WATER/RSK/KOK/DLW/RHG

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
UTILITY AUDIT, FINANCE AND
COMPLIANCE BRANCH

RESOLUTION W-4806
November 20, 2009

R E S O L U T I O N

RESOLUTION W-4806. ROGINA WATER COMPANY, INC. ORDER AUTHORIZING ROGINA WATER COMPANY, INC. TO USE APPROXIMATELY $106,000 OF THE PROCEEDS OF A LOAN AUTHORIZED BY RESOLUTION W-4620, FOR A NEW WATER PLANT PROJECT.

By Advice Letter (AL) No. 54, filed on October 5, 2009.

SUMMARY

This Resolution grants Rogina Water Company, Inc. (RWC) the authority requested in AL No. 54.

RWC requests authority, pursuant to §§ 816 and 851 of the Public Utilities Code, to use approximately $106,000 of the proceeds of a loan authorized by Resolution (Res.) W-4620, dated October 5, 2006, for a new water plant project.[1]

In Res. W-4620, the Commission authorized RWC to borrow $400,000 from the Savings Bank of Mendocino County or other financial institutions, to encumber assets in connection with the loan, and to use the proceeds

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

specifically for the construction of a new well, a new storage tank, and the replacement of meters.[2]

On October 16, 2006, RWC paid the fee of $800, required by § 1904(b), for the $400,000 debt authority granted in Res. W-4620.

BACKGROUND

RWC is a Class C water utility subject to the jurisdiction of this Commission. RWC provides water service to approximately 990 metered rate customers in Talmage and vicinity, a suburban area three miles east of the city of Ukiah, in Mendocino County.

RWC's water system consists principally of wells, pumps, storage tanks, distribution mains, meters, fire hydrants, and water treatment equipment. RWC's wells are located in an area very close to the Russian River.

As noted in Res. W-4620, RWC indicated that its system improvements will place RWC in compliance with the distribution storage requirements of the State Health Department and the new well will be an additional source of water that could serve existing and future customers. RWC's system improvements described in Res. W-4620 are summarized below:

Description	Amount
Water Well, pump and pump house	$ 60,000
Steel storage tank	270,000
Meters including installation cost	16,000
636 feet of 4", 6" and 8" water mains	11,000
Fire hydrant	6,000
Contingency	37,000
Total	$400,000

[2] This construction project was recognized in RWC's general rate case authorized by Res. W-4587, dated March 2, 2006. In Res. W-4587, the Commission stated that when RWC completes the construction of a new well, a new steel tank, and replacement of approximately 173 meters, RWC should file an advice letter to recover costs associated with the plant improvements, subject to reasonableness review by the Division of Water and Audits (DWA).

According to RWC, it has completed all of the above projects except for the pump house, the storage tank and an 8" meter. RWC estimates that these remaining projects will only cost $172,400. The storage tank, which was estimated at $270,000, has now a new bid of $164,000. This will result in excess funding authority of $106,000. On September 9, 2009, RWC obtained a loan of $225,000 from the Savings Bank of Mendocino County. RWC plans to start construction of the storage tank by the end of the year. At that time, it intends to secure additional long-term debt of $175,000, under the debt authorization it received in Res. W-4620.

If RWC's estimates for the remaining construction are correct, it will have $106,000 in funds remaining from the debt proceeds. In Advice Letter No. 54, RWC states that it is requesting to use the estimated remaining loan proceeds of $106,000 from the loan proceeds of $225,000, obtained from the Savings Bank of Mendocino County for the construction of 1,200 feet of 8" water mains, 360 feet of 6" mains, and 24 water services (New Project).[3] According to RWC, this New Project, with an estimated cost of $127,000, is not included in the construction items authorized by Res. W-4620.

RWC notes that to complete the New Project, it will need to fund $21,000 ($127,000 less $106,000), by internally generated funds.

According to RWC, the New Project will be beneficial to the utility and the customers for the following reasons:

1. The new water mains will replace 4" steel mains installed in 1951.
2. The water line will be installed along the roadway, providing easy access to pipes and meters.[4]

RWC has obtained an Encroachment Permit from Cal-Trans to install the water line along the roadway.[5]

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[3]The term "water services" refers to the replacement of the pipes leading from the mains to customers' premises.

[4] The existing 4" mains are located in customers' backyards and in an area of septic tanks and leach fields. Access is almost impossible when fixing leaks and reading meters. Some of the customers-homeowners have to read their own water meters due to access limitation.

[5] The permit states that no project work shall be commenced until all other necessary permits and environmental clearances have been obtained.

NOTICE AND PROTESTS

Notice of AL No. 54 was made by publication in the Commission's Daily Calendar of October 10, 2009. No protests have been received.

DISCUSSION

Upon order of the Commission and for proper cause, § 817 allows the use of proceeds from the issue of debt security for purposes reasonably required for the improvement or maintenance of service of a utility. As a public utility, RWC has the responsibility to maintain its quality of service and provide necessary improvements to its present water system. RWC's proposed New Project is in the public interest because it is intended to correct system defects and improve and maintain safe drinking water standards.

We recognize that RWC has excess funds out of the debt authority granted in Res. W-4620. Since the New Project is a valid purpose that can be funded by RWC's existing debt authority, it is reasonable to permit RWC to use $106,000 from the loan proceeds of $225,000, for purposes of the New Project.

This Resolution does not grant authority for the issuance of any new debt.

Our authorization is not to be construed as a finding of the value or reasonableness of RWC's capital projects nor as indicative of the amounts to be included in proceedings for the determination of just and reasonable rates. The capital expenditures and the resulting assets are normally addressed in general rate case or other proceedings.

Consistent with § 824, RWC will need to maintain records to (i) identify the specific long-term debt issued pursuant to Res. W-4620, and (ii) demonstrate that the proceeds from such debt have been used only for the purposes authorized therein and in this Resolution.

COMMENTS

This is an uncontested matter in which the Resolution pertains solely to a water company. Accordingly, pursuant to § 311(g) (3), the 30-day period for public review and comment under § 311(g) (1) does not apply.

FINDINGS

1. RWC, a California corporation, is a Class C water utility subject to the jurisdiction of this Commission.

2. RWC is responsible for maintaining its quality of service and providing necessary improvements to its water system.

3. The new bid for the storage tank of $164,000, which was previously estimated at $270,000, would result in excess funding authority of $106,000.

4. The proposed use of the excess funding authority for RWC's New Project is for proper purposes and is in the public interest.

5. RWC has obtained a permit from Cal-Trans to install the water line along the roadway.

6. RWC does not request funding authority in addition to that authorized in Res. W-4620.

7. RWC paid the fee required by § 1904(b), for the debt authorized in Res. W-4620.

8. No protests have been received.

CONCLUSIONS OF LAW

1. RWC should be authorized to use proceeds of the loan authorized in Res. W-4620 to fund the New Project it has proposed.

2. Consistent with § 824, RWC should maintain records to (i) identify the specific long-term debt issued pursuant to this Res. W-4620, and (ii) demonstrate that the proceeds from such debt have been used only for the purposes authorized therein and in this Resolution.

3. This Resolution does not determine the reasonableness of RWC's capital projects nor the amounts to be included in proceedings for the determination of just and reasonable rates.
4. There is no known opposition, and there is no reason to delay granting the authority requested.

THEREFORE, IT IS ORDERED that:

1. Rogina Water Company, Inc. is authorized to use $106,000 of the debt authority authorized in Resolution W-4260, dated October 5, 2006, for the construction of 1,200 feet of 8" water mains, 360 feet of 6" mains and 24 water services.

2. Pursuant to Pub. Util. Code § 824 and General Order 24-B, Rogina Water Company, Inc. shall maintain records to (i) identify the specific long-term debt issued pursuant to Resolution W-4620, and (ii) demonstrate that the proceeds from such debt have been used only for the purposes authorized therein and in this Resolution.

3. In all other respects, Resolution W-4620 remains in full force and effect.

4. 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 20, 2009. The following Commissioners approved it.

/s/ PAUL CLANON
PAUL CLANON
Executive Director

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