

L/r/s

MAIL DATE
7/21/97

Decision 97-07-038 July 16, 1997

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Resolution F-644, Hillview Water)
Company, Inc. (Hillview), Request to)
Utilize \$112,000 of its Safe Drinking)
Water Bond Act Loan Reserve and)
Surcharge Overcollection to Construct)
Plant Improvements Recommended by)
the California Department of Health)
Services.)

A.96-04-025

ORDER DENYING REHEARING

Resolution F-644 authorizes Hillview Water Company to construct plant improvements and to finance the construction with \$112,000 of its California Safe Drinking Water Bond Act of 1976 (SDWBA) loan reserve and surcharge overcollection. The resolution permits Hillview to reallocate its current surcharge collection based on the proposed improvements. John Minich filed a protest in the proceeding as has applied for rehearing of Resolution F-644.

First, Minich alleges that due consideration was not given to arguments discussed in his protest in that no rationale whatsoever is presented in resolution F-644 for disparate surcharges.

Secondly, he argues that the resolution contains misstatement of material fact used to justify the resolution, in that the authors of the resolution indicate that \$112,000 of improvements were mandated by the Department of Health Services (DHS).

Minich's arguments received ample considerations and analyses. The resolution recites at Page 3 That:

"Protests

On November 21, 1995 a protest to this advice letter was received from John Minich (Protestant) Most of the Protestant's objections relate to issues addressed in our Res. F.632 and we will not address those issues here. However, several of Protestant's objections relate to Hillview's current request:

1. Protestant Claims that the proposed plant improvements benefit only several of Hillview's districts and if the Commission approves these plant improvements, Hillview's surcharge approved in Res. F-632 will be unfairly allocated between districts.
2. Protestant claims that the SDWBA surcharge overcollections should be used to pay down the SDWBA loan and not used to finance these new plant improvements because the surcharge collected were based on an allocated between districts that was different than would be today.
3. Protestant also claims that operating revenues should be used to finance some of these improvements.
4. Finally protestant claims that instead of using the SDWBA surcharge overcollections to finance the improvements, new financing should be procured. Protestant claims that the one-time fees associated with new financing would be immaterial when spread to the districts that benefit from the proposed improvements."

The Resolution proceeds, beginning at page 4, to discuss Petitioner's protest and to adopt a detailed reasoning for the allocation adopted. The Resolution concludes, at page 5:

"If the current rates are compared to the surcharge recommended by Water Branch, there will be Surcharge rate increases for Sierra Lakes and Coarsegold Highlands and reductions for Oakhurst and Hillview Goldside. It should be noted, however, that almost all of Hillview's customer growth occurred in the Oakhurst service area. Furthermore, there is no current surcharge for Coarsegold Highlands and the proposed rates include a surcharge rate to recover the proposed \$62,000 plant costs from Coarsegold Highland's customers. But, because there would be substantial rate shock if the costs were allocated completely to that district, Water Branch had developed a rate design to more fairly allocate the surcharge."

The Resolution language amply considered Minich's protest and adopted a detailed allocation procedure for the reasons set out above. The fact that the methodology adopted is not that urged by Minich does not constitute legal error.

Minich next argues that the Resolution is in error because it states that the Department of Health Services (DHS) supported the proposed system improvements, whereas the DHS actually only supported the drilling of a second well at the Coarsegold Highlands. The position of DHS was submitted in a letter dated October 18, 1995. It contains recommendations not only relating to a new well at Coarsegold Highlands but also for construction of buildings over treatment plants and for replacement and relocation of water mains. (DHS Letter p. 1)

The only language in the Resolution addressing this issue is found at page 5 under the heading "Coarsegold Highlands Area":

"Since the proposed facilities enhance service reliability and DHS is recommending the project, Water Branch recommends Commission approval."

Minich misses the point. The Commission derives its authority to regulate Utilities from Article XII of the State Constitution, and from the Public Utilities Code and not from recommendations by other agencies.

Sections 5 and 6 of the State Constitution recite:

SEC. 5. The Legislature has plenary power, unlimited by the other provisions of this constitution but consistent with this article, to confer additional authority and jurisdiction upon the commission, to establish the manner and scope of review of commission action in a court of record, and to enable it to fix just compensation for utility property taken by eminent domain.

SEC. 6. The commission may fix rates, establish rules, examine records, issue subpoenas, administer oaths, take testimony, punish for contempt, and prescribe a uniform system of accounts for all public utilities subject to its jurisdiction.

Section 701 Public Utilities Code states:

701. The commission may supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.

A recommendation from another state agency is not required for the Commission to exercise its constitutional and statutory authority, although the Commission welcomes and gives weight to the recommendations and expertise of other state agencies.

The plain language of the DHS letter indicates that it supports the proposed improvements. Whether the DHS acted independently in supporting the improvements or reacted to a request from the Water Branch is completely immaterial. Petitioner's argument is without merit. The language in the Resolution is supported by the record in the proceeding.

Now therefore, the Commission has considered each and every allegation of the Application for Rehearing herein, and being of the opinion that legal error has not been demonstrated.

IT IS ORDERED that Rehearing is denied.

This order is effective today.

Dated July 16, 1997, at San Francisco, California.

P. GREGORY CONLON

President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Finance Branch

RESOLUTION F-644
MARCH 13, 1996

R E S O L U T I O N

RESOLUTION F-644. HILLVIEW WATER COMPANY, INC.
(HILLVIEW). REQUEST TO UTILIZE \$112,000 OF ITS SAFE
DRINKING WATER BOND ACT LOAN RESERVE AND SURCHARGE
OVERCOLLECTION TO CONSTRUCT PLANT IMPROVEMENTS
RECOMMENDED BY THE CALIFORNIA DEPARTMENT OF HEALTH
SERVICES

BY ADVICE LETTER No. 53, SUBMITTED ON NOVEMBER 1, 1995

SUMMARY

This order authorizes Hillview, a Class C water utility, to construct proposed plant improvements and to finance such improvements with \$112,000 of its California Safe Drinking Water Bond Act of 1976 (SDWBA) loan reserve and surcharge overcollection. The loan reserve and surcharge overcollection was previously ordered in Resolution (Res.) F-632, dated November 22, 1994, to be used to reduce the amount of a COBANK loan needed to refinance Hillview's SDWBA loan.[1]

This order also finds that Hillview's current surcharge collection should be reallocated based on these proposed improvements, taking into account Hillview's current customers, and instructs Hillview to notice its customers and to file an Advice Letter to implement the proposed Tariff Sheet in Appendix A of this resolution. The advice letter must meet the requirement of Resolution F-632 for Hillview to file an advice letter in 1996 to adjust its surcharge on or before the anniversary of the COBANK loan. In all other respects, Res. F-632 and F-643 remain unchanged.

Water Branch estimates the annual revenue impact of this filing to be zero.

BACKGROUND

1 Subsequent to Resolution F-632, Resolution F-643 authorized Hillview to set a portion of the loan authorized by Resolution F-632 at a variable, instead of fixed, rate of interest.

In Res. F-632, the Commission authorized Hillview to enter into two loan agreements with COBANK, a cooperative bank, one at \$540,000 and one at \$960,000. The proceeds from the \$960,000 loan are being used to refinance an existing SDWBA loan and to finance approximately \$266,000 in improvements. Res. F-632 ordered Hillview to apply its SDWBA loan reserve and any remaining surcharge overcollection relating to the SDWBA loan to reduce the proceeds needed from the COBANK loan. Recovery of the \$960,000 loan was authorized to be by surcharge. Res. F-632 also ordered Hillview to file an advice letter on or before the anniversary of the COBANK loan to reflect changes in the number of connections and resulting overages or shortages in the surcharge recovery.

In Res. F-643, dated October 5, 1995, Hillview was authorized to set \$260,000 of the \$960,000 loan authorized by Res. F-632 at a variable instead of fixed rate of interest to allow Hillview to make early payments against that portion of the outstanding balance of the \$960,000 loan without incurring a prepayment penalty.

SDWBA loans were issued with an estimated interest rate with the understanding that the interest rate would be adjusted once the actual interest rate was determined. In November 1988, voters approved the Safe Drinking Water Bond Act of 1988 which authorized the State to establish an interest rate for loans established under the 1976 SDWBA equal to the interest cost of general obligation bonds sold as of November 1988 to finance the SDWBA loans. In early 1994, the California Department of Water Resources (DWR) informed Hillview that the interest rate on its SDWBA loan would increase to 8.1% and that this increase would be retroactive back to the inception of its loan. This retroactive increase applied to all of the water utilities who had SDWBA loans and was disputed by several other water companies.

Hillview learned of the interest dispute from DWR and elected not to pay off its SDWBA loan in full until the interest rate issue was settled.⁽²⁾ The principal and undisputed interest on the SDWBA loan were paid by Hillview on July 28, 1995 in the amount of \$569,001.65, using proceeds from the COBANK \$960,000 loan. Hillview's SDWBA loan reserve and remaining surcharge overcollection relating to the SDWBA loan were held in the SDWBA trust account in case the interest issue could not be resolved.

On September 22, 1995, Hillview entered into a settlement agreement with the State of California and DWR to apply the 8.1%

² DWR informed Hillview that if DWR reached an agreement with the other water companies regarding the retroactive interest, it would apply the same treatment to all of the other loans. However DWR cautioned that if Hillview paid off its SDWBA loan, including the disputed interest, DWR would not refund the disputed interest in the event it later settled the matter.

per annum interest rate on Hillview's SDWBA loan prospectively from January 1, 1989 to September 22, 1995, thereby reducing the adjusted loan balance by \$112,463.42 to \$24,344.34. That approximately \$112,000 is the subject of Hillview's Advice Letter 53 proposal.

On October 18, 1995 Hillview received a letter from the California Department of Health Services (DHS) recommending the following plant improvements:

Coarsegold Highlands Cost: \$52,000

- 12 foot wide easement from the existing well direct to the storage site.
- Additional 40'X 40' storage site
- New 13'X 30' storage tank
- Additional well to be drilled on easement or storage site.

Oakhurst-Sierra Lakes Cost: \$23,625

- Building over Forest Ridge Treatment Plant
- Building over Sierra Lakes Treatment Plant and Aeration Tower

Road 426 Pipeline Relocation/Replacement Cost: \$36,375

Total Proposed Improvements \$112,000
=====

In this filing Hillview requests authority to use \$112,000 of its SDWBA loan reserve and the remaining surcharge overcollection(3) to pay for the plant improvements recommended by DHS in its October 18, 1995 letter to Hillview.

Hillview asserts in its filing that it does not have the capital to construct the needed improvements. Hillview contends that use of the reserve and remaining overcollection is the most cost effective way to construct these improvements because obtaining new financing will incur additional costs that would need to be recovered from customers.

PROTESTS

On November 21, 1995 a protest to this advice letter was received from John Minich (Protestant). Most of the Protestant's objections relate to issues addressed in our Res. F-632 and we will not address those issues here. However, several of Protestant's objections do relate to Hillview's current request:

3 Relating to the SDWBA loan. The reserve and the overcollection were not needed to pay off the SDWBA loan because of the settlement with DWR.

1. Protestant claims that the proposed plant improvements benefit only several of Hillview's districts and if the Commission approves these plant improvements, Hillview's surcharge approved in Res. F-632 will be unfairly allocated between districts.
2. Protestant claims that the SDWBA surcharge overcollections should be used to pay down the SDWBA loan and not used to finance these new plant improvements because the surcharges collected were based on an allocation between districts that was different than would be today.
3. Protestant also claims that operating revenues should be used to finance some of these improvements.
4. Finally Protestant claims that instead of using the SDWBA surcharge overcollections to finance the improvements, new financing should be procured. Protestant claims that the one-time fees associated with new financing would be immaterial when spread to the districts that benefit from the proposed improvements.

DISCUSSION

Water Branch has reviewed this filing and the Protest and determined the following:

- o Oakhurst Service Area - Pipeline Relocation Project: The relocation and replacement of approximately 400-500 feet of 12-inch main required by Madera County because of the widening and relocation of County Road 426 is estimated to cost over \$100,000. Hillview contends that it needs \$36,375 in cash to pay for part of the project. Hillview intends to capitalize the balance of the project. Since the relocation/replacement is required, is an unusual occurrence and Hillview is short of cash and does not benefit from not capitalizing the \$36,375, it is reasonable to approve this project and proceed with the project payment arrangements as proposed by Hillview.
- o Oakhurst Service Area - Forest Ridge Treatment Plant Building: DHS is strongly recommending construction of a building to make the treatment plant and facilities secure from vandalism and protect the equipment from excessive corrosion due to weathering. Hillview estimates this project will cost \$7,880. Water Branch recommends approval of this project.
- o Sierra Lakes Area - Sierra Lakes Treatment Plant Building: Constructing a steel frame structure around the existing water treatment plant and aeration tank is estimated to cost \$9,860 and \$5,885, respectively, for a total cost of \$15,745, making facilities secure from vandalism and protecting the equipment from excessive corrosion. DHS is strongly recommending this project. Water Branch recommends Commission approval of this project.

- o Coarsegold Highlands Area - Well and Storage Tank Projects:
The addition of a new well and a storage tank will enhance water supply reliability during normal conditions since the existing water system has a single hard rock well with a low yield and the well will serve as a backup water supply when the existing well has to be taken out of service during an emergency or maintenance and repair.

The fire flow requirement for this system is 750 gpm for two hours. The new 30,000-gallon tank would increase the time of fire flow from the current 40 minutes of flow provided by the existing tank to 80 minutes, making the system closer to meeting fire flow requirements.

To complete the well and storage tank project, Hillview proposes to build the following facilities in Coarsegold Highlands:

Easement Aquisition	\$ 2,000
Storage Tank	20,700
Grading	3,000
Grade band and Gravel	1,000
Well	12,000
Electrical	3,500
Pump & Motor	4,500
Pipeline-well to storage	4,000
Misc. and plumbing	1,300
Total	\$ 52,000

Since the proposed facilities enhance service reliability and DHS is recommending the project, Water Branch recommends Commission approval.

- o Surcharge Allocation: In its review of the proposed plant improvements, Water Branch recommends that the surcharge currently being collected (relating to the \$960,000 loan authorized by Res. F-632) be adjusted to reflect the proposed improvements. Water Branch recommends the rate schedule for metered service shown in Appendix A of this resolution, based on the number of Hillview's customers as of December 31, 1995.

If the current rates are compared to the surcharge recommended by Water Branch, there will be surcharge rate increases for Sierra Lakes and Coarsegold Highlands and reductions for Oakhurst and Hillview Goldside. It should be noted, however, that almost all of Hillview's customer growth occurred in the Oakhurst service area. Furthermore, there is no current surcharge for Coarsegold Highlands and the proposed rates include a surcharge rate to recover the proposed \$52,000 plant costs from Coarsegold Highland's customers. But, because there would be substantial rate shock if the costs were allocated completely to that district, Water Branch has developed a rate design to more fairly allocate the surcharge.

Water Branch recommends that Hillview notice its customers in the districts where there will be a surcharge increase and file an Advice Letter to adopt the Tariff Sheet attached as Appendix A. of this resolution.

The Finance Branch reviewed Hillview's filing and the Protest and determined that if Hillview's request to finance the proposed improvements is not granted, and instead the SDWBA reserve and surcharge overcollection related to the SDWBA loan are used to pay down the principal of the COBANK \$960,000 loan, as ordered by Res. F-632, Hillview would need to secure additional debt. Long-term plant improvements such as these are not properly recovered as an operating expense and Hillview does not have the funds to finance these improvements.

Securing additional debt at this time would, at the minimum, result in an increase of administrative costs and loan and legal fees. It is more likely that procuring additional debt will result in an unnecessary and complex refinancing and result in much higher rates to recover substantial administrative costs and loan and legal fees. CACD's Finance Branch recommends that Hillview's request to finance the proposed plant improvements with the remaining reserve and surcharge overcollection be approved.

Since the proposed construction is reasonable and will improve service, and Hillview's proposal to finance these improvements is the most cost effective way, Hillview should use \$112,000 of the SDWBA reserve and the surcharge overcollection related to the SDWBA loan to finance the construction of these improvements, instead of using those funds to pay down the principal of its variable rate portion of its \$960,000 COBANK loan.

Inasmuch as financing the proposed improvements with the old SDWBA reserve and remaining overcollection will impact the allocation of the current surcharge, it is reasonable for Hillview to adjust its surcharge to reflect these proposed improvements. Because we will be adjusting Hillview's surcharge at this time to reflect the new allocation of improvements by district, it is also reasonable to adjust the surcharge to reflect changes in the number of connections as required by Res. F-632. Consequently, for 1996, when the advice letter that Hillview files in compliance with this resolution becomes effective, Hillview will have met the requirement of Res. F-632 to annually adjust its surcharge. Hillview should resume filing an annual advice letter to adjust its surcharge on or before the anniversary date of the COBANK loan in 1997.

Except for allowing Hillview to utilize \$112,000 of the SDWBA reserve and the surcharge overcollections to finance the construction of these improvements and allowing the advice letter that Hillview will be filing to meet the 1996 requirement of Res. F-632 for Hillview to file an advice letter to adjust its surcharge on or before the anniversary of the COBANK loan, Res. F-632 and F-643 will remain unchanged and in effect.

Water Branch has reviewed the proposed construction and concurs that it is needed and the estimated costs of these improvements are reasonable. However, as Water Branch recommends, the design, specification and construction of the proposed water storage tanks and buildings around the treatment facilities should be approved by appropriate professional engineer(s), and governmental agencies having approval responsibilities, and the authorized principal to be recovered by surcharge rates should be adjusted to reflect the actual costs of the improvements. Therefore, Hillview should submit semiannually to the Chief of the Water Utilities Branch letters indicating the status of construction, including but not limited to the actual costs of these improvements, and shall inform the Branch Chief in writing when construction is complete.

After the final payment on the SDWBA loan to DWR is made and construction of the proposed improvements is complete, any remaining funds in the SDWBA loan trust account should be used to pay down the principal of the variable rate portion of the \$960,000 COBANK loan.

Although Hillview is not presently contemplating a sale of its system to a public entity, such a sale could occur at some future date. So that utility customers are not put in the position of paying twice for the plant financed by surcharge collections, Hillview should not receive any compensation for the plant financed by the \$112,000 of the SDWBA loan reserve and the surcharge overcollections related to the SDWBA loan in the event of a sale.

FINDINGS

1. Hillview Water Company submitted Advice Letter No. 53 on November 1, 1995, requesting a modification of Resolution F-632, to allow \$112,000 of the of its SDWBA reserve and the surcharge overcollections related to the SDWBA loan to finance the construction of DHS recommended improvements.
2. A protest was filed on November 21, 1995.
3. CACD's Finance and Water Branches reviewed and analyzed Hillview's filing and the claims made in the protest.
4. Hillview's proposed construction is needed.
5. Hillview's proposal to finance the proposed plant improvements is reasonable.
6. The current surcharge rates for metered services should be adjusted to reflect the estimated costs of the plant improvements and the number of customers as of December 31, 1995 in each area of Hillview's service area, as shown in Appendix A of this resolution.
7. Hillview should file an advice letter to implement the surcharge rates shown in Appendix A of this resolution and that advice letter should meet the 1996 requirement of Res. F-632 for

Hillview to file an advice letter to adjust its surcharge on or before the anniversary of the COBANK loan.

8. There is no reason to delay granting the authority requested.

9. The following order should be effective today.

THEREFORE, IT IS ORDERED that:

1. Hillview's Advice Letter No. 53, dated October 23, 1995 and filed November 1, 1995 is approved.
2. Within ten (10) days of the effective date of this resolution, Hillview shall notice its customers in the Coarségold Highlands and Sierra Lakes Districts of the appropriate surcharge increase, based on the new rate design, and shall file and make effective in accordance with General Order 96A an advice letter to adopt the tariff sheet attached as Appendix A of this resolution. The advice letter shall meet the 1996 requirement of Resolution F-632 for Hillview to file an advice letter to adjust its surcharge on or before the anniversary of the COBANK loan.
3. In 1997, Hillview shall resume filing annual advice letters to adjust its surcharge on or before the anniversary date of the COBANK loan.
4. Hillview shall acquire the services of a professional engineer(s) to approve the design, specification and construction of the proposed well, water storage tanks and buildings around existing treatment facilities. Hillview shall also acquire approval of these projects from governmental agencies having approval responsibilities.
5. Hillview shall submit semiannually to the Chief of the Water Utilities Branch letters indicating the status of construction, including but not limited to the costs, and shall inform the Chief in writing when construction is complete.
6. Any funds remaining in Safe Drinking Water Bond Act (SDWBA) loan trust account after the SDWBA loan is paid in full and the proposed construction is complete shall be applied to the remaining SDWBA loan reserve and surcharge overcollections relating to the SDWBA loan to pay down the variable rate portion of the \$960,000 loan authorized by Resolution F-632 and Resolution F-643.
7. These plant improvements shall be permanently excluded from ratebase for ratemaking purposes. The assets and related depreciation on these assets should be recorded in memorandum accounts only.
8. Hillview shall not seek any compensation should such plant be acquired by a public entity.

9. In all other respects, Resolutions F-632, and F-643 remain unchanged and in effect.

10. The authority granted by this order is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 13, 1996. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSHIA L. NEEPER
Commissioners

APPENDIX A
Page 1

Schedule No. 1
(continued)

METERED SERVICE

CO-BANK LOAN SURCHARGE

RATES (continued)

	Oakhurst Royal Oaks Sunnydale	Goldside Hillview	Sierra Lakes	Coarsegold Raymond Highlands
For 3/4-inch meter	\$ 8.00 (R)	\$ 3.60 (R)	\$ 3.85 (I)	\$ 7.50 \$ 8.00 (N)
For 1-inch meter	13.35	6.00	6.55	12.50 13.35
For 1-1/2-inch meter	26.65	12.00	12.65 (I)	25.00 26.75
For 2-inch meter	42.70	19.15 (R)	-	-
For 3-inch meter	80.00	-	-	-
For 4-inch meter	133.30	-	-	-
For 6-inch meter	266.55 (R)	-	-	- (N)

SPECIAL CONDITIONS

1. The surcharge is in addition to the regular monthly metered water bill. This monthly surcharge must be identified on each bill. The surcharge is specifically for the payment of a loan authorized by Resolution F-632, dated November 22, 1994, and to finance plant improvements authorized by Resolution F-644, dated March 13, 1996. (C)
(N)
2. All bills are subject to the reimbursement fee set forth in schedule No. UF.

Legal Div

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

Resolution F-644. Hillview Water Company,
Inc. (Hillview). Request to utilize \$112,000
of its Safe Drinking Water Bond Act loan reserve
and surcharge overcollection to construct plant
improvements recommended by the California
Department of Health Services.

FILED
APR 12 1996
A 96 04 025

JOHN MINICH'S REQUEST FOR REHEARING OF
RESOLUTION F-644

JOHN J. MINICH
Ratepayer in pro. per.

April 11, 1996

RECEIVED
APR 22 1996

LEGAL DIVISION

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
2 STATE OF CALIFORNIA

3 Resolution F-644. Hillview Water Company,)
4 Inc. (Hillview). Request to utilize \$112,000)
5 of its Safe Drinking Water Bond Act loan reserve)
6 and surcharge overcollection to construct plant)
7 improvements recommended by the California)
8 Department of Health Services.)

9 JOHN MINICH'S REQUEST FOR REHEARING OF
10 RESOLUTION F-644

11 Pursuant to Rule 85 of the Rules of Practice and Procedure
12 of the California Public Utilities Commission (CPUC), I hereby
13 apply for a rehearing of Resolution F-644. The basis of the
14 request is twofold: (1) The Water Branch did not give due
15 consideration to the arguments regarding the allocation of
16 surcharges as discussed in my protest letter of November 20,
17 1995. No rationale whatsoever is presented in Resolution
18 F-644 for the disparate surcharges recommended by the Commission.
19 (2) The Water Branch misstated material facts in the discussion
20 starting on page 4 of the Resolution. These misstated facts
21 are used as justification for passage of the Resolution.

22 The author(s) of the Resolution would have the reader
23 believe that the \$112,000 of "improvements" were mandated or
24 recommended by the Department of Health Services (DHS). To
25 the contrary, the Water Branch of the CPUC first contacted
26 the DHS and asked if the DHS could support these expenditures
27 of \$112,000 (See attached Declaration of John Minich and
28 Bernard McGoldrick). The DHS, contrary to the allegations
contained in the Resolution, did not recommend all of the

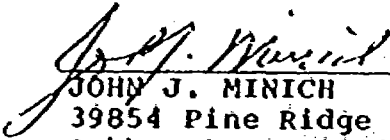
1 \$112,000 of "improvements" as health and sanitation related.
2 The only item which DHS does strongly support is the drilling
3 of a second well at Coarsegold Highlands.

4 The Water Branch seems to have exceeded its authority
5 in asking the DHS to recommend these improvements based on
6 health and sanitation related matters.

7 CONCLUSION

8 For the foregoing reasons, the Commission should grant
9 this application for rehearing.

10
11 Respectfully submitted

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13 
14 JOHN J. MINICH
15 39854 Pine Ridge Way
16 Oakhurst, CA 93644
17 Telephone: 642-3129
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VERIFICATION

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I, the undersigned, say:

I am an individual acting on my own behalf. I have read the foregoing Application for Rehearing and I am informed and believe the matters therein are true and on that ground I allege that the matters stated therein are true.

I declare under penalty of perjure that the foregoing is true and correct.

Executed on April 11, 1996, at Oakhurst, California.



JOHN J. MINICH

1 DECLARATION OF JOHN MINICH AND BERNARD E. MCGOLDRICK
2 OAKHURST, CALIFORNIA

3 APRIL 11, 1996

4 We, John Minich and Bernard E. McGoldrick, customers of the
5 Hillview Water Co. of Oakhurst, CA, hereby declare that in a
6 phone conversation with Mr. Carl Carlucci of the Department
7 of Health Services field office in Fresno, CA, which conversation
8 took place on April 10, 1996, Mr. Carlucci said that his office
9 did not mandate the improvements approved by the CPUC in
10 Resolution F-644. Mr. Carlucci stated rather that Health
11 Services in Fresno was contacted by the CPUC and asked to support
12 the improvements, not the other way around.

13 We declare under penalty of perjury under the laws of the State
14 of California that the foregoing is true and correct and that
15 this declaraton is executed at Oakhurst, California, this 11th.
16 day of April, 1996.

17 
18 JOHN MINICH

19 
20 BERNARD E. MCGOLDRICK

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1 Certificate of service by Mail and Personal Service

2 I hereby certify under penalty of perjury that I have this day
3 caused the original and seven copies of JOHN MINICH'S APPLICATION
4 FOR REHEARING OF RESOLUTION F-644 to be mailed by express mail
5 to the California Public Utilities Commission in San Francisco,
6 CA.

7 I have also, this date, personally delivered one copy of said
8 document to the Hillview Water Company in Oakhurst, CA.

9 Executed at Oakhurst, California, this eleventh day of April,
10 1996.

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13 Catherine McGoldrick
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MAIL DATE
7/21/97

Decision 97-07-038 July 16, 1997

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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A.96-04-025

ORDER DENYING REHEARING

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First, Minich alleges that due consideration was not given to arguments discussed in his protest in that no rationale whatsoever is presented in resolution F-644 for disparate surcharges.

Secondly, he argues that the resolution contains misstatement of material fact used to justify the resolution, in that the authors of the resolution indicate that \$112,000 of improvements were mandated by the Department of Health Services (DHS).

Minich's arguments received ample considerations and analyses. The resolution recites at Page 3 That:

"Protests

On November 21, 1995 a protest to this advice letter was received from John Minich (Protestant) Most of the Protestant's objections relate to issues addressed in our Res. F.632 and we will not address those issues here. However, several of Protestant's objections relate to Hillview's current request:

1. Protestant Claims that the proposed plant improvements benefit only several of Hillview's districts and if the Commission approves these plant improvements, Hillview's surcharge approved in Res. F-632 will be unfairly allocated between districts.
2. Protestant claims that the SDWBA surcharge overcollections should be used to pay down the SDWBA loan and not used to finance these new plant improvements because the surcharge collected were based on an allocated between districts that was different than would be today.
3. Protestant also claims that operating revenues should be used to finance some of these improvements.
4. Finally protestant claims that instead of using the SDWBA surcharge overcollections to finance the improvements, new financing should be procured. Protestant claims that the one-time fees associated with new financing would be immaterial when spread to the districts that benefit from the proposed improvements."

The Resolution proceeds, beginning at page 4, to discuss Petitioner's protest and to adopt a detailed reasoning for the allocation adopted. The Resolution concludes, at page 5:

"If the current rates are compared to the surcharge recommended by Water Branch, there will be Surcharge rate increases for Sierra Lakes and Coarsegold Highlands and reductions for Oakhurst and Hillview Goldside. It should be noted, however, that almost all of Hillview's customer growth occurred in the Oakhurst service area. Furthermore, there is no current surcharge for Coarsegold Highlands and the proposed rates include a surcharge rate to recover the proposed \$62,000 plant costs from Coarsegold Highland's customers. But, because there would be substantial rate shock if the costs were allocated completely to that district, Water Branch had developed a rate design to more fairly allocate the surcharge."

The Resolution language amply considered Minich's protest and adopted a detailed allocation procedure for the reasons set out above. The fact that the methodology adopted is not that urged by Minich does not constitute legal error.

Minich next argues that the Resolution is in error because it states that the Department of Health Services (DHS) supported the proposed system improvements, whereas the DHS actually only supported the drilling of a second well at the Coarsegold Highlands. The position of DHS was submitted in a letter dated October 18, 1995. It contains recommendations not only relating to a new well at Coarsegold Highlands but also for construction of buildings over treatment plants and for replacement and relocation of water mains. (DHS Letter p. 1)

The only language in the Resolution addressing this issue is found at page 5 under the heading "Coarsegold Highlands Area":

"Since the proposed facilities enhance service reliability and DHS is recommending the project, Water Branch recommends Commission approval."

Minich misses the point. The Commission derives its authority to regulate Utilities from Article XII of the State Constitution, and from the Public Utilities Code and not from recommendations by other agencies.

Sections 5 and 6 of the State Constitution recite:

SEC. 5. The Legislature has plenary power, unlimited by the other provisions of this constitution but consistent with this article, to confer additional authority and jurisdiction upon the commission, to establish the manner and scope of review of commission action in a court of record, and to enable it to fix just compensation for utility property taken by eminent domain.

SEC. 6. The commission may fix rates, establish rules, examine records, issue subpoenas, administer oaths, take testimony, punish for contempt, and prescribe a uniform system of accounts for all public utilities subject to its jurisdiction.

Section 701 Public Utilities Code states:

701. The commission may supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.

A recommendation from another state agency is not required for the Commission to exercise its constitutional and statutory authority, although the Commission welcomes and gives weight to the recommendations and expertise of other state agencies.

The plain language of the DHS letter indicates that it supports the proposed improvements. Whether the DHS acted independently in supporting the improvements or reacted to a request from the Water Branch is completely immaterial. Petitioner's argument is without merit. The language in the Resolution is supported by the record in the proceeding.

Now therefore, the Commission has considered each and every allegation of the Application for Rehearing herein, and being of the opinion that legal error has not been demonstrated.

IT IS ORDERED that Rehearing is denied.

This order is effective today.

Dated July 16, 1997, at San Francisco, California.

P. GREGORY CONLON

President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Finance Branch

RESOLUTION F-644
MARCH 13, 1996

R E S O L U T I O N

RESOLUTION F-644. HILLVIEW WATER COMPANY, INC.
(HILLVIEW). REQUEST TO UTILIZE \$112,000 OF ITS SAFE
DRINKING WATER BOND ACT LOAN RESERVE AND SURCHARGE
OVERCOLLECTION TO CONSTRUCT PLANT IMPROVEMENTS
RECOMMENDED BY THE CALIFORNIA DEPARTMENT OF HEALTH
SERVICES

BY ADVICE LETTER No. 53, SUBMITTED ON NOVEMBER 1, 1995

SUMMARY

This order authorizes Hillview, a Class C water utility, to construct proposed plant improvements and to finance such improvements with \$112,000 of its California Safe Drinking Water Bond Act of 1976 (SDWBA) loan reserve and surcharge overcollection. The loan reserve and surcharge overcollection was previously ordered in Resolution (Res.) F-632, dated November 22, 1994, to be used to reduce the amount of a COBANK loan needed to refinance Hillview's SDWBA loan. (1)

This order also finds that Hillview's current surcharge collection should be reallocated based on these proposed improvements, taking into account Hillview's current customers, and instructs Hillview to notice its customers and to file an Advice Letter to implement the proposed Tariff Sheet in Appendix A of this resolution. The advice letter must meet the requirement of Resolution F-632 for Hillview to file an advice letter in 1996 to adjust its surcharge on or before the anniversary of the COBANK loan. In all other respects, Res. F-632 and F-643 remain unchanged.

Water Branch estimates the annual revenue impact of this filing to be zero.

BACKGROUND

1 Subsequent to Resolution F-632, Resolution F-643 authorized Hillview to set a portion of the loan authorized by Resolution F-632 at a variable, instead of fixed, rate of interest.

In Res. F-632, the Commission authorized Hillview to enter into two loan agreements with COBANK, a cooperative bank, one at \$540,000 and one at \$960,000. The proceeds from the \$960,000 loan are being used to refinance an existing SDWBA loan and to finance approximately \$266,000 in improvements. Res. F-632 ordered Hillview to apply its SDWBA loan reserve and any remaining surcharge overcollection relating to the SDWBA loan to reduce the proceeds needed from the COBANK loan. Recovery of the \$960,000 loan was authorized to be by surcharge. Res. F-632 also ordered Hillview to file an advice letter on or before the anniversary of the COBANK loan to reflect changes in the number of connections and resulting overages or shortages in the surcharge recovery.

In Res. F-643, dated October 5, 1995, Hillview was authorized to set \$260,000 of the \$960,000 loan authorized by Res. F-632 at a variable instead of fixed rate of interest to allow Hillview to make early payments against that portion of the outstanding balance of the \$960,000 loan without incurring a prepayment penalty.

SDWBA loans were issued with an estimated interest rate with the understanding that the interest rate would be adjusted once the actual interest rate was determined. In November 1988, voters approved the Safe Drinking Water Bond Act of 1988 which authorized the State to establish an interest rate for loans established under the 1976 SDWBA equal to the interest cost of general obligation bonds sold as of November 1988 to finance the SDWBA loans. In early 1994, the California Department of Water Resources (DWR) informed Hillview that the interest rate on its SDWBA loan would increase to 8.1% and that this increase would be retroactive back to the inception of its loan. This retroactive increase applied to all of the water utilities who had SDWBA loans and was disputed by several other water companies.

Hillview learned of the interest dispute from DWR and elected not to pay off its SDWBA loan in full until the interest rate issue was settled. (2) The principal and undisputed interest on the SDWBA loan were paid by Hillview on July 28, 1995 in the amount of \$569,001.65, using proceeds from the COBANK \$960,000 loan. Hillview's SDWBA loan reserve and remaining surcharge overcollection relating to the SDWBA loan were held in the SDWBA trust account in case the interest issue could not be resolved.

On September 22, 1995, Hillview entered into a settlement agreement with the State of California and DWR to apply the 8.1%

2 DWR informed Hillview that if DWR reached an agreement with the other water companies regarding the retroactive interest, it would apply the same treatment to all of the other loans. However DWR cautioned that if Hillview paid off its SDWBA loan, including the disputed interest, DWR would not refund the disputed interest in the event it later settled the matter.

per annum interest rate on Hillview's SDWBA loan prospectively from January 1, 1989 to September 22, 1995, thereby reducing the adjusted loan balance by \$112,463.42 to \$24,344.34. That approximately \$112,000 is the subject of Hillview's Advice Letter 53 proposal.

On October 18, 1995 Hillview received a letter from the California Department of Health Services (DHS) recommending the following plant improvements:

Coarsegold Highlands Cost: \$52,000

12 foot wide easement from the existing well
direct to the storage site.
Additional 40'X 40' storage site
New 13'X 30' storage tank
Additional well to be drilled on easement or
storage site.

Oakhurst-Sierra Lakes Cost: \$23,625

Building over Forest Ridge Treatment Plant
Building over Sierra Lakes Treatment Plant and
Aeration Tower

Road 426 Pipeline Relocation/Replacement Cost: \$36,375

Total Proposed Improvements \$112,000
=====

In this filing Hillview requests authority to use \$112,000 of its SDWBA loan reserve and the remaining surcharge overcollection(3) to pay for the plant improvements recommended by DHS in its October 18, 1995 letter to Hillview.

Hillview asserts in its filing that it does not have the capital to construct the needed improvements. Hillview contends that use of the reserve and remaining overcollection is the most cost effective way to construct these improvements because obtaining new financing will incur additional costs that would need to be recovered from customers.

PROTESTS

On November 21, 1995 a protest to this advice letter was received from John Minich (Protestant). Most of the Protestant's objections relate to issues addressed in our Res. F-632 and we will not address those issues here. However, several of Protestant's objections do relate to Hillview's current request:

3 Relating to the SDWBA loan. The reserve and the overcollection were not needed to pay off the SDWBA loan because of the settlement with DWR.

1. Protestant claims that the proposed plant improvements benefit only several of Hillview's districts and if the Commission approves these plant improvements, Hillview's surcharge approved in Res. F-632 will be unfairly allocated between districts.
2. Protestant claims that the SDWBA surcharge overcollections should be used to pay down the SDWBA loan and not used to finance these new plant improvements because the surcharges collected were based on an allocation between districts that was different than would be today.
3. Protestant also claims that operating revenues should be used to finance some of these improvements.
4. Finally Protestant claims that instead of using the SDWBA surcharge overcollections to finance the improvements, new financing should be procured. Protestant claims that the one-time fees associated with new financing would be immaterial when spread to the districts that benefit from the proposed improvements.

DISCUSSION

Water Branch has reviewed this filing and the Protest and determined the following:

- o Oakhurst Service Area - Pipeline Relocation Project: The relocation and replacement of approximately 400-500 feet of 12-inch main required by Madera County because of the widening and relocation of County Road 426 is estimated to cost over \$100,000. Hillview contends that it needs \$36,375 in cash to pay for part of the project. Hillview intends to capitalize the balance of the project. Since the relocation/replacement is required, is an unusual occurrence and Hillview is short of cash and does not benefit from not capitalizing the \$36,375, it is reasonable to approve this project and proceed with the project payment arrangements as proposed by Hillview.
- o Oakhurst Service Area - Forest Ridge Treatment Plant Building: DHS is strongly recommending construction of a building to make the treatment plant and facilities secure from vandalism and protect the equipment from excessive corrosion due to weathering. Hillview estimates this project will cost \$7,880. Water Branch recommends approval of this project.
- o Sierra Lakes Area - Sierra Lakes Treatment Plant Building: Constructing a steel frame structure around the existing water treatment plant and aeration tank is estimated to cost \$9,860 and \$5,885, respectively, for a total cost of \$15,745, making facilities secure from vandalism and protecting the equipment from excessive corrosion. DHS is strongly recommending this project. Water Branch recommends Commission approval of this project.

- o Coarsegold Highlands Area - Well and Storage Tank Projects:
The addition of a new well and a storage tank will enhance water supply reliability during normal conditions since the existing water system has a single hard rock well with a low yield and the well will serve as a backup water supply when the existing well has to be taken out of service during an emergency or maintenance and repair.

The fire flow requirement for this system is 750 gpm for two hours. The new 30,000-gallon tank would increase the time of fire flow from the current 40 minutes of flow provided by the existing tank to 80 minutes, making the system closer to meeting fire flow requirements.

To complete the well and storage tank project, Hillview proposes to build the following facilities in Coarsegold Highlands:

Easement Aquisition	\$ 2,000
Storage Tank	20,700
Grading	3,000
Grade band and Gravel	1,000
Well	12,000
Electrical	3,500
Pump & Motor	4,500
Pipeline-well to storage	4,000
Misc. and plumbing	1,300
Total	\$ 52,000

Since the proposed facilities enhance service reliability and DHS is recommending the project, Water Branch recommends Commission approval.

- o Surcharge Allocation: In its review of the proposed plant improvements, Water Branch recommends that the surcharge currently being collected (relating to the \$960,000 loan authorized by Res. F-632) be adjusted to reflect the proposed improvements. Water Branch recommends the rate schedule for metered service shown in Appendix A of this resolution, based on the number of Hillview's customers as of December 31, 1995.

If the current rates are compared to the surcharge recommended by Water Branch, there will be surcharge rate increases for Sierra Lakes and Coarsegold Highlands and reductions for Oakhurst and Hillview Goldside. It should be noted, however, that almost all of Hillview's customer growth occurred in the Oakhurst service area. Furthermore, there is no current surcharge for Coarsegold Highlands and the proposed rates include a surcharge rate to recover the proposed \$52,000 plant costs from Coarsegold Highland's customers. But, because there would be substantial rate shock if the costs were allocated completely to that district, Water Branch has developed a rate design to more fairly allocate the surcharge.

Water Branch recommends that Hillview notice its customers in the districts where there will be a surcharge increase and file an Advice Letter to adopt the Tariff Sheet attached as Appendix A. of this resolution.

The Finance Branch reviewed Hillview's filing and the Protest and determined that if Hillview's request to finance the proposed improvements is not granted, and instead the SDWBA reserve and surcharge overcollection related to the SDWBA loan are used to pay down the principal of the COBANK \$960,000 loan, as ordered by Res. F-632, Hillview would need to secure additional debt. Long-term plant improvements such as these are not properly recovered as an operating expense and Hillview does not have the funds to finance these improvements.

Securing additional debt at this time would, at the minimum, result in an increase of administrative costs and loan and legal fees. It is more likely that procuring additional debt will result in an unnecessary and complex refinancing and result in much higher rates to recover substantial administrative costs and loan and legal fees. CACD's Finance Branch recommends that Hillview's request to finance the proposed plant improvements with the remaining reserve and surcharge overcollection be approved.

Since the proposed construction is reasonable and will improve service, and Hillview's proposal to finance these improvements is the most cost effective way, Hillview should use \$112,000 of the SDWBA reserve and the surcharge overcollection related to the SDWBA loan to finance the construction of these improvements, instead of using those funds to pay down the principal of its variable rate portion of its \$960,000 COBANK loan.

Inasmuch as financing the proposed improvements with the old SDWBA reserve and remaining overcollection will impact the allocation of the current surcharge, it is reasonable for Hillview to adjust its surcharge to reflect these proposed improvements. Because we will be adjusting Hillview's surcharge at this time to reflect the new allocation of improvements by district, it is also reasonable to adjust the surcharge to reflect changes in the number of connections as required by Res. F-632. Consequently, for 1996, when the advice letter that Hillview files in compliance with this resolution becomes effective, Hillview will have met the requirement of Res. F-632 to annually adjust its surcharge. Hillview should resume filing an annual advice letter to adjust its surcharge on or before the anniversary date of the COBANK loan in 1997.

Except for allowing Hillview to utilize \$112,000 of the SDWBA reserve and the surcharge overcollections to finance the construction of these improvements and allowing the advice letter that Hillview will be filing to meet the 1996 requirement of Res. F-632 for Hillview to file an advice letter to adjust its surcharge on or before the anniversary of the COBANK loan, Res. F-632 and F-643 will remain unchanged and in effect.

Water Branch has reviewed the proposed construction and concurs that it is needed and the estimated costs of these improvements are reasonable. However, as Water Branch recommends, the design, specification and construction of the proposed water storage tanks and buildings around the treatment facilities should be approved by appropriate professional engineer(s), and governmental agencies having approval responsibilities, and the authorized principal to be recovered by surcharge rates should be adjusted to reflect the actual costs of the improvements. Therefore, Hillview should submit semiannually to the Chief of the Water Utilities Branch letters indicating the status of construction, including but not limited to the actual costs of these improvements, and shall inform the Branch Chief in writing when construction is complete.

After the final payment on the SDWBA loan to DWR is made and construction of the proposed improvements is complete, any remaining funds in the SDWBA loan trust account should be used to pay down the principal of the variable rate portion of the \$960,000 COBANK loan.

Although Hillview is not presently contemplating a sale of its system to a public entity, such a sale could occur at some future date. So that utility customers are not put in the position of paying twice for the plant financed by surcharge collections, Hillview should not receive any compensation for the plant financed by the \$112,000 of the SDWBA loan reserve and the surcharge overcollections related to the SDWBA loan in the event of a sale.

FINDINGS

1. Hillview Water Company submitted Advice Letter No. 53 on November 1, 1995, requesting a modification of Resolution F-632, to allow \$112,000 of the of its SDWBA reserve and the surcharge overcollections related to the SDWBA loan to finance the construction of DHS recommended improvements.
2. A protest was filed on November 21, 1995.
3. CACD's Finance and Water Branches reviewed and analyzed Hillview's filing and the claims made in the protest.
4. Hillview's proposed construction is needed.
5. Hillview's proposal to finance the proposed plant improvements is reasonable.
6. The current surcharge rates for metered services should be adjusted to reflect the estimated costs of the plant improvements and the number of customers as of December 31, 1995 in each area of Hillview's service area, as shown in Appendix A of this resolution.
7. Hillview should file an advice letter to implement the surcharge rates shown in Appendix A of this resolution and that advice letter should meet the 1996 requirement of Res. F-632 for

Hillview to file an advice letter to adjust its surcharge on or before the anniversary of the COBANK loan.

8. There is no reason to delay granting the authority requested.

9. The following order should be effective today.

THEREFORE, IT IS ORDERED that:

1. Hillview's Advice Letter No. 53, dated October 23, 1995 and filed November 1, 1995 is approved.

2. Within ten (10) days of the effective date of this resolution, Hillview shall notice its customers in the Coarségold Highlands and Sierra Lakes Districts of the appropriate surcharge increase, based on the new rate design, and shall file and make effective in accordance with General Order 96A an advice letter to adopt the tariff sheet attached as Appendix A of this resolution. The advice letter shall meet the 1996 requirement of Resolution F-632 for Hillview to file an advice letter to adjust its surcharge on or before the anniversary of the COBANK loan.

3. In 1997, Hillview shall resume filing annual advice letters to adjust its surcharge on or before the anniversary date of the COBANK loan.

4. Hillview shall acquire the services of a professional engineer(s) to approve the design, specification and construction of the proposed well, water storage tanks and buildings around existing treatment facilities. Hillview shall also acquire approval of these projects from governmental agencies having approval responsibilities.

5. Hillview shall submit semiannually to the Chief of the Water Utilities Branch letters indicating the status of construction, including but not limited to the costs, and shall inform the Chief in writing when construction is complete.

6. Any funds remaining in Safe Drinking Water Bond Act (SDWBA) loan trust account after the SDWBA loan is paid in full and the proposed construction is complete shall be applied to the remaining SDWBA loan reserve and surcharge overcollections relating to the SDWBA loan to pay down the variable rate portion of the \$960,000 loan authorized by Resolution F-632 and Resolution F-643.

7. These plant improvements shall be permanently excluded from ratebase for ratemaking purposes. The assets and related depreciation on these assets should be recorded in memorandum accounts only.

8. Hillview shall not seek any compensation should such plant be acquired by a public entity.

9. In all other respects, Resolutions F-632, and F-643 remain unchanged and in effect.

10. The authority granted by this order is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 13, 1996. The following Commissioners approved it:

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSHIA L. NEEPER
Commissioners

APPENDIX A
Page 1

Schedule No. 1
(continued)

METERED SERVICE

CO-BANK LOAN SURCHARGE

RATES (continued)

	Oakhurst Royal Oaks Sunnydale	Goldside Hillview	Sierra Lakes	Raymond	Coarsegold Highlands
For 3/4-inch meter	\$ 8.00 (R)	\$ 3.60 (R)	\$ 3.85 (I)	\$ 7.50	\$ 8.00 (N)
For 1-inch meter	13.35	6.00	6.55	12.50	13.35
For 1-1/2-inch meter	26.65	12.00	12.65 (I)	25.00	26.75
For 2-inch meter	42.70	19.15 (R)	-	-	-
For 3-inch meter	80.00	-	-	-	-
For 4-inch meter	133.30	-	-	-	-
For 6-inch meter	266.55 (R)	-	-	-	- (N)

SPECIAL CONDITIONS

1. The surcharge is in addition to the regular monthly metered water bill. This monthly surcharge must be identified on each bill. The surcharge is specifically for the payment of a loan authorized by Resolution F-632, dated November 22, 1994, and to finance plant improvements authorized by Resolution F-644, dated March 13, 1996. (C)
(N)
2. All bills are subject to the reimbursement fee set forth in schedule No. UF.

Legal Div

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

Resolution F-644. Hillview Water Company,
Inc. (Hillview). Request to utilize \$112,000
of its Safe Drinking Water Bond Act loan reserve
and surcharge overcollection to construct plant
improvements recommended by the California
Department of Health Services.

FILED

APR 12 1996

A 96 04 025

JOHN MINICH'S REQUEST FOR REHEARING OF
RESOLUTION F-644

JOHN J. MINICH
Ratepayer in pro. per.

April 11, 1996

RECEIVED
APR 22 1996

LEGAL DIVISION

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
2 STATE OF CALIFORNIA

3 Resolution F-644. Hillview Water Company,)
4 Inc. (Hillview). Request to utilize \$112,000)
5 of its Safe Drinking Water Bond Act loan reserve)
6 and surcharge overcollection to construct plant)
7 improvements recommended by the California)
8 Department of Health Services.)
9

10 JOHN MINICH'S REQUEST FOR REHEARING OF
11 RESOLUTION F-644

12 Pursuant to Rule 85 of the Rules of Practice and Procedure
13 of the California Public Utilities Commission (CPUC), I hereby
14 apply for a rehearing of Resolution F-644. The basis of the
15 request is twofold: (1) The Water Branch did not give due
16 consideration to the arguments regarding the allocation of
17 surcharges as discussed in my protest letter of November 20,
18 1995. No rationale whatsoever is presented in Resolution
19 F-644 for the disparate surcharges recommended by the Commission.
20 (2) The Water Branch misstated material facts in the discussion
21 starting on page 4 of the Resolution. These misstated facts
22 are used as justification for passage of the Resolution.

23 The author(s) of the Resolution would have the reader
24 believe that the \$112,000 of "improvements" were mandated or
25 recommended by the Department of Health Services (DHS). To
26 the contrary, the Water Branch of the CPUC first contacted
27 the DHS and asked if the DHS could support these expenditures
28 of \$112,000 (See attached Declaration of John Minich and
Bernard McGoldrick). The DHS, contrary to the allegations
contained in the Resolution, did not recommend all of the

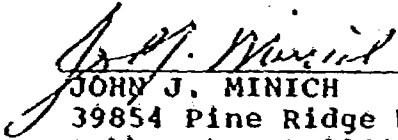
1 \$112,000 of "improvements" as health and sanitation related.
2 The only item which DHS does strongly support is the drilling
3 of a second well at Coarsegold Highlands.

4 The Water Branch seems to have exceeded its authority
5 in asking the DHS to recommend these improvements based on
6 health and sanitation related matters.

7 CONCLUSION

8 For the foregoing reasons, the Commission should grant
9 this application for rehearing.

10
11 Respectfully submitted

12
13 
14 JOHN J. MINICH
15 39854 Pine Ridge Way
16 Oakhurst, CA 93644
17 Telephone: 642-3129
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VERIFICATION

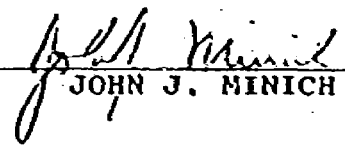
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I, the undersigned, say:

I am an individual acting on my own behalf. I have read the foregoing Application for Rehearing and I am informed and believe the matters therein are true and on that ground I allege that the matters stated therein are true.

I declare under penalty of perjure that the foregoing is true and correct.

Executed on April 11, 1996, at Oakhurst, California.



JOHN J. MINICH

1 DECLARATION OF JOHN MINICH AND BERNARD E. MCGOLDRICK
2 OAKHURST, CALIFORNIA

3 APRIL 11, 1996

4 We, John Minich and Bernard E. McGoldrick, customers of the
5 Hillview Water Co. of Oakhurst, CA, hereby declare that in a
6 phone conversation with Mr. Carl Carlucci of the Department
7 of Health Services field office in Fresno, CA, which conversation
8 took place on April 10, 1996, Mr. Carlucci said that his office
9 did not mandate the improvements approved by the CPUC in
10 Resolution F-644. Mr. Carlucci stated rather that Health
11 Services in Fresno was contacted by the CPUC and asked to support
12 the improvements, not the other way around.

13 We declare under penalty of perjury under the laws of the State
14 of California that the foregoing is true and correct and that
15 this declaraton is executed at Oakhurst, California, this 11th.
16 day of April, 1996.

17 
18 JOHN MINICH

19 
20 BERNARD E. MCGOLDRICK

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1 Certificate of service by Mail and Personal Service

2 I hereby certify under penalty of perjury that I have this day
3 caused the original and seven copies of JOHN MINICH'S APPLICATION
4 FOR REHEARING OF RESOLUTION F-644 to be mailed by express mail
5 to the California Public Utilities Commission in San Francisco,
6 CA.

7 I have also, this date, personally delivered one copy of said
8 document to the Hillview Water Company in Oakhurst, CA.

9 Executed at Oakhurst, California, this eleventh day of April,
10 1996.

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12 
13 Catherine McGoldrick
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