

**WATER/SNR/PTL/HJL/jlj**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION  
Water Branch**

**ESOLUTION W-4552  
August 25, 2005**

**R E S O L U T I O N**

**(RES. W- 4552), BENBOW WATER COMPANY (Benbow).  
ORDER AUTHORIZING AN INCREASE IN FACILITIES FEES  
TO FUND PLANT.**

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**SUMMARY**

This resolution grants Benbow the authority to file tariffs to increase fees for new connections for the purpose of generating funds to build new plant to serve 25 new customers in Pressure Zones 2 and 3. The facilities fees will be collected from each customer requesting a new or upgraded service connection and range from \$6,000 for service with a 5/8-inch meter to \$48,000 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**

By Draft Advice Letter received on June 15, 2005, Benbow requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase its 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 new facilities. Benbow serves 95 customers in Garberville and vicinity, Humboldt County.

**DISCUSSION**

Decision (D.) 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. This order was supplemented by a

settlement adopted by D.93-11-066, November 23, 1993, which allowed the filing of proposed facilities fees by advice letter and required all monies collected to be kept in a separate bank account and used only for infrastructure replacement. The settlement also proclaimed that (Section II.A.1):

“The Stipulating Parties agree that small water companies may submit requests to Water Branch for establishment of facilities fees as authorized by D.91-04-068, so long as such facilities fees are based on a need for additional operating facilities resulting from actual or projected customer growth. Such requests shall be supported by either a formula method which reflects actual or projected customer growth or by a method utilizing customer growth projection and estimates of need additional operating facilities and the costs thereof which are related to such projections.”

Res. W-4110 granted all Class D water utilities authority to implement Schedule F, Facilities Fees, and to refund new plant and replacement of existing plant with a \$2,000 facilities fee for a new 5/8 x 3/4-inch service connection. Benbow has adopted this schedule and can already charge the lower facilities fees.

Benbow estimates that in order to adequately provide for 25 additional residential services in the upper pressure zones, the two existing water boost pumps stations and storage facilities will need to have substantial increases in capacity at a cost of approximately \$150,000. Therefore a residence in Zone 2 or 3 served by a 5/8-inch meter would be charged a fee of \$6,000. A commercial user, such as a mobile home park or laundromat served by a two-inch meter, would be charged a fee of \$48,000. 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 must 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 long term 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. Benbow shall account for the facilities fees as specified by the Commission's prescribed Uniform System of Accounts. In addition, Benbow shall maintain detailed supporting records to identify the amount received, plant expenditure, interest income, and the remaining fund balance.

**PROTESTS**

No protests were received by the Commission.

**FINDINGS**

1. The Commission finds, after investigation by the Water Branch, that the request of Benbow to increase its facilities fees for new service connections is justified and reasonable.
2. This is an uncontested matter subject to the public notice comment exclusion provided in the PUC Code Section 311(g)(3).

**THEREFORE IT IS ORDERED THAT:**

1. Benbow Water Company is authorized to file an advice letter to place into effect Schedule F, Facilities Fees, as shown in Appendix A. The effective date of the revised schedule shall be five days after the date of its filing.
2. Benbow Water Company, after 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. Benbow Water Company 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. Benbow Water Company when 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, the

utility 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 removed from rate base for ratemaking purposes.
6. 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 August 25, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
DIAN M. GRUENEICH  
JOHN A. BOHN  
Commissioners

**APPENDIX A**  
**BENBOW WATER COMPANY**

**Schedule F**  
**FACILITIES FEES**

**APPLICABILITY**

Applicable to all customers applying for service from the Utility in Pressure Zones 2 and 3 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 Pressure Zones 2 and 3 of the territory served by the utility.

**RATES**

**Initial Fee for Each Connection:**

For 5/8 x 3/4-inch meter .....	\$ 6,000	(I)
For 3/4-inch meter .....	9,000	
For 1-inch meter .....	15,000	
For 1-1/2-inch meter .....	31,000	
For 2-inch meter .....	48,000	(I)

**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.
3. Facilities fees authorized herein shall be deposited within five days of receipt 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.
4. Facilities fees shall be treated as Contributions-in-Aid-of-Construction and follow the requirements as specified in the Internal Revenue Code Section 118 to qualify as such.
5. Facilities fees shall be accounted for as Contributions-in-Aid-of-Construction in accordance with the Commission's prescribed Uniform System of Accounts. In addition, the balance of facilities fees collected including interest shall be reported in utility's annual report to the Commission.
6. The plant constructed with facilities fees shall be removed from rate base for ratemaking purposes.