

Decision 93382 AUG 4 1981

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
Russian River Water Company, Inc.)
to borrow funds under the Safe)
Drinking Water Bond Act, and to add)
a revised surcharge to water rates)
to repay the principal and interest)
on such loan.)

Application 60756
(Filed July 23, 1981)

O P I N I O N

By Decision (D.) 92061, July 29, 1980, in Application 59322, the Commission authorized Russian River Water Company, Inc., (Russian River) to borrow \$559,104 for 30 years, at an interest rate of 5-1/2% per annum, 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 authorized Russian River to add a surcharge to water rates to repay the principal and interest on such loan.

By this application, Russian River requests authority to modify D.92061 for the following reasons:

1. DWR has given Russian River a written exemption from having to meter the remaining flat rate services within the utility's Russian River Terrace (Terrace) and Rio Dell (Rio Dell) Systems; therefore, Russian River is requesting a reduction in the SDWBA loan amount from \$559,104 to \$513,785.

2. Russian River is filing exhibits with this application to comply with Ordering Paragraph 6 a., b., and c., of D.92061. This ordering paragraph primarily makes reference to Russian River's negotiation of a lease agreement for not less than 20 years, for land on which wells will be located.
3. In order for the rate surcharge to produce enough revenue to meet the initial payment due on the SDWBA loan, Russian River is requesting that the revised surcharge be placed in effect beginning October 1, 1981.

Notice of the filing of Application (A.) 60756 appeared on the Commission's Daily Calendar of July 24, 1981. This decision is an adjunct to D.92061. Unless otherwise revised by this decision, the narrative portion, all conditions and requirements of D.92061 shall continue in effect.

The California Department of Health Services has reviewed Russian River's loan proposal and has set forth a summary of construction to be undertaken with the loan proceeds. By a letter dated February 5, 1979, DWR informed Russian River of its eligibility for a loan under the SDWBA.

The items of construction and estimated costs are detailed as follows:

Russian River Terrace

<u>Description of Item</u>	<u>Cost</u>
1. Install 4,400 feet of transmission mains to neighboring Rio Dell and interconnect the two systems	\$ 52,800
2. Install one 100,000-gallon and one 30,000-gallon storage tank	65,150
3. Replace approximately 16,100 L.F. of under-sized and deteriorated distribution mains	161,000
4. Purchase and install fail-safe chlorination and water quality monitoring equipment	<u>3,200</u>
Subtotal	\$282,150
Engineering Fees	62,030
DWR Administrative Fee 3%	<u>10,325</u>
Total	<u>\$354,505</u>

Rio Dell

<u>Description of Item</u>	<u>Cost</u>
1. Drill an additional well	\$ 8,100
2. Install a 100,000-gallon and a 30,000-gallon storage tank	65,550
3. Replace approximately 4,000 L.F. of distribution mains	43,200
4. Purchase and install fail-safe chlorination and water quality monitoring equipment	3,200
5. Install auxiliary connection to the Forestville County Water District system	<u>6,150</u>
Subtotal	\$126,200
Engineering Fees	28,440
DWR Administrative Fee 3%	<u>4,640</u>
Total	<u>\$159,280</u>

SUMMARY OF PROJECT COSTS

Russian River Terrace	\$354,505
Rio Dell	<u>159,280</u>
Total	<u>\$513,785</u>

The proposed loan from DWR will provide for a 30-year repayment schedule with equal semiannual payments of principal and interest, at an interest rate of 5-1/2% 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 DWR requirements, this overcollection will be deposited with the fiscal agent to accumulate a reserve of two semiannual loan payments over a 10-year period. Earnings of the fund, 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 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 DWR be selected if appropriate.

The annual requirements for debt service for the Terrace customers will be approximately \$26,698. 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 meter or service connection. The following revised surcharge would produce approximately \$2,225 monthly:

RUSSIAN RIVER TERRACE

REVISED SURCHARGE SCHEDULE

<u>Size of Service or Meter</u>	<u>Monthly Surcharge^{2/}</u>
Residential ^{1/}	\$ 5.40
3/4-inch meter	8.10
1-inch meter	13.50
1-1/2-inch meter	27.00
2-inch meter	43.20

^{1/} 5/8" x 3/4" meter or flat rate services not larger than 3/4".

^{2/} This surcharge would be in addition to regular charges for water service.

The annual requirements for debt service for the Rio Dell customers will be approximately \$12,078. 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 meter or service connection. Such a surcharge would produce approximately \$1,007 monthly:

RIO DELL

REVISED SURCHARGE SCHEDULE

<u>Size of Service or Meter</u>	<u>Monthly Surcharge^{2/}</u>
Residential ^{1/}	\$ 2.75
3/4-inch meter	4.15
1-inch meter	6.90
1-1/2-inch meter	13.75

The staff of the Commission's Revenue Requirements Division has reviewed the application and concludes that the proposed revised plant improvements will substantially improve service. The proposed revised SDWBA loan clearly is the most feasible and economical method of financing these improvements. The Commission, therefore, will authorize Kussian River to enter into the proposed amended loan contract with DWR and to institute a revised surcharge on customer's bills to repay the loan.

^{1/} 5/8" x 3/4" meter or flat rate services not larger than 3/4".

^{2/} This surcharge would be in addition to regular charges for water service.

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,^{1/} wherein it concluded that the surcharge method, which requires a substantially lower initial increase in customer rates, is the most desirable method of financing SDWBA loans.

By adopting this surcharge method of accounting the Commission does not imply that SDWBA-financed plant should be treated any differently in 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.

In order for the surcharge to produce enough revenue to meet the initial payment of principal and interest on the SDWBA loan due in January 1983, it is necessary for Russian River to place the surcharge in effect beginning October 1, 1981. This will enable the utility to meet the initial payment and make the regular semiannual payments thereafter.

^{1/} D.88973, dated June 13, 1978 (Mimeo).

Findings of Fact

1. The SDWBA loan provides low-cost capital for the needed water system improvements and is a prudent means of acquiring \$513,785 which includes a 3% administrative charge by DWR.

2. The proposed surcharges will generate approximately \$38,776 per year. Approximately \$35,164 will be used to meet the loan payments. The remaining \$3,612 which is approximately 10% of the loan payments 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 shall be made within 30 days after the date collected.

3. The rate surcharges will increase Terrace's and Rio Dell's annual gross revenue by approximately \$26,698 and \$12,078, respectively, and increase water rates by approximately \$5.40 and \$2.75 monthly for an average residential customer of the Terrace and Rio Dell Systems, respectively.

4. These surcharges should be placed in effect beginning October 1, 1981 to meet the initial payment due in January 1983.

5. The utility plant financed through this SDWBA loan should be permanently excluded from rate base for ratemaking purposes.

Conclusions of Law

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

2. A formal hearing is not necessary.

The following order should be effective on the date of signature to enable the utility to start construction as soon as possible.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Russian River Water Company, Inc., 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 30 days after the date of filing, and shall apply only to service rendered on or after October 1, 1981.

2. Russian River Water Company, Inc., is authorized to borrow \$513,785 from the State of California, to execute the proposed amended loan contract, and to use the proceeds for the purposes specified in the application.

3. Plant financed through the SDWBA loan shall be permanently excluded from rate base for ratemaking purposes.

4. To assure repayment of the loan, Russian River Water Company, Inc., shall deposit all surcharge revenue collected with the fiscal agent approved by the State Department of Water Resources. Such deposits shall be made not more than 30 days after the date collected.

5. Russian River Water Company, Inc., shall file with the Commission a copy of the amended loan contract with the State Department of Water Resources, and a copy of the agreement with the fiscal agent, within 30 days after these documents have been executed.

6. Unless otherwise revised by this decision, all the conditions and requirements of D.92061 shall continue in effect.

A.60756 RR/CFF/WPS/WPSC

As required by D.92061, the issuer has paid the fee set by PU Code Section 1904(b), which fee was \$1,120; therefore, this order is effective today.

Dated AUG 4 1981 , at San Francisco, California.

John E. Bryan
President
Richard D. Stuebel
Thomas M. Smith
Victor Calvo
Pres. McCraw
Commissioners

APPENDIX A

RUSSIAN RIVER WATER COMPANY, INC.
Russian River Terrace District

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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated communities of Russian River Terrace, Hollydale Park, and vicinity, Sonoma County.

RATES

Service Charge:	<u>Per Meter Charge</u>	<u>Per Month Surcharge</u>	(N)
For 5/8 x 3/4-inch meter.....	\$ 3.25	\$ 5.40	
For 3/4-inch meter.....	3.60	8.10	
For 1-inch meter.....	4.90	13.50	
For 1-1/2-inch meter.....	6.50	27.00	
For 2-inch meter.....	8.80	43.20	(N)

Quantity Rates:

Per 100 cu.ft..... \$ 0.50

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 Rates, for water used during the month.

METERED SERVICE SURCHARGE

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 authorized by Decision (a).

(a) Insert Decision Number in Application 60756 before filing tariff.

APPENDIX A

RUSSIAN RIVER WATER COMPANY, INC.
Russian River Terrace District

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Schedule No. 2

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate service furnished to residential customers.

TERRITORY

The unincorporated communities of Russian River Terrace, Hollydale Park, and vicinity, Sonoma County.

RATES

	Per Service Connection (N)		
	Per Month		
	<u>Charge</u>	<u>Surcharge</u>	
For a single-family residence including premises.....	\$ 5.25	\$ 5.40	(N)

SPECIAL CONDITIONS

1. Service under this schedule will be furnished only on a continuous basis throughout the year.
2. All annual service not covered by the above classification will be furnished on a metered basis.
3. A meter may be installed only at the option of the utility. In the event a meter is installed, service thereafter will be furnished on the basis of Schedule No. 1, General Metered Service.
4. The above flat rates apply to a service connection not larger than 3/4-inch in diameter. (N)

FLAT RATE SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular charge of \$5.25 per 3/4-inch service connection, per month. 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 authorized by Decision (a). (N)

(a) Insert Decision Number in Application 60756 before filing tariff.

APPENDIX A

RUSSIAN RIVER WATER COMPANY, INC.
Rio Dell District

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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The vicinity of Rio Dell, Sonoma County.

RATES

Minimum Charge:	<u>Per Meter Charge</u>	<u>Per Month Surcharge</u>	(N)
For 5/8 x 3/4-inch meter.....	\$ 5.50	\$ 2.75	 (N)
For 3/4-inch meter.....	7.50	4.15	
For 1-inch meter.....	9.00	6.90	
For 1-1/2-inch meter.....	13.00	13.75	

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

Quantity Rates:	<u>Per Meter Per Month</u>
First 400 cu.ft., or less.....	\$ 5.50
Over 400 cu.ft., per 100 cu.ft.....	0.60

METERED SERVICE SURCHARGE

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 authorized by Decision (a).

(a) Insert Decision Number in Application 60756 before filing tariff.

APPENDIX A

RUSSIAN RIVER WATER COMPANY, INC.
Rio Dell District

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Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished at flat rates.

TERRITORY

The vicinity of Rio Dell, Sonoma County.

RATES

	Per Service Connection (N)		
	Per Month		
	<u>Charge</u>	<u>Surcharge</u>	
For each residence receiving continuous service throughout the calendar year, payable in advance.....	\$ 7.00	\$ 2.75	(N)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than 3/4-inch in diameter. (N)
2. A meter may be installed only at the option of the utility. In the event a meter is installed, service thereafter will be furnished on the basis of Schedule No. 1, General Metered Service.

FLAT RATE SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular charge of \$7.00 per 3/4-inch service connection, per month. 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 authorized by Decision (a) (N)

(a) Insert Decision Number in Application 60756 before filing tariff.

(End of Appendix A)