



February 20, 2018

Proposed Resolution W-5159

Agenda ID: 16307

To: All Interested Persons

Enclosed is Proposed Resolution W-5159 of the Water Division, which grants Lukins Brothers Water Company authority to borrow up to \$2,200,000 from Plumas Bank, other financial institutions, or from the State Water Resources Control Board under the Safe Drinking Water State Revolving Fund Loan Program to be paid by customer surcharge. Proposed Resolution W-5159 is scheduled to appear on the DATE Commission Meeting Agenda (ID #16307).

The Commission may act on this resolution or it may postpone action until later. When the Commission acts on a proposed resolution, the Commission may adopt all or part of the proposed resolution, as written, or amend or modify the proposed resolution; or the Commission may set the proposed resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on Proposed Resolution W-5159 via email to [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov) on or before **March 12, 2018**. Please reference **"Proposed Resolution W-5159"** in the subject line.

Interested persons must also serve a copy of their comments on the utility on the same date that the comments are submitted to the Water Division. If email is unavailable, please submit comments to:

California Public Utilities Commission  
Water Division  
505 Van Ness Avenue  
San Francisco, CA 94102

Comments should focus on factual, legal, technical errors, or policy issues in the proposed resolution.

Persons interested in receiving comments submitted may contact the Water Division at [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov) or (415) 703-1133. Please reference "Proposed Resolution W-5159."

/s/RAMI S. KAHLON

Rami S. Kahlon, Director  
Water Division

Enclosures: Proposed Resolution W-5159  
Certificate of Service  
Service List

# PROPOSED RESOLUTION

Resolution W-5159  
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Agenda ID #16307

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5159  
MARCH 22, 2018

### RESOLUTION

(RES. W-5159) RESOLUTION GRANTING LUKINS BROTHERS WATER COMPANY AUTHORITY TO BORROW UP TO \$2,200,000 FROM PLUMAS BANK, OTHER FINANCIAL INSTITUTIONS, OR FROM THE STATE WATER RESOURCES CONTROL BOARD UNDER THE SAFE DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM; TO ENCUMBER ASSETS IN CONNECTION WITH THE LOAN; TO INSTITUTE A SURCHARGE TO PAY OFF THE LOAN; AND TO REFINANCE THE BANK OR FINANCIAL INSTITUTION LOAN IF AT A LATER DATE A MORE FAVORABLE FUNDING SOURCE BECOMES AVAILABLE.

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By Advice Letter No. 71-W filed on December 7, 2017.

### SUMMARY

This Resolution grants the authority requested of the Commission by Lukins Brothers Water Company (LBWC) in its Advice Letter (AL) 71-W.

LBWC requests authority, pursuant to §§ 816 through 851 of the Public Utilities Code and the requirements of General Order 96-B, to:<sup>1</sup>

1. Borrow up to \$2,200,000 from Plumas Bank, other financial institutions or from the State Water Resources Control Board (SWRCB) under the Safe Drinking Water State Revolving Fund (SRF) program;
2. Use the loan proceeds to finance the construction of a Granular Activated Carbon (GAC) treatment facility and upgrades to well site;

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<sup>1</sup> All statutory references are to the Public Utilities Code unless otherwise indicated.

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3. Establish a surcharge as may be required under the loan agreement to make payments of principal and interest on the loan, cost of issuance, and to accumulate a reserve fund;
4. Encumber utility assets in connection with the loan; and
5. Refinance the bank or financial institution loan if at a later date, the SRF loan or other more favorable funding source becomes available.

### **BACKGROUND**

LBWC, a California corporation, is a Class C water utility subject to the jurisdiction of this Commission. LBWC provides water service to approximately 116 metered and 856 flat rate customers. LBWC also provides public fire protection water service to 13 fire hydrants. LBWC's service territory is in the Lukins Subdivision, totally within the City of South Lake Tahoe in El Dorado County. Two other water utilities, the South Tahoe Public Utility District and the Tahoe Keys Homeowners Association serve water to the remainder of the City.

LBWC has previously requested authorization for debt financing. On February 24, 2011, LBWC filed AL No. 43 for a \$2,000,000 loan to finance new water mains and fire flow and to establish a surcharge to repay the loan. Resolution (Res.) W-4886 dated October 20, 2011, authorized the requested debt.

By Res. W-4970 dated January 16, 2014, the Commission authorized LBWC to borrow an additional \$110,000 in addition to the \$2,000,000 bank loan due to increased construction costs and to fund interest during construction and to adjust the surcharge.

LBWC filed AL No. 53 that became effective April 30, 2014 to implement the surcharge authorized by Res. W-4886 and Res. W-4970.

LBWC filed AL No. 61 that became effective September 10, 2015, to reduce the surcharge because the bank's reserve requirement had been fully accumulated.

Exhibit D to the filing is LBWC's Income Statement for the year ending December 31, 2016, that reported total operating revenues of \$804,883 and a net loss of \$139,086.

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LBWC's Balance Sheet, as of December 31, 2016, shown as Exhibit C to the filing, is summarized below:

**Table 1**  
**Balance Sheet as of December 31, 2016**

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$2,602,868
Investments	-
Current & Accrued Assets	<u>151,966</u>
Total Assets and Deferred Charges	<u>\$2,754,834</u>
 <u>Liabilities &amp; Equity</u>	
Common Stock	\$ 25,000
Other Paid-in Capital	616,389
Retained Earnings	(225,120)
Long-term Debt <sup>2</sup>	226,851
Current & Accrued Liabilities	103,193
Net Contributions in Aid of Construction	<u>2,008,521</u>
Total Liabilities & Equity	<u>\$2,754,834</u>

LBWC's last general rate increase became effective April 4, 2015, pursuant to Resolution (Res.) W-5026. The Commission authorized an increase of \$316,005 or 62.0% over revenues at the then present rates of \$509,583, and a rate of return of 10.7%. Effective March 14, 2017, LBWC received a CPI-U increase for 2016 of \$17,337 or 2.1%.

### COMPLIANCE ORDER NO. 01-09-14R-001

On September 8, 2014, the SWRCB issued LBWC Compliance Order No. 01-09-14R-001 for violation or threatened violation of the California Code of Regulations (CCR), Title 22, Sections: 64444, 64445.1(5)(c), 64554(a)(2)&(3), 64554(c) and the California Health and Safety Code, Division 104, Part 12, Chapter 4, Article 7, Section 116555(a)(1) & (3).

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<sup>2</sup> In 2016, LBWC reported an existing Plumas Bank loan with an outstanding balance of \$1,910,996 under Contributions in Aid of Construction. According to LBWC, this balance will be reclassified from Contributions in Aid of Construction to Long-Term Debt when it files its 2017 annual report.

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The Compliance Order indicated that two of LBWC's groundwater sources during the months of June and July 2014 have elevated PCE<sup>3</sup> concentrations based on laboratory results from BSK Associates Engineers & Laboratories from raw water Title 22 samples. The laboratory reported PCE concentrations from Well 2 and from Well 5. Further samples were taken and the confirmation samples still exceeded the PCE maximum contaminant level (MCL) of 5 µg/L (ppb). The average of the initial and confirmation samples for Well 2 is 33 µg/L (ppb) and for Well 5 is 25 µg/L (ppb).

The SWRCB recommended that an investigation report on the PCE spike be prepared and shared with the California Regional Water Quality Control Board - Lahontan Region (Regional Board), the Department of Toxic Substances Control, and the California Public Utilities Commission. LBWC should also prepare a study to evaluate alternatives to meeting water demand, either with treatment or through development of new water sources.

The SWRCB findings determined that LBWC has violated and continued to violate §§ 64444 and 64554 of the CCR and § 116555(a)(3) of the CHSC and failed to ensure that the water delivered to its customers is a reliable and adequate supply of pure wholesome, healthful, and potable water.<sup>4</sup>

Pursuant to § 116655, Article 9, Chapter 4, Part 12, Division 104 of the CHSC Code, the SWRCB ordered and directed LBWC to:

1. Keep Well 2 and Well 5 out of routing service and submit a permit amendment application to change each well's status from "Active" to "Standby".
2. Notify all customers, those that provide LBWC's drinking water to others, and other service connects to which water is delivered of the PCE water quality standard violation.
3. Investigate the potential causes of the violation and submit the results of the investigation to the SWRCB.

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<sup>3</sup> Perchloroethylene (PCE) is a manmade chemical used in dry cleaners, industrial degreasers, and spot removers.

<sup>4</sup> The applicable sections of the California Health and Safety Code (CHSC) and the California Code of Regulations (CCR) and other applicable authorities were included and shown in the Compliance Order.

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4. Submit a plan and time schedule for improvements to the water system to correct the PCE water quality problem and eliminate the delivery of water to consumers that does not meet the primary drinking water standards.

In response, LBWC did the following:

1. Shut down Wells 2 and 5 and removed these from service. Filed a permit amendment to change the status of Wells 2 and 5 from Active to Standby, which was granted July 20, 2014.
2. On September 30, 2014, LBWC issued a notification to customers of the PCE water quality standard violation.
3. The investigation and enforcement actions are currently ongoing. The Regional Board is in direct communication with the SWRCB regarding the matter.
4. A plan for treatment was completed and accepted by the SWRCB. LBWC is currently in the design, engineering and permitting phase of the accepted treatment project. The timeline of the project is ongoing and updated as additional information becomes available. Water delivered to customers meets primary drinking water standards. LBWC also opened an emergency intertie with the South Tahoe Public Utility District (South Tahoe PUD).

### **ROBINS BORGHEI LLP**

LBWC retained Robins Borghei LLP (Borghei), a law firm specializing in groundwater contamination litigation and regulatory investigations to aid it in responding to the PCE contamination of its drinking water supplies. Since then, Borghei secured a written agreement to toll the relevant statutes of limitations with the two existing parties that have been designated by the Regional Board as responsible for causing PCE impacts to groundwater at the Lake Tahoe Laundry Works (LTLW) site in South Lake Tahoe, as well as several other potentially responsible parties. Borghei is closely monitoring the Regional Board process to ensure that the agency is actively and properly pursuing its investigation into the source of the regional PCE plume, and is committed to holding the responsible parties accountable in compliance with applicable law.<sup>5</sup>

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<sup>5</sup> On May 12, 2017, the Regional Board issued a Clean Up and Abatement Order to the responsible parties for the LTLW site. The order required that the LTLW responsible parties delineate the vertical and horizontal extent of the PCE plume emanating from their site. Since then, the LTLW responsible parties

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### RESOURCE CONCEPT, INC.

In order to address and eliminate the PCE contamination in its wells as well as reduce the cost of purchased water, LBWC engaged Resource Concept Inc. (RCI) for the design, permitting, and plans for the construction of a water tank, treatment system and site improvements.

The design and permitting requirements completed by RCI was submitted to the SWRCB. According to LBWC, RCI will provide project management and oversight throughout the entire design process. This includes scoping, budgeting and schedule development for all phases of the project.

The engineering design cost is shown in the following table:

**Table 2**  
**Water Treatment Plant**  
**Design and Permitting**

<u>Engineering Design</u>	<u>Estimated Cost</u>
RCI	\$ 102,000
Resource Development Co. as a sub to RCI	\$ 4,000
RL Engineering (structural)	\$ 5,150
American Innovative Structures	\$ <u>30,500</u>
Subtotal Engineering Design	\$ <u>141,650</u>

The scope of work for the water treatment system, and site improvements are documented in Exhibit A to AL No. 71, which included the following tasks:

1. Plans and Specifications – siting and final design of the treatment system, sizing and specifications for the pump for Well 5, sizing, siting and specifications for the proposed new water tank, system integration, completion of plans, special details for all water system improvements, engineering design memorandum describing the new water system, basis of design, system demands, hydraulic analysis, pumping facilities, storage

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have submitted two work plans for conducting the required investigation, neither of which has been approved by the Regional Board. In October 2017, comments on the responsible parties' second "revised" work plan were submitted by several stakeholders, including a consultant retained by LBWC.

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and disinfection. Upon receipt of comments from regulatory agencies, RCI will prepare a final plan set for bidding.

2. Permitting – includes completion of application to the Tahoe Regional Planning Agency (TRPA) for Soil/Hydrology Report, Commercial Project Application, review of California Environmental Quality Act (CEQA) regulations, biological and cultural assessment, prepare application for a water project to be submitted to the SWRCB, and encroachment and other permits.
3. Exclusions – includes identification of exemptions and exclusions.
4. Project Management – project management and oversight throughout the entire design process.
5. Well 2 Destruction Permitting – includes contacting appropriately licensed contractors to conduct the well destruction per the El Dorado County and California State Department of Water Resources (DWR) requirements.
6. Water Tank Design – coordinate with the Resource Development Company for the completion of the design plans and provide complete design plans and specifications.
7. Treatment System Building and Pump Shed Design – complete the design plans for submittal to the TRPA, DWR, and/or El Dorado County, as necessary, and for construction of the proposed buildings.

The engineering design and planning phase for the GAC facility calls for the destruction of Well 2 to make room for an approximately 99,000-gallon storage tank and the installation of two GAC filtration units housed within a new metal building to treat a portion of the total flow capacity of Well 5. Included in the scope of work for the GAC facility will be some additional maintenance for Well 5, a new variable frequency drive operating system, a generator, SCADA monitoring, a new pump and motor, and a new enclosure around the well. The site will be retrofitted to meet all Best Management Practices for storm water. LBWC intends to replace the resulting total loss of Well 2 as a water source and the loss of significant pumping capacity from Well 5 through future capital improvement projects.



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The SWRCB has indicated that it will reimburse LBWC for the costs of the treatment plant design and permitting with a \$137,000 Proposition 1 grant.

A SWRCB grant agreement was received by LBWC on July 13, 2017 and was signed and returned to the SWRCB so that payment could be processed.

On December 23, 2016, LBWC applied for a SRF loan with the SWRCB for the construction of the GAC treatment facility and upgrades to its well site.

LBWC's projected budget for the construction of a GAC treatment facility and upgrades to its well site is shown in the following table:

**Table 3**  
**Water Treatment System and Site Improvements**  
**Cost Estimate**

<u>Construction</u>	<u>Estimated Cost</u>
Treatment Building & Pump House – Materials	\$ 60,000
Treatment Building & Pump House – Construction	\$ 250,000
Water Tank	\$ 168,000
Site Improvements	\$ 175,000
Treatment System	\$ 350,000
Well Pumping Equipment/Water Line Improvement	\$ 275,000
Backup Generator	\$ 55,000
SCADA System Improvement	\$ 20,000
Bidding, Construction Management & Inspection	\$ 140,000
Permit Fees	\$ <u>25,000</u>
Subtotal Construction	\$ 1,518,000
Contingency	\$ <u>497,895</u>
Total Construction Cost	\$ <u>2,015,895</u>

On August 14, 2017, LBWC received from Plumas Bank an Expression of Interest (EOI) letter, shown as Exhibit B to AL #71 (that is not a commitment to lend or a loan approval), for a construction non-revolving line of credit.

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### NOTICE AND PROTESTS

Pursuant to G.O. 96-B, Water Industry Rule 4.1, on October 16, 2017, LBWC served its AL No. 71-W on its service list. Notice of AL No. 71-W was made by publication in the Commission's Daily Calendar of October 20, 2017.

On December 14, 2017, LBWC notified its customers of the proposed loan to fund its project and the surcharge to repay the loan. On December 20, 2017, LBWC published the proposed loan and surcharge in the Tahoe Daily Tribute, a local newspaper located in Carson City, State of Nevada.

Ten protest letters were received by LBWC that raised the following issues:

1. LBWC's water quality is poor, charges are high and many surcharges are currently imposed.
2. Poor management and inability to immediately address the contamination.
3. Utility will profit from the improvements if the assets are sold. Customers should be provided equity share in the company.
4. Contamination was caused by a laundromat not the neighborhood. Utility should not put the burden and costs on the customers.
5. The debt request coupled with surcharge requires a hearing that should include government, homeowner association, district representatives, and customers.
6. Utility should be sold.

LBWC acknowledged receipt of and responded to the customers between December 27, 2017 and January 9, 2018, stating that although LBWC understands the customer's concerns over a rate increase during today's economic conditions, it must comply with the safe drinking water standards. The contamination impacting its wells is the result of chemical releases that occurred several decades ago that are the fault of third parties. Additionally, LBWC informed the customers that it has been actively working with DWR and the SWRCB to see if potential alternative sources of funding, such as grants and low-interest loans, are available to reduce to the extent possible the costs associated with the PCE contamination.

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### DISCUSSION

LBWC filed AL No. 71-W to secure authorization to borrow up to \$2,200,000 for the construction of a GAC treatment facility to address the PCE groundwater contamination of its Well 2 and 5 located at 2133 Twelfth Street, Lot 66 in Tahoe Island Park, South Lake Tahoe, California and related cost of issuance.

The PCE contamination in LBWC's Wells 2 and 5 was discovered through routine sampling in accordance with Title 22 of the California Code of Regulations. On July 7, 2014, LBWC first received laboratory reports documenting that LBWC's Wells 2 and 5 were both contaminated with PCE in excess of the State's established Maximum Contaminant Level (MCL) for PCE in drinking water. According to LBWC, that same day, it notified the SWRCB's Division of Drinking Water about the MCE exceedances, ceased its use of both wells, and took confirmation samples that confirmed the wells are contaminated with PCE at levels significantly above the State's MCL limit.

CCR, Title 22, Section 64444 states that the MCLs for the primary drinking water chemicals shall not be exceeded in the water supply to the public.

CCR, Title 22, Sections 64554(a) states that at all times, a public water system's water source(s) shall have the capacity to meet the system's maximum day demand (MDD). CHSC Sections 116555(a)(1)&(3) states in relevant part that any person who owns a public water system shall ensure that the system complies with primary and secondary drinking water standards and shall provide a reliable and adequate supply of pure, wholesome, healthful, and potable water.

To make up for the lost capacity of Wells 2 and 5, LBWC opened its emergency intertie with its neighboring water system, South Tahoe PUD. LBWC also reported the contamination to the Regional Board and requested an investigation into the source. LBWC also contacted the El Dorado County Environmental Health to have all neighboring private well owners notified of the contamination and have their wells tested. As a result, three additional private wells were discovered to be contaminated with PCE.

Following the initial discovery of PCE contamination, LBWC engaged with other local water purveyors and local and state regulatory agencies through the Groundwater Stakeholder Advisory Group in order to proactively determine the extent of the regional PCE contamination and to begin the process of designing remedial actions.

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LBWC completed a feasibility study to determine the best available technology to remove PCE from the water pumped by its contaminated wells and secured a grant through the California State Revolving Fund to complete the design and engineering of a Granular Activated Carbon Filtration System to treat a portion of the flow of Well 5. According to LBWC, it is currently nearing 90% completion of the plans and specifications for well head treatment at Well 5 and is approaching shovel ready status.

LBWC is also in the process of submitting a SRF application to complete a feasibility study to replace Well No. 2. The Groundwater Stakeholder Advisory Group is also in the process of completing a grant funded feasibility study for remedial alternatives to determine the best aquifer remediation solutions. The stakeholders have completed one well site extraction test and are preparing to complete two more. LBWC is also constructing a computed model of the contamination plume to document past and future plume migration.

### **A. D.10-10-018**

In the Commission's D.10-10-018, dated October, 14, 2010, which adopted rules for accounting treatment of contamination proceeds arising from government grants and proposing counterpart rules for government loans and damage awards, the Commission acknowledged that contamination occurrences, and the responses they prompt, can significantly disrupt an affected water utility's operations, straining resources and personnel. The Commission also recognized that contamination events are among the contingencies which a contemporary water utility, particularly one depending on ground water from alluvial valleys in the State needs to be prepared to confront and manage. Being ready and able to respond to contamination, however arduous and frustrating that task, is now part and parcel of doing business as a water company. In short, it is something that now normally comes within the obligation to serve associated with utility status that also brings the opportunity to gain a reasonable rate of return as granted by the Commission.

The obligation to respond to contamination events does not compel a standardized response, however, such as suing the party responsible. Selection of the type of appropriate response, whether it is litigation or another initiative, is a matter of reasonable business judgement. Accordingly, if a utility can show that it is assuming

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above normal risk related to contamination litigation, the Commission can take that circumstance into account in connection with cost recovery mechanisms.<sup>6</sup>

D.10-10-018 that sets out the policies, framework for analysis, and rules to govern the accounting and ratemaking treatment of grants and damage awards received by an investor-owned water utility following contamination of its water supply is intended to provide a fair and reasonable allocation of contamination proceeds between ratepayers and shareholders, and assuring that ratepayers only pay a return on used and useful plant in service funded by shareholders.

Ordering Paragraph No. 4 of D.10-10-018 states that:

When contamination proceeds arising from damage awards, settlements, government order or insurance are initially received from the funding source, they shall be placed in a memorandum account until the need for making expenditures arises, whereupon an approval to transfer the proceeds to the appropriate dedicated 265 sub-account of the Uniform System of Accounts shall be sought by a Tier 3 Advice Letter filing.

Ordering Paragraph No. 5 of D.10-10-018 states in part, that:

Any remaining amount of proceeds (net proceeds) may be shared between ratepayers and shareholders upon Commission approval where circumstances warrant and on the basis of factors relevant to the individual case, including factors enumerated in Appendix D to D.10-10-018.

By AL No. 42-W, effective September 22, 2010, LBWC informed the Commission the various memorandum and balancing accounts it established and identified in its Preliminary Statement Tariff Sheet. Included in such filing is LBWC's Water Contamination Litigation Expense Memorandum Account authorized in Res. W-4094. LBWC is aware of the rules for the accounting of contamination proceeds established in D.10-10-018. We will require LBWC to follow the requirements of D.10-10-018 on grants and damage awards in order to facilitate a fair allocation of contamination proceeds.

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<sup>6</sup> In 1998 the Commission granted all regulated water utilities the authority going forward to establish water contamination memorandum accounts for litigation expenses. The utility bears the burden when it requests recovery of the recorded costs to show that the costs are not covered by other authorized rates, separate recovery of the types of costs recorded in the account is appropriate, that the utility acted prudently when it incurred the costs, and that the level of costs is reasonable. Only costs incurred after the establishment of an approved memorandum account qualify for cost recovery consideration.

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### B. SRF Loan

To-date, the SWRCB has not confirmed when LBWC's construction loan application for the GAC treatment facility can be approved, funded and disbursed.

### C. Bank Loan

LBWC claims that it explored other state and federal grants, all to no avail and it is not able to disburse funds from its treasury at this time. Due to the urgent need to act on the contamination issue and while waiting for SWRCB's confirmation of a SRF loan, LBWC contemplates to secure a bridge loan with a bank instead of waiting for the SRF construction loan to be finalized. The SRF loan process takes an extensive time to complete and no commitments have been received from the SWRCB.

LBWC's groundwater resources are contaminated with PCE and it has been buying water from the South Tahoe PUD since July 2014. LBWC needs to start the construction of the GAC treatment plant as soon as possible to address the contamination problem and reduce the cost of purchased water.

Plumas Bank's EOI provides, among others, the following information:

1. Non-revolving line of credit totaling up to \$1,582,875 with \$82,875 (\$1.5 million @ 6.5% for 1 year –interest only with 85% utilization) reserved under the non-revolving line as an interest reserve for credit facility during one year construction period.<sup>7</sup>
2. Loan fee of 2% may be financed as part of project's costs.
3. A rolling six (6) month principal and interest reserve in a separate, segregated Plumas Bank deposit money market account for surcharge allocation.
4. Minimum interest rate of 6.50% and a cap of 7.73%.<sup>8</sup>
5. Interest only to be paid from interest reserve during construction period for first 12 months. Term loan up to 20 year term and amortization.
6. Total of 6 to 12 disbursements to take place within 6 – 12 months of start of construction based on percentage of completion of construction project.

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<sup>7</sup> According to LBWC, it is currently negotiating for a \$2.2 million loan with Plumas Bank.

<sup>8</sup> Current bank interest rate is 6.5%.

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7. Bank may allow prepayment of loan by SRF financing with prepayment penalty of 2% (year 1), 1% (year 2) otherwise no prepayment of loan is allowed.
8. Pledging all assets, accounts receivable, water rights, common and preferred stock, real estate, etc. shall be pledged to the bank.
9. Loan fee, program fee, legal and documentary and other fees will be assessed by the bank.
10. Customer surcharge is required.

### D. Surcharge

#### 1. Plumas Bank

The monthly amortization for the \$2,200,000 loan at 6.5% interest and a term of 20 years is estimated at \$16,402.60. Plumas Bank requires a rolling six month principal and interest reserve equivalent to \$98,416 to be accumulated while the construction is in progress or during the first year of the loan.

LBWC calculated the monthly surcharge in direct proportion to the capacity of each customer's meter, as shown in the revised Exhibit J to the filing:

**Table 4**  
**Estimated Surcharge Per Meter, Per month**

<u>Metered Service</u>	<u>1<sup>st</sup> 11 Months<sup>9</sup></u>	<u>12<sup>th</sup> Month Onwards<sup>10</sup></u>
5/8 x 3/4-inch meter	\$ 3.31	\$ 6.07
3/4-inch meter	4.97	9.10
1-inch meter	8.28	15.17
1-1/2-inch meter	16.55	30.35
2-inch meter	26.48	48.56
3-inch meter	49.66	91.04
4-inch meter	82.76	151.74
6-inch meter	165.53	303.47

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<sup>9</sup> Surcharge to accumulate reserve requirement.

<sup>10</sup> Surcharge to pay loan principal, interest, and loan-related fees.

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The monthly surcharge to be imposed during the first eleven months of the loan is estimated to generate a total of \$98,416 that will put LBWC in compliance with the loan contract's requirement to accumulate six months of principal and interest reserve during the 1<sup>st</sup> year of the loan. This reserve serves as security in case LBWC defaults at any time in paying the monthly loan amortization.

The monthly surcharge beginning the 12<sup>th</sup> month of the loan is estimated to generate \$16,403.

LBWC estimates the monthly bill<sup>11</sup> for the first 11 months (principal and interest plus reserve requirement) for a 1-inch metered customer using an average of 600 cubic feet of water per month, at a quantity rate of \$1.86 per 100 cubic feet, and a service charge of \$36.68 would increase by \$8.28 from \$47.84 to \$56.12 or 17.3%. Thereafter, the monthly bill (principal and interest) would increase by \$15.17 from \$47.84 to be \$63.01 or 31.7%. Currently, LBWC has a total of 975 active service connections of which 929 or 95.3% have a 1-inch meter connection.

### 2. SWRCB

The terms and interest rate that will apply if a construction loan will be approved by the SWRCB will be determined at the time a loan agreement is executed. The SWRCB requires a dedicated source of revenue for repayment of the principal amount of the loan plus interest (surcharge) and a reserve fund to be accumulated during the first ten years of the term.<sup>12</sup> The SWRCB also requires that a fiscal agent be engaged who will act as trustee for funds deposited and oversee loan payments and accumulation of the reserve.

In the event that at a later date the SWRCB approves LBWC's application for a \$2.2 million construction loan and LBWC opts to refinance the bank loan, we will require LBWC to file a Tier 2 Advice Letter to inform the Commission of the SRF loan, the amount, terms and conditions, and LBWC's proposed surcharge pursuant to the

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<sup>11</sup> Consisting of quantity rate and service charge and excluding any other current authorized surcharge and fee.

<sup>12</sup> Since the final terms of the SRF construction loan will not be established until LBWC executes the Funding Agreement, the precise surcharge cannot be determined at this time. We will require LBWC to file an advice letter to establish the surcharge seven months before it needs to make its first semi-annual loan payment. AL No. 71 only described the surcharge required by a bank that carries a 6.5% interest rate, monthly payments, and a 6 months accumulation of a reserve fund.



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SWRCB's loan agreement, reserve requirement, and loan amortization. LBWC is required also to provide WD the details pertaining to the refinancing of the bank loan. The filing is subject to review and approval.

Except for the interest rate and other loan-related fees, there are similar requirements that Plumas Bank and the SWRCB have in common. Among the principal conditions required by Plumas Bank or the SWRCB, are:

1. Disbursement of loan proceeds based on percentage of completion of construction.
2. Surcharge rates or dedicated source of payment.
3. Accumulation of a reserve.
4. A fiscal agent who will manage the surcharge deposit, loan payment, and accumulation of reserve.
5. Encumbrance of utility assets.

Henceforth, we will interchangeably refer to Plumas Bank and the SWRCB as "Lender".

### E. Capital Ratios

LBWC's capital ratios are shown below as recorded and adjusted to give pro forma effect to the transactions listed:

<b>Table 5</b>					
<b>Capital Ratios</b>					
	Recorded		Adjustments	Proforma	
Long-term Debt	\$ 226,851	35.27%	\$4,110,996 <sup>(1)</sup>	\$4,337,847	93.51%
Common Stock	\$ 25,000	3.89%	-	\$ 25,000	0.54%
Other Paid-In Capital	616,389	95.84%	-	616,389	13.29%
Retained Earnings	(225,120)	-35.00%	(115,404) <sup>(2)</sup>	(340,524)	-7.34%
Total Capitalization	\$ 643,120	100.00%	\$4,001,832	\$4,638,712	100.00%

(1) Reclassification of outstanding balance of Plumas Bank loan authorized by Res. W-4886 and Res. W-4970 reported as Contribution in Aid of Construction in 2016 to Long-Term Debt; and \$2,200,000 loan requested in this filing.

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- (2) Projected net loss of \$54,905 for the year ending 2017 and net loss of \$60,499 for the year ending 2018.

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 in the table above, the estimated change in the recorded capital structure, given the proposed loan, is significantly high.

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.

As a public utility, LBWC has the responsibility to maintain its quality of service, meet water treatment standards, and provide necessary improvements to its present water system.

Section 817 provides that a public utility may issue stocks and bonds, notes, and other evidences of indebtedness payable at periods of more than 12 months after the date thereof, for certain purposes, including the construction, completion, extension, or improvement of its facilities and the improvement or maintenance of its service.

LBWC's proposed loan would be for the purpose of constructing and improving its water treatment facilities and maintaining its service, which falls within the scope of purposes in § 817. Moreover, LBWC's proposed borrowing and the money, property, or labor to be procured or paid for with the proceeds of the debt authorized by this Resolution is reasonably required for the purposes specified in this Resolution, since these improvements will benefit ratepayers over many years. LBWC's proposed project is not reasonably chargeable to expenses or income.

The surcharge method of recovery ensures that the loan will be repaid without financial stress to the water utility. The surcharge serves only to repay the loan and will not generate any profit to the utility owners.

The Lender assesses the utility's need for water system improvements, its financial needs, and the utility's ability to meet loan obligations. The Lender requires that loan funds may only be used for eligible project costs and the Lender verifies all work performed prior to reimbursing the utility with the loan proceeds.

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Accordingly, we are assured that the payments made through ratepayer surcharge, is for proper purposes.

Therefore, pursuant to §§ 818 and 851, we will authorize LBWC to obtain a loan in the amount of \$2,200,000; encumber its assets in connection with the loan; and impose a surcharge on its customers, as set forth herein. Since the final terms of the loan will not be established until LBWC executes the loan with the Lender, the precise surcharge cannot be determined at this time and only estimates are provided. The surcharge rates shown in Table 4 of this Resolution are estimates. LBWC should file a timely Tier 2 advice letter to establish the surcharge (for the Plumas Bank or SRF loan, adjusted as necessary), so as to collect enough revenue to make its first loan payment to the Lender.

We also authorize LBWC to refinance the bank or financial institution loan if at a later date a more favorable funding source becomes available.

The Commission has also ordered utilities to impose a service fee for new service to vacant and undeveloped lots when the Commission authorizes loan surcharges. 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.

The service fee serves to recover some of the system improvement costs from future customers who will benefit from the system improvements. Here, as in the past, it is in the public interest to implement a service fee and we will require LBWC to establish and implement it.

In order to ensure proper treatment of the surcharge and plant financed, the Commission will impose the following conditions:

- a. The loan repayment surcharge shall be separately identified on customers' bills.
- b. The surcharge to repay the loan shall last until the loan is fully paid.
- c. Surcharge revenues shall not be commingled with other utility revenue.
- d. LBWC shall use a balancing account to be credited with revenues collected through the surcharge and to be charged with payments of principal and interest on the loan, and fiscal agent and loan-related fees.

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- e. LBWC shall deposit all surcharge revenues with a fiscal agent approved by the Lender. Such deposits shall be made within 30 days after the surcharges are collected from customers.
- f. Any surplus accrued in the bank account shall be refunded or applied on behalf of the customers when ordered by the Commission.
- g. No less frequently than once per year, LBWC shall review the balance in the balancing account immediately following a payment to the Lender, and if the balance is less than the required reserve or exceeds the required reserve by more than thirty five percent of the next payment, LBWC shall file an advice letter to adjust the surcharge. Changes in surcharge rates shall be accomplished by normal advice letter procedure subject to review and approval. A Tier 3 filing is required for a surcharge increase and a Tier 2 filing for a surcharge decrease.
- h. The cost of the project financed through the surcharge shall be excluded from ratebase for ratemaking purposes.
- i. LBWC shall file a Tier 2 Advice Letter to implement a surcharge and the service fee at an appropriate time prior to the first loan payment and include in the filing a request to establish a balancing account.
- j. LBWC should file with WD a copy of the loan documents within 15 days of execution.

Our approval does not authorize any capital expenditures or specific construction projects, but rather the creation of a funding mechanism to finance improvements to the existing utility system.

Normally, for plant expenditures that will be included in ratebase, the reasonableness of such expenditures is addressed during a general rate case. In this case, the plant expenditures will not be included in ratebase and we will not make a finding in this Resolution on the reasonableness of the cost estimates. However, for this construction project to be paid by surcharge the utility may only expend funds based on the Lender's approved components and the Lender verifies all work performed prior to reimbursing the utility. Accordingly, we are assured that the payments made are for proper purposes. In addition, with the conditions required of LBWC in this Resolution, there will be sufficient check and balances to ensure proper handling of the loan proceeds, surcharge, and any grant and damage award.

The surcharge to pay the proposed loan is independent of the quantity rate and service charge that the customer pays and the surcharge serves only to repay the loan and does

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not generate any profit to the utility or its owner. The plant financed by surcharge is permanently excluded from rate base for ratemaking purposes. General rate increase and rate of return are matters established during a rate case, distinct from a dedicated surcharge required by Lender.

Smaller utilities are characterized by high operating expenses per customer in contrast to larger companies because of lack of economies of scale. An unanticipated \$10,000 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 connections. Small water companies face increased operating costs and significantly increased capital costs to comply with federal and state regulations on water quality.

The Commission is obligated to protect the interests of ratepayers in the absence of competition. That task collides from time to time with the interest of utilities, big or small.

In this filing, LBWC's proposed treatment facility would be paid through the surcharge and the plant would be permanently excluded from ratebase. 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.

The surcharge will offset LBWC's future loan repayments and not contribute to an increased rate of return. For this reason, the requested surcharge to repay the loan does not have any impact or effect to any assessment that could lead to changes or reduction in LBWC's tariff rates. In fact, there are conditions unique to a surcharge authorization as shown above that ensures proper accounting and handling of this fund. To wit, among others, (1) the surcharge is separately identified on customer's bills; (2) the utility plant financed through the surcharge is permanently excluded from ratebase; (3) all rate surcharges collected are deposited with a fiscal agent approved by the Lender; and (4) the surcharge rate is adjusted periodically to reflect changes in the number of connections and resulting overages or shortages in the balancing account.

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 rate surcharge is warranted.

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We find no substantive evidence from the customers' objection to LBWC's proposed GAC treatment facility and upgrades to its well site, the loan and the surcharge to pay the loan, that should dissuade us from giving favorable consideration to LBWC's requests in AL No. 71-W. LBWC's planned construction is in response to a Compliance Order and other public agencies' requirements and the Commission should provide LBWC the means to comply. Lastly, there is no indication that LBWC was derelict or lax in handling the contamination issue.

The ratepayers ultimately pay for all water system requirements and improvements, regardless of the manner in which they are financed. If the utility owners invested their own funds to pay for the water system improvements, they would be entitled to earnings on such funds.

In connection with the project to be funded by the authority granted in this Resolution, we are informing LBWC that the Commission encourages all investor-owned utilities to actively participate in the Commission's supplier diversity program as set forth in General Order 156, whether mandated or otherwise, and provide financial opportunities to Women/Minority/Disabled Veteran Business Enterprises, as this is vital to the economic recovery and stability of our communities and our State.

This Resolution provides sufficient conditions and checks and balances to ensure that the surcharge and the plant financed by the loan are properly handled.

### ENVIRONMENTAL IMPACT

The California Environmental Quality Act (CEQA) applies to projects that require discretionary approval from a governmental agency, unless exempted by state or regulation. It is long established that the act of ratemaking by the Commission is exempt from CEQA review. As stated in the California Public Resources Code, the "establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies" is exempt from CEQA.<sup>13</sup> 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.<sup>14</sup>

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<sup>13</sup> Public Resources Code Section 21090(b) (8).

<sup>14</sup> CEQA Guidelines Section 15378(b) (4).

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This Resolution does not authorize any capital expenditures or construction projects. Construction projects which LBWC intends to finance via this filing should undergo CEQA review as early as feasible in the planning process, as required by CEQA Guidelines Section 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 LBWC 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.

LBWC should comply with all environmental permitting requirements applicable to the project that it will undertake in conjunction with the proposed loan.

### **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 this financing authority as required by § 1904(b) is \$3,200.<sup>15</sup>

### **SAFETY AND COMPLIANCE**

As discussed above, the SWRCB issued LBWC Compliance Order No. 01-09-14R-001 due to the PCE concentrations from its Well 2 and Well 5. LBWC's proposed construction of a GAC treatment facility and upgrades to its well site would address and provide LBWC the means to comply with the order to meet all applicable water quality standards set forth by the SWRCB. LBWC pays the Commission User Fees and files its Annual Reports regularly. There are no other outstanding Commission orders.

### **COMMENTS**

Public Utilities Code § 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.

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<sup>15</sup> The fee is assessed on \$2,200,000 of authorized borrowing as follows: \$2 times (\$1,000,000/\$1,000) + \$1 times (1,200,000/1,000) equals \$3,200.

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Accordingly, on February 20, 2018, the draft resolution was mailed to parties based on the service list attached to AL No. 71, and to customers who protested the filing, with comments due on March 12, 2018.

### **FINDINGS AND CONCLUSIONS**

1. LBWC, a California corporation, is a Class C water utility subject to the jurisdiction of this Commission.
2. On October 16, 2017, LBWC served its AL 71-W to its service list pursuant to the requirements of GO 96-B.
3. On September 8, 2014, the SWRCB issued LBWC Compliance Order No. 01-09-14R-001 for violation or threatened violation of the CCR, Title 22, Sections: 64444, 64445.1(5)(c), 64554(a)(2)&(a)(3), 64554(c) and CHSC, Division 104, Part 12, Chapter 4, Article 7, Section 116555(a)(1)&(3) for exceeding the PCE maximum contaminant level at two of its three water sources.
4. CCR, Title 22, Section 64444 states that the MCLs for the primary drinking water chemicals shall not be exceeded in the water supply to the public.
5. CCR, Title 22, Sections 64554(a) states that at all times, a public water system's water source(s) shall have the capacity to meet the system's maximum day demand (MDD).
6. CHSC Sections 116555(a)(1)&(3) states in relevant part that any person who owns a public water system shall ensure that the system complies with primary and secondary drinking water standards and shall provide a reliable and adequate supply of pure, wholesome, healthful, and potable water.
7. LBWC is actively engaged in the Regional Water Quality Control Board's investigation into the source of the PCE impacting its ground water supplies.
8. LBWC engaged Borghei to hold accountable the responsible parties that caused the contamination.



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9. LBWC engaged RCI for the design, permitting, and plans for the construction of a water tank, treatment system, and site improvements.
10. On July 13, 2017, the SWRCB provided LBWC a \$137,000 Proposition 1 grant agreement to cover the engineering design cost.
11. The SWRCB has not confirmed when a construction loan can be approved, funded and disbursed.
12. On August 14, 2017, Plumas Bank provided LBWC an EOI letter for a construction loan that LBWC is currently negotiating.
13. LBWC received several letters from customers expressing concerns regarding the proposed loan, surcharge, quality of water, and the contamination problem.
14. LBWC acknowledged receipt of and responded to the customers between December 27, 2017 and January 9, 2018.
15. LBWC is responsible for maintaining its quality of service and providing necessary improvements to its water system.
16. In D.10-10-018, the Commission recognized that contamination events are among the contingencies which a contemporary water utility, particularly one depending on ground water from alluvial valleys in the State needs to be prepared to confront and manage.
17. LBWC wishes to correct the contamination of its water source as soon as possible in order to be in compliance with the SWRCB's Compliance Order No. 01-09-14R-001.
18. LBWC requests authority to refinance the loan for the construction of the GAC treatment facility should a loan with more favorable terms subsequently becomes available.
19. The proposed borrowing is for proper purposes.
20. To ensure proper treatment of the surcharge and plant constructed with the loan, LBWC should be subject to the conditions specified in this Resolution.

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21. The loan authorization herein is not a finding of the reasonableness of LBWC's proposed construction or expenditures, the resulting capital structure, or the cost of money, nor does it indicate approval of matters subject to review in a general rate case or other proceedings.
22. LBWC should establish a balancing account to be credited with revenue collected through the surcharge and any interest earned on the account, and reduced by loan payments and fiscal agent and loan related fees.
23. The plant paid for by the surcharge is excluded from ratebase.
24. The Lender requires LBWC to secure this Commission's approval of the loan, a customer surcharge to repay the loan, and a security interest on the utility's properties.
25. The customer's protests did not provide any substantive evidence or reason for this Commission to reject LBWC's proposed treatment facility.
26. With a surcharge type of recovery, the utility or its owners do not personally benefit from the loan.
27. LBWC should maintain adequate records of the surcharge collections, payments of principal and interest, and any fees or costs related to the loan.
28. LBWC should comply with all environmental permitting requirements applicable to the construction and improvements that it will undertake in conjunction with this filing.
29. D.10-10-018 sets out the policies, framework for analysis, and rules to govern the accounting and ratemaking treatment of grants and damage awards received by an investor-owned water utility following contamination of its water supply.
30. The Commission has required utilities to impose a service fee for new service to currently vacant and undeveloped lots when the Commission authorizes surcharge recovery for improvement loans.
31. The service fee serves to recover some of the system improvement costs from future customers who will benefit from the system improvements. By this, the construction cost is distributed to a larger base that may lead an overall future decrease in surcharge.

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32. The Commission has routinely required utilities to maintain records to (i) identify the specific long-term debt issued, and (ii) demonstrate that the proceeds from such debt have been used only for authorized purposes.
33. Notice of the filing appeared on the Commission's Daily Calendar on October 20, 2017 and LBWC notified its customers of the proposed loan and the surcharge to repay the loan on December 14, 2017. Several protests were received.
34. On or before January 31, 2019, and annually thereafter, LBWC should file a report to the WD stating the changes in the number of connections by type of customer and by size of connection, the amount of surcharge collection, the amount of loan payment, the outstanding balance of the loan, and the overages or shortages in the balancing account. If the surcharge requires to be adjusted, LBWC should file a Tier 3 Advice letter for an increase and a Tier 2 Advice Letter for a decrease.
35. The fee for this financing authority as required by § 1904(b) is \$3,200.

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### THEREFORE, IT IS ORDERED THAT:

1. Lukins Brothers Water Company, Inc. is authorized to borrow \$2,200,000 to finance the construction of a Granular Activated Carbon treatment facility, upgrades to well site, and any issuance costs; encumber utility assets to secure the loan; and impose a surcharge on its customers as set forth herein.
2. Lukins Brothers Water Company, Inc. shall file an Advice Letter to implement a surcharge and service fee at an appropriate time prior to the first loan payment and include in the filing a request to establish a balancing account.
3. Upon signing a loan agreement with a bank, Lukins Brothers Water Company, Inc. shall file a Tier 2 Advice Letter to establish the surcharge and service fee so as to collect enough revenue to accumulate the required reserve and make its first loan payment. The filing shall include the loan amortization schedule, the reserve requirement, the calculation of the surcharge, and tariff sheets similar to those attached to this Resolution as Appendix A, updated for the correct amounts.
  - a. b) If the loan is procured from the State Water Resources Control Board and upon signing a loan agreement, Lukins Brothers Water Company, Inc. shall file eight months before the first semi-annual loan payment a Tier 2 Advice Letter to establish the surcharge and service fee. The filing shall include the loan amortization schedule, the reserve requirement, the calculation of the surcharge, and tariff sheets similar in form to those attached to this Resolution as Appendix A.
4. Lukins Brother Water Company, Inc. is authorized to refinance the debt authorized in this Resolution if at a later time a more favorable funding source becomes available.
5. The authority granted herein shall be subject to the conditions enumerated on pages 18 and 19 of this Resolution.

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6. Lukins Brothers Water Company, Inc. shall not use the proceeds authorized by this Resolution to begin the construction of capital projects until Lukins Brothers Water Company, Inc. has obtained any required environmental review under the California Environmental Quality Act.
7. If Lukins Brothers Water
8. Company, Inc. refinances the debt authorized in this Resolution it shall file an Advice Letter with the details pertaining to the refinancing, including all documentation. The filing is subject to review and approval.
9. Lukins Brothers Water Company, Inc. 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 authorized by this Resolution.
10. Any contamination proceeds received by Lukins Brothers Water Company, Inc. shall be reported to the Water Division within fifteen (15) days of receipt.
11. Lukins Brother Water Company, Inc. shall abide by the rules and regulations prescribed by the Commission in Decision 10-10-018.
12. Lukins Brother Water Company, Inc. shall record contamination proceeds arising from damage awards, settlements, government order or insurance in a memorandum account until the need for making expenditures arises, whereupon an approval to transfer the proceeds to the appropriate dedicated 265 sub-account of the Uniform System of Accounts shall be sought by a Tier 3 Advice Letter filing.
13. Any remaining amount of proceeds (net proceeds) arising from damage awards, settlements, government order or insurance may be shared between ratepayers and shareholders upon Commission approval where circumstances warrant and on the basis of factors relevant to the individual case, including factors enumerated in Appendix D to D.10-10-018.

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14. The authority granted by this Resolution shall become effective when Lukins Brothers Water Company, Inc. pays \$3,200 as required by Public Utilities Code § 1904(b). Lukins Brothers Water Company, Inc. must issue the check payable to the California Public Utilities Commission and remit the payment to the Commission's Fiscal Office.

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 March 22, 2018. The following Commissioners voting favorably thereon:

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ALICE STEBBINS  
Executive Director

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## CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5159 on all parties in these filings or their attorneys as shown on the attached lists.

Dated February 20, 2018, at San Francisco, California.

/s/JENNIFER PEREZ

Jennifer Perez

Parties should notify the Water Division, Third Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

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## APPENDIX A Schedule 3a

### Loan Surcharge

#### APPLICABILITY

Applicable to all flat or meter service. This surcharge is specifically for the repayment of the loan described in Resolution W-\_\_\_\_\_.

#### TERRITORY

Lukins Tract and vicinity near State Highway 89 and U.S. Highway 50 in the City of South Lake Tahoe, California.

#### Metered Water Service

##### Monthly Surcharge

	<u>1st 11 Months</u>	<u>12<sup>th</sup> Onwards</u>
For 5/8 x 3/4-inch meter	3.31	6.07
For 3/4-inch meter	4.97	9.10
For 1-inch meter	8.28	15.17
For 1-1/2-inch meter	16.55	30.35
For 2-inch meter	26.48	48.56
For 3-inch meter	49.66	91.04
For 4-inch meter	82.76	151.74
For 6-inch meter	165.53	303.47

#### Flat Rate Water Service

##### Monthly Surcharge

	<u>1st 11 Months</u>	<u>12<sup>th</sup> Onwards</u>
For 3/4-inch meter	4.97	9.10
For 1-inch meter	8.28	15.17
For 1-1/2-inch meter	16.55	30.35
For 2-inch meter	26.48	48.56
For 3-inch meter	49.66	91.04
For 4-inch meter	82.76	151.74
For 6-inch meter	165.53	303.47

#### SPECIAL CONDITIONS

1. The surcharge is in addition to the water bill. The surcharge must be identified on each bill. The surcharge is specifically for the repayment of the loan authorized by Resolution W-\_\_\_\_\_.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
3. The surcharge shall be deposited in a trustee account and shall be used only for the repayment of the loan described in Resolution W-\_\_\_\_\_.
4. A service fee will be charged for new service to vacant and undeveloped lots. The amount of the service fee, subject to a maximum of \$2,000, shall be the accumulated total of the monthly surcharge from its inception to the time of service connection. Only the monthly surcharge applies thereafter. The service fee was authorized by Resolution W-\_\_\_\_\_.
5. The surcharge rates to repay the loan shall last until the loan is fully paid.
6. The surcharge rates are subject to periodic adjustment.

END OF APPENDIX A



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LUKINS BROTHERS WATER COMPANY, INC.			
SERVICE LIST			
(Per Section 4.3 of GENERAL ORDER NO. 96-B)			
Via First Class US Mail			
Service List:			
City of South Lake Tahoe	Ronald G. Renaldi	Edmund Viray	
Administrative Center	PO BOX 9926	<a href="mailto:edmundviray@gmail.com">edmundviray@gmail.com</a>	
1901 Airport Blvd.	South Lake Tahoe, CA 96158		
So. Lake Tahoe, CA 96150		James Cullen	
	Lawrence Suydam	<a href="mailto:shawncullen1@att.net">shawncullen1@att.net</a>	
El Dorado County	895 Secret Harbor Drive		
Development Services Dept.	South Lake Tahoe, CA 96150	Jerry Keyser	
924 B Emerald Bay Road		<a href="mailto:jkeyser@keysermarston.com">jkeyser@keysermarston.com</a>	
So. Lake Tahoe, CA 96150	Richard Munk		
	780 Eloise Ave.	Nancy Kerry, City Manager	
South Tahoe PUD	South Lake Tahoe, CA 96150	<a href="mailto:nkerry@cityofslt.us">nkerry@cityofslt.us</a>	
1275 Meadow Crest Dr.			
South Lake Tahoe, CA 96150	N. McRae	Danny Lukins, Manager	
	3243 Rohner Drive	Lukins Brothers Water Co.	
Tahoe Keys POA	LaFayette, CA 94549	<a href="mailto:danny@lukinswater.com">danny@lukinswater.com</a>	
356 Ala Wai Blvd.			
South Lake Tahoe, CA 96150	Robert Haney	Robert Mann, Plumas Bank	
	PO BOX 14447	<a href="mailto:robert.mann@plumasbank.com">robert.mann@plumasbank.com</a>	
Fern Erskine	South Lake Tahoe, CA 96151		
786 Patricia Lane		Larry Montoya	
South Lake Tahoe, CA 96150	James Getz	<a href="mailto:montoyafamily1@sbcglobal.net">montoyafamily1@sbcglobal.net</a>	
	597 Tahoe Island Drive		
Mike Mosca	South Lake Tahoe, CA 96150	Ryan Biggs	
Po Box 9136		<a href="mailto:notoriousbiggs@comcast.net">notoriousbiggs@comcast.net</a>	
South Lake Tahoe, CA 96158	Carol Daum		
	PO BOX 550160	Ethel Aubrey	
Alan Miller	South Lake Tahoe, CA 96155	<a href="mailto:ethella53@outlook.com">ethella53@outlook.com</a>	
Po Box 7526			
South Lake Tahoe, CA 96158	Lynne Bajuk	Cyndi Hertzog	
	780 South Shore Drive	<a href="mailto:mchertzog@gmail.com">mchertzog@gmail.com</a>	
Teri Jamin	South Lake Tahoe, CA 96150		
1052 Tata Lane		Jackie Wilson	
South Lake Tahoe, CA 96150	Robert Jaeger	<a href="mailto:wilsonhomebase@hotmail.com">wilsonhomebase@hotmail.com</a>	
	<a href="mailto:colostate06@hotmail.com">colostate06@hotmail.com</a>		
Maureen Froyum		Hazel Guy	
920 Patricia Lane	Steve and Karen Benton	<a href="mailto:tahoehazel@yahoo.com">tahoehazel@yahoo.com</a>	
South Lake Tahoe, CA 96150	PO BOX 551210		
	South Lake Tahoe, CA 96155	Sue-ze Guy	
Robert Blaney		<a href="mailto:itsstillsueguy@yahoo.com">itsstillsueguy@yahoo.com</a>	
PO BOX 14447	Heidi Clark		
South Lake Tahoe, CA 96151	<a href="mailto:clarksski@sbcglobal.net">clarksski@sbcglobal.net</a>	Kenneth Renwick	
		<a href="mailto:renrowe@earthlink.net">renrowe@earthlink.net</a>	