PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Water Division
Water Advisory Branch

Resolution No. W-4110
September 3, 1998

RESOLUTION

(RES. NO. W-4110), SIERRA CITY WATER WORKS, INC. (SCWW), AND ALL CLASS D WATER UTILITIES. ORDER AUTHORIZING FACILITIES FEES TO FUND REPLACEMENT OF PLANT.

BY LETTER FILED MAY 15, 1998

SUMMARY

This resolution grants SCWW and all Class D water utilities (companies serving less than 500 service connections) authority to file generic tariffs to charge fees for new connections for the purpose of generating funds to build new plant or to replace deteriorated plant. The facilities fees will be collected from each customer requesting a new or upgraded service connection and range from $2,000 for service with a 5/8-inch meter to $16,000 for service with a two-inch meter. Funds collected are ordered to be placed in interest bearing accounts and to be used only to build or replace plant. As funds are used, the expenditures are required to be recorded as contributed plant.

BACKGROUND

SCWW requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to establish facilities fees applicable to customers requesting service to premises not previously connected to the water supply system. The fees would be used to establish a fund to install plant and to fund the replacement of facilities in need of replacement. SCWW serves 80 customers in Sierra City and vicinity, Sierra County. In addition to SCWW, other small water utilities have difficulty finding capital to install and replace plant, therefore, the authority granted herein is made applicable to all 144 Class D water utilities.

DISCUSSION

Decision 91-04-068, April 24, 1991, Ordering Paragraph 3, granted authority to Class C and D water utilities, and to districts of Class A and B water utilities with 2,000 or fewer service connections, to institute facilities fees as a part of their requests for a general increase in rates. Because they file less often, Class D water utilities may be in the situation of needing to institute facilities fees, but not yet be ready to file a general rate case. This resolution addresses this problem by permitting Class D water utilities to file a

pre-approved schedule of facilities fees that they can charge to begin accumulating capital funds for use when they are needed.

The generic fees are based on meter size and are proportional to the demand users place on the water system. A residence, placing a demand of 20 gallons per minute (g.p.m.) on the system and served by a 5/8-inch meter, would be charged a fee of $2,000. A commercial user, such as a mobilehome park or laundromat, placing a demand of 160 g.p.m. on the system and served by a two-inch meter, would be charged $16,000. Users requiring intermediate size meters would be assessed proportionately.

These fees would be applicable to new customers requesting service to premises not previously served and to additional and increased sized connections to presently-served premises and would be in addition to charges for any main extension or connection fee that may also be required under Rule 15 of the utilities' tariffs. Also, the authorized facilities fees would not limit the amount requested under Rule 15 for special facilities that may be required to serve developers. All regulated water utilities shall treat the facilities fees as Contributions-in-Aid-of-Construction and follow the requirements as specified in the Internal Revenue Code Section 118 to qualify as such. Accordingly, these amounts will be a reduction in rate base for rate-making purposes.

To provide accountability of the funds, any utility filing to implement the authorized facilities fees is required to place the funds in an interest bearing account and to show the balances in its annual report to the Commission. The water utilities shall account for the facilities fees as specified by the Commission's prescribed Uniform System of Accounts. In addition, they shall maintain detailed supporting records to identify the amount received, plant expenditure, interest income, and the remaining fund balance.

FINDINGS AND CONCLUSIONS

THE COMMISSION FINDS, after investigation by the Water Advisory Branch, that the request of SCWW to charge facilities fees for new service connections is justified and that the same authority should be granted to all Class D water utilities and that the fees authorized herein are just and reasonable.

IT IS ORDERED that:

1. Effective immediately, Sierra City Water Works, Inc. and all other Class D water utilities, are authorized to file an advice letter to place into effect Schedule F, Facilities Fees, as shown in Appendix A, or any such lesser fees as they may deem appropriate, however, maintaining the same relationship between meter sizes that is shown in Appendix A.

2. Sierra City Water Works, Inc. and each Class D water utility implementing the facilities fees authorized herein, shall deposit within five days of receipt any such fees collected in a separate bank account paying interest. A direct confirmation from the bank shall be mailed to the Director of the Water Division after making such deposit to verify the amount deposited.

3. Sierra City Water Works, Inc. and each Class D water utility shall treat the facilities fees as Contributions-in-Aid-of-Construction and follow the requirements as specified in the Internal Revenue Code Section 118 to qualify as such.

4. Sierra City Water Works, Inc. and each Class D water utility collecting facilities fees, shall account for the facilities fees as Contributions-in-Aid of Construction in accordance with the Commission's prescribed Uniform System of Accounts. In addition, all shall report in its annual report to the Commission the balance of facilities fees collected, including interest.

5. The plant constructed with facilities fees shall be reduced from rate base for rate-making purposes.

6. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 3, 1998. The following Commissioners approved it:

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L.NEEPER
Commissioners

APPENDIX A

(N)

Schedule F

FACILITIES FEES

APPLICABILITY

Applicable to all customers applying for service from the Utility in the territory served for premises not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of service connections to existing premises.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

Initial Fee for each Service Connection:

For 5/8 x 3/4-inch meter	$ 2,000
For 3/4-inch meter	3,000
For 1-inch meter	5,000
For 1 1/2-inch meter	10,000
For 2-inch meter	16,000

SPECIAL CONDITIONS

1. Facility fees are payable in addition to and do not limit any charges for extensions of mains that may be applicable under Rule 15, Main Extensions.

2. Payments made under this schedule **are not** subject to the reimbursement fee set forth in Schedule No. UF.

(N)

(END OF APPENDIX A)