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Decision No. 89765 DEC 19 1978**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
William and Delia Hay, dba Point Arena)	Application No. 57612
Water Works, for authority to borrow)	(Filed October 7, 1977;
money to encumber utility plant in)	amended December 12, 1977)
connection therewith, and to increase)	Second Petition
rates and charges for water service in)	for Modification
Point Arena and vicinity, Mendocino)	(Filed October 5, 1978)
County.)	

OPINION ON SECOND 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.

In a petition for modification filed July 3, 1978, applicants requested authorization to borrow an additional \$21,000 from the SBA, to adjust the rate surcharge accordingly and to meet unexpected increases in the cost of the project. The requested authorization was granted by Decision No. 89198 dated August 8, 1978.

On October 5, 1978 applicants filed a second petition for modification of Decision No. 88536 requesting authorization to borrow an additional \$14,500 because, when the project was completed, it was found that total actual costs exceeded prior estimated costs, and that applicants had failed to include certain costs in their prior estimates. Applicants also asserted that they have submitted

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to SBA a breakdown of all expenses actually incurred for labor, materials, equipment rental and miscellaneous and general expenses associated with the project, totaling \$185,500. SBA has approved all such expenses and has agreed to modify its loan No. DL-B 877615 10 10SF to applicants so as to provide a loan of \$185,500 for the project.

Applicants estimated that additional annual gross revenues of \$733.00 will be required to amortize the \$14,500 of increased borrowings over the life of the loan.

Applicants have notified their customers of the proposed change in the surcharge by an advertisement in a local newspaper.

The following tabulation sets forth the increase necessary to generate the additional revenues requested:

<u>Meter Size</u>	<u>Equivalent 5/8" Meter</u>	<u>Surcharges Authorized By Decisions Nos. 88536 & 89198</u>	<u>Increase</u>	<u>Total</u>
5/8 " x 3/4"	1	\$ 4.35	\$.36	\$ 4.71
3/4"	1.5	6.53	.54	7.07
1"	2.5	10.87	.90	11.77
1-1/2"	5	21.75	1.80	23.55
2"	8	34.80	2.88	37.68

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The City Council of the City of Point Arena (City) initially protested, requesting a hearing at which a member of our staff would explain the basis for the utility's second petition.

We have instead made arrangements whereby the City Clerk will act as depository of copies of the documents in question and contact the members of the public who have unanswered questions, so that they may examine them.^{1/} There have been no requests for additional information. It should be noted that a member of our Finance Division has examined the supporting documents and has formed the conclusion that the claimed sums are a proper charge to the pipeline project. No customers or public officials have specifically challenged any of the claimed items.

The other issue raised by the City was the possibility that new customers outside city limits might be added to the system and benefit from the new plant. We have no indication that the utility plans an expansion. However, even if it should

^{1/} We are informed that the City Clerk posted notices concerning the availability of additional information, and personally contacted the consumers who originally complained to the City Council. Apparently, no one has examined the information available. We are also informed that she informed applicants' attorney that the Council no longer questioned the need for the increase.

expand, each additional customer will reduce the amount of the surcharge. Thus, any customer who wishes the lowest possible surcharge would be working at cross-purposes if he also opposed expansion. Conversely, a customer who opposes expansion is, whether he recognizes it or not, also opposing a means of reducing each customer's total water bill.

This decision is not a determination of whether the utility should or should not expand. If customers or City officials wish to pursue that issue, it must be considered in a separate proceeding.

Since we have no indication that there is a triable issue of fact herein, we will grant the petition without further proceedings.

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 \$9,445 instead of the \$8,712 produced by the surcharge previously authorized. No increase in return on 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. Since applicants' customers have been provided notice of the proposed modification and change in surcharge rate and no material protests have been received, the following order should be effective the date the required fee is paid.

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 or after the effective date of the revised schedule. Applicants are authorized to borrow funds in an additional amount not to exceed \$14,500 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.

This order shall become effective when applicants have paid the fee prescribed by Section 1904 of the Public Utilities Code, which fee is \$28.

Dated at San Francisco, California, this 19th day of DECEMBER, 1978.

Robert Batimovich
President
William J. Gurnea, Jr.
Veronica J. Stanger
Charles D. Gaville
Clair L. Smith
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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BY [Signature]

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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	\$ 4.71	(I)
For 3/4-inch meter	7.07	
For 1-inch meter	11.77	
For 1 1/2-inch meter	23.55	
For 2-inch meter	37.68	(I)