through the same service connection	4.95

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.

2. Meters may be installed at option of utility for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

SURCHARGE

The surcharge shown in the following table applied to each premise.

FLAT RATE SURCHARGE - SCHEDULE NO. 2R

Size of Lot	Monthly Surcharge
7,000 sq.ft. or less	$2.50
7,000 - 15,000 sq.ft. or less	3.75
Over 15,000 sq.ft.	6.25
Each 2nd house on the same premise	2.50

Schedule No. 3

SCHOOL AND COURTHOUSE FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished on a flat rate basis to public schools, public school district offices and the Plumas County Courthouse.

TERRITORY

Quincy and vicinity, Plumas County.

RATES

	Per Service Connection Per Month
For Quincy Elementary School	$ 56.00
For Plumas County High School	181.00
For Plumas Unified School District Offices	32.00
For Plumas County Courthouse	115.00

SPECIAL CONDITIONS

1. Meters may be installed at option of utility for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

2. The surcharge shown in the table below shall be applied to each size service line (maybe more than one) which provides flat rate water service to a premise under this schedule. (N)

Flat Rate Surcharge - Schedule No. 3

Size of Service	Monthly Surcharge	
1-inch	$ 6.25	(N)
1½-inch	12.50	|
2-inch	20.00	|
3-inch	37.50	|
4-inch	62.50	(N)