

DWA/RSK/KOK/DLW/SMW

Decision 08-09-002 September 4, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of CALIFORNIA WATER SERVICE COMPANY (U-60-W), a California corporation, to borrow \$7,442,700 under the Safe Drinking Water State Revolving Fund, to encumber its property in connection with this borrowing, and to add a surcharge to water rates in the Lucerne service area to repay principal and interest on the borrowed funds.

Application 07-11-020  
(Filed November 20, 2007)

**DECISION CONDITIONALLY GRANTING  
CALIFORNIA WATER SERVICE COMPANY  
AUTHORITY TO BORROW FROM  
THE SAFE DRINKING WATER STATE REVOLVING FUND  
WITH REPAYMENT THROUGH A CUSTOMER SURCHARGE  
IN ITS LUCERNE SERVICE AREA**

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**1. Summary**

This decision conditionally authorizes the California Water Service Company (CWS) to enter into a loan contract, with the California Department of Public Health (CDPH) and the Department of Water Resources (DWR), for the purposes of borrowing up to \$7,442,700 from the Safe Drinking Water State Revolving Fund (SDWSRF) and to encumber its assets in connection with this loan. The proceeds of this loan will be used exclusively to finance the construction of a water treatment plant in the CWS Lucerne service area.

CWS is authorized to impose a temporary surcharge on the water rates of the ratepayers in the Lucerne service area, to repay the SDWSRF loan. The surcharge for a typical residential customer, with a 5/8 x 3/4 inch meter, based on the requested loan amount, is estimated to be \$17.37 per month (see attached Appendix B – Surcharge Schedule), an estimated increase of approximately 22%. The surcharge will need to be adjusted downwards if the CDPH does not approve the full requested loan amount of \$7,442,700. In addition, CWS is authorized to impose a service fee, chargeable to new customers requesting future service to currently undeveloped lots.

In order to facilitate CWS' full request, in the event that CDPH reduces the SDWSRF funding from the amount CWS requested, we modify Decision (D.) 04-09-002. We expand the uses of the proceeds, authorized in that decision, to include reimbursing CWS' treasury for expenditures related to the construction of the Lucerne Treatment Plant that CDPH does not authorize for reimbursement with SDWSRF loan proceeds.

Furthermore, CWS is authorized to establish a separate balancing account to be credited (increased) with revenue collected through the surcharge, service fees, and interest earned on funds deposited with the fiscal agent. The balancing account will be debited (reduced) with payments of principal on the loan and with any charges for the services of the fiscal agent.

The conditions we impose include the following: 1) CWS must retain invoices for the work completed and maintain adequate records to enable an audit of the surcharge, revenues collected through the surcharge, and payments of principal on the loan and fiscal agent fees; 2) CWS must receive CDPH and DWR approval and comply with all CDPH and DWR rules and regulations for all expenditures made for this project; 3) CWS must utilize the services of a fiscal agent approved by DWR; 4) CWS is limited to charging a \$2,000 service fee to new customers requesting future service to currently undeveloped lots; 5) If the total loan amount granted by CDPH is less than \$7,442,700, within 30 days of entering into the loan contract, CWS must file an advice letter requesting revision to the surcharge; and, 6) CWS must provide the Commission's Director of the Division of Water and Audits (DWA) with a copy of the loan contract within 30 days of entering into the contract.

The Commission recognizes the economic position of many of CWS' customers in the Lucerne area. In that respect, the loan authorized in this decision is a zero-interest loan, the lowest cost financing available to CWS to construct the Lucerne Treatment Plant. It should also be noted that the construction of this treatment plant is required to address the CDPH's list of deficiencies, dated June 4, 2002, and its Compliance Order of September 7, 2006. Furthermore, the CDPH reviews the plans for this treatment plant before providing funding and takes steps to ensure that the construction is of high quality and low cost. Therefore, we conclude that the loan authorization in the current decision is reasonable and required by CDPH order. We do not, though, make a finding as to the reasonableness of the treatment plant costs in this decision. This type of review is normally performed during a general rate case proceeding (GRC).

## **2. Background**

CWS is a Class A water company with service areas throughout the state. The CWS Redwood Valley District provides water service to approximately 1,300 customers in its Lucerne service area. The Lucerne system was acquired by CWS in the year 2000 as part of its merger with the Dominguez Water Company, as authorized in D.00-05-047.

CWS previously received a blanket authorization for debt in D.02-03-017. This authorization expired on December 31, 2005. Since that time, CWS received a blanket authorization for debt in D.04-09-002.

The California Public Utilities Commission (Commission), in D.04-09-002, authorized CWS to offer securities consisting of common shares, preferred shares, or debt securities, not to exceed a total aggregate amount of

\$250,000,000. Pursuant to D.04-09-002, CWS may use the proceeds from the securities authorized in D.04-09-002 for: discharging the then existing short-term debt; acquiring property; construction, completion, extension, or improvement of CWS' facilities; refunding existing long-term debt; and projected cash requirements.<sup>1</sup> This authorization expires December 31, 2010. As of May 20, 2008, CWS has issued \$20,000,000 of long-term debt and \$82,687,500 of equity, resulting in unused authority of \$147,312,500.<sup>2</sup>

CWS currently has five other pending applications with the Commission, including: 1) Application (A.) #06-10-026, which addresses water conservation issues; 2) A.07-04-010, which requests authorization to extend CWS' territory to serve the City of Salinas within selected boundaries; 3) A.07-07-001, which requests authorization to increase rates in its Chico, East Los Angeles, Livermore, Los Altos-Suburban, Mid-Peninsula, Salinas, and Stockton Districts; 4) A.08-05-002, which requests Commission approval of a cost of capital to be used for ratemaking purposes from January 1, 2009 through December 31, 2011; and 5) A.08-05-019, which concerns CWS' discontinuance of the Extended Service Protection program and certain accounting matters related to CWS' dealing with its affiliate CWS Utility Services.

## **2.1 Financial Information**

CWS' Balance Sheet and information from its Income Statement are as shown in its 2007 Annual Report to the Commission. For the year 2007, CWS

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<sup>1</sup> See D.04-09-002, page 6 and Ordering Paragraph 2.

reported total regulated operating revenues of \$345,718,935 and net income of \$28,708,788, as shown in its Schedule B – Income Account. Retained earnings, as of December 31, 2007 was \$163,246,724.

CWS' Consolidated Balance Sheet, as of December 31, 2007, is summarized as follows:

	<u>Amount</u>
<b><u>Assets</u></b>	
Net Utility Plant	\$943,862,712
Investment and Fund Accounts	25,518,164
Current and Accrued Assets	46,003,867
Deferred Debits	<u>144,945,448</u>
<b>Total Assets</b>	<b><u>\$1,160,330,191.00</u></b>
<b><u>Capitalization and Liabilities</u></b>	
<b><u>Capitalization</u></b>	
Total Common Shareholders Equity	\$360,484,746
Total Preferred Stock	3,475,000
Total Long-Term Debt	<u>287,858,015</u>
<b>Total Capitalization</b>	<b>\$\$651,817,761.00</b>
<b><u>Liabilities</u></b>	
Current and Accrued Liabilities	\$50,478,427
Deferred Credits	355,671,737
Reserves	6,502,229
Contributions in aid of construction	<u>95,860,038</u>
<b>Total Liabilities</b>	<b>\$\$508,512,431.00</b>
<b>Total Capitalization &amp; Liabilities</b>	<b><u>\$1,160,330,191</u></b>

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<sup>2</sup> As shown in CWS' data response, dated May 20, 2008.

## **2.2 California Department of Public Health Compliance Order**

On June 5, 2002, CDPH sent a letter to CWS detailing deficiencies in the Lucerne Treatment Plant and directing that CWS correct these deficiencies. By letter dated June 4, 2002, CDPH invited CWS to apply for a SDWSRF loan to upgrade the Lucerne water treatment plant (DWR Project Number 1710005-002).

The SDWSRF loans are low or no interest loans provided, in part, from the Federal Capitalization Grant for the Drinking Water State Revolving Fund. In California, CDPH is responsible for enforcing water quality standards, and DWR is responsible for assessing a utility's financial need to meet the standards. DWR also acts as the lending agency and fiscal administrator for SDWSRF loans, and assesses the utility's ability to meet the loan obligations.

## **2.3 CDPH Loan Process**

CWS submitted a Loan Pre-Application to CDPH, on August 29, 2002, requesting a SDWSRF loan for the construction of a new treatment plant, filed its intent to submit an application to CDPH on May 23, 2003, and submitted a loan application to CDPH, on December 22, 2005, in the amount of \$4,500,000.

On September 7, 2006, the CDPH issued Compliance Order #02-03-06CO-001 to CWS, regarding CWS' failure to comply with the California Health and Safety Code and the California Waterworks Standards, specifically for failure to provide sufficient source capacity from approved, permitted sources and failure to comply with regulations concerning surface water treatment. Pursuant to California Health and Safety Code Section

116650(e), failure to comply with a CDPH order may result in a \$200 per day penalty for each day CWS is in violation of CDPH's order.

Subsequent to submitting its original loan application to CDPH, CWS increased its proposed loan request to \$5,676,277 due to changes in the design plans, associated revisions to cost estimates, and the need for foundation improvements at the plant site. By letter dated September 28, 2006, CDPH advised CWS that its loan application for this revised amount had been accepted, and that loan approval would be conditioned upon, among other items, authorization by the Commission for the loan and surcharge. CDPH stated that CWS would be able to change the requested amount of SDWSRF funds "any number of times" before the Notice of Application Acceptance (NOAA) is issued, but that after CWS enters into an executive contract, CWS would have only one more opportunity to change the requested loan amount.<sup>3</sup>

When an applicant requests a change to the requested loan amount, it provides CDPH with documentation that supports the requested change. CDPH staff then reviews the change and associated documentation, requesting more detailed information as necessary. After its review is complete, CDPH informs the applicant whether the change has been accepted or not. Even if a change to the requested amount is accepted, the CDPH must still review all invoices submitted before the loan is partially or fully-funded.

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<sup>3</sup> E-mail dated April 5, 2006, from Wendy Jo Kroll of CDPH to CWS and CDPH staff.

Subsequent to the NOAA being issued on September 28, 2006, and signed by CWS on December 8, 2006, CWS requested a final change to the requested amount to \$7,442,700, because of increases in construction costs.

### **3. Procedural History**

On February 3, 2006, CWS filed A.06-02-003, requesting Commission authorization to enter into a SDWSRF loan, in the amount of \$4,500,000, and to institute an associated surcharge and service fee.

On December 12, 2006, CWS amended A.06-02-003 to request a higher loan amount of \$5,676,277. The Commission could not act on that application, because CWS' proposed expenditures and construction plans were continually in flux. On November 1, 2007, the Commission authorized the withdrawal of A.06-02-003, at the request of CWS.<sup>4</sup> The current application, filed with the Commission on November 20, 2007, is for this same loan, except in the increased amount of \$7,442,700.

#### **3.1 Categorization of Proceeding and Customer Notice**

CWS requested that this matter be categorized as ratesetting, and that, in its view, hearings are unnecessary. By Resolution ALJ 176-3204, dated December 6, 2007, the Commission preliminary determined that the case was a ratesetting proceeding and that no hearing was expected.

Pursuant to Rule 3.2(b)(d) of the Commission's Rules of Practice and Procedures, CWS notified its customers of A.07-11-020 via a mailing with the bill or a special mailing (depending on the customers' billing cycle), and via

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<sup>4</sup> D.07-11-019, Order of Dismissal.

publication in the Lake County Record-Bee newspaper on December 8, 2007. Though verbal questions about the project have been received by CWS at its district office and written questions have been received by the Commission, no protests to the applications or objections to the ratesetting categorization were filed. We find that the proceeding is properly categorized and that hearings are unnecessary.

### **3.2 Customer Concerns**

In December 2007, concerned customers in the Lucerne service area sent the Commission a letter regarding A.07-07-001, which, in part, addressed the incorporation of authorized General Office Revenue Requirement changes to rates charged in the Lucerne service area. Even though this letter was not submitted in the current case, it does reflect the concerns of the Lucerne service area customers.<sup>5</sup> Customers voiced their concerns regarding water quality, the delay in building the treatment plant, as well as its proposed cost, and rate increases that the local community can ill afford.

### **3.3 Public Meeting**

Based on the comments from its customers, CWS held an informal public meeting on Wednesday May 7, 2008, at the Lucerne Alpine Senior Center. The meeting started at 7:00 PM, and adjourned at 9:15 PM, with approximately 150 customers in attendance. The attending DWA representative explained Commission procedures, as well as the purpose of the meeting. A CWS representative explained the need for the rate increase.

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<sup>5</sup> See D.07-05-062, pg.11-12.

Also in attendance were representatives from the Division of Ratepayer Advocates (DRA), the CDPH, the County Redevelopment Agency, the Lucerne Community Water Organization (LCWO), and a County Supervisor. The rest of the meeting consisted of comments and questions by the customers.

The customers, many of whom are low-income, are very concerned about their inability to pay the higher rates for water service. In particular, the LCWO presented staff with a petition to the Commission, expressing concern over the increased cost of the new treatment plant. The petition was signed by over 450 individuals.

The customers in attendance at the meeting asked numerous detailed questions regarding the substantial cost increases of the project over the last few years, reasons for incurring specific types of costs, the regulatory processes at the Commission and the CDPH, whether CWS will earn a profit on the project, and concerns regarding the number of rate increases in the recent past.

Subsequent to this public meeting, the Commission received two letters from customers in the Lucerne service area, in which they expressed similar concerns and posed some of the questions that were voiced at the public meeting.

#### **4. Authority Sought and Discussion**

CWS seeks Commission approval to: 1) enter into a SDWSRF loan in the amount of \$7,442,700, to finance improvements in its Lucerne water system and to reimburse its treasury for funds expended prior to the loan contract being signed; 2) establish a surcharge only on its Lucerne customers

to repay that loan; 3) establish a service fee which would be chargeable to customers requesting future services to undeveloped lots in the Lucerne service area; 4) encumber its assets in connection with the loan; 5) establish a balancing account to record surcharge revenues, loan and associated payments, and interest earned on funds ; 6) increase the total aggregate amount of debt financing approved by the Commission for CWS in D.02-03-017; and 7) granting such other relief as may be deemed by the Commission to be necessary or proper.

#### **4.1 Construction Budget**

CWS' construction budget for the construction of the water treatment plant in its Lucerne service area is summarized as follows, as of May 13, 2008:<sup>6</sup>

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<sup>6</sup> As shown in CWS' response to DWA's Data Request DR 0711020-05, dated January 29, 2008. CWS' data response was due on February 11, 2008, but CWS did not submit its data response to DWA until May 13, 2008.



**Total Construction Budget, Including Previous Expenditures**

<b><u>Item</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>Total</u></b>
Cal Water Purchased Equipment	-	\$55,642	\$508,658	-	-	\$435,647	\$234,156	<b>\$1,234,103</b>
Consultant Services	-	\$46,723	\$30,888	\$205,458	\$424,861	\$801,655	\$236,876	<b>\$1,746,461</b>
Syblon-Reid Contractors	-	-	-	-	-	\$358,581	\$2,329,419	<b>\$2,688,000</b>
Permitting	-	-	-	-	-	\$23,990	-	<b>\$23,990</b>
CDPH Approved - Completed Work	-	-	-	-	-	\$605,060	-	<b>\$605,060</b>
Additional Anticipated Direct Costs	-	-	-	-	-	-	\$42,500	<b>\$42,500</b>
CWS Labor, Benefits, Overhead, & Customer Center Rental	\$5,141	\$49,205	\$27,706	\$40,542	\$58,840	\$117,012	\$35,136	<b>\$333,582</b>
Project Contingency	-	-	-	-	-	\$25,000	\$380,000	<b>\$405,000</b>
Allowance For Funds Used During Construction (AFUDC)								<b>\$364,000</b>
<b>Total</b>	<b><u>\$5,141</u></b>	<b><u>\$151,570</u></b>	<b><u>\$567,252</u></b>	<b><u>\$246,000</u></b>	<b><u>\$483,701</u></b>	<b><u>\$2,366,945</u></b>	<b><u>\$3,258,087</u></b>	<b><u>\$7,446,700</u></b>

NOTE: CWS only showed AFUDC as a total in its response to DR 0711020-04, and did not spread AFUDC across the years.

CDPH requires that the entity requesting an SDWSRF loan submit a written request to begin construction prior to receiving a funding agreement.<sup>7</sup> Based on correspondence received by CWS from CDPH, the following construction has been authorized by CDPH to begin prior to final funding:

1. May 9, 2007 – Approval to begin construction on pier.
2. May 31, 2007 – Approval to complete remaining piling work, pier welding, and upgrades, and to install raw water intake pumps, pipe supports, and pipeline related to pier work.
3. June 19, 2007 – Approval to complete pier work, including asbestos removal work.
4. October 25, 2007 – Approval to: a) Issue a Notice to Proceed; b) execute a construction agreement with CWS' contractor in order to start materials procurement; and c) allow the contractor to begin potholing on the site to determine the exact location of certain pipes in order to complete planning. CDPH indicated that this authorization does not guarantee that the expenditures will be reimbursable by the SDWSRF loan.

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<sup>7</sup> In addition, the following criteria must be complied with:

- 1) The water utility received a letter of invitation from CDPH to submit a project application and the water utility responded positively to the invitation by the deadline (Note: Construction could not have started prior to receiving the invitation to apply);
- 2) A technical report was issued by the CDPH district office prior to initiation of construction;
- 3) CDPH reviewed and approved plans and specifications for the project or phase of the project before construction went out to bid and before construction started; and
- 4) The entire project, including all phases, has environmental clearance.

5. November 5, 2007 - Approval to authorize CWS' general contractor to proceed with specifically identified work on a new electrical transformer, a garage storage room area, and underground yard piping.

6. February 8, 2008 - Approval to proceed with all work according to the plans and specifications approved by CDPH. CDPH indicated that this authorization does not guarantee all the expenditures will be reimbursable by the SDWSRF loan.

7. March 19, 2008 - CDPH again addresses which costs are eligible and which are ineligible under the SRF program and indicates that there is no guarantee of reimbursement for costs incurred. CDPH pointed out that it reviews all claims for repayment and documentation submitted before approving costs for reimbursement.

CDPH did not attribute specific dollar amounts to any of these approved activities. The CDPH letters did not authorize any further construction activities prior to execution of the funding agreement.

Until final SDWSRF funding is received, CWS states that it plans to temporarily fund any authorized expenditures with a combination of its operational income and its previously authorized debt and equity. CWS indicated that it intends to use the proceeds from the SDWSRF loan to fund any approved construction that is not complete at the time of funding, and to reimburse its treasury for its funds used for construction already completed.

Included in CWS' construction budget are in-house labor costs as well as an AFUDC. Per the Notice of Acceptance signed by CWS on December 8, 2006, CWS agreed that, among other terms, it would only charge up to \$20,000 of in-house construction labor for the construction project being funded with this

SDWSRF loan.<sup>8</sup> CDPH reiterated this requirement regarding the use of in-house construction labor in a letter to CWS, dated December 7, 2007.<sup>9</sup> CDPH also stated in this letter that accrued interest (AFUDC) is an ineligible cost under the SRF program, and therefore is not recoverable through the loan.<sup>10</sup> CDPH pointed out that only planning, design, and construction costs are eligible for funding. In a letter dated March 19, 2008, CDPH stated again that accrued interest is not an eligible cost under the SRF program.

Based on the correspondence between CDPH and CWS, it appears that CDPH may not authorize CWS to reimburse its treasury for certain budget items with the SDWSRF loan proceeds.

#### **4.2 Cash Requirements Forecast**

This Cash Requirements Forecast was developed from data provided by CWS in its Cash Flow Analysis, provided in response to data request DR 0711020-05. The Cash Requirements Forecast is estimated as follows:

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<sup>8</sup> "Privately owned water systems and [sic] can only use force account for a minor portion (\$20,000) of the construction."

<sup>9</sup> This issue is also discussed in the SRF Contract for a Private Entity, Article H-6(g): Supplier may use its own employees for engineering including development of plans and specifications; legal; and administrative costs, as provided for in Supplier's Budget of Eligible Project Costs. Supplier may use its own employees for construction or construction related activities if Supplier meets the following requirements: 1) obtains prior State approval; and 2) does not exceed \$20,000 in Force Account costs.

<sup>10</sup> Per California Code of Regulations, Title 22, Division 4, Chapter 12, Article 2, §63010(b)(1): Only those project costs that are directly associated with the planning, design, and construction of a project shall be eligible for funding.

	<u>2008</u>	<u>2009</u>
Funds Needed For Construction	\$106,260,311	\$114,510,723
Payment of Debt Interest	<u>22,110,798</u>	<u>23,395,230</u>
Total Cash Required	\$128,373,117.00	\$137,907,962.00
Less: Estimated Cash Available from Internal Sources <sup>11</sup>	\$ <u>96,985,840</u>	\$ <u>94,985,840</u>
External Financing Needed	\$ <u>31,715,983</u>	\$ <u>42,922,122</u>

Given the total company estimated Cash Requirements Forecast, it appears that CWS does not have sufficient funds to finish construction of the Lucerne Treatment Plant in 2008. Therefore, it is reasonable to authorize CWS to incur the debt being requested in the current application. Also, as discussed in more detail in Section 4.5 of this decision, it is in the public interest to use the lowest cost financing, which in this case is a SDWSRF loan.

### **4.3 Effect of Proposed Loan on Capital Structure**

CWS' capital ratios, as of December 31, 2007, are shown below, as recorded and as adjusted, to give pro forma effect to the proposed issuance of \$7,442,700 of debt authority under the Application:

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<sup>11</sup> For 2008: Operating Revenue of \$371,025,380 - Operating Expenses of \$274,368,246 = \$96,985,840. For 2009: Operating Revenue of \$385,157,869 - \$290,172,029 = \$94,985,840.

<b>Description</b>	<b>Recorded</b>		<b>Adjustments</b>	<b>Pro Forma</b>	
<b>Long-Term Debt</b>	\$286,958,699	42.4%	\$7,442,700	\$294,401,399	43.0%
<b>Preferred Stock</b>	\$ 3,475,000	.5%	-	\$ 3,475,000	.5%
<b>Common Equity</b>	<u>\$386,304,294</u>	<u>57.1%</u>	-	<u>\$386,304,294</u>	<u>56.5%</u>
<b>Total</b>	<u>\$676,737,993</u>	<u>100%</u>		<u>\$684,180,693</u> <u>.00</u>	<u>100%</u>

Although the financing requested in the current application does not change the capital structure for regulatory purposes, the Commission shows the recorded capital structure as compared to the pro forma for illustrative purposes. As shown in the table above, the estimated change in the recorded capital structure, given the proposed issuance of the SDWSRF loan, is minor.

Capital structures are normally subject to review in cost of capital or general rate case proceedings. We will not make a finding in this decision on the reasonableness of the projected capital ratios for ratemaking purposes.

#### **4.4 Permissible Purposes for Loan**

A public utility must satisfy certain conditions before entering into loan agreements with terms longer than twelve months. Chapter 4, Article 5 of the Public Utilities Code (Pub. Util. Code) sets forth conditions a public utility must satisfy to enter into such a loan agreement.

One condition is that the loan be for a permitted purpose, listed in Pub. Util. Code §817. Among the permissible purposes, applicable in this instance, is for the construction, completion, extension, or improvement of utility facilities, under Pub. Util. Code §817(b). Pursuant to Pub. Util. Code §817(h), another permissible purpose for such a loan is reimbursement of money actually

expended for proper purposes from the treasury of a public utility.<sup>12</sup> CWS' use of SDWSRF loan proceeds to reimburse the use of its own treasury funds for the construction, completion, extension, or improvement of utility facilities meets this description, as long as those expenditures are not chargeable to income or operating expenses. The construction of a treatment plant in the Lucerne service area is a necessary capital addition to satisfy the Environmental Protection Agency's Interim Enhanced Surface Water Treatment Rule, other CDPH minimum water quality standards, and applicable CDPH compliance orders. As such, the construction is for the public good, and thus qualifies under these statutory provisions.

A second condition is that a public utility first secure from the Commission an order authorizing the debt. The authorization must specify the amount of the debt, and the purpose to which the proceeds are to be applied. The authorization must also find that the money to be procured is reasonably required for the purposes specified in the order, and that such purposes are not reasonably chargeable to operating expenses or to income (Pub. Util. Code § 818). CWS has satisfied these conditions.

While the construction costs of the Lucerne Treatment Plant appear to be a proper use of loan funds based on the Pub. Util. Code, we do not make a finding as to the reasonableness of those construction costs in this decision. This type of review is normally performed during a GRC.

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<sup>12</sup> Not secured by or obtained from the issuance of stocks, stock certificates, other evidence of interest or ownership, bonds, notes, or other evidence of indebtedness of a public utility.

#### **4.5 Surcharge and Service Fee**

Pub. Util. Code §454 governs the conditions upon which a customer surcharge may be established. Those conditions are that a public utility must present a showing for the surcharge, and the Commission must find that the surcharge is justified.

Financing the treatment plant with funds generated internally or by issuing privately placed debt or equity would ultimately result in an addition to ratebase. Including the necessary treatment plant in CWS' rate base, would result in rates higher than those generated by a SDWSRF surcharge, because the rate base would earn CWS' authorized rate of return. A zero or low interest SDWSRF loan, and the associated surcharge to repay it, is the least expensive and therefore most reasonable option for financing the construction of the Lucerne Treatment Plant. Therefore, it is in the public interest to authorize CWS to establish a surcharge. We next calculate the surcharge rates.

CWS estimated that it will need \$136,450 semi-annually or \$272,900 per year for the first ten years, and \$124,045 semi-annually or \$248,090 annually for the last twenty years, to make principal payments, on a SDWSRF loan of \$7,442,700, throughout the 30-year loan term, as well as to accumulate a reserve. To comply with DWR regulations, the utility must establish a reserve equal to two semiannual loan payments during the first ten years.

CWS estimates that the surcharge for a typical residential customer, with a 5/8 x 3/4-inch meter for the first ten years, would be \$17.37 per month, based on a loan amount of \$7,442,700, an increase in the average monthly bill of about 22%. A detailed surcharge schedule by individual 5/8 x 3/4-inch to 6-inch

meter size is set forth in Attachment B. The surcharge would be separately identified on each customer's bill.

However, since the final loan amount may be less than the amount requested by CWS in its application, the surcharge may need to be revised to reflect the lower loan amount. Within 30 days of entering into a loan agreement with DWR and CDPH, CWS shall file an advice letter in order to revise the monthly surcharge amount.

CWS also proposes to establish a service fee, which would be chargeable to customers requesting future service to undeveloped lots. This fee would be based on the accumulated total of monthly surcharges, applicable to that piece of property for the period from the effective date of this decision to the date of the connection. The benefits that accrue to owners of currently undeveloped lots include (1) the availability of water furnished by a public utility which meets health standards, and (2) potentially increased property values. Therefore, it is reasonable to establish a service fee for new connections pertaining to vacant or undeveloped lots since these lots will benefit from the improvements made with the expenditures being made from the proceeds of the SDWSRF loan.

However, per Standard Practice U-13-W,<sup>13</sup> as well as past authorizations for similar types of financing, this Commission has limited this service fee to \$2,000 per customer.<sup>14</sup>

As discussed above, CWS has shown that the surcharge and service fee are reasonable and that authority to institute these charges should be granted, with the condition that the service fee be limited to no more than \$2,000 per customer.

The revenue collected from the rate surcharge and service fees authorized in this decision should only be used to repay the SDWSRF loan and any related charges of a fiscal agent.

#### **4.6 Other Requests and Requirements**

CWS proposes to secure this loan with a first priority lien on its real and personal property and assets, constituting the project for which the loan proceeds shall be used. Use of the property and assets that constitute the Lucerne water treatment plant project as an encumbrance for the SDWSRF loan, in order to procure the loan, is reasonable.

CWS requests that it be authorized to establish a separate balancing account to be: 1) credited (increased) with revenues collected through the surcharge and service fee, as well as interest earned on funds deposited with a

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<sup>13</sup> Standard Practice U-13-W – Water Company Filings for Financing, Section B.9: SDWSRF loans should also include a vacant lot fee on all unimproved lots in the service territory. The fee applies the monthly surcharge to all vacant lots and requires that the owner of the lot pay the accrued surcharge before being provided water service. The maximum accrued fees should be \$2,000. The utility should add this lien to the title of each unimproved lot.

fiscal agent; and 2) debited (reduced) with the payment of principal on the loan, as well as charges for the services of the fiscal agent. It is reasonable to establish a separate balancing account, in order to track the above referenced transactions, as well as keep them separate from other regulated activity.

In the future, the number of customers that are served by CWS in the Lucerne service area may change; therefore, the Commission believes it is reasonable to periodically adjust the surcharge and service fee. The surcharge rates should be adjusted via a Tier 1 advice letter, no more than once a year, either by CWS or at the request of DWA after review of CWS' customer data for the Lucerne service area.

CWS requests that the total amount of the SDWSRF loan requested in the current case be added to the total financing previously authorized by the Commission. Currently, CWS is authorized to issue securities in the aggregate amount of \$250,000,000.<sup>15</sup> Based on the fact that the SDWSRF loan is repaid by a separate surcharge and therefore has no effect on the regulated operating revenue, it does not change the regulated capital structure of CWS. Therefore, the Commission authorizes the addition of the SDWSRF loan amount to the amount of debt financing currently authorized for CWS.

As discussed earlier, CDPH may not permit the use of SDWSRF loan proceeds for certain CWS expenditures related to the Lucerne Treatment Plant. While CWS has financing authority remaining pursuant to D.04-09-002, the authority granted therein does not permit the use of funds procured with that

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<sup>14</sup> See D.05-01-048, pages 10-11 and Finding of Fact 24.

<sup>15</sup> D.04-09-002, page 17 and Ordering Paragraph 1(a).

authority to reimburse expenditures made with CWS treasury funds. CWS has not requested to modify D.04-09-002 regarding the use of the proceeds from offering common shares, preferred stock or debt securities for reimbursing its treasury. However, CWS has requested, among other relief in the current application, permission to use proceeds from the SDWSRF loan to reimburse its treasury for funds expended prior to signing the SDWSRF loan contract, and to add the authority granted herein to the authority granted in D.04-09-002.

We have determined that using proceeds from the SDWSRF loan to reimburse CWS' treasury for funds expended for the construction, completion, extension or improvement of utility facilities is a proper use of the SDWSRF funds, based on our criteria and regulations. However, if CDPH does not permit the use of the loan proceeds for all of these purposes, based on its regulations, CWS may still need to issue common shares, preferred stock, or debt securities to meet its cash requirements. In this instance, to accomplish CWS' request to reimburse its treasury for expenditures made on the Lucerne Treatment Plant, we believe it is reasonable and appropriate to modify D.04-09-002. We will permit the use of proceeds from the issuance of common shares, preferred stock or debt securities, issued pursuant to D.04-09-002, to reimburse CWS' treasury for funds expended for the construction, completion, extension or improvement of the Lucerne Treatment Plant, that are not reasonably chargeable to operating expenses or income, and are not permitted by CDPH to fund with SDWSRF loan proceeds.

The services of a fiscal agent are required by DWR to administer repayment of the loan.<sup>16</sup> In order to be in compliance with that requirement and to ensure the availability of funds to repay the loan, CWS shall deposit all rate surcharge revenue with a fiscal agent, approved by DWR, within 30 days after collection from customers. CWS shall exclude the surcharge and service fees from regulated operating revenue, and shall exclude plant financed through the surcharge from rate base, for ratemaking purposes.

In order to facilitate an audit and review of revenues collected through the surcharge and service fees, and payments of principal on the loan and fiscal agent fees, CWS will need to maintain adequate records of all transactions associated with this SDWSRF loan, including but not limited to the retention of all invoices associated with the Lucerne Treatment Plant and all supporting documentation for all balancing account transactions.

#### **4.7 CEQA Requirements**

The California Environmental Quality Act (CEQA) applies to discretionary projects to be carried out or approved by public agencies.<sup>17</sup> A basic purpose of CEQA is to inform governmental decision-makers and the public about the potentially significant environmental effects of proposed

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<sup>16</sup> Per California Code of Regulations, Title 22, Division 4, Chapter 12, Article 5, §63040, borrower must complete and sign a Fiscal Services Agreement (Department of Water Resources Form DWR-4280). This requirement is also detailed in Title 23, Division 2, Chapter 2.5, §470(a)(2) and Chapter 2.5.1, §488(a)(2), and is reiterated in the Notice of Acceptance signed by CWS on December 8, 2006.

<sup>17</sup> Public Resources Code Section 21000, et seq.

activities.<sup>18</sup> CEQA requires that a responsible agency consider the lead agency's Environmental Impact Report, Negative Declaration or Mitigated Negative Declaration, prior to acting upon or approving a project.<sup>19</sup>

In a memorandum dated May 30, 2007, CDPH stated that it prepared a Mitigated Negative Declaration as the lead agency under CEQA. After consideration of comments received, CDPH made the following finding:

The project will not result in any significant environmental impacts, however California Water Service Company is required to pay the California Department Fish and Game filing fees in the amount of \$1,800 at the time the Notice of Determination is filed with the State Clearinghouse.

Construction activities were commenced in compliance with CDPH's environmental review. The construction of the water treatment plant is now complete. This Decision approves CWS' SDWSRF financing application, pursuant to Pub. Util. Code §§817, 818, and 851. Since the project is already built, approval of this financing request is not a project under CEQA because it has no potential to result in a physical change in the environment.

#### **4.8 Competitive Bidding Rule**

The Competitive Bidding Rule set forth in Resolution F-616, dated October 1, 1968, exempts debt issues of \$20,000,000 or less from the competitive bidding requirement.

Since CWS' loan request is for less than \$20,000,000, it is exempt from the Commission's competitive bidding requirement.

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<sup>18</sup> See CEQA Guideline § 15002.

## **5. Fees**

Pursuant to Pub. Util. Code § 1904(b), the Commission shall charge a fee for approving a certificate authorizing an issue of bonds, notes or other evidence of indebtedness. The fee is two dollars for each \$1,000 of the face value of the indebtedness, up to \$1 million; and one dollar for each \$1,000 of the face value for indebted amounts between \$1 million and \$10 million. The fee for the subject loan is \$8,442.70.<sup>20</sup>

## **6. Comments on Proposed Decision**

The proposed decision in this matter was mailed to the service list in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on August 13, 2008 by CWS and on August 20, 2008 by DRA.

We also add a new Finding of Fact, Conclusion of Law, and Ordering Paragraph, regarding our discussions in the Proposed Decision: 1) regarding what context a reasonableness review is performed on construction costs; and 2) exclusion of the surcharge and service fees from regulated operating revenue, and the exclusion of the plant financed through the surcharge from rate base, for ratemaking purposes.

### **6.1 CWS Comments**

In its comments on the Proposed Decision, CWS states that the Commission should clarify when the surcharge should initially be implemented

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<sup>19</sup> See CEQA Guideline §§ 15050(b) and 15096.

and, given that the requested loan amount may change, what the amount of the surcharge should be. In particular, CWS states that, if the Commission's intent is for CWS to begin accruing a reserve in advance of loan payments being made, CWS would recommend that Ordering Paragraph 9 specifically reference the rates in Appendix B to the decision. CWS states that this "would reduce intergenerational equity concerns" and would allow CWS to accrue a reserve of loan payments that would allow them to reduce the surcharge in later years. CWS also recommends corresponding revisions to the Findings of Fact and Conclusions of Law.

The Commission agrees that these issues should be clarified in the Findings of Fact, Conclusions of Law, and Ordering Paragraphs, but does not agree with the timing and amount of the initial surcharge recommended by CWS. Any intergenerational equity concerns should not be resolved by burdening current customers with a higher surcharge rate than may be required in order to reduce the surcharge rate charged to customers in future years. Also, it would not be fair for current customers to pay: 1) a surcharge for a loan payment that may or may not be based on the correct loan amount; and 2) for a loan that CWS is not yet making payments on.

It is clear in the body of the proposed decision that the initial surcharge should not begin until the loan papers are signed and the loan amount is known. In line with the discussion on page 19, we accordingly revise Finding of Fact 29, Conclusion of Law 7, and Ordering Paragraph 9 to require that CWS file

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<sup>20</sup>  $(\$2 * (1,000,000/1,000)) + (\$1 * (6,442,700/1,000))$ .

an advice letter requesting implementation of the final loan amount within 30 days after signing the final loan agreement.

## **6.2 DRA Comments**

In its comments on the Proposed Decision DRA recommends that the Commission: 1) require a reasonableness review of CWS' construction costs for the Lucerne Treatment Plant, due to the 86% increase of the final estimate of \$7,442,700 over CWS' estimate of \$3,998,400 in its last GRC; and 2) prohibit CWS from seeking compensation if the Lucerne Treatment Plant is acquired by a public company.

As we have already stated in Section 4.4 of this decision, a reasonableness review is something performed in the normal course of a GRC, and we do not address the reasonableness of the Lucerne Treatment Plant costs in this decision.

Pursuant to Rule 14.3(c) of the Rules of Practice and procedure, comments are limited to factual, legal, or technical errors in the proposed decision, citing specific references to the record. For the first time in this proceeding, DRA raised these issues. These issues were not raised in the current application, and there was no protest to the current application. As such, DRA's comments on these issues do not comply with Rule 14.3(c).

## **7. Assignment of Proceeding**

Raminder Kahlon is the assigned Examiner in this proceeding.

## **Findings of Fact**

1. In its Lucerne service area, CWS provides water service to approximately 1,300 customers.

2. On June 4, 2002, CDPH invited CWS to apply for a SDWSRF loan to upgrade CWS' Lucerne water treatment plant.
3. On June 5, 2002, CDPH sent a letter to CWS detailing deficiencies in the Lucerne Treatment Plant and directing that CWS correct these deficiencies.
4. CWS completed a CDPH Loan Pre-Application, on August 29, 2002, requesting a SDWSRF loan for the construction of the new treatment plant.
5. CWS filed an intent to submit an application to CDPH on May 23, 2003.
6. CWS submitted the loan application to CDPH on December 22, 2005, for a loan amount of \$4,500,000.
7. On February 3, 2006, CWS filed A.06-02-003 with the Commission, requesting authorization for a SDWSRF loan of \$4,500,000 and associated surcharge and service fee.
8. On September 7, 2006, the CDPH issued Compliance Order #02-03-06CO-001 to CWS, regarding CWS' failure to comply with the California Health and Safety Code and the California Waterworks Standards, specifically for failure to provide sufficient source capacity from approved, permitted sources and failure to comply with regulations concerning surface water treatment.
9. CWS' failure to comply with the California Health and Safety Code and the California Waterworks Standards could result in fines of up to \$200 per day.
10. Subsequent to submitting its original application to CDPH, CWS requested a revised loan amount from \$4,500,000 to \$5,676,277.
11. On September 28, 2006, CDPH advised CWS that its loan application had been accepted in the amount of \$5,676,277, and that loan approval was conditioned upon, among other items, authorization by the Commission for the loan and surcharge.

12. On December 8, 2006, CWS signed a Notice of Acceptance from CDPH. In part, this document indicates that privately owned water systems can only use in-house construction labor for a minor portion (\$20,000) of the construction.

13. On December 12, 2006, A.06-02-003, which requested a loan amount of \$4,500,000, was amended to request the higher loan amount of \$5,676,277.

14. On November 1, 2007, the Commission authorized the withdrawal of A.06-02-003, at the request of CWS.

15. On November 20, 2007, CWS filed, with the Commission, the current application for the same SDWSRF loan at a higher amount, \$7,442,700, along with a corresponding increase in the surcharge and service fee.

16. CDPH requires a written request and compliance with certain criteria, in order for an applicant to receive authorization for use of SDWSRF funds prior to final funding.

17. By letters dated May 9 and 31, June 19, October 25 and November 5, 2007, and February 8, 2008, CDPH advised CWS that it was authorized to begin and complete work on selected parts of the project prior to final funding.

18. CWS plans to temporarily fund project expenditures, incurred prior to final loan funding, from a combination of operational income, debt, and equity.

19. In its letter dated December 7, 2007, CDPH states that privately-owned water utilities may only charge up to \$20,000 of in-house construction labor for projects. CDPH also states, in this letter, as well as a March 19, 2008 letter, that accrued interest (AFUDC) is an ineligible cost under the SRF program.

According to CDPH, in-house labor in excess of \$20,000 and accrued interest are not recoverable through the SDWSRF loan.

20. CWS claims to have incurred both in-house labor and AFUDC on this project.

21. A reasonableness review of construction costs is normally performed during a GRC.

22. CWS requested, among other relief, to use proceeds from the SDWSRF loan to reimburse its treasury for funds expended prior to signing the SDWSRF loan contract, and to add the authority granted herein to the authority granted in D.04-09-002.

23. Use of SDWSRF loan proceeds to reimburse CWS' treasury for funds expended for the construction, completion, extension or improvement of utility facilities is a proper use of the SDWSRF funds, based on our criteria and regulations.

24. Pursuant to D.04-09-002, the authority granted therein does not permit the use of funds procured with that authority to reimburse expenditures made with CWS' treasury funds

25. CWS has not requested to modify D.04-09-002 to permit the use of the proceeds authorized by that decision for reimbursing its treasury.

26. If CDPH does not permit the use of the loan proceeds to reimburse CWS' treasury for certain funds expended for the construction, completion, extension or improvement of utility facilities, based on its regulations, CWS may still need to issue common shares, preferred stock, or debt securities to meet its cash requirements.

27. The services of a fiscal agent are required by DWR to administer repayment of the loan.

28. CWS' SDWSRF loan is exempt from the Commission's Competitive Bidding Rule.

29. Requiring CWS to file an advice letter within 30 days of signing the final loan agreement to set the surcharge and service fee and to establish a balancing account will allow staff to determine if they are being correctly implemented.

30. Requiring CWS to annually file an advice letter to adjust the surcharge to reflect changes in the number of connections and balancing account status will ensure the surcharge is adequate but not excessive.

31. CDPH was the lead agency under CEQA for the construction of the Lucerne Treatment Plant. CDPH prepared a Mitigated Negative Declaration and found that the Lucerne Treatment Plant project would not result in any significant environmental impacts.

32. There are no filed protests to this application.

### **Conclusions of Law**

1. Approving CWS' request to enter into a SDWSRF loan agreement for a water treatment plant in the Lucerne service area for \$7,442,700, to implement a customer surcharge and service fee to repay the loan, to encumber CWS' assets in connection with this loan, and to establish a balancing account to record transactions related to the SDWSRF loan, is in the public interest and is otherwise proper pursuant to applicable provisions of the Public Utilities Code.

2. CWS should only reimburse its treasury with SDWSRF funds if it has received authorization from CDPH to do so and the expenditures are in compliance with all applicable state rules and regulations.

3. It is reasonable and appropriate to modify D.04-09-002 to permit the use of proceeds from the issuance of common shares, preferred stock, or debt

securities, issued pursuant to D.04-09-002, to reimburse CWS' treasury for funds expended for the construction, completion, extension or improvement of the Lucerne Treatment Plant that are not reasonably chargeable to operating expenses or income and are not permitted by CDPH to fund with SDWSRF loan proceeds.

4. Authorizing the utility to encumber its properties as security for the SDWSRF loan is not adverse to the public interest.

5. A permissible purpose for a loan under §§817 and 818 of the Pub. Util. Code is for the reimbursement of money actually expended from the treasury that is not secured by other forms of financing and is for proper purposes.

6. CWS should retain invoices for the work completed and maintain adequate records to enable an audit to be conducted on the Lucerne Treatment Plant construction expenditures, on the surcharge and the service charge, on the revenues collected through the surcharge and interest earned on the trust account, and on payments related to the loan and the fiscal agent.

7. CWS should be required to file an advice letter within 30 days of signing the final loan agreement for authority to impose a surcharge and service fee and establish a balancing account, subject to the conditions set out in the body of this decision and in these findings and conclusions.

8. CWS should be required to file an advice letter, not more than once a year, to adjust the surcharge to reflect changes in the number of connections and to adjust for any over or under collections in the balancing account.

9. CWS should exclude the surcharge and service fees from regulated operating revenue, and should exclude the plant financed through the surcharge from rate base, for ratemaking purposes.

10. This filing for financing approval does not require environmental review by the CPUC, because the financing of a completed construction project has no potential to result in a physical change in the environment.

11. It is CWS' responsibility to abide by and comply with all applicable environmental regulations for all capital improvements undertaken with funds obtained under this debt authorization.

12. CWS should pay the fees determined in accordance with Pub. Util. Code §1904(b).

13. Today's order should be made effective immediately.

14. This proceeding should be closed.

## **ORDER**

### **IT IS ORDERED** that:

1. California Water Service Company (CWS) is authorized, pursuant to §816, et seq. of the Public Utilities Code (Pub. Util. Code), to enter into a Safe Drinking Water State Revolving Fund (SDWSRF) loan contract with the California Department of Public Health (CDPH) and the Department of Water Resources (DWR), in an amount not to exceed \$7,442,700, and to grant a security interest in its Lucerne Water Treatment Project for those capital expenditures within its Lucerne service area.

2. CWS shall file a copy of the promissory note and loan contract agreement with the Division of Water and Audits (DWA) within 30 days after execution.

3. CWS may reimburse its treasury with SDWSRF loan proceeds for amounts expended prior to final funding that have been explicitly authorized by CDPH and are in compliance with all applicable state rules and regulations.

4. The loan authority granted herein today increases the total aggregate amount of debt financing approved by the Commission for CWS in Decision (D.) 04-09-002.

5. Ordering Paragraph 2 of D.04-09-002 is modified to read as follows:

Cal Water shall apply the proceeds of the New Securities authorized for the purposes specified in their Application and discussed in this Decision, as well as to reimburse Cal Water's treasury for funds expended for the construction, completion, extension or improvement of the Lucerne Treatment Plant, that are not reasonably chargeable to operating expenses or income and are not permitted by California Department of Public Health to fund with Safe Drinking Water State Revolving Fund loan proceeds.

6. In all other respects, D.04-09-002, remains unchanged and in full force and effect.

7. CWS shall utilize the services of a fiscal agent to administer repayment of the loan, as required by DWR.

8. CWS shall retain all invoices and maintain adequate records related to the Lucerne water treatment plant project so that Commission staff may confirm the loan was properly used for the stated purpose and reimbursable through a customer surcharge.

9. Within 30 days of the signing of the final loan agreement and in accordance with General Order 96-B or its successor, CWS shall file a Tier 1 advice letter imposing a surcharge and a service fee on its Lucerne customers, subject to the conditions set out in this decision, to repay the indebtedness

authorized in this order. These conditions include a \$2,000 cap on the total service fee for each new customer, ability for CWS or the Commission to request a change in the surcharge and service fee with a change in the number of customers or change in the loan amount received, and the retention of adequate records. If the final loan agreement is for the exact amount authorized today, CWS shall request imposition of the tariff rates in Appendix B to this decision. If the final loan agreement is for an amount less than that requested in this decision, CWS shall request imposition of tariff rates that are less than those in Appendix B.

10. This order does not authorize any capital expenditures or construction projects.

11. Within 30 days of the issuance of this decision and in accordance with General Order 96-B or its successor, CWS shall file a Tier 1 advice letter establishing a balancing account, in which it shall record surcharge and service fee revenues as well as SDWSRF loan payments and interest earned on funds deposited with the fiscal agent.

12. On or before January 1, 2009, and annually thereafter, for as long as the surcharge and service fees are imposed, CWS shall send reports to the DWA stating the changes in the number of connections by type of customer and by size of connection, the amount of surcharge collected, the amount of repayment made, the outstanding balance of the loan, and the overages and shortages in the CWS balancing account. CWS shall indicate in the report if an advice letter will be forthcoming to reflect any changes in the surcharge.

13. The authority granted by this order shall become effective when CWS pays a fee of \$8,442.70, as required by Pub. Util. Code §1904(b).

14. CWS shall exclude the surcharge and service fees from regulated operating revenue, and shall exclude plant financed through the surcharge from rate base, for ratemaking purposes.

15. CWS shall obtain all necessary regulatory authorizations for the Lucerne Treatment Plant project (including but not limited to planning, construction, and operation). Such authorizations are not given here.

16. The utility plant financed by the SDWSRF loan, and paid for with surcharge and service fee revenue, is permanently excluded from rate base for ratemaking purposes.

17. Application 07-11-020 is closed.

This order is effective today.

Dated September 4, 2008, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners

## **Appendix A - Acronyms**

A.	Application
AFUDC	Allowance for Funds Used During Construction
CWS	California Water Service Company
CDPH	California Department of Public Health
D.	Decision
DRA	Division of Ratepayer Advocates
DWA	Division of Water and Audits
DWR	California Department of Water Resources
CEQA	California Environmental Quality Act
COMMISSION	California Public Utilities Commission
GRC	General Rate Case
LCWO	Lucerne Community Water Organization
NOAA	Notice of Application Acceptance
Pub. Util. Code	Public Utilities Code
SDWSRF	Safe Drinking Water State Revolving Fund
SRF	State Revolving Fund

## Appendix B - Surcharge Schedule

### Safe Drinking Water State Revolving Fund (SDWSRF) Monthly Surcharge Lucerne Division

<b>SDWSRF Surcharge Per Meter Per Month</b>	<b>Year 1 - 10</b>	<b>Year 11 - 30</b>
For 5/8 x 3/4-inch meter	\$17.37	\$15.79
For 3/4-inch meter	\$26.06	\$23.69
For 1-inch meter	\$43.43	\$39.48
For 1-1/2-inch meter	\$86.87	\$78.97
For 2-inch meter	\$138.99	126.35
For 3-inch meter	\$260.60	\$236.91
For 4-inch meter	\$434.33	\$394.85
For 6-inch meter	\$868.66	\$789.69