

DIVISION OF WATER AND AUDITS

Advice Letter Cover Sheet

Utility Name: Del Oro Water Co.

Date Filed: 2/9/2022

[District Name]: [River Island - T 1]

CPUC Utility #: WTB 61

Protest Deadline (20th Day): 3/1/2022

Advice Letter #: 531

Review Deadline (30th Day): 3/11/2022

Tier: 2

Req. Effective Date: 3/23/2022

Authorization for Filing: Resolution W-5245

Compliance Filing:

Description: Establish SRF Surcharge and Service Fee

Utility Contact: Janice Hanna

Alternate: Bob Fortino

Phone: (530) 809-3960

Phone: (530) 809-3958

Email: jeh@corporatecenter.us

Email: corp.ceo@corporatecenter.us

DWA USE ONLY

Date

Staff

Comments

<u>Date</u>	<u>Staff</u>	<u>Comments</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
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ACCEPTED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____



FILED
FEB 09 2022
 PUBLIC UTILITIES COMMISSION
 WATER DIVISION

February 9, 2022

Advice Letter No. 531

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Del Oro Water Company, Inc. (The Utility), hereby transmits for filing on behalf of its River Island District (DOWCRI), Advice Letter No. 531, for establishment of an SRF Surcharge and service fee for Commission consideration in accordance with California Public Utilities Commission Resolution W-5245, dated November 18, 2021, Order No. 4. **[Exhibit A]** The following changes in DOWCRI's tariff schedules are attached hereto:

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Schedule No.</u>	<u>Canceling Cal. P.U.C. Sheet No.</u>
___-W	General Metered Service River Island District	RI-1	2381-W
___-W	General Metered Service (Cont.) River Island District	RI-1	2413-W
___-W	Drinking Water State Revolving Fund Loans Undeveloped Lot Charge River Island District	RI-2	___-W
___-W	Table of Contents (Cont.)		2431-W
___-W	Table of Contents		2433-W

PURPOSE

DOWC has been authorized to borrow up to \$9,081,826 from the Safe Drinking Water State Revolving Fund Program. DOWC seeks the authority to establish the surcharge six months after construction commences. The contract was signed on September 9, 2021 with the Notice to Proceed Letter to the contractor, Clark Bros. to start on September 23, 2021. **[Exhibit B]**



Del Oro Water Co., Inc.
Advice Letter No. 531 RI T1 DWSRF Surcharge & Service Fee
Page Two

DISCUSSION

As is customary with SRF-funded projects, DOWC, with this Advice Letter, will establish a monthly SRF Surcharge Rate which will be effective approximately six months after construction commences. The SWRCB previously required that the loan be paid over a 20-year period; however, DOWC was able to negotiate with SWRCB for a payment period of 30 years at 1.8% interest to help keep the surcharge lower. [Exhibit C]

Conditions for the Surcharge ordered in Resolution W-5245 are as follows:

1. The surcharge shall be separately identified on customers' bills.
2. The surcharge shall continue until the loan is fully paid.
3. Surcharge revenues shall not be commingled with other utility revenues.
4. All surcharge revenues shall be deposited in a separate bank account with a fiscal agent approved by the SWRCB, and such deposits shall be made within 30 days after the surcharges are collected from customers. The bank account will be reduced by payments of principal and interest on the loan.
5. The proposed surcharge rates shown in [Exhibit C] are estimates based on the \$9,081,826 Loan and DOWC will re-calculate the surcharge rates when the project is completed and provide Water Division the final cost of the project.

DOWC shall also impose a service fee for future customers who will benefit from the construction and improvements financed by the DWSRF Loan. The amount of the service fee will be the accumulated total of the loan surcharge from its inception to the time-of-service connection, subject to a maximum amount of \$2,000, and only the monthly surcharge should apply thereafter.



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Page Three

COMPLIANCE

In addition to concurrence by Department of Public Health, DOWC has informed consumers by establishing the River Island Treatment Plant Project on its website, www.delorowater.com. Notice of the project and proposed rate surcharges will be posted and mailed to consumers February 8, 2022. [Exhibit D].

ISSUE

DOWC has justified the need for the relief requested in this Advice Letter under Public Utilities Code 816 through 851.

EXHIBITS

- Exhibit A - Resolution W-5245
- Exhibit B - Notice to Proceed Letter & Signed Contract
- Exhibit C - State Amortization Schedule & Surcharge Rate Worksheet
- Exhibit D - Notice to Customers

By this filing, the Utility is requesting permission to impose a monthly SRF Surcharge Rate that will start approximately six months after construction commences. The SRF Surcharge shall be collected based on meter size over approximately three hundred sixty (360) monthly billing cycles or until the loan has been paid in full.

REQUESTED EFFECTIVE DATE

DOWC is submitting the attached as a Tier 2 filing in accordance with General Order No. 96-B, and requests that it become effective six months after construction commences, March 23, 2022. The surcharge and Service fee will only apply to River Island District Territory 1 customers.



Del Oro Water Co., Inc.
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Page Four

NOTICE AND SERVICE

By way of mail and electronic submission, all customers and interested parties will be notified of the request for establishment of the proposed surcharge on February 9, 2022.

FILE A PROTEST:

A protest is a document stating that you object to the utility receiving all or some part of its request. If you wish to file a protest, you must state the facts constituting the grounds for the protest, how the advice letter affects you, and the reasons why you believe the whole advice letter, or part of it, is not justified. If the protest requests an evidentiary hearing (an evidentiary hearing is a legal proceeding held before an administrative law judge at the Commission to obtain evidence), your protest must state the facts you would present at the evidentiary hearing to support your request for a complete or a partial denial of the advice letter. The filing of a protest does not ensure that an evidentiary hearing will be held. The decision whether or not to hold an evidentiary hearing will be based on the contents of the protest.

FILE A RESPONSE:

A response is a document that does not object to the request sought in the application, but nevertheless, presents information you believe would be useful to the Commission in acting on the application.

Whether you wish to file a PROTEST or send a RESPONSE you must:

- Send a copy of your document to the utility.
- Mail both one copy to the utility and one copy to CPUC within twenty (20) days of the date you received this notice.



Del Oro Water Co., Inc.
Advice Letter No. 531 RI T1 DWSRF Surcharge & Service Fee
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The utility must respond to your protest or response within five (5) days. All protests or responses to this filing should be sent to:

California Public Utilities Commission *and*
Water Division
505 Van Ness Avenue
San Francisco, California 94102
E-Mail: water.division@cpuc.ca.gov

Janice Hanna
Director of Corporate Accounting
Del Oro Water Company, Inc.
Drawer 5172
Chico, California 95928
Telephone 530-809-3960
Facsimile 530-894-5405
E-Mail: jeh@corporatecenter.us

If you have not received a reply to your protest within ten (10) business days, contact Del Oro Water Company at 1-530-717-2514. A notice of the surcharge request for DOWC will be mailed to the consumers upon concurrence with the CPUC.

This filing will not cause withdrawal of service nor conflict with any other schedule or rule.

A copy of Del Oro Water Company's filing may be inspected in its business office: 426 Broadway, Suite 301, Chico, California 95928, or by visiting its website at www.delorowater.com. Further information may be obtained from the utility at its business office or from the Commission at the above address.

Del Oro Water Company, Inc.

JANICE HANNA

Director Corporate Accounting & Regulatory Affairs

Attachments



VERIFICATION

The undersigned, Janice Hanna, hereby declares:

That she is an officer, to wit, Director of Corporate Accounting, of DEL ORO WATER COMPANY, a California corporation, the Applicant herein, and as such officer is authorized to make this verification for and on behalf of said Applicant; that she has read the foregoing Advice Letter, including all exhibits thereto, and knows the contents thereof, that the same is true of her own knowledge, except as to matters therein stated on information or belief, and as to those matters she believes it to be true.

I declare under penalty of perjury that the forgoing is true and correct.

Executed at Chico, California on February 9, 2022.

JANICE HANNA



CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of "In the Matter of the Advice Letter of DEL ORO WATER COMPANY, INC. (U-61-W) for establishment of a SRF Surcharge and service fee for Commission consideration in accordance with California Public Utilities Commission Resolution W-5245, dated November 18, 2021, Order No. 4," by mailing a properly addressed copy of first-class mail with postage prepaid to each party named in the official service list.

Executed on February 9, 2022 at Chico, California.

A handwritten signature in blue ink that reads "Janice Hanna".

JANICE HANNA

Del Oro Water Company
Service List for Advice Letter No. 531

California Public Utilities Commission

Division of Water and Audits
water.division@cpuc.ca.gov

State Water Resources Control Board

Eli McFarland, PE
Division of Drinking Water – Visalia District
Eli.McFarland@waterboards.ca.gov

State Water Resources Control Board

John Paul Blanco
Associate Sanitary Engineer, Project Manager
Drinking Water Technical Assistance Section
Division of Financial Assistance
JohnPaul.Blanco@waterboards.ca.gov

Tulare County Board of Supervisors

Tulare County Administrator

Dennis Townsend
2800 West Burrel Avenue
Visalia, CA 93291-4582
dtownsend@co.tulare.ca.us

Springville Public Utility District (SPUD)

P.O. Box 434
Springville, CA 93265
Spud@springvillewireless.com

Del Oro Water Company, Inc.

servicelist@delorowater.com

Schedule No. RI-1

GENERAL METERED SERVICE

RIVER ISLAND DISTRICT

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract No. 389 and vicinity, adjacent to the River Island Golf Course. Located approximately 4 miles south of Springville, Tulare County.

RATES

Monthly Quantity Rates:

For all water up to 10,000 cu. ft., per 100 cu. ft.	\$ 3.467
For all water over 10,000 cu. ft., per 100 cu. ft.	\$ 4.780

Monthly Service Charge:

	<u>Per Connection</u>	<u>DWSRF Surcharge</u>	
	<u>Per Month</u>	<u>Per Month</u>	
For Meters up to 1-inch	\$ 61.01	\$ 78.18	(N)
For 1-1/2-inch meter	104.04	156.37	
For 2-inch meter	155.66	250.19	
For 3-inch meter	276.12	469.11	
For 4-inch meter	448.19	781.85	
For 6-inch meter	878.39	1,563.69	(N)

The Service Charge is a Readiness-To-Serve Charge which is applicable to all metered service and to which is added the monthly charge computed at the Quantity Rate.

Monthly SRF Surcharge for Territory One Customers is specifically for the repayment of the State Revolving Fund for the River Island District Treatment Plant. (N)

SPECIAL CONDITIONS

1. A late charge will be imposed per Schedule No. LC.
2. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the Utility, service to subsequent tenants in that unit will, at the Company's option, be furnished on the account of the landlord or property owner.
3. All bills are subject to the California Public Utilities Commission Reimbursement Fee set forth in Schedule No. No. UF.

(To be inserted by utility)

Issued By

(To be inserted by P.U.C.)

Advice Letter No. 531

Date Filed _____

Decision No. _____

JANICE HANNA

Effective _____

Director, Corporate Accounting

Resolution No. _____

Schedule No. RI-1
(Continued)

GENERAL METERED SERVICE
RIVER ISLAND DISTRICT

SPECIAL CONDITIONS (Cont'd)

4. The CPUC granted and approved on January 1, 2020, for the River Island District an Interim Rate Increase, followed by Resolution No. W-5229 dated August 6, 2020, granting a General Rate Increase and eliminating the \$10.54 Lost Revenue Surcharge. With approval of this Advice Letter No. 523, DOWCRI is granted reimbursement of the under-collected revenues in the amount of \$47,747.55 as a one-time surcharge over approximately forty-eight (48) billing cycles at \$2.36 per customer per month, or until the net shortfall is reimbursed. If over-collection of funds occurs, a credit will be issued to the customers.
5. The DWSRF Surcharge is in addition to the water bill. The DWSRF Surcharge is specifically for the repayment of the Drinking Water State Revolving Fund Loan authorized by Resolution No. W-5245. (N)
6. The DWSRF Surcharge rates are subject to periodic adjustment.
7. The DWSRF Surcharge rates to repay the loan shall last until the loan is fully paid.
8. The DWSRF Surcharge shall be deposited in a trustee account and shall be used only for the repayment of the loan authorized in Resolution No. W-5245. (N)

(To be inserted by utility)

Issued By

(To be inserted by P.U.C.)

Advice Letter No. 531

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Decision No. _____

JANICE HANNA

Effective _____

Director, Corporate Accounting

Resolution No. _____

Schedule No. RI-2

DRINKING WATER STATE REVOLVING FUND LOAN
UNDEVELOPED LOT CHARGE

(N)

RIVER ISLAND DISTRICT

APPLICABILITY

Applicable to undeveloped lots within the service territory of River Island District 1.

RATES

A service fee to provide for reduction of the Drinking Water State Revolving Fund Loan Surcharge is chargeable to customers requesting future service to undeveloped lots. The Service fees was authorized by Resolution No. W-5245

The service fee shall be the accumulated total of the surcharges provided for in Schedule No. RI-1, as applied to the property being furnished water service from the effective date Of the advice letter to the date of connection. The maximum service charge shall be \$2,000. The service fee shall be due and payable upon connection of water service to The lot. The surcharge authorized by the Commission, as contained in Schedule No. RI-1 will apply thereafter.

(N)

(To be inserted by utility)

Issued By

(To be inserted by P.U.C.)

Advice Letter No. 531

Date Filed _____

Decision No. _____

JANICE HANNA

Effective _____

Director, Corporate Accounting

Resolution No. _____

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(Cont.)

SUBJECT MATTER OF SHEET

P.U.C. SHEET NO.

Rate Schedules (cont.):

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Schedule No. MD-1A, General Metered Service 2376-W, 2036-W, 2408-W

Metropolitan District

Schedule No. MP-1, General Metered Service 2377-W, 2409-W

Mt. Lassen District

Schedule No. ML-1A, Annual General Metered Service 2378-W, 2410-W

Schedule No. ML-2A, Monthly Stand-By Rate Flat Rate Service 2379-W, 2411-W

Schedule No. ML-MHF, Meter Hook-Up Fee 845-W

Paradise Pines District

Schedule No. PP-1A, Annual General Metered Service 2380-W, 1446-W, 2412-W

Schedule No. 14.1, Water Shortage Contingency Plan with Staged
 Mandatory Reduction and Drought Surcharges 1754-W, 1755-W, 1756-W, 1757-W,
 1758-W, 1759-W, 1760-W, 1761-W,
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River Island District

Schedule No. RI-1, General Metered Service ____-W, ____-W (C)

Schedule No. RI-2, DWSRFL Undeveloped Lot Charge ____-W (N)

Schedule No. RI-3, Irrigation Service 2382-W, 2414-W

Schedule No. 14.1, Stage Mandatory Water Conservation and
 Rationing River Island District 1053-W, 1054-W, 1055-W, 1056-W,
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Stirling Bluffs District

Schedule No. SB-1, Metered Service 2383-W, 2415-W

Schedule No. SB-9M, Tank Truck Water Service 683-W

Schedule No. LIRA, SB, Low Income Ratepayer Assistance 2425-W, 2426-W

(To be issued by utility)

Issued By

(To be issued by P.U.C.)

Advice Letter No. 531
 Decision No. _____

Janice Hanna
Director, Corporate Accounting & Regulatory Affairs

Date Filed _____
 Effective _____
 Resolution No. _____

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and services of the utility, together with other pertinent information.

SUBJECT MATTER OF SHEET

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(To be inserted by utility)

Issues By

(To be inserted by P.U.C.)

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Date Filed

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JANICE HANNA

Effective

Resolution No.

Director, Corporate Accounting & Regulatory Affairs

Exhibit A

Del Oro Water Company

Resolution W-5245

DATE OF ISSUANCE: 11/22/2021

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5245

November 18, 2021

RESOLUTION

(RES. W-5245), RESOLUTION GRANTING DEL ORO WATER COMPANY, INC. AUTHORITY TO BORROW \$3,892,650, IN ADDITION TO THE \$5,189,176 PREVIOUSLY AUTHORIZED IN RESOLUTION W-5168; ESTABLISH A SURCHARGE TO WATER RATES OF THE RIVER ISLAND DISTRICT TERRITORY 1 CUSTOMERS TO REPAY THE TOTAL LOAN PRINCIPAL OF \$9,081,826 AND INTEREST; PROVIDE A FUND RESERVE EQUAL TO ONE YEAR'S DEBT SERVICE; AND ENCUMBER UTILITY ASSETS IN CONJUNCTION WITH THE LOAN.

By Advice Letter No. 525 filed on December 15, 2020, and Advice Letter No. 525-A filed on July 30, 2021.

SUMMARY

This Resolution grants the authority requested of the Commission by Del Oro Water Company, Inc. (DOWC) in its Advice Letter (AL) No. 525, as supplemented by AL No. 525-A.

In AL No. 525, filed December 15, 2020, as supplemented by AL No. 525-A, DOWC requests authority pursuant to §§ 816 through 851 of the Public Utilities Code to:¹

1. Borrow \$3,892,650, in addition to the \$5,189,176 previously authorized in Resolution (Res.) W-5168 on June 21, 2018, under the Drinking Water State Revolving Fund (DWSRF) Program, which is administered by the State Water Resources Control Board (SWRCB).
2. Use the proceeds to finance increased construction costs for the required SWRCB's water treatment plant project necessary for treating the high levels of uranium and nitrate in the River Island District Territory 1 (RID

¹ All statutory references are to the Public Utilities Code, unless otherwise indicated.

- 1) water supply² and a conveyance system³ (Water Treatment Plant Project) designed to augment the utility's water supply capacity necessary to serve customers of its RID 1, and to reimburse DOWC's treasury for capital expenditures.
3. Encumber its assets in connection with the loan; and
4. Place in effect six (6) months after construction commences, a surcharge on existing water rates for amortizing the \$9,081,826 total (\$5,189,176 plus \$3,892,650) loan and accumulating a reserve fund equal to one year's debt service.⁴ This surcharge only applies to RID 1 customers because the Water Treatment Plant project is specifically intended to address the water supply and contamination issues for this service territory.

The annual revenue requirement for the \$9,081,826 loan is estimated at \$393,113. Surcharges amounting to \$32,759 will be collected monthly from RID 1 customers only for the term of the loan (30 years).

BACKGROUND

DOWC is a Class B multi-district water utility which provides domestic water service to 6,457 metered and 164 flat-rate customers. DOWC's service territory is comprised of 20 districts across California. The utility's main office is headquartered in the city of Chico in Butte County. In addition, the utility has three field offices across its entire service territory to support each of its districts.

On April 10, 2008, DOWC and River Island Water Company signed a purchase agreement whereby DOWC purchased the assets of River Island Water Company.⁵ DOWC operates the acquired water system as part of one of its districts under the name

² Compliance Order 03-12-17R-003-A1 issued on November 16, 2017.

³ The conveyance system is required to bring raw water from the Pleasant Valley Canal to the treatment plant and then feed the treated water to the RID 1 distribution system.

⁴ The 10% reserve loan requirement is to be accumulated during the first 10 years of the term of the loan and the surcharge is implemented upon completion of the project. The Commission's approval, however, can grant an earlier implementation of the surcharge so that only one set of surcharges is established, and the reserve is accumulated while construction is in progress. These eliminates the need to have two sets of surcharges – one with the reserve for the first 10 years and the second starting from year 11 through year 30.

⁵ Decision (D.) 08-07-034 dated July 31, 2008, in Application (A.) 08-04-035 authorized the transfer of ownership from River Island Water Company to DOWC.

River Island District (RID). RID is located approximately 4 miles southwest of the town of Springville in Tulare County. This district is comprised of two separate service territories: RID 1 and RID 2. The two service territories are approximately one mile apart and the water systems are not interconnected. Each service territory has its own source of water supply and distribution system.

RID 1 has 419 service connections with 1-inch meters. The RID 1 water system is supplied by fourteen (14) groundwater water sources: Wells No. 02, 05, 11, 12, 14, 21, 23, 30, 31, 32, 33, 34, and Weisnerberger Wells No. 01 and 02 with a combined production of 692 gallons per minute (GPM). The water system has six (6) water storage tanks with a combined capacity of approximately 432,000 gallons. The RID 2 water system has 27 service connections with 1-inch meters. The RID 2 water system utilizes two groundwater wells for its water supply: Wells No. 01 and 02 with a combined production of 140 GPM.

Since River Island Water Company was acquired by DOWC in 2008, it was known that the RID 1 system was deficient in its source of supply capacity during peak periods, and that several of the system's water wells contained high levels of nitrate and uranium. In 2009, RID 1 had 360 service connections and two of the 14 wells had been removed from service due to low capacity and high concentrations of nitrate. The water system could reliably produce 414 GPM, but the maximum daily demand was 521 GPM, resulting in a source of supply capacity deficit of 107 GPM.

SWRCB's Compliance Orders

Several of RID 1's supply wells have been under compliances orders since 2008 due to the high concentrations of nitrate⁶ and uranium⁷ in these wells exceeding the SWRCB's maximum contaminant level (MCL)⁸ for both contaminants.

As a result of DOWC exceeding the nitrate and uranium MCLs, SWRCB issued the following Compliance Orders for RID 1:

⁶ For more information regarding health risks associated with nitrates see SWRCB website at: https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/Nitrate.html

⁷ For more information regarding the health aspects of uranium see US Environmental Protection Agency (EPA) at: <https://semspub.epa.gov/work/HQ/175267.pdf>

⁸ The maximum contaminant level (MCL) is the highest level of a contaminant that is allowed in drinking water as mandated by SWRCB. The MCL for nitrate is 45 milligrams per liter (mg/L) of nitrate (NO₃) or 10 mg/L of nitrogen (N).⁸ The MCL for uranium is 20 picocuries per liter (pCi/L). Compliance with the uranium MCL is based on an annual running average (RAA) of four consecutive quarters of sampling results.

1. Compliance Order No. 03-12-08O-030, issued on October 16, 2008 –Due to Wells No. 02, 17, and 18 exceeding the nitrate MCL and Well No. 05 exceeding the uranium MCL for the period of 2005 to 2008.
2. Compliance Order No. 03-12-09O-009, issued on December 10, 2009 –Due to Well No. 05 exceeding the uranium MCL with an RAA of 23.7 pCi/L.
3. Compliance Order No. 03-12-11O-003, issued on November 18, 2011 –Due to Well No. 02 exceeding nitrate MCL and Wells No. 02, 05, 14, and 34 exceeding the uranium MCL. The nitrate MCL was evaluated for the period of 2006 to 2011.
4. Compliance Order No. 03-12-17R-003, issued on November 16, 2017 – Amendment to 03-12-11O-003 restoring Well No. 02 to compliance with the nitrate MCL and Wells. No. 14 and 34 with the uranium MCL, finding Well No. 33 in violation of the nitrate MCL with an average nitrate level of 10.2 mg/L N, and maintaining the uranium violations for Wells No. 02 and 05.

Each of SWRCB’s Compliance Orders requires that the utility bring the RID 1 water system back into compliance with California Health and Safety Code (HSC) Section 116555(a)(1). Compliance Order No. 03-12-17R-003, and ordered DOWC to comply by November 30, 2020, with California Code of Regulations (CCR) Title 22, Sections 64431⁹ and 64442¹⁰ and address its compliance with the nitrate MCL and the uranium MCL, respectively. Accordingly, the construction of the Water Treatment Plant has been identified by Luhdorff & Scalmanini Consulting Engineers (LSCE) as the preferred solution for providing safe drinking water to RID 1 customers and some of the existing groundwater wells will be used as standby sources if needed to meet the RID 1 system demand during high peak demand. ¹¹

DOWC’s Water Treatment Plant Project Plan

On May 6, 2010, the Commission issued Decision (D.) 10-05-004, granting DOWC a moratorium on new service connections in RID 1. DOWC requested this moratorium because the RID 1 water system was unable to adequately provide safe and reliable water due to lack of available water supply and excessive contamination. The moratorium applied for the earlier of three years or until DOWC could provide

⁹ CCR § 64431, Maximum Contaminant Levels – Inorganic Chemicals.

¹⁰ CCR § 64442, MCLs and Monitoring – Gross Alpha Particle Activity, Radium-226, Radium-228, and Uranium.

¹¹ Engineering Technical Report (December 2011), LSCE amended the report dated June 12, 2017.

sufficient additional water supplies. In addition to the moratorium, the Commission required DOWC, within a year, to prepare a plan to augment the RID 1 water supply and file the plan with the Commission.¹²

In May 2011, DOWC filed with the Commission its two-phase project plan to augment the RID 1 water supply in compliance with D. 10-05-004.¹³ Phase I of the project included planning and design of the water treatment plant and conveyance system (Water Treatment Plant Project) and all supporting documentation required as part of the SRF application for construction.¹⁴ Phase II included the construction of the plant and conveyance system. The two-phase plan was to be undertaken by the engineering firm LSCE who would be responsible for the design and construction of the surface water treatment plant for treating water from the Pleasant Valley Canal (PVC) in RID 1.

In December 2011, LSCE prepared an engineering report for the SWRCB and DOWC. LSCE recommended that the best solution for the RID 1 water system was to divert water from the PVC and construct a surface water treatment plant.¹⁵ The estimated cost of the Water Treatment Plant Project was \$5,189,176, based on 2017 prices per LSCE's June 12, 2017 amended Engineering Technical Report. Consequently, DOWC applied for a construction loan with the SWRCB and received an approval for a \$5,189,176 loan through the DWSRF program.

By Resolution (Res.) No. W-5168 dated June 21, 2018, the Commission granted DOWC authorization to:

1. Enter into a loan agreement with the SWRCB to borrow \$5,189,176 under the DWSRF program to finance the engineering and construction of a treatment plant and conveyance system to serve customers of RID 1;
2. Encumber its assets in connection with the loan; and
3. Place in effect a surcharge on existing water rates for amortizing the \$5,189,176 loan and accumulating a reserve fund equal to one year's debt service.¹⁶

Res. No. W-5168 approved a budget for DOWC's Water Treatment Plant Project

¹² D. 10-05-004, Ordering Paragraph #3, May 6, 2010.

¹³ AL 300 filed by DOWC on May 19, 2011.

¹⁴ Required documentation included an Engineer's Report, California Environmental Quality Act (CEQA) environmental impact assessment, and detailed construction cost estimate.

¹⁵ Engineering Technical Report (December 2011), LSCE amended the report dated June 12, 2017.

¹⁶ The surcharge authorized by Res. W-5168 has not been implemented by DOWC.

consisting of the following cost components:

Treatment Plant Construction	\$3,530,840
Construction Contingency	<u>529,626</u>
Sub-total	\$4,060,466
Engineering & Construction Management	<u>1,128,710</u>
Total	<u>\$5,189,176</u>

On June 26, 2018, DOWC paid the PU Code § 1904(b) fee of \$6,189 as required by Ordering Paragraph No. 6 of Res. W-5168.

Increased Water Treatment Project Costs

On February 1, 2019, DOWC was notified by the SWRCB that the State's contract unit had a backlog on processing loans due to its new accounting system. Consequently, the Financing Agreement for \$5,189,176 was delayed and not executed until September 2019, after which, DOWC began the bidding schedule for the construction of the Water Treatment Plant Project. This delay in the financing approval and additional requirements imposed by the SWRCB on the proposed project are the major factors that led to the increased project costs currently in addition to increased materials and construction costs, as further discussed below and in the "Discussion" section of this Resolution.

According to DOWC, the bidding process conducted in February 2020 produced bids that were much higher than the engineer's estimate due to SWRCB's required re-design requirements, exploration of alternate solutions, and delays in approval and funding by the SWRCB which included approval of the engineering re-design. The bids also reflected increased material and labor costs, as detailed in the "Discussion" section of this Resolution.

In November 2020, DOWC initiated a re-bidding process that included additional contractors to ensure construction costs would be as low as possible. According to DOWC, there were three additional bidding attempts due to irregularities associated with the apparent low-bidder package. On July 28, 2021, LSCE sent on behalf of DOWC, a Notice of Award Letter to Clark Bros., Inc., to enter a Firm Lump Sum Contract for \$7,163,542 as the final candidate selected from the bidding process based on qualifications and bid amount.

On July 30, 2021, DOWC submitted to the SWRCB the Bid Review and Final Budget of \$9,081,826 incorporating the \$7,163,542 bid from Clark Bros., Inc. DOWC was able to negotiate with the SWRCB an extended loan payment period of 30 years at 1.80% interest to lower the surcharge amount compared to the standard term of 20 years. The State's DWSRF funding also remains the least expensive method to finance DOWC's Water Treatment Plan Project for its RID 1 service territory.

The Bid Review and Final Budget of \$9,081,826 included the same budget items authorized by Res. W-5168, but with higher amounts compared to 2017 estimated costs based on the project bids obtained in late 2020 by DOWC as listed below:

Treatment Plant Construction – Clark Brother	\$7,163,542
Construction Contingency	<u>716,354</u>
Sub-total	\$7,879,896
Engineering & Construction Management	<u>1,201,930</u>
Total	<u>\$9,081,826</u>

The project was anticipated to begin by the end of September 2021. Additional information regarding the various components of the water treatment plant project and reasons for the increased project costs is provided in the "Discussion" section of this Resolution.

On April 16, 2020, DOWC received \$163,442 in proceeds from the DWSRF loan authorized by Res. W-5168. This amount was used to pay for engineering costs.

DOWC's Financial Statements

In its Income Statement for the year ending December 31, 2020, DOWC reported that it generated operating revenues of \$693,983 and net income of \$236,258 for RID. RID's Balance Sheet as of December 31, 2020, as reported, is summarized below:

Table 1
Balance Sheet as of December 31, 2020

<u>Assets</u>	<u>Amount</u>
Water Plant in Service (excluding SRF, Grant funds)	\$3,120,111
Construction Work in Progress – Water Plant	2,843
Construction Work in Progress – SRF	<u>708,382</u>
Total Utility Plant	\$3,831,336
Accumulated Depreciation of Water Plant	<u>(1,037,820)</u>
Net Utility Plant	\$2,793,516
Current and Accrued Assets	519,689
Deferred Charges	<u>(33,013)</u>
Total Assets	<u>\$3,280,192</u>
<u>Liabilities & Equity</u>	<u>Amount</u>
Common Stock	-
Other Paid-in Capital	\$2,283,409
Retained Earnings	(5,532)
Long-term Debt	175,174
Current and Accrued Liabilities	45,441
Deferred Credits	611,615
Net Contributions in Aid of Construction	<u>170,085</u>
Total Liabilities and Other Credits	<u>\$3,280,192</u>

DOWC's RID's last general rate increase became effective August 11, 2020, pursuant to Res. W-5229. The Commission authorized an increase of \$90,936, or 15.02% above present revenues of \$605,256, and a rate of return of 9.33%.

NOTICE AND PROTESTS

Pursuant to General Order (G.O.) 96-B, Water Industry Rule 4.1, on December 15, 2020, DOWC served its AL No. 525 on its service list. Notice of AL No. 525 was made by publication in the Commission's Daily Calendar of December 18, 2020.

On July 30, 2021, DOWC served its AL No. 525-A on its service List. Notice of AL No. 525-A was made by publication in the Commission's Daily Calendar of August 2, 2021.

On July 30, 2021, DOWC sent a notice to all RID 1 customers regarding the water treatment plant project with the revised estimates resulting from the \$3,892,650 increased project costs and loan amount from the DWSRF loan program; the negotiated 30-year loan repayment term at 1.80% interest rate; the proposed surcharge required by the SWRCB as a dedicated source of payment; and the dollar amount and percentage increase of the surcharge rates on customer bill for 1-inch metered customers. Additional information is provided in the Surcharge Rate section of this Resolution.

On August 4, 2021, one customer protest was received that indicated that the revised project estimate and the accompanying surcharge would result in the financial ruin for many customers within the RID 1 territory. The proposed surcharge and the current monthly quantity rates and service charge would be a great burden to the customers at a time when there is no increase in paychecks, no increase in social security, and low returns on investments. The customer also stated that DOWC does not offer any kind of low-income assistance to help customers that are unable to pay their utility bills.

By letter dated August 5, 2021, DOWC responded to the customer's concerns explaining that the water supply and water contamination issues of RID 1 and the various compliance orders issued by the SWRCB necessitate the construction of the Water Treatment Plant Project to be funded by an approved loan under the DWSRF loan program administered by the SWRCB. Furthermore, DOWC stated that currently there is no grant funds available to the utility to pay for this project.

DOWC also indicated that during the COVID pandemic, it is offering financial payment arrangements to customers and the utility has not turned off any water service for nonpayment. Lastly, there is no financial benefit or profit to DOWC for this project. The final cost of the Water Treatment Plant Project will be booked as a contributed asset having zero value on DOWC's books and no selling point if DOWC was to sell the utility system. Furthermore, DOWC explains it is ultimately responsible for ensuring

safe drinking water for its customers and maintaining good quality of service which may require making the necessary improvements to the RID 1 water system. DOWC will be maintaining and operating the water treatment plant for the RID 1 customers. DOWC has also negotiated a longer term of 30 years for the repayment of the loan for the project to reduce the amount of the required surcharge compared to the standard term of 20 years.

DOWC also held several public meetings with its RID 1 customers to discuss and inform them of the proposed Water Treatment Plant Project required to address the water quality and supply issues. The first public meeting was held in January of 2011 and the second on February 27, 2018. DOWC discussed with its customers the DWSRF loan, the required surcharge to repay the loan, and the impact the construction costs of the project would have on customer's bills. Approximately 50 of DOWC's customers attended the February 27, 2018 public meeting, and LSCE provided the details of the selection of the best alternative compared to non-centralized treatment such as point-of-entry (POE) or point-of-use (POU) treatment¹⁷ to improve the issues facing the water system, the design and engineering, and project cost breakdown.

DISCUSSION

On September 20, 2019, Agreement No. SWRCB000000000D180202300 between DOWC and the SWRCB to construct and fund the RD 1 Water Treatment Plant Project¹⁸ for \$5,189,176 was executed. The original loan amount carried an annual interest rate of 1.70% and a term of 20 years.

DOWC's project, as discussed in Res. W-5168 consisted of the following elements:

1. Construction of a water treatment plant to include the addition of water treatment packaged modules, along with all associated chemical feed equipment, backwash system, backwash tank, transfer tank, and pre-engineered metal building.
2. Piping, valving, booster pumps controls and electrical.
3. Installation of water mainline to connect to the existing RID 1 service area.

¹⁷ HSC Section 116380(a)(1) states that a public water system must have less than 200 service connections to be eligible to use POE and POU treatment in lieu of centralized treatment. As RID 1 has had more than 200 service connections since DOWC acquired the system, DOWC is not eligible to use POE and POU for RID 1.

¹⁸ Project No. 540065-003C

4. Adding two new 500,000-gallon bolted steel storage tanks.
5. Installation of a raw water pipeline and canal turnout structure to divert raw water from the Pleasant Valley Canal to be treated.
6. Construction of two separate pipelines to future well sites.
7. Installing a pre-engineered metal building for storage and maintenance equipment, and an all-weather access road and onsite paving.

In this current AL No. 525 filing, as supplemented, DOWC requests to increase the amount being borrowed to \$9,081,826 due to the delay in SDWSRF program funding and the increased project costs of the treatment plant. Based on the information provided in DOWC's AL No. 525 filing, as supplemented, the following are the main reasons for the increased project costs:

1. The original construction estimate was based on 2017 prices.
2. There was a significant delay with the SDWSRF application, execution of the funding agreement, re-bidding, re-design requirements, and cost revisions.
3. In 2018, new tariffs on imported steel abruptly disrupted the steel market and increased the costs of steel-containing products. Additionally, due to the uncertainty surrounding the steel market and associated tariffs, many suppliers increased their prices further to mitigate their risks.
4. The American Iron and Steel (AIS) requirement¹⁹ significantly impacted the costs for most of the Water Treatment Plant Project's large bid items, including all ductile iron pipe, fittings and valves, black steel pipe, the four bolted steel tanks, the two metal buildings, the two packaged water treatment plant units, electrical switchgear fabricated cabinetry, and a variety of smaller project components. For example:
 - a) Storage tanks – the original budget estimate for the fabrication, shipping, and erection of the storage tanks was \$650,000 in 2017. The Contractor's bid is now \$1,076,000, a difference of \$426,000, or an increase of approximately 35 percent.
 - b) Modular treatment plant – the original budget cost in

¹⁹ The Consolidated Appropriations Act of 2014 includes a requirement for State Revolving Fund (SRF) assistance recipients to use iron and steel products that are produced in the United States for the construction, alteration, maintenance, or repair of a public water system. This AIS provision is a permanent requirement for Clean Water SRF projects and for Drinking Water SRF projects through Fiscal Year 2023. For additional information see EPA webpage at: <https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>

2017 provided by the manufacturer was \$600,000 and included fabrication, shipping, installation, and startup/testing. The Contractor's bid is now \$820,000, an increase of approximately 35 percent.

- c) Pre-engineered treatment plant – the original budget in 2017 provided by a supplier/installer for the buildings was \$221,000. The Contractor's bid is now \$422,000, an increase of almost 91 percent.
- d) Fencing – the engineer's estimate was \$37,400 in 2017. The bid received is now \$163,875, an increase of over 400 percent.
- e) Aboveground/belowground piping and valves – the engineer's estimate for all black steel and ductile iron pipe was \$303,000 in 2017. The bid received is now \$621,000, an increase of over 200 percent.
- f) Backwash system was redesigned in late 2019 from one 100,000-gallon bolted steel storage tank to two 60,000-gallon bolted steel tanks and pneumatic valve controls to reliably reclaim low turbidity water from the backwash system. The engineer's estimate for a single 100,000-gallon tank was \$45,000 in 2017. The revised backwash system including separate tanks, pneumatic valves, and associated controls is now \$342,000.
- g) Rock excavation and earthwork (not included in original engineer's estimate in 2017) is estimated at \$31,200.

On July 30, 2021, DOWC submitted a Final Budget Approval form for RID 1's Water Treatment Plant Project²⁰ to the SWRCB's Division of Financial Assistance (DFA) with a total project cost of \$9,081,826. DOWC was able to negotiate with the SWRCB a 1.80% interest rate and a loan payment period term of 30 years instead of 20 years to reduce the surcharge amount.

Under the DWSRF loan program, DOWC will only be allowed to expend funds based on the SWRCB's project components and the SWRCB will verify all work performed prior to releasing funds to the utility.

²⁰ Project No. 5400665-003C.

A. Capital Ratios

DOWC’s capital ratios, as of December 31, 2020, are shown below as recorded and as adjusted, to give pro forma effect to the proposed issuance of \$9,081,826 debt authority under the approved filing:

Table 2
Capital Ratios

	<u>Recorded</u>		<u>Adjustments</u>		<u>Proforma</u>	
Long-term Debt	\$ 175,174 ^(A)	7.14%	\$8,918,384 ^(B)	\$ 9,093,558	78.26%	
Common Stock	0	0.00%	-	0	0.00%	
Other Paid -in Capital	2,283,409	93.08%	-	2,283,409	19.65%	
Retained Earnings	<u>(5,532)</u>	<u>- 0.23%</u>	<u>\$ 248,459^(C)</u>	<u>\$ 242,927</u>	<u>2.09%</u>	
 Total Capitalization	 <u>\$2,453,051</u>	 <u>100.00%</u>	 <u>\$9,166,843</u>	 <u>\$11,619,894</u>	 <u>100.00%</u>	

(A) Includes \$163,442 funds already received from the DWSRF loan and \$11,732 SBA PPP loan forgiven in 2021.

(B) Issuance of \$9,081,826 loan requested in this filing less \$163,442 funds received.

(C) Net earnings in 2020 and Projected 2021.

Although the financing requested in the filing changes the capital structure for regulatory purposes, the Commission shows the recorded capital structure as compared to the pro forma for illustrative purposes. As shown above, the 78.26% debt to capital ratio, given the proposed loan, is significant. Capital structures are normally subject to review in cost of capital or general rate case proceedings. We will not make a finding in this Resolution on the reasonableness of the projected capital ratios for ratemaking purposes.

B. Surcharge Rate

To-date, DOWC has not filed an advice letter to implement the surcharge rates for the \$5,189,176 loan authorized in Res. W-5168. As stated earlier, DOWC has received \$163,442 in proceeds from the DWSRF loan authorized by Res. W-5168, but no customer surcharge has been implemented for the loan for this project.

With the requested loan addition of \$3,892,650, and a term of 30-years, DOWC recalculated the monthly surcharge rates for a total loan of \$9,081,826, as shown in the following table.²¹

Table 3
Estimated Surcharge Per Meter, Per Month
\$9,081,826 Loan

<u>Size of Meter</u>	<u>Surcharge Per Month</u>
Meters up to 1-inch	\$ 78.18
1-1/2-inch meter	\$ 156.37
2-inch meter	\$ 250.19
3-inch meter	\$ 469.11
4-inch meter	\$ 781.85
6-inch meter	\$ 1,563.69
8-inch meter	\$ 2,501.91

With the above proposed surcharge, the annual surcharge revenue is estimated at \$393,113. This surcharge will be collected from RID 1 customers only and in place over the loan repayment period, which is 30 years, under the terms of the loan. The SWRCB requires DOWC to maintain a reserve equal to one year's loan payments. DOWC now requests that the surcharge be imposed six (6) months after construction commences. Based on DOWC's filing and construction timeline, construction was anticipated to begin in September 2021 and to be completed by January 2023.

C. Service Fee for Future Customers

Consistent with prior Commission authorization of surcharges for DWSRF loans, the Water Division recommends that a service fee be imposed on new service connections to vacant and undeveloped lots in DOWC's RID 1 service territory.²² Once the service connection moratorium is lifted for DOWC's RID 1, Water Division recommends

²¹ RID 1 does not qualify for Grant money or any loan forgiveness program. The best terms that the SWRCB can provide is an interest rate of 1.8% and a term of 30 years instead of 20 years.

²² See Res. W-4508 dated December 2, 2004, Lake Alpine Water Company debt authority under the Safe Drinking Water State Revolving Fund (SDWSRF) program; and D.05-01-049 dated January 27, 2005, in Application 04-10-033, the Commission granted San Jose Water Company to impose a service fee to customers requesting future services to currently undeveloped lots in conjunction with the \$1.66 million SDWSRF debt and surcharge authorization.

DOWC be granted authority to impose a service fee on future customers who will benefit from the construction and improvements financed by the DWSRF loan and help the repayment of the loan. The benefits include potentially increased property values and the availability of water, furnished by a public utility, which meets health standards. The amount of the service fee, subject to a maximum amount of \$2,000, is the accumulated total of the loan surcharge from its inception to the time-of-service connection. Only the monthly surcharge applies thereafter. DOWC is in agreement with the Water Division's recommendation to have a service fee on new service connections.²³

Therefore, it is reasonable to authorize DOWC to impose a surcharge on its existing RID 1 customers and a service fee to future customers who will benefit from the system improvements.

D. Affordability of Proposed Surcharge Rates

Currently, DOWC RID 1 territory has 419 metered customers with 1-inch meters. The monthly bill for customers with meters up to a 1-inch connection, using an average of 20 hundred cubic feet (CCF) of water per month will increase by \$78.18 from \$130.35 to \$208.53 or 60.00%. The 2019 Median Household Income (MHI) for Tulare County is \$56,776.²⁴ The total annual bill with the proposed surcharge will be 4.40% of MHI. By extending the loan repayment period from 20 to 30 years, DOWC helped lower the amount of the surcharge levied on its customers.

We note that no affordability criteria have been adopted in any Commission Decision or legislation. However, the Commission adheres to cost-of-service regulatory principles in developing rates for its jurisdictional utilities, and the proposed surcharge rates are at the minimum required to satisfy DOWC's operational capabilities and requirements of the SWRCB to provide safe drinking water to RID 1 customers. Furthermore, the State's DWSRF funding remains the least expensive method to finance the required DOWC's Water Treatment Plan Project for its RID 1 service territory.

E. Loan Approval

Upon order of the Commission and for proper cause, PU Code § 817 allows the use of proceeds from the issuance of debt for purposes reasonably required for the improvement or maintenance of service of a utility.

²³ DOWC's September 29, 2021 e-mail to the Water Division.

²⁴ Obtained from the U.S. Census Bureau.

Section 851 requires Commission authorization before a utility may “sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its...plant, system, or other property necessary or useful in the performance of its duties to the public...”

Borrowings under the DWSRF program represent a much lower cost of capital than either equity or other forms of debt. In addition, there are conditions set by the SWRCB and this Resolution to ensure proper accounting and handling of the loan proceeds and for surcharges to be collected.

As a public utility, DOWC has the responsibility to maintain its quality of service and provide necessary improvements to the RID 1 water system. DOWC’s proposed financing transaction is in the public interest because it enables DOWC to construct the treatment plant and conveyance system to comply with the SWRCB’s requirements.

The Commission is approving this additional construction loan in order for DOWC to access the SWRCB’s low-cost financing opportunity which includes a longer term of repayment for the project.

Smaller utilities, or in this case a small district of a Class B water utility is characterized by high operating expenses per customer in contrast to larger utilities due to the lack of economies of scale. For example, an unanticipated \$20,000 pipe repair may have negligible per-customer impact on a Class A water utility with more than 10,000 connections, but the same repair has significant per-customer impact on a utility with 300 service connections. Similarly, RID 1 faces increased operating costs and significantly increased capital costs to comply with federal and state regulations for water quality.

In this filing, DOWC’s request for additional funding to complete the Water Treatment Plant Project that would be paid through the surcharge and the capital expenditures associated with this project would be permanently excluded from rate base because the project is financed by a state loan and paid for by DOWC’s customers. Theoretically, the surcharge is a rate increase. But it is not one in the context of a general rate case, step-rate increase, rate base treatment, or in connection with a utility’s revenue requirement.

Clearly, with a surcharge authorization, the utility is held responsible for refunding or applying on behalf of the customers any surplus accrued in the balancing account and

the utility is directed by the Commission to make a filing whenever a decrease in the rate surcharge is warranted. Accordingly, we have included as one of the conditions attached to this authorization that DOWC review its balancing account at least once a year. If the balance from DOWC's balancing account, following a payment to the SWRCB, is less than the required reserve or exceeds the required reserve by more than thirty five percent of the next semi-annual payment, then DOWC must file an advice letter to adjust the surcharge.

Therefore, it is reasonable to authorize DOWC to increase its borrowing by \$3,892,650, for a total of \$9,081,826; to execute a loan agreement based on the terms and conditions contemplated herein; establish a surcharge to repay the loan; and encumber utility assets in connection with the loan.

The ratepayers ultimately pay for all water system requirements and improvements, regardless of the way they are financed. This surcharge method of recovery outlined above ensures that the loan will be repaid without financial stress to the water utility, and as a low-cost financing mechanism for customers. The surcharge serves only to repay the loan and will not generate any profit for the utility owners.

The proposed surcharge rates shown in Table 3 are estimates. DOWC should be authorized file a Tier 2 AL to establish the surcharge six months after construction commences to build the 10.00% reserve requirement. The filing should include the updated loan amortization schedule, the reserve requirement, the calculation of the surcharge, and tariff sheets like those attached to this Resolution as Appendices A and B.

DOWC should re-calculate the surcharge rates when the project is completed and provide Water Division the final cost of the project. If in the future the SWRCB gives any loan forgiveness or restructures the terms of the loan, DOWC should re-calculate and adjust the surcharge rates, accordingly.

Our approval does not authorize any capital expenditures or specific construction projects, but rather the creation of a funding mechanism to finance improvements to RID 1's water system.

Consistent with § 824, DOWC will need to maintain records to (i) identify the specific long-term debt issued pursuant to this Resolution, and (ii) demonstrate that the proceeds from such debt have been used only for the purposes indicated herein. Res. W-5168 set conditions to ensure proper treatment of the surcharge and plant

financed by the debt authority granted to DOWC. We will require the following conditions in this Resolution.

F. Conditions Attached to this Debt Authorization

- a. The surcharge shall be separately identified on customer bills.
- b. The surcharge shall continue until the loan is fully paid.
- c. Surcharge revenues shall not be commingled with other utility revenues.
- d. All surcharge revenues shall be deposited in a separate bank account with a fiscal agent approved by the SWRCB, and such deposits shall be made within 30 days after the surcharges are collected from customers. The bank account will be reduced by payments of principal and interest on the loan.
- e. DOWC shall establish a separate bank account for deposits and disbursement of the DWSRF loan.
- f. The accounting for surcharge collections and loan payments shall comply with the accounting instructions for a DWSRF loan as specified in the Uniform System of Accounts for Class B, C, and D Water Utilities.
- g. DOWC shall use a balancing account to be credited with revenue collected through the surcharge and the accrued interest on the revenue. The balancing account shall be charged with payments of principal and interest on the loan.
- h. DOWC shall review the balancing account at least once per year. If the balance immediately following a payment to the SWRCB is less than the required reserve or exceeds the required reserve by more than thirty five percent of the next semiannual payment, DOWC will be required to file an AL to adjust the surcharge. A Tier 2 AL filing is required if there is an overcollection, and a Tier 3 AL filing if required if there is an undercollection.
- i. Any surplus accrued in the bank account shall be applied on behalf of the customers when ordered by the Commission.
- j. The cost of the project financed through the surcharge and service fee shall be permanently excluded from rate base for ratemaking purposes.
- k. DOWC; shall file with the Water Division a copy of the loan documents within 15 days of execution.
- l. DOWC shall file a Tier 2 AL to implement the surcharge six (6) months after construction commences to accumulate the required reserve and include in the filing a request to establish a balancing account.
- m. DOWC should re-calculate the surcharge rates when the project is

completed and file the appropriate Advice Letter (Tier 2 or 3 filing) with the Commission to adjust the surcharge to reflect the final costs of the project.

G. Fees

Whenever the Commission authorizes a utility to issue debt, the Commission is required to charge and collect a fee in accordance with § 1904(b).

The fee for the additional financing authority as required by § 1904(b) is \$4,893.²⁵

FINANCING RULE

D.12-06-015, dated June 7, 2012 (Financing Rule) replaced the Competitive Bidding Rule authorized in Res. F-616, dated October 1, 1986. The Financing Rule adopted in D.12-06-015 exempts the following: a) bond issues of \$42 million or less; b) tax exempt or government debt issues; c) debt issues, such as loans; d) debt issues made through an affiliate; and e) multi-state utilities operating in California, if the operating revenues from California operations is less than five percent of the entire utility's total operating revenues.²⁶

D.12-07-003, dated July 11, 2012 corrected errors in D.12-06-015 and adopted the following exemptions from the Financing Rule, which includes but are not limited to: issuance of debt securities such as tax-exempt financing, foreign debt, government debt, privately placed debt, or debt issued through affiliate, via means other than competitive bid.²⁷ DOWC's debt issuance being authorized by this Resolution is exempted from the Financing Rule because it is a negotiated loan with the SWRCB.

EXEMPTION FROM CALIFORNIA ENVIRONMENTAL QUALITY ACT

The California Environmental Quality Act (CEQA) applies to projects that require discretionary approval from a governmental agency, unless exempted by state or other regulations. It is long established that the act of ratemaking by the Commission is

²⁵ The fee is assessed on \$3,892,650 of authorized additional borrowing: \$2 times (\$1,000,000/\$1,000) + \$1 times (\$2,892,650/\$1,000) equals \$4,893.

²⁶ D.12-06-015, Attachment A, Exemption No. 3, pages A6, A7.

²⁷ D.12-07-003, No. 7, page 34

exempt from CEQA review. As stated in California Public Resources Code, the “establishment, modification, structuring or approval of rates, tolls, fares, or other charges by public agencies” is exempt from CEQA.²⁸ Likewise, the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment are not “projects” subject to CEQA.²⁹

This Resolution grants DOWC’s request to borrow an additional \$3,892,650 in addition to the \$5,189,176 previously authorized by Res. W-5168 and does not authorize any capital expenditures or construction projects. Construction projects which DOWC intends to finance via this AL filing should undergo the CEQA review as early as feasible in the planning process, as required by CEQA Guidelines § 15004 (b). To the extent capital expenditures are financed with the proceeds of the loan issued pursuant to this Resolution, ongoing projects have already been subject to any necessary CEQA review undertaken prior to DOWC receiving a certificate of public convenience and necessity or permit to construct. CEQA review for future projects will occur through the regulatory processes applicable to each capital project when meaningful information necessary for conducting an environmental assessment is available.

DOWC should comply with all environmental permitting requirements applicable to the construction and improvements that it will undertake in conjunction the loan requested in this filing.

SAFETY AND COMPLIANCE

As discussed above, DOWC will construct a new surface water treatment plant to treat water from the PVC and convey the treated water to the RID 1 service area. The new surface water supply will meet water demand, and the treated water from the water treatment plant will replace the water supply from the contaminated groundwater wells in RID 1. This will provide DOWC the means to comply with the SWRCB’s requirements to meet all applicable water quality standards.

DOWC pays the required Commission user fees and files its annual reports regularly. There are no other outstanding Commission orders.

²⁸ Public Resources Code § 21090(b) (8).

²⁹ See CEQA Guidelines § 15378 (b) (4).

COMMENTS

Section 311(g) (1) provides that resolutions must generally be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, on October 15, 2021, the draft resolution was mailed to parties based on the service list attached to AL No. 525, as supplemented, and to customers who protested the filing, with comments due on November 8, 2021.

No comments were received.

FINDINGS

1. Del Oro Water Company (DOWC), a California corporation, is a Class B water utility subject to the jurisdiction of this Commission.
2. DOWC is responsible for maintaining its quality of service and providing necessary improvements to its water system in the River Island District.
3. In Resolution (Res.) No. W-5168 dated June 21, 2018, the Commission authorized DOWC to enter into a loan agreement with the State Water Resources Control Board (SWRCB) to borrow \$5,189,176 under the Drinking Water State Revolving Fund (DWSRF) program to finance the engineering and construction of a treatment plant and conveyance system to serve customers of River Island District's Territory 1 (RID 1); encumber its assets in connection with the loan; and place in effect a surcharge on existing water rates for amortizing the \$5,189,176 loan and accumulating a reserve fund equal to one year's debt service.
4. On February 1, 2019, DOWC was notified by the SWRCB that the State's contract unit had a backlog on processing loans due to its new accounting system. Consequently, the Financing Agreement for \$5,189,176 was executed sometime in September 2019, after which, DOWC began the bidding schedule.
5. According to DOWC, the bidding process conducted in February 2020, produced bids that were much higher than the engineer's estimate due to SWRCB's required re-design requirements, exploration of alternate solutions, and delays in

approval and funding by the SWRCB. The bids also reflected increased material and labor costs.

6. In November 2020, DOWC initiated a re-bidding process that included additional contractors to ensure costs are as low as possible.
7. On July 28, 2021, Luhdorff & Scalmanini (LSCE), the consulting engineers of DOWC sent on behalf of DOWC, a Notice of Award Letter to Clark Bros. Inc., based on the lowest responsible bids received.
8. The Bid Review and Final Budget including the contract to Clark Bros., Inc., is \$9,081,826.
9. On July 30, 2021, DOWC submitted a Final Budget Approval form for RID 1's Project No. 5400665-003C to the SWRCB's Division of Financial Assistance with a total project cost of \$9,081,826. DOWC negotiated with the SWRCB for a 1.80% interest rate and a loan payment period of 30 years instead of 20 years to keep the surcharge lower for its customers.
10. On July 30, 2021, DOWC notified its customers by mail of the loan increase and surcharge rates.
11. To-date, the surcharge rates authorized previously in Res. W-5168 for the \$5,189,176 loan have not been implemented.
12. DOWC intends to complete the construction of a new surface water treatment plant and conveyance system to treat water from the Pleasant Valley Canal (PVC) to serve the RID 1 service area to comply with the requirements of the SWRCB compliance orders.
13. Under the DWSRF loan program, DOWC will only be allowed to expend funds based on the SWRCB's project components and the SWRCB will verify all work performed prior to releasing funds to the utility.
14. The SWRCB requires this Commission's approval for the loan, security for the loan, and a dedicated source of revenue, i.e., surcharge.
15. Undeveloped lots will benefit from the expenditures being made from the

proceeds of the debt. The benefits include potentially increased property values and availability of water furnished by a public utility, which meet health standards.

16. The proposed surcharge rates shown in Table 3 of this Resolution are estimates and DOWC should re-calculate the surcharge rates when the project is completed and provide Water Division the final cost of the project.
17. If in the future the SWRCB gives any loan forgiveness or restructures the terms of the loan, DOWC should re-calculate and adjust the surcharge rates, accordingly.
18. DWSRF borrowings represent a much lower cost of capital than either equity or other forms of debt. In addition, there are conditions set by the SWRCB and this Resolution to ensure proper accounting and handling of the loan proceeds and surcharges collected.
19. Notice of DOWC's AL 525 and 525-A filings appeared on the Commission's Daily Calendar on December 18, 2020 and August 2, 2021, respectively.
20. The fee for this financing authority as required by § 1904(b) is \$4,893.
21. DOWC is required by the SWRCB to address the problem of insufficient water supply and the contamination issues in RID 1, so the requested debt-authorization for the construction of the Water Treatment Project in AL No. 525, as supplemented should be granted.
22. The Commission has previously ordered utilities to impose a service fee for new service to vacant and undeveloped lots when the Commission authorizes loan surcharges. The Commission should authorize a service fee for DOWC's DWSRF loan request since it provides an additional source of revenue to liquidate the loan.
23. Once DOWC's service connection moratorium is lifted for DOWC's RID 1, DOWC should be granted authority to impose a service fee for future customers who will benefit from the construction and improvements financed by the DWSRF loan.

24. The amount of the service fee should be subject to a maximum amount of \$2,000, the accumulated total of the loan surcharge from its inception to the time-of-service connection, and only the monthly surcharge should apply thereafter.
25. DOWC is authorized to file, in accordance with General Order No. 96-B six (6) months after construction commences, a Tier 2 Advice Letter to establish the surcharge and service fee authorized in this Resolution. The surcharge and service fee should only apply to RID 1 customers.

THEREFORE, IT IS ORDERED THAT:

1. On or after the effective date of this order, Del Oro Water Company, upon terms and conditions substantially consistent with those set forth in Advice Letter No. 525, as supplemented by Advice Letter No. 525-A is authorized to borrow \$3,892,650 in addition to the \$5,189,176 previously authorized in Resolution W-5168, for a total of \$9,081,826 under the Drinking Water State Revolving Fund program administered by the State Water Resources Control Board.
2. Del Oro Water Company may execute and deliver the loan agreement with the State Water Resources Control Board and encumber its assets in connection with the loan.
3. Del Oro Water company shall file with the Water Division a copy of the loan documents within 15 days of execution.
4. Del Oro Water Company is authorized to file, in accordance with General Order No. 96-B six (6) months after construction commences, a Tier 2 Advice Letter to establish the surcharge and service fee authorized in this Resolution. The filing shall include the updated loan amortization schedule, the reserve requirement, the calculation of the surcharge (updated for the correct amounts), and tariff sheets like those attached to this Resolution as Appendices A and B. The authorized surcharge and service fees shall only apply to the customers of Del Oro Water Company's River Island District's Territory 1.
5. Del Oro Water Company shall re-calculate the surcharge rates when the project is completed and file the appropriate Advice Letter with the Commission to adjust the surcharge to reflect the final costs of the project.

6. The authority granted herein shall be subject to the following conditions:
 - a. The surcharge shall be separately identified on customer bills.
 - b. The surcharge shall continue until the loan is fully paid.
 - c. Surcharge revenues shall not be commingled with other utility revenues.
 - d. All surcharge revenues shall be deposited in a separate bank account with a fiscal agent approved by the State Water Resources Control Board, and such deposits shall be made within 30 days after the surcharges are collected from customers. The bank account will be reduced by payments of principal and interest on the loan.
 - e. Del Oro Water Company shall establish a separate bank account for deposits and disbursement of the Drinking Water State Revolving Fund loan.
 - f. The accounting for surcharge collections and loan payments shall comply with the accounting instructions for a Drinking Water State Revolving Fund loan as specified in the Uniform System of Accounts for Class B, C, and D Water Utilities.
 - g. Del Oro Water Company shall use a balancing account to be credited with revenue collected through the surcharge and the accrued interest on the revenue. The balancing account shall be charged with payments of principal and interest on the loan.
 - h. Del Oro Water company shall review the balancing account at least once per year. If the balance immediately following a payment to the State Water Resources Control Board is less than the required reserve or exceeds the required reserve by more than thirty five percent of the next semiannual payment, Del Oro Water Company will be required to file an advice letter to adjust the surcharge. A Tier 2 Advice Letter filing is required if there is an overcollection, and a Tier 3 Advice Letter filing if required if there is an undercollection.
 - i. Any surplus accrued in the bank account shall be applied on behalf of the customers when ordered by the Commission.
 - j. The cost of the project financed through the surcharge and service fee shall be permanently excluded from rate base for ratemaking purposes.

7. Del Oro Water Company shall maintain records to (i) identify the specific long-term debt issued pursuant to this Resolution, and (ii) demonstrate that the proceeds from such debt have been used only for the purposes indicated in Advice Letter No. 525, as supplemented by Advice Letter No. 525-A.
8. The authority granted by this Resolution shall become effective when Del Oro Water Company pays \$4,893 as required by Public Utilities Code § 1904(b).

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on November 18, 2021; the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON

Rachel Peterson
Executive Director

MARYBEL BATJER
President

MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE L. HOUCK

Commissioners

APPENDIX A

Schedule No. RI-1

GENERAL METERED SERVICE

RIVER ISLAND DISTRICT

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract No. 389 and vicinity, adjacent to the River Island Golf Course. Located approximately 4 miles south of Springville, Tulare County.

RATES

Monthly Quantity Rates:

For all water up to 10,000 cu. ft., per 100 cu. ft.	\$ 3.467
For all water over 10,000 cu. ft., per 100 cu. ft.	\$ 4.780

Monthly Service Charge:

	Per Connection Per Month	DWSRF Surcharge Per Month	(N)
For Meters up to 1-inch	\$ 61.01	\$ 78.18	
For 1-1/2-inch meter	\$ 104.04	\$ 156.37	
For 2-inch meter	\$ 155.66	\$ 250.19	
For 3-inch meter	\$ 276.12	\$ 469.11	
For 4-inch meter	\$ 448.19	\$ 781.85	
For 6-inch meter	\$ 878.39	\$1,563.69	(N)

The Service Charge is a Readiness-to-Serve Charge which is applicable to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. A late charge will be imposed per Schedule No. LC.
2. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing The Utility, service to subsequent tenants in that unit will, at the Company's option, be furnished on the account of the landlord or property owner.
3. All bills are subject to the California Public Utilities Commission Reimbursement Fee set forth in Schedule No. UF.
4. The CPUC granted and approved on January 1, 2020, for the River Island District an Interim Rate Increase, followed by Resolution No. W-5229 date August 6, 2020, granting a General Rate Increase and eliminating the \$1054 Lost Revenue Surcharge. With approval of this Advice Letter No. 523, DOWCRI is

granted reimbursement of the under-collected revenues in the amount of \$47,747.55 as a one-time surcharge over approximately forty-eight (48) billing cycles at \$2.36 per customer per month, or until the net shortfall is reimbursed. If over-collection of funds occurs, a credit will be issued to the customers.

5. The DWSRF Surcharge is in addition to the water bill. The DWSRF Surcharge is specifically for the repayment of the Drinking Water State Revolving Fund loan authorized by Resolution No. W-_____.
6. The DWSRF Surcharge rates are subject to periodic adjustment.
7. The DWSRF Surcharge rates to repay the loan shall last until the loan is fully paid.
8. The DWSRF Surcharge shall be deposited in a trustee account and shall be used only for the repayment of the loan authorized in Resolution No. W-_____.

END OF APPENDIX A

APPENDIX B

Schedule No. RI-1 ____

DRINKING WATER STATE REVOLVING FUND LOAN
UNDEVELOPED LOT CHARGE

RIVER ISLAND DISTRICT

APPLICABILITY

Applicable to undeveloped lots within the service territory of River Island District 1.

RATES

A service fee to provide for reduction of the Drinking Water State Revolving Fund loan Surcharge is chargeable to customers requesting future service to undeveloped lots. The Service fees was authorized by Resolution No. W-5245.

The service fee shall be the accumulated total of the surcharges provided for in Schedule No. RI-1, as applied to the property being furnished water service from the effective date of this advice letter to the date of connection. The maximum service charge shall be \$2,000. The service fee shall be due and payable upon connection of water service to the lot. The surcharge authorized by the Commission, as contained in Schedule No. RI-1 will apply thereafter.

END OF APPENDIX B

**Del Oro Water Company
Service List for Advice Letter No. 525,
as supplemented by Advice Letter No. 525-A**

Service List

California Public Utilities Commission
Division of Water and Audits
Water.division@cpic.ca.gov

Del Oro Water Company, Inc.
servicelist@delorowater.com

Springville Public Utility District (SPUD)
P.O. Box 434
Springville, CA 93265
Spud@springvillewireles.com

Travis Hauert
talk2travie@gmail.com

State Water Resources Control Board
Eli McFarland, PE
Division of Drinking Water – Visalia District
Eli.McFarland@waterboards.ca.gov

State Water Resources Control Board
John Paul Blanco
Associate Sanitary Engineer, Project Manager
Drinking Water Technical Assistance Section
Division of Financial Assistance
JohnPaul.Blanco@waterboards.ca.gov

Tulare County Board of Supervisors
Tulare County Administrator
Dennis Townsend
2800 West Burrel Avenue
Visalia, CA 93291-4582
dtownsend@co.tulare.ca.us

Exhibit B

Del Oro Water Company

Notice to Proceed Letter & Signed Contract



Luhdorff & Scalmanini
Consulting Engineers

September 13, 2021

File No. 21-5-092

Mr. Matt Whitman
Clark Bros., Inc.
745 Broadway Street
Fresno, CA 93721

**SUBJECT: Notice to Proceed
Del Oro Water Company - River Island District Territory #1
Surface Water Treatment Plant Project**

Mr. Whitman:

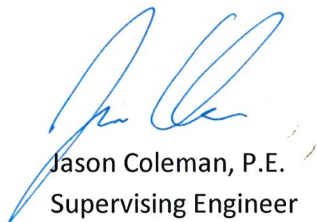
It is our understanding that you received a fully executed copy of the Contract Documents for the Del Oro Water Company – River Island District Territory #1 Surface Water Treatment Plant Project on September 10, 2021.

You are hereby notified to commence work on the 23rd day of September 2021, and substantially complete the work within 460 calendar days. The contract completion date is therefore scheduled on December 27, 2022.

If you have any questions, please contact Jason Coleman at (530) 661-0109 or by email at jcoleman@lsce.com.

Sincerely,

LUHDORFF AND SCALMANINI
CONSULTING ENGINEERS
(Agent of the Del Oro Water Company)



Jason Coleman, P.E.
Supervising Engineer

Cc. Mr. Robert Fortino, DOWC (letter only)
Mr. John Paul Blanco, SWRCB-DDW (letter only)

DEL ORO WATER COMPANY

Agreement for Construction Services

RIVER ISLAND DISTRICT
WATER TREATMENT PLANT PROJECT

This Agreement for construction services is made and entered into on this 2nd day of August 2021, by and between Del Oro Water Company, River Island District (**OWNER**) and Clark Bros., Inc. (**CONTRACTOR**). The **OWNER'S** address is Drawer 5172, Chico, CA 95927, telephone number (530) 894-1100, facsimile number (530) 894-5405. The **CONTRACTOR'S** address is 745 Broadway St. Fresno, CA. 93721, telephone number 559-272-8168, facsimile number 559-721-2114. The **CONTRACTOR** is a (corporation partnership individual), having taxpayer's identification number 94-1572305 and **CONTRACTOR'S** license number 233848.

1. The Agreement. The **OWNER** and the **CONTRACTOR** agree that the **CONTRACTOR** shall perform construction services for the **OWNER** on the terms and conditions set forth herein in connection with the following documents which are attached hereto and incorporated herein as a part of this Agreement:

Notice Inviting Bids

Volume 1 – Front End Contract Documents

Exhibit A:	Agreement for Construction Services
Exhibit B:	Proposal for Construction Services
Exhibit C:	General Contract Provisions
Exhibit D:	Supplementary Conditions
Exhibit E:	Performance Bond (to be provided by Contractor)
Exhibit F:	Payment Bond (to be provided by Contractor)

Volume 2 – Engineering Plans

Volume 3 – Technical Specifications

Volume 4 – Appendices

Appendix A:	Storm Water Pollution Prevention Plan (for reference only)
Appendix B:	California Environmental Quality Act (Initial Study and Proposed Mitigated Negative Declaration)
Appendix C:	Geotechnical Report
Appendix D:	Division of Drinking Water-Approved Contact-Clarification Water Treatment Plant Manufacturers
Appendix E:	CalTrans Encroachment Permit (expired-for reference only)
Appendix F:	Tulare County Building Permits
Appendix G:	Streambed Alteration Agreement (expired-for reference only)
Appendix H:	Water Quality Certification
Appendix I:	Southern Cal Edison Electrical Service Drawings

This Agreement, including said exhibits, constitutes the entire agreement between the parties

and supersedes any prior oral or written proposals, representations or understandings. This Agreement may be modified only by a written amendment signed by each party.

2. Term. The term of this Agreement shall be from the date this Agreement is made and entered, as first written below, until written acceptance or notice of completion of said River Island Water Treatment Plant Project
3. Incorporation by Reference. The **OWNER'S** plans (Volume 2), specifications (Volume 3) and Appendices (Volume 4) for the River Island Water Treatment Plant Project are hereby incorporated in and made a part of this Agreement.
4. Contract Price.
 - A. Except where otherwise agreed in writing by **OWNER** and **CONTRACTOR**, **OWNER** will make monthly progress payments to **CONTRACTOR** if and as requested by **CONTRACTOR** in the manner herein provided. No progress payment shall be made unless **OWNER** shall have actually received from **CONTRACTOR** on or before the third day of any calendar month a written application for a progress payment for the prior month, which application shall include all information and data pertinent to the determination thereof as the Engineer may require. The Engineer shall thereupon on or before the tenth day of that calendar month determine and certify to the **OWNER** (sending a copy to the **CONTRACTOR**) the amount of such progress payment less 5% for retention. The Engineer and **OWNER** shall not be liable for any **CONTRACTOR** monetary damages or schedule delays should additional time beyond the 10th day of the month be required due to **CONTRACTOR'S** progress payment errors or omissions. **OWNER** will then pay **CONTRACTOR** on or before 45 days after the Engineer's approval of the amount of the progress payment so certified. Such certificate of the Engineer is a condition precedent to **OWNER'S** obligation to make any such progress payment.
 - B. The progress payment shall be determined as follows: the Engineer shall determine the total value of the work completed in the month; 95% of said sum shall then be determined; there shall then be deducted from the balance so obtained the aggregate of all previous progress payments (if any) made to **CONTRACTOR**; further there shall be deducted any other deductions specifically provided to be made therefrom; and, finally, the balance remaining shall constitute the progress payment to be made. The value of the performance of any extra work shall be included in the Engineer's estimate. The Engineer's estimate of the value of the work completed for the purpose of determining the amount of any progress payment shall be considered to be only approximate, shall be used only for the purpose of making progress payments, and shall not be binding upon any subsequent estimate. Since the total compensation to be paid to the **CONTRACTOR** shall be determined independently of the determination of the amount of progress payments, it is specifically understood and agreed that the Engineer's determination of the progress payment to be made in any

Exhibit A

calendar month shall be final and binding on both parties and shall not be subject to arbitration or review.

- C. At the time of **CONTRACTOR'S** request for a progress payment, **CONTRACTOR** shall properly execute and provide a Conditional Waiver and Release Upon Progress Payment, in statutory form satisfactory to **OWNER**, acknowledging payment for all work, equipment, and materials supplied to the project, as more specifically set forth therein.
- D. The balance of payment due, based on the contract price, for all work performed on and materials actually used in the construction of the project shall be made within forty-five (45) calendar days after issuance of the notice of completion by the **OWNER**. For these purposes, date of completion means any of the following: (1) The date of completion indicated on a valid notice of completion; (2) The date of completion as that term is defined in Civil Code section 3093; or (3) the date of issuance of a certificate of occupancy covering the project. Notwithstanding the foregoing, if a dispute exists between the **OWNER** and the **CONTRACTOR**, the **OWNER** may withhold from the final payment an amount not exceeding one hundred and fifty (150) percent of the disputed amount.
5. Owner's Obligations. For providing the above-described construction services as specified in this Agreement, the **OWNER** will pay and the **CONTRACTOR** shall receive the Contract Price as specified in Article 4 above.
6. Contractor's Obligations. For and in consideration of the promises and covenants made by the **OWNER** herein, the **CONTRACTOR** agrees to provide the services required and attached hereto and do everything required by the **OWNER'S** plans and specifications, which are incorporated herein.
7. Performance Bond Requirement. The **CONTRACTOR** shall furnish a surety bond in the amount of one hundred percent (100%) of the Agreement price guaranteeing the faithful performance of the contract.
8. Payment Bond Requirement. The **CONTRACTOR** shall furnish a surety bond in the amount of one hundred percent (100%) of the Agreement price to secure payment of claims for materials and labor provided in performing the work.
9. Amendments. Any amendment, modification, change order or variation from the terms of this Agreement shall be in writing, shall be signed by the **CONTRACTOR** and the **OWNER**, and shall be effective only upon approval by the **OWNER**.
10. Complete Agreement. This written Agreement, including all Exhibits, Volumes, and writings specifically incorporated herein by reference, shall constitute the complete agreement between the parties hereto. No oral agreement, understanding, or representation

Exhibit A

not reduced to writing and specifically incorporated herein shall be of any force or effect, nor shall any such oral agreement, understanding, or representation be binding upon the parties hereto.

11. Notice. All written notices to the parties hereto shall be sent by United States mail, postage prepaid, and addressed as follows:

OWNER: Mr. Robert Fortino, CEO
Del Oro Water Company
Drawer 5172
Chico, CA 95927

CONTRACTOR: Mr. Lawrence Clark, President/CEO
Clark Bros., Inc.
745 Broadway St.
Fresno, Ca. 93721

12. Authority to Execute Agreement. Each person whose signature appears below represents that he/she is duly authorized to enter into this Agreement on behalf of the party indicated below, and that his/her signature legally binds the **OWNER** and the **CONTRACTOR** to the terms and conditions of this Agreement.

Dated: 08/02/2021

DEL ORO WATER COMPANY

Signature:  _____

Print Name: Robert Fortino

Title: CEO

Date: 9/9/2021

(CONTRACTOR NAME)

Signature:  _____

Print Name: Lawrence Clark

Title: President

Date: 08/02/2021

----- **END OF EXHIBIT A** -----

Exhibit C

Del Oro Water Company

**State Amortization Schedule &
Surcharge Rate Worksheet**

California DWSRF Payment Schedule

Principal is paid over: 30 Years

Project No. 5400665-003C - Del Oro Water Company
 Agreement: D1802023 - based on Projected Disbursements

Interest rate: 1.80000%

River Island Water Treatment Plant

Ref Num	Due Date	Date Received	Principal Payment	Interest Rate%	Interest Payment	Total P and I Payment	Total Payment	Ending Balance	CPI Interest
1	7/1/2019		0.00	1.800	0.00	0.00	0.00	0.00	0.00
2	1/1/2020		0.00	1.800	0.00	0.00	0.00	0.00	0.00
3	7/1/2020	7/15/2020	0.00	1.800	668.99	668.99	668.99	1,465,617.04	0.00
4	1/1/2021	12/29/2020	0.00	1.800	1,483.07	1,483.07	1,483.07	4,160,817.26	0.00
5	7/1/2021		0.00	1.800	1,458.89	1,458.89	1,458.89	5,932,381.76	0.00
6	1/1/2022		0.00	1.800	1,483.07	1,483.07	1,483.07	7,446,538.98	0.00
7	7/1/2022		0.00	1.800	74,290.51	74,290.51	74,290.51	9,081,826.00	0.00
8	1/1/2023		0.00	1.800	82,408.24	82,408.24	82,408.24	9,081,826.00	0.00
9	7/1/2023		115,477.23	1.800	81,064.63	196,541.86	196,541.86	8,966,348.77	0.00
10	1/1/2024		115,844.72	1.800	80,697.14	196,541.86	196,541.86	8,850,504.05	0.00
11	7/1/2024		116,887.32	1.800	79,654.54	196,541.86	196,541.86	8,733,616.73	0.00
12	1/1/2025		117,939.31	1.800	78,602.55	196,541.86	196,541.86	8,615,677.42	0.00
13	7/1/2025		119,000.76	1.800	77,541.10	196,541.86	196,541.86	8,496,676.66	0.00
14	1/1/2026		120,071.77	1.800	76,470.09	196,541.86	196,541.86	8,376,604.89	0.00
15	7/1/2026		121,152.42	1.800	75,389.44	196,541.86	196,541.86	8,255,452.47	0.00
16	1/1/2027		122,242.79	1.800	74,299.07	196,541.86	196,541.86	8,133,209.68	0.00
17	7/1/2027		123,342.97	1.800	73,198.89	196,541.86	196,541.86	8,009,866.71	0.00
18	1/1/2028		124,453.06	1.800	72,088.80	196,541.86	196,541.86	7,885,413.65	0.00
19	7/1/2028		125,573.14	1.800	70,968.72	196,541.86	196,541.86	7,759,840.51	0.00
20	1/1/2029		126,703.30	1.800	69,838.56	196,541.86	196,541.86	7,633,137.21	0.00
21	7/1/2029		127,843.63	1.800	68,698.23	196,541.86	196,541.86	7,505,293.58	0.00
22	1/1/2030		128,994.22	1.800	67,547.64	196,541.86	196,541.86	7,376,299.36	0.00
23	7/1/2030		130,155.17	1.800	66,386.69	196,541.86	196,541.86	7,246,144.19	0.00
24	1/1/2031		131,326.56	1.800	65,215.30	196,541.86	196,541.86	7,114,817.63	0.00
25	7/1/2031		132,508.50	1.800	64,033.36	196,541.86	196,541.86	6,982,309.13	0.00
26	1/1/2032		133,701.08	1.800	62,840.78	196,541.86	196,541.86	6,848,608.05	0.00
27	7/1/2032		134,904.39	1.800	61,637.47	196,541.86	196,541.86	6,713,703.66	0.00
28	1/1/2033		136,118.53	1.800	60,423.33	196,541.86	196,541.86	6,577,585.13	0.00
29	7/1/2033		137,343.59	1.800	59,198.27	196,541.86	196,541.86	6,440,241.54	0.00
30	1/1/2034		138,579.69	1.800	57,962.17	196,541.86	196,541.86	6,301,661.85	0.00
31	7/1/2034		139,826.90	1.800	56,714.96	196,541.86	196,541.86	6,161,834.95	0.00
32	1/1/2035		141,085.35	1.800	55,456.51	196,541.86	196,541.86	6,020,749.60	0.00
33	7/1/2035		142,355.11	1.800	54,186.75	196,541.86	196,541.86	5,878,394.49	0.00
34	1/1/2036		143,636.31	1.800	52,905.55	196,541.86	196,541.86	5,734,758.18	0.00
35	7/1/2036		144,929.04	1.800	51,612.82	196,541.86	196,541.86	5,589,829.14	0.00

California DWSRF Payment Schedule

Principal is paid over: **30 Years**

Project No. 5400665-003C - Del Oro Water Company
 Agreement: D1802023 - based on Projected Disbursements

Interest rate: **1.80000%**

River Island Water Treatment Plant

Ref Num	Due Date	Date Received	Principal Payment	Interest Rate%	Interest Payment	Total P and I Payment	Total Payment	Ending Balance	CPI Interest
36	1/1/2037		146,233.40	1.800	50,308.46	196,541.86	196,541.86	5,443,595.74	0.00
37	7/1/2037		147,549.50	1.800	48,992.36	196,541.86	196,541.86	5,296,046.24	0.00
38	1/1/2038		148,877.44	1.800	47,664.42	196,541.86	196,541.86	5,147,168.80	0.00
39	7/1/2038		150,217.34	1.800	46,324.52	196,541.86	196,541.86	4,996,951.46	0.00
40	1/1/2039		151,569.30	1.800	44,972.56	196,541.86	196,541.86	4,845,382.16	0.00
41	7/1/2039		152,933.42	1.800	43,608.44	196,541.86	196,541.86	4,692,448.74	0.00
42	1/1/2040		154,309.82	1.800	42,232.04	196,541.86	196,541.86	4,538,138.92	0.00
43	7/1/2040		155,698.61	1.800	40,843.25	196,541.86	196,541.86	4,382,440.31	0.00
44	1/1/2041		157,099.90	1.800	39,441.96	196,541.86	196,541.86	4,225,340.41	0.00
45	7/1/2041		158,513.80	1.800	38,028.06	196,541.86	196,541.86	4,066,826.61	0.00
46	1/1/2042		159,940.42	1.800	36,601.44	196,541.86	196,541.86	3,906,886.19	0.00
47	7/1/2042		161,379.88	1.800	35,161.98	196,541.86	196,541.86	3,745,506.31	0.00
48	1/1/2043		162,832.30	1.800	33,709.56	196,541.86	196,541.86	3,582,674.01	0.00
49	7/1/2043		164,297.79	1.800	32,244.07	196,541.86	196,541.86	3,418,376.22	0.00
50	1/1/2044		165,776.47	1.800	30,765.39	196,541.86	196,541.86	3,252,599.75	0.00
51	7/1/2044		167,268.46	1.800	29,273.40	196,541.86	196,541.86	3,085,331.29	0.00
52	1/1/2045		168,773.88	1.800	27,767.98	196,541.86	196,541.86	2,916,557.41	0.00
53	7/1/2045		170,292.84	1.800	26,249.02	196,541.86	196,541.86	2,746,264.57	0.00
54	1/1/2046		171,825.48	1.800	24,716.38	196,541.86	196,541.86	2,574,439.09	0.00
55	7/1/2046		173,371.91	1.800	23,169.95	196,541.86	196,541.86	2,401,067.18	0.00
56	1/1/2047		174,932.26	1.800	21,609.60	196,541.86	196,541.86	2,226,134.92	0.00
57	7/1/2047		176,506.65	1.800	20,035.21	196,541.86	196,541.86	2,049,628.27	0.00
58	1/1/2048		178,095.21	1.800	18,446.65	196,541.86	196,541.86	1,871,533.06	0.00
59	7/1/2048		179,698.06	1.800	16,843.80	196,541.86	196,541.86	1,691,835.00	0.00
60	1/1/2049		181,315.35	1.800	15,226.51	196,541.86	196,541.86	1,510,519.65	0.00
61	7/1/2049		182,947.18	1.800	13,594.68	196,541.86	196,541.86	1,327,572.47	0.00
62	1/1/2050		184,593.71	1.800	11,948.15	196,541.86	196,541.86	1,142,978.76	0.00
63	7/1/2050		186,255.05	1.800	10,286.81	196,541.86	196,541.86	956,723.71	0.00
64	1/1/2051		187,931.35	1.800	8,610.51	196,541.86	196,541.86	768,792.36	0.00
65	7/1/2051		189,622.73	1.800	6,919.13	196,541.86	196,541.86	579,169.63	0.00
66	1/1/2052		191,329.33	1.800	5,212.53	196,541.86	196,541.86	387,840.30	0.00
67	7/1/2052		193,051.30	1.800	3,490.56	196,541.86	196,541.86	194,789.00	0.00
68	1/1/2053		194,789.00	1.800	1,753.10	196,542.10	196,542.10	0.00	0.00
			9,081,826.00		2,872,478.61	11,954,304.61	11,954,304.61		0.00

**Safe Drinking Water State Revolving Fund Loan
Del Oro Water Co. - River Island District**

Amount of Loan	Term (Years)	Remaining Term	Interest Rate	Semi-annual
\$9,081,826.00	30		1.80%	\$196,541.86

Meter Size	No. of Connections.	Equivalent Meter Size	Equivalent 5/8x3/4	Monthly Surcharge	Monthly Revenue
5/8x3/4	0	1	0	\$31.27	\$0.00
3/4-inch	0	1.5	0	\$46.91	\$0.00
1-inch	419	2.5	1047.5	\$78.18	\$32,756.98
1 1/2-inch	0	5	0	\$156.37	\$0.00
2-inch	0	8	0	\$250.19	\$0.00
3-inch	0	15	0	\$469.11	\$0.00
4-inch	0	25	0	\$781.85	\$0.00
6-inch	0	50	0	\$1,563.69	\$0.00
8-inch	0	80	0	\$2,501.73	\$0.00
	419		1047.5		\$32,756.98

Ann. Rev. Requirement:

2 semi-annual payments (\$196,541.86x 2) \$393,083.72

Total \$393,083.72

\$393,083.72 divided by 1047.5 \$375.26

\$375.26 divided by 12 mos. \$31.27

\$32,756.98 x 12 mos. \$393,083.72

Exhibit D

Del Oro Water Company

Notice to the Customers

**DEL ORO WATER COMPANY, INC.
RIVER ISLAND DISTRICT
(Account Numbers Beginning With "014"- Territory One)**

**ADVICE LETTER NO. 531 RIVER ISLAND TERRITORY ONE TREATMENT PLANT PROJECT
ESTABLISH RATES & SERVICE FEE**

Del Oro Water Company, on behalf of its River Island District (DOWCRI), hereby notifies the public that it has requested authority from the California Public Utilities Commission (Commission) to establish an SRF Surcharge and Service Fee for the Safe Drinking Water State Revolving Fund Loan (SRF Loan) used to build the Treatment Plant Project. This request is in accordance with California Public Utilities Commission Resolution W-5245, dated November 18, 2021, Order No. 4.

As is required with SRF-funded projects, DOWCRI, with this Advice Letter, must establish a monthly SRF Surcharge Rate, **which will be effective six months after construction commences, March 23, 2022**. The surcharge revenues will be employed to repay the loan from SRF, and shall be collected based on your meter size. At the end of the 30-year period, the surcharge will stop. The proposed surcharge rates are based on the \$9,081,826 SRF Loan, and DOWC will re-calculate the surcharge rates when the project is completed and provide Water Division the final cost of the project.

Order No. 4 of the Resolution also imposes a service fee for future customers who will benefit from the construction and improvements financed by this SRF Loan. The amount of the service fee is the accumulated total of the loan surcharge from its inception to the time-of service connection, subject to a maximum amount of \$2,000, and only the monthly surcharge will apply thereafter.

DOWCRI website has the River Island Treatment Plant Project (www.delorowater.com/riproject) for public review of the entire project.

DOWCRI proposed SRF Surcharge Rates are as follows:

<u>SRF Surcharge</u>	<u>Per Meter Per Month</u>
For meters up to 1-inch	\$ 78.18 (Currently applicable to all customers)
For 1-1/2-inch meter	\$156.37
For 2-inch meter	\$250.19
For 3-inch meter	\$469.11
For 4-inch meter	\$781.85

The monthly SRF surcharge for Territory One Customers is specifically for the repayment of the State Revolving Fund for the River Island District Treatment Plant as authorized by Resolution W-5245.

DOWCRI estimates the monthly bill (including proposed surcharge) for an up-to-1-inch metered customer using an average of 2,000 cubic feet (20 CCF) of water per month at the current Quantity Rate of \$3.467 per 100 cubic feet, and the current Service Charge of \$61.01 would increase by \$78.18 or 59.98% from \$130.35 to \$208.53 as shown:

<u>Monthly</u>				
<u>Usage (CCF)</u>	<u>Present Rates</u>	<u>Surcharge</u>	<u>Increased Total</u>	<u>Percentage Increase</u>
0	61.01	78.18	139.19	128.14%
10	95.68	78.18	173.86	81.71%
20	130.35	78.18	208.53	59.98%
40	199.69	78.18	277.87	39.15%
60	269.03	78.18	347.21	29.06%
80	338.37	78.18	416.55	23.10%
100	407.71	78.18	485.89	19.18%
120	477.05	78.18	555.23	16.39%

You may contact the Commission regarding this notice in one of two ways:

File a PROTEST:

A protest is a document stating that you object to the utility receiving all or some part of its request. If you wish to file a protest, you must state the facts constituting the grounds for the protest, how the advice letter affects you, and the reasons why you believe the whole advice letter, or part of it, is not justified.

If the protest requests an evidentiary hearing (an evidentiary hearing is a legal proceeding held before an administrative law judge at the Commission to obtain evidence), your protest must state the facts you would present at the evidentiary hearing to support your request for a complete or a partial denial of the advice letter. The filing of a protest does not ensure that an evidentiary hearing will be held. The decision whether or not to hold an evidentiary hearing will be based on the content of the protest.

File a RESPONSE:

A response is a document that does not object to the request sought in the application, but nevertheless, presents information you believe would be useful to the Commission in acting on the application.

Whether you wish to file a PROTEST or send a RESPONSE you must:

- Send a copy of your document to the utility
- Mail both one copy to the utility and one copy to the Commission within twenty (20) days of the date you received this notice.

The utility must respond to your protest or response within five (5) days. All protests or responses to this filing should be sent to:

California Public Utilities Commission
Water Division
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-2481
E-Mail: water_division@cpuc.ca.gov

and

Janice Hanna
Director of Corporate Accounting
Post Office Drawer 5172
Chico, CA 95927
Fax: 530-894-5405
E-Mail: jeh@corporatecenter.us

If you have not received a reply to your protest from the utility within 10 business days, contact Del Oro's Corporate offices at 530-717-2514.

The Commission staff will make an investigation of the utility's request. Following the investigation, the Commission may grant the utility's request in whole or in part, or may deny it. It may also order the utility to charge rates different from those shown in this notice.

Section 454 of the California Public Utilities Code provides that no public utility shall raise any rate or so alter any classification, contract, or rule as a result of any rate increase except on a showing before the Commission and a finding of the Commission that such increase is justified. Customers may wish to call to the Commission's attention any problem covering water service, billing procedures or other factors pertaining to a reasonable charge for the service. Customers who would like to provide any other information or comments regarding this requested increase, should write to the Commission at the above listed address.

Comments should mention that they pertain to **Del Oro Water Company, River Island District-Treatment Plant Project**, and must be sent no later than twenty (20) days after this notice is published.

A copy of the Del Oro Water Company River Island District filing may be inspected in its business office at: 426 Broadway, Chico, CA 95928, or at its website: www.delorowater.com. By calling 530-717-2514, you may request a copy to be mailed to you. You will be billed for the copies at \$0.10 per page.

Further information may be obtained from the utility at its business office, or from the Commission at the above address.