

ORIGINAL

Decision No. 89198

AUG 6 - 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of William and Delia Hay, dba Point Arena Water Works, for authority to borrow money to encumber utility plant in connection therewith, and to increase rates and charges for water service in Point Arena and vicinity, Mendocino County.

Application No. 57612
(Filed October 7, 1977;
amended December 12, 1977)
Petition for Modification
(Filed July 3, 1978)

OPINION ON PETITION FOR MODIFICATION

Decision No. 88536 herein, dated and effective March 7, 1978, authorized applicants to borrow \$150,000 from the United States Small Business Administration (SBA), to execute a promissory note, and to encumber the water plant as security for such loan. The decision also authorized a rate surcharge calculated to provide sufficient funds to service the loan. Such a surcharge was specifically made a condition of the loan by the SBA. The surcharge was on a flat rate basis, with the smallest meter being surcharged \$3.82 per month.

Applicants have now discovered that during unavoidable delays in the approval of the loan, there have been unexpected increases in costs, principally in the cost of asphalt. As a result, applicants have been obliged to apply to SBA for an additional loan of \$21,000 to complete the project. The SBA has consented; as before, its consent is specifically conditioned on a modification of the present surcharge so that the amount of revenue will be sufficient to service the new, higher loan payments.

Applicants have notified their customers by an advertisement in a local newspaper. No protests have been received.

Table I sets forth the increase necessary to generate the additional revenues required.

TABLE I

<u>Meter Size</u>	<u>Equivalent 5/8" Meter</u>	<u>Prior Sur- charge</u>	<u>Increase</u>	<u>Total</u>
5/8" X 3/4"	1	\$ 3.82	\$0.53	\$ 4.35
3/4"	1.5	5.73	0.80	6.53
1"	2.5	9.55	1.32	10.87
1-1/2"	5	19.10	2.65	21.75
2"	8	30.56	4.24	34.80

It appears appropriate to authorize the increased loan and increased surcharge. We find that:

1. The proposed security issue 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.

2. The increase in rates and charges authorized by this decision is justified and is reasonable; and the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

3. As a result of a loan increase authorized herein, the rate surcharge will of necessity be increased to produce annual revenues of \$8,712 instead of the \$7,650 produced by the surcharge previously authorized. No increase in return in equity is anticipated as a result of the authorization of the increase in surcharge.

We conclude the modified application should be granted as set forth in the order which follows.

O R D E R

IT IS ORDERED that:

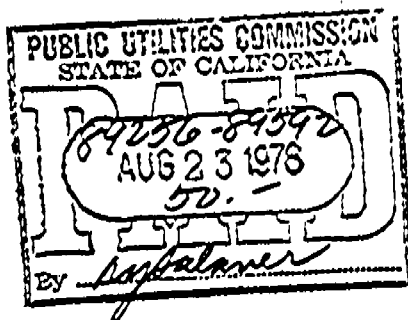
1. After the effective date of this order applicants William Hay and Delia Hay are authorized to file the revised rates schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective

date of the revised schedule shall be five days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date of the revised schedules. Applicants are authorized to borrow funds in an additional amount not to exceed \$21,000 and to execute a note or notes to the United States Small Business Administration for the purposes described in the petition for modification.

2. Ordering Paragraphs 3 and 5 of Decision No. 88536 shall continue in effect.

Since consumers have been adequately notified of this petition and since it is unlikely that there will be any protest, this order shall become effective when applicants have paid the fee prescribed by Section 1904 of the Public Utilities Code, which fee is \$50.

Dated at San Francisco, California, this 8th
day of AUGUST, 1978.



Robert Bateman
President

Vernon L. Sturgeon
Richard C. Gable

Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

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APPENDIX A

Schedule No. 1-X

GENERAL METERED SERVICE SURCHARGE

APPLICABILITY

Applicable to all metered service. This surcharge is specifically for the repayment of the Small Business Administration Loan as requested in Application No. 57612.

TERRITORY

The City of Point Arena and vicinity, Mendocino County.

LOAN REPAYMENT SURCHARGE

	<u>Per Meter</u>
	<u>Per Month</u>
For 5/8 x 3/4-inch meter	\$ 4.35
For 3/4-inch meter	6.53
For 1-inch meter	10.87
For 1 1/2-inch meter	21.75
For 2-inch meter	34.80