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Decision No. 90787

SEP 12 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Rio Plaza Water Company, Inc. for)
 authority to borrow money under the)
 California Safe Drinking Water Bond)
 Law of 1976, to encumber its assets)
 in connection therewith and to)
 increase its rates and charges for)
 water service within Rio Plaza)
 Subdivision in the vicinity of)
 El Rio, Ventura County.)

Application No. 57461
 (Filed July 19, 1977)
 Amended August 21, 1978
 Petition for Modification
 (Filed April 23, 1979)

S U P P L E M E N T A L O P I N I O N

By Decisions Nos. 88834 and 90058, dated May 16, 1978 and March 13, 1979, respectively, and effective June 15, 1978 and March 18, 1979, the California Public Utilities Commission (Commission) authorized Rio Plaza Water Company, Inc. (Rio Plaza) to borrow \$360,500 from the California Department of Water Resources (DWR), under the California Safe Drinking Water Bond Act of 1976 (SDWBA) (Water Code 13850 et seq.). The Commission also granted to Rio Plaza, on an interim basis, a rate surcharge, designed to provide additional revenue to meet the payments on the loan, and the authorization to file revised rates to offset increased costs.

In its Interim Decision No. 88834, the Commission authorized a surcharge based on a flat rate; whereas, the Commission's final Decision No. 90058 substituted a quantity surcharge based on consumption, since the Rio Plaza water system is fully metered.

On April 23, 1979, Rio Plaza filed a Petition for Modification of Decisions Nos. 88834 and 90058, requesting authorization to borrow an additional \$5,150 under the SDWBA, because the Rio Vista plant reconstruction program financed by the SDWBA loan is expected to be completed after July 1, 1979, and the Commission issued its final

decision based on estimated plant reconstruction program costs of \$360,500. Rio Plaza has been informed by the California Department of Health Services (DHS) that a review of its water system indicates that improvements to Rio Plaza's water storage facility or tank qualify to be financed under the SDWBA. The DHS approves that the additional financing for the water storage facility be obtained from the DWR through SDWBA loan funds because the cost of the project was not included in the original SDWBA loan total of \$360,500. The approximate cost of this water storage facility is \$5,150, which includes the 3% DWR administrative fee.

The Commission has determined that the additional \$5,150 loan requested by Rio Plaza and the concomitant increase in the yearly surcharge would not change the increase in customer rates authorized by Commission Decision No. 90058. In that decision, based on an estimated average residential customer consumption of approximately 1,700 cubic feet of water per month, a surcharge of \$0.23 per hundred cubic feet will provide sufficient revenue (approximately \$25,000 per year) for yearly amortization of interest and principal on the loan. Such a surcharge will produce about \$2,070 per month with an increase in water rates of approximately \$4.00 per month for an average residential customer.

Findings of Fact

1. The proposed additional water system improvements are needed to produce a healthful and reliable water supply.
2. The additional \$5,150 SDWBA loan provides low-cost capital for the necessary water system improvements and is a prudent means of acquiring necessary capital. The total of the plant reconstruction program will cost an estimated \$365,650 including a three percent administrative charge by DWR.

3. The proposed additional 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 rate surcharge will produce about \$2,070 per month, approximately \$4 for the average residential customer. This rate surcharge will not change from that authorized by Commission Decision No. 90058.

5. This order does not increase Rio Plaza's revenues over those resulting from the rates already authorized by Commission Decision No. 90058. The rate surcharge established by this decision is sufficient to meet the semi-annual payments of principal and interest on the loan including the additional \$5,150 requested by Rio Plaza in this petition.

6. The revised rate schedule authorized by Commission Decision No. 90058 will not change and remains in effect.

7. The additional utility plant financed through this SDWBA loan should be permanently excluded from rate base, as the customers should not be required to pay more than once for the utility plant.

8. The quantity-based surcharge is justified and reasonable.

Conclusion of Law

1. Decisions Nos. 88834 and 90058, as modified by this petition, should be granted to the extent set forth in the following order. A formal hearing is not necessary.

S U P P L E M E N T A L O R D E R

IT IS ORDERED that:

1. Rio Plaza Water Company, Inc. is authorized to borrow an additional \$5,150 under the SDWBA from the State of California, to execute the proposed loan contract for the additional amount requested, and to use the proceeds as specified in its petition for modification.

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2. The additional plant financed through the SDWBA loan shall be permanently excluded from rate base.

3. All the conditions and requirements of Decisions Nos. 88834 and 90058 shall continue in effect.

4. This order shall become effective when Rio Plaza Water Company, Inc. has paid the additional fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$12.

Dated at San Francisco, California, this 12th day of SEPTEMBER, 1979.

John E. Bryson
President
[Signature]
[Signature]
[Signature]
Commissioners

