



May 1, 2018

Proposed Resolution W-5167

Agenda ID: 16471

To: All Interested Persons

Enclosed is Proposed Resolution W-5167 of the Water Division, which authorizes Bass Lake Water Company to borrow \$4,611,800 under the State's Drinking Water State Revolving Fund Program, add a surcharge to water rates to repay the principal and interest, and encumber utility assets in conjunction with the loan. Proposed Resolution W-5167 is scheduled to appear on the May 31, 2018 Commission Meeting Agenda (ID# 16471).

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-5167 via email to [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov) on or before May 21, 2018. **Please reference "Proposed Resolution W-5167" 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-5167."

/s/RAMI S. KAHLON

Rami S. Kahlon, Director  
Water Division

Enclosures: Proposed Resolution W-5167  
Certificate of Service  
Service List

# PROPOSED RESOLUTION

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WD

Agenda ID #16471

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5167

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### RESOLUTION

**(RES. W-5167) RESOLUTION GRANTING BASS LAKE WATER COMPANY TO BORROW \$4,611,800 UNDER THE STATE'S DRINKING WATER STATE REVOLVING FUND PROGRAM, ADD A SURCHARGE TO WATER RATES TO REPAY THE PRINCIPAL AND INTEREST, AND ENCUMBER UTILITY ASSETS IN CONJUNCTION WITH THE LOAN.**

**By Advice Letter No. 71-W filed on January 5, 2018.**

### SUMMARY

This Resolution grants the authority requested of the Commission by Bass Lake Water Company (BLWC) in its Advice Letter (AL) No. 71-W, as supplemented by AL No. 71-WA.

In AL No. 71-W, filed on January 5, 2018, BLWC requests authority pursuant to §§ 816 through 851 and other relevant sections of the Public Utilities Code and General Order 96-B to:<sup>1</sup>

1. Enter into a loan agreement with the State Water Resources Control Board (SWRCB) for a \$4,611,800 loan under the Drinking Water State Revolving Fund (DWSRF) program to finance a new water system surface water treatment plant;
2. Place in effect a surcharge on existing water rates for the purpose of amortizing the loan and accumulating a reserve fund equal to one year's debt service; and
3. Encumber utility assets as required in the loan agreement.

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

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On April 16, 2018, BLWC filed AL No. 71-WA to remove the tariff sheets titled Schedule No. 1, Schedule No. 1 Continued, Schedule No. 2, Schedule No. 2 Continued, and Table of Contents attached to AL No. 71-W because the DWSRF loan surcharge indicated in those schedules were hypothetical and calculated prior to receiving the SWRCB's loan amortization schedule.<sup>2</sup>

## **BACKGROUND**

BLWC, a California corporation, is a Class C water utility subject to the jurisdiction of this Commission. BLWC provides water service to 964 flat-rate and 42 metered service customers in Bass Lake, including communities of The Falls and Bass Lake, Madera County.

BLWC's Income Statement for the year ending December 31, 2016 reported total operating revenues of \$808,734 and a net income of \$107,722.

BLWC's Balance Sheet, as of December 31, 2016, is summarized below:

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<sup>2</sup> The SWRCB's loan amortization schedule was received by BLWC on March 20, 2018.

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

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$2,071,851
Investments	( 16,809)
Current & Accrued Assets	<u>448,235</u>
Total Assets and Deferred Charges	<u>\$2,503,277</u>
 <u>Liabilities &amp; Equity</u>	
Common Stock	\$ 49,100
Other Paid-in Capital	1,219,177
Retained Earnings	59,654
Long-term Debt <sup>3</sup>	336,121
Current & Accrued Liabilities	173,887
Deferred Credits	638,338
Net Contributions in Aid of Construction	<u>27,000</u>
Total Liabilities & Equity	<u>\$2,503,277</u>

BLWC's last general rate increase became effective July 15, 2005, pursuant to Resolution (Res.) W-4544. The Commission authorized an increase of \$194,975 or 63.15%, estimated to provide a rate of margin of 24.00%. By Res. W-4741 issued February 23, 2009, the Commission granted BLWC an increase of \$122,648 or 24.35% to provide a return on ratebase for capital projects of \$694,397 for the years 2004 through 2008. BLWC's latest CPI-U increase was for 2016 in the amount of \$14,578 or 2.1%.

The present water treatment facility of BLWC was constructed in 1984 with a design capacity of 500 gallons per minute (gpm). It consists of an in-line pressure filter with 4 chambers located along the North Shore of Willow Creek approximately 1/8 mile north of County Road 274.

In 1994, BLWC reduced the plant production to 325 gpm to comply with the Surface Water Treatment Rule (SWTR) filter loading requirement.

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<sup>3</sup> BLWC's outstanding long-term debt consisted of two loans with principal amount totaling \$588,660, from Plumas Bank as authorized by Resolution (Res.) W-4800 dated October 29, 2009, that paid off funds used for capital improvements advanced by BLWC's parent company, and a \$187,000 loan from Plumas Bank, authorized by Res. W-4847 dated October 28, 2010, that funded the replacement of a leaking 30,000 gallon steel storage tank and replacement of undersized water line.

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In 1997, BLWC added a 195,100-gallon baffled chlorine contact tank downstream of the filter unit to comply with the SWTR. The location of the intake system is approximately 1,600 feet upstream and almost 200 feet higher in elevation than the treatment plant and consists of a 16-inch diameter intake lateral located in the stream, a two-stage redwood sedimentation box and an unlined 6-inch steel 60-year old pipe that carries the water to the treatment plant. BLWC's water rights from Willow Creek are for .92 cubic feet per second (cfs) and cannot exceed 355 acre-feet or approximately 115 million gallons (MG) per year. To supplement the system demand, a uranium well-head treatment facility was installed on the 125 gpm School Road Well in 2007.

On July 29, 2013, the SWRCB noticed BLWC that its existing facilities are outmoded; is not a reliable source of supply for customers; and is not in compliance with the SWTR. BLWC was directed to increase its source capacity from the current 325 gpm limit of the existing facility to approximately 700 gpm utilizing approved treatment technology to conform to the requirements of the SWTR.

BLWC's existing plant has a deteriorated intake raw water pipeline that is deemed irreplaceable due to the terrain and environmental impacts required for installation on US Forest Service property. The existing plant site is not suitable for construction of a new plant since it lacks adequate electrical power and disposal of plant waters (sewer connection). A new location would provide suitable site conditions for a Willow Creek intake structure and improve treatment capabilities, although it is further downstream and exposes the plant to more seasonal recreational-related contamination hazards. The SWRCB recommended that more protective measures, such as public education by signage and patrols along Willow Creek, be engaged to mitigate the hazard.

BLWC is currently operating under a permit from the SWRCB (previously California Department of Public Health) that contains a provision that requires an increase in system source capacity.

### NOTICE AND PROTESTS

Pursuant to G.O. 96-B, Water Industry Rule 4.1, on January 5, 2018, BLWC served its AL No. 71-W, as supplemented on its service list. Notice of AL No. 71-W was made by publication in the Commission's Daily Calendar of January 10, 2018.

On April 12, 2018, BLWC notified its customers of the proposed loan to fund its project and the surcharge to repay the loan. On the same day, BLWC published the proposed

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loan and surcharge in the Sierra Star, a local newspaper circulated in Oakhurst, California.

On April 16, 2018, one customer questioned why BLWC have not switched the flat-rate customers to meter service. The customer claims that metered customers pay less than flat-rate customers. In addition, while vacation homes and full-time residents with flat rate services consume different amounts of water, they pay the same amount under the flat rate service. On April 20, 2018, BLWC informed the customer that all of the current residential connections are billed on a flat-rate basis and approximately 75% of those flat-rate connections are second homes with seasonal water use. BLWC's operating costs are fixed and this makes the readiness-to-serve charge comparatively high.

BLWC further explained that due to limited funds for system improvements, including metering, the utility is first addressing the need to build the surface water treatment plant. As soon as funds are available, retrofitting residential connections to metered service will start.

## DISCUSSION

BLWC filed AL No. 71-W, as supplemented to secure authorization to borrow \$4,611,800 to finance the replacement of its water system surface water treatment plant and to institute a surcharge on existing water rates to repay the loan principal and interest.

The SWRCB requires this Commission's approval for the loan, a dedicated source of revenue, and security for the loan.

### **A. Description of Financing**

The \$4,611,800 SRF loan will carry an annual interest rate of 1.8%, payable in semi-annual payments of \$137,803.12, and a term of 20 years. A 10% reserve is required to be accumulated during the first 10 years of the loan term.<sup>4</sup> In addition, the SWRCB requires the opening of a separate bank account entitled "Safe Drinking Water State Revolving Fund Account" for deposit of loan proceeds and a fiscal agent who will oversee surcharge deposits and loan payments.

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<sup>4</sup> The reserve serves as security in case BLWC defaults at any time in paying the loan amortization.

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## B. Use of Proceeds and Cost Estimates

According to BLWC, the design of the proposed project, environmental documentation, and permitting from the US Forest Service and other regulatory agencies has been in process for several years and is now complete. On December 29, 2017, the SWRCB acknowledged receipt of the environmental clearance for the project from BLWC and indicated that it will adopt the California Environmental Quality Act (CEQA) document at the time the project is funded.

BLWC proposes to use the proceeds of the DWSRF loan to finance the construction of a new continuous microfiltration process water treatment plant on approximately 1.5 acres.<sup>5</sup> The new water treatment plant would consist of a 4,000 square-foot metal treatment building, one 5,000 gallon raw water tank, one 21,000 gallon finished water tank, one 200 square foot finished water pump station building, one 200 square foot raw water pump station building, approximately 1,000 feet of pipelines, a generator, propane tank, and a ten stall parking lot. BLWC estimates that construction will start in June 2018.

Once the new plant is in operation, BLWC will decommission the existing water treatment plant and its related facilities. This entails deconstructing and removing from Forest Service lands the existing water treatment plant and above ground related facilities, except for one water storage tank that would contain back-fed treated water from the new water treatment plant.

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<sup>5</sup> BLWC choose to use the membrane technology. The membrane separation process is based on the presence of semi permeable membranes. The membrane acts as a very specific filter that will let water flow through, while it catches suspended solids and other substances. The membrane technology works without the addition of chemicals, with a relatively low energy use and easy and well-arranged process conductions.

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BLWC's projected construction budget for the water treatment plant is shown in the following table:

Table 2  
Water Treatment Plant

Raw Water Pumping Station and Tank	\$ 80,000
MGD Membrane Filtration System (millions of gallons per day)	18,000
UV disinfection (When bacteria, viruses and protozoa are exposed to the germicidal wavelengths of UV light, they are rendered incapable of reproducing and infecting)	172,000
High Service Pumping Station	157,000
Reclaim System	98,000
Residuals Management	10,000
Chemical Storage and Feed Systems	68,000
Site Demolition, Clearing and Grubbing	15,000
Site Grading, Paving, Drainage and Surfacing	50,000
Site Yard Piping	71,000
Site Electrical	700,000
Field Instrumentation, Controls and Integration	200,000
Operations and Control Building	427,800
Retaining Wall, Entry Gates and Security System	65,000
Painting and Coating	50,000
Startup and Testing	25,000
Operation and Maintenance Manuals	20,000
Record Drawings	20,000
Mobilization, Demobilization, Insurance and Permits	<u>158,000</u>
Sub-Total Construction Cost	2,404,800
Contractor O & P Costs at 15%	361,000
Contingency at 20%	<u>481,000</u>
Total Construction Cost	\$ 3,246,800
Non-Construction Project Cost	
MGD Membrane Filtration System	755,000
Sewer Assessment	32,000
Design and Construction Support	<u>578,000</u>
Sub-Total Non-Construction Cost	\$ 1,365,000
Total Project Cost	<u>\$ 4,611,800</u>

Construction costs are subject to review in general rate case or rate base offset proceedings. We do not make a finding in this Resolution on the reasonableness of the construction costs for ratemaking purposes.

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For this DWSRF-funded debt, BLWC will only be allowed to expend funds based on the SWRCB's project components and the SWRCB will verify all work performed prior to releasing funds to the utility.

## C. Capital Ratios

BLWC's capital ratios, as of December 31, 2016, are shown below, as recorded and as adjusted, to give pro forma effect to the proposed issuance of \$4,611,800 of debt authority under the filing:

**Table 3**  
**Capital Ratios**

<u>Description</u>	<u>Recorded</u>	<u>Adjustments</u>	<u>Pro Forma</u>
Long-Term Debt	\$ 336,121	20.20% \$4,611,800 <sup>(A)</sup>	\$4,947,921 76.05%
Common Stock	49,100	2.95% -	49,100 0.76%
Paid-in Capital	1,219,177	73.27% -	1,219,177 18.74%
Retained Earnings	<u>59,653</u>	<u>3.58%</u> <u>230,000<sup>(B)</sup></u>	<u>289,653</u> <u>4.45%</u>
Total Capitalization	\$1,664,051	100.00% \$4,841,800	\$6,505,8515 100.00%

(A) \$4,611,800 loan requested in this filing.

(B) Projected net earnings in 2018 and 2019.

As shown in the table above, the estimated change in the recorded capital structure, given the proposed issuance of the SDWSRF loan, is significant.

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.

## D. Loan Approval

Upon order of the Commission and for proper cause, § 817 allows the use of proceeds from the issue of debt for purposes reasonably required for the improvement or maintenance of service of a utility.

Section 851 requires Commission authorization before a utility may "sell, lease, assign,

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mortgage, or otherwise dispose of or encumber the whole or any part of its... plant, system, or other property necessary or useful in the performance of its duties to the public..."

DWSRF borrowings represent a much lower cost of capital than either equity or other forms of debt. In addition, there are conditions set by the SWRCB and this Resolution to ensure proper accounting and handling of the loan proceeds and surcharges collected.

As a public utility, BLWC has the responsibility to maintain its quality of service and provide necessary improvements to its present water system. BLWC's proposed financing transaction is in the public interest because it is intended to enable BLWC to increase its source capacity using approved treatment technology under the SWTR. The increased plant capacity of a new plant would serve peak seasonal summer demand and the remaining developable lots in BLWC's service area.

To the extent that the SWRCB has approved the construction loan, it is our responsibility to provide the regulated utility the means to avail of this low-cost debt facility.

Therefore, it is reasonable to authorize BLWC to borrow the \$4,611,800; to execute a loan agreement on terms and conditions contemplated herein; and encumber utility assets in connection with the loan.

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.

Consistent with § 824, BLWC will need to 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 herein.

## **E. Proposed Surcharge**

Based on the SWRCB's loan amortization schedule that was received March 20, 2018, BLWC estimates that the \$4,611,800 loan will require an annual revenue requirement of \$303,167 (\$275,606 loan amortization plus \$27,561 reserve) for the first ten years and an

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annual revenue requirement of \$275,606 for years 11 to 20. BLWC proposes the following surcharges:

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

<u>Metered Service</u>	<u>1-10 years</u>	<u>11-20 years</u>
5/8 x 3/4-inch meter	\$ 15.22	\$ 13.84
3/4-inch meter	22.83	20.75
1-inch meter	38.05	34.59
1-1/4-inch meter	57.07	51.88
1-1/2-inch meter	76.10	69.18
2-inch meter	121.75	110.69
3-inch meter	228.29	207.53
4-inch meter	380.48	345.89
 <u>Flat-Rate Service</u>		
For a single-family unit		
3/4-inch meter	\$ 22.83	\$ 20.75
1-inch meter	38.05	34.59
1-1/4-inch meter	57.07	51.88
1-1/2-inch meter	76.10	69.18
2-inch meter	121.75	110.69
 For each additional single-family unit on the same premises and served from the same service connection		
	\$ 17.08	\$ 15.52

The monthly bill for the first 10 years (principal and interest plus reserve requirement) for a 3/4-inch commercial metered customer using an average of 20 hundred cubic feet (HCF) of water per month, at a quantity rate of \$1.332 per 100 cubic feet, and a service charge of \$367.18 per year or \$30.60 per month<sup>6</sup> would increase by \$22.83 from \$57.24 to \$80.07 or 39.9%. Thereafter, the monthly bill would increase by \$20.75 from \$57.24 to \$77.99 or 36.3%. Currently BLWC have a total of 42 metered connections of which, 18 or 42.9% have a 3/4-inch commercial meter connection.

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<sup>6</sup> Per BLWC's Schedule No. 1 – Annual Metered Service, effective March 12, 2018.

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The monthly bill for the first 10 years (principal and interest plus reserve requirement) for a flat-rate customer with a ¾-inch meter connection and an annual flat rate charge of \$733.97 or \$61.17 per month<sup>7</sup> would increase by \$22.83 from \$61.17 to \$84.00 or 37.3%. Thereafter, the monthly bill would increase by \$20.75 from \$61.17 to \$81.92 or 33.9%. Of BLWC's 964 flat rate customers, 954 or 99.0% have ¾-inch service connections.

The surcharge rates shown above are estimates and may change based on the final loan agreement or changes to the assumptions underlying the calculation shown above.

To ensure that the surcharge rates are appropriate throughout the loan repayment period, we will require BLWC, to review the balancing account at least once per year. If the balance immediately following a payment to the SWRCB is less than the required reserve or exceeds the required reserve by more than thirty five percent of the next semiannual payment, BLWC will be required to file an advice letter to adjust the surcharge. A Tier 2 filing is required if there is an overcollection and a Tier 3 filing is required if there is an undercollection.

We are aware that BLWC will not be able to obtain the DWSRF loan until it demonstrates that it has the source of funds to be used for repayment of the loan, and that such dedicated funds are documented in an order or resolution. To the extent that the source of funds requirement remains a condition in this low-cost funding, BLWC's financing request cannot be processed by the SWRCB and granted without a surcharge authorization from this Commission.

The ratepayers ultimately pay for all water system requirements and improvements, regardless of the way they are financed. If the utility were to borrow the money entirely from regular commercial sources, it would be far more expensive for the ratepayers than the low-cost state-funded loan. Likewise, if the utility owners invested their own funds to pay for the improvements, they would be entitled to similar investor earnings on such funds, which would likely be higher than the DWSRF loan interest rate.

The surcharge method of recovery ensures that the loan will be repaid without financial stress to the water utility. The surcharge is independent of the quantity rate and service charge that the customer pays and the surcharge serves only to repay the loan and will not generate any profit to the utility owners.

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<sup>7</sup> Per BLWC's Schedule No. 2 – Annual Residential Flat Rate Service, effective March 12, 2018.

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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.

Therefore, it is reasonable to authorize BLWC to impose a surcharge on its existing customers and a service fee to future customers who will benefit from the system improvements, as set forth herein.

## F. Conditions

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. BLWC shall establish and 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.
- e. BLWC shall deposit all surcharge revenues with a fiscal agent approved by the SWRCB. 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, BLWC shall review the balance in the balancing account immediately following a payment, 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, BLWC 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.

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- i. BLWC shall file a Tier 2 Advice Letter to implement the surcharge six (6) months prior to the completion of the project and include in the filing a request to establish a balancing account.
- j. BLWC should file with WD a copy of the loan documents within 15 days of execution.

## G. 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 set forth by § 1904(b) is \$5,612.<sup>8</sup>

## ENVIRONMENTAL IMPACT

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>9</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>10</sup>

This Resolution does not authorize any capital expenditures or construction projects. Construction projects which BLWC 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 BLWC 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.

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<sup>8</sup> The amount subject to the fee is \$4,611,800. The fee is determined as follows:  $\$2 \times (\$1,000,000/\$1,000) + \$1 \times (\$3,611,800/\$1,000) = \$5,612$ .

<sup>9</sup> Public Resources Code Section 21090(b) (8).

<sup>10</sup> CEQA Guidelines Section 15378 (b) (4).

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

## CALIFORNIA WATER CODE SECTION 527

We remind BLWC that pursuant to the provisions of California Water Code § 527 (a) (1), an urban water supplier shall install water meters on all municipal and industrial service connections located within its service area on or before January 1, 2025. At such time, BLWC should have installed meters and associated connection upgrade and retrofitting on residential service lines.

## SAFETY AND COMPLIANCE

As discussed earlier, the SWRCB issued BLWC a directive to increase its source capacity using an approved treatment technology under the SWTR. BLWC's proposed construction replacement of its water system surface water treatment plant would address and provide BLWC the means to comply with the order to meet all applicable water quality standards. BLWC 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.

Accordingly, on May 1, 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 May 21, 2018.

## FINDINGS AND CONCLUSIONS

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

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2. On July 29, 2013, the CDPH directed BLWC to increase its source capacity using an approved treatment technology under the SWTR to serve peak seasonal summer demand and the remaining developable lots in its service area.
3. According to BLWC, the design of the proposed project, environmental documentation and permitting and other regulatory requirements has been in process for several years and is now complete.
4. On January 5, 2018, BLWC served its AL 71-W to its service list pursuant to the requirements of GO 96-B.
5. On April 16, 2018, BLWC filed AL No. 71-WA to remove the tariff sheets attached to AL No. 71-W because the DWSRF loan surcharge indicated therein were hypothetical and calculated prior to receiving the SWRCB's loan amortization schedule.
6. BLWC is in the process of finalizing the loan agreement with the SWRCB.
7. BLWC's proposed surcharge was re-calculated based on the SWRCB's loan amortization schedule dated March 20, 2018,
8. One customer inquired why BLWC has not switched flat-rate customers to meter service.
9. BLWC is responsible for maintaining its quality of service and providing necessary improvements to its water system.
10. The proposed borrowing is for proper purposes.
11. To ensure proper treatment of the surcharge and plant constructed with the loan, BLWC should be subject to the conditions specified in this Resolution.
12. The loan authorization herein is not a finding of the reasonableness of BLWC'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 general rate case or other proceedings.

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13. BLWC 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.
14. The plant paid for by the surcharge is excluded in ratebase.
15. The SWRCB requires each borrower 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.
16. With a surcharge type of recovery, the utility or its owners do not personally benefit from the loan.
17. BLWC should maintain adequate records of the surcharge collections, payments of principal and interest, and any fees or costs related to the loan.
18. BLWC should comply with all environmental permitting requirements applicable to the construction and improvements that it will undertake in conjunction with this filing.
19. 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.
20. 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 to an overall future decrease in surcharge.
21. 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.
22. Notice of the filing appeared on the Commission's Daily Calendar on January 10, 2018 and BLWC notified its customers of the proposed loan and the surcharge to repay the loan on April 12, 2018. No protests were received.
23. On or before January 31, 2020, and annually thereafter, BLWC should file a report to the WD stating the changes in the number of connections by type of customer and by

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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, BLWC should file a Tier 3 Advice letter for an increase and a Tier 2 Advice Letter for a decrease.

24. The fee for this financing authority as required by § 1904(b) is \$5,612.

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### THEREFORE, IT IS ORDERED THAT:

1. Bass Lake Water Company is authorized to borrow \$4,611,800 under the Drinking Water State Revolving Fund program to finance a new water system surface water treatment plant; encumber utility assets to secure the loan; and impose a surcharge on its customers as set forth herein.
2. Bass Lake Water Company shall file six (6) months prior to the completion of the project, a Tier 2 Advice Letter to implement the surcharge, updated for the final amounts, the service fee, and the special conditions pertaining to the surcharge with tariff sheets similar to that attached to this Resolution as Appendices A to C. The filing shall include a request to establish a balancing account.
3. The authority granted herein shall be subject to 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) Bass Lake Water Company shall establish and 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.
  - e) Bass Lake Water Company shall deposit all surcharge revenues with a fiscal agent approved by the State Water Resources Control Board. 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, Bass Lake Water Company shall review the balance in the balancing account immediately following a payment, 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, Bass Lake Water Company 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.

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- i) Bass Lake Water Company shall file with the Water Division a copy of the loan documents within 15 days of execution.
4. Bass Lake Water Company shall not use the proceeds authorized by this Resolution to begin the construction of capital projects until Bass Lake Water Company has obtained any required environmental review under the California Environmental Quality Act.
5. Bass Lake Water Company 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.
6. The authority granted by this Resolution shall become effective when Bass Lake Water Company pays \$5,612 as required by Public Utilities Code § 1904(b). Bass Lake Water Company 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 May 31, 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-5137 on all parties in these filings or their attorneys as shown on the attached lists.

Dated May 31, 2018, at San Francisco, California.

/s/JENNIFER PEREZ

Jennifer Perez

Parties should notify the Division of Water and Audits, 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 No. 1 GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered service furnished on an annual basis.

TERRITORY

The northwest shore of Bass Lake including the Falls and Bass Lake and vicinity, Madera County.

RATES

Quantity Rate:

All water, per 100 cu. ft . . . . \$ 1.360

Annual Service Charge:

<u>Size of Meter</u>	<u>Per Meter Per Year</u>	<u>Years 1 to 10 Surcharge Per Month</u>	<u>Years 11 to 20 Surcharge Per Month</u>	(N)
For 5/8 x 3/4-inch meter	\$ 244.78	\$ 15.22	\$ 13.84	
For 3/4-inch meter	367.18	22.83	20.75	
For 1-inch meter	611.96	38.05	34.59	
For 1 1/2-inch meter	1,223.91	76.10	69.18	
For 2-inch meter	1,896.40	121.75	110.69	
For 3-inch meter	3,671.72	228.29	207.53	
For 4-inch meter	12,238.99	380.48	345.89	(N)

The service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is to be added to the annual charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. The surcharge is in addition to the water bill. The surcharge is specifically for the repayment of the Drinking Water State Revolving Fund loan authorized by Resolution No. W-\_\_\_\_\_. (N)
3. The surcharge rates are subject to periodic adjustment.
4. The surcharge rates to repay the loan shall last until the loan is fully paid.
5. The surcharge shall be deposited in a trustee account and shall be used only for the repayment of the loan described in Resolution No. W-\_\_\_\_\_. (N)

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6. The annual service charge applies to service during the 12-month period commencing January 1, and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he or she may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing period. Meters will be read, and quantity charges billed monthly, bimonthly, or quarterly in accordance with the utility's established billing periods except that the meters may be read and quantity charges billed during the winter seasons at given intervals greater than three months.
7. The opening bill for metered service except upon conversion from flat rate service shall be the established annual service charge for the service. Where initial service is established after the first day of the year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charge shall be due the customer.

END OF APPENDIX A

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## APPENDIX B

### Schedule No. 2 ANNUAL RESIDENTIAL FLAT RATE SERVICE

#### APPLICABILITY

Applicable to all flat rate residential service furnished on an annual basis.

#### TERRITORY

The northwest shore of Bass Lake including the Falls and Bass Lake and vicinity, Madera County.

#### RATES

<u>Size of Meter</u>	<u>Per Service Connection Per Year</u>	<u>Years 1 to 10 Surcharge Per Month</u>	<u>Years 11 to 20 Surcharge Per Month</u>	(N)
For a single-family residential unit				
For 3/4-inch meter	\$ 733.97	\$ 22.83	\$ 20.75	
For 1-inch meter	1,223.23	38.05	34.59	
For 1-1/4-inch meter	1,834.93	57.07	51.88	
For 1 1/2-inch meter	2,446.65	76.10	69.18	
For 2-inch meter	3,914.82	121.75	110.69	
For each additional single-family unit on the same premises and served from the same service connection	537.80	17.08	15.52	(N)

#### SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. The surcharge is in addition to the water bill. The surcharge is specifically for the repayment of the Drinking Water State Revolving Fund loan authorized by Resolution No. \_\_\_\_\_. (N)
3. The surcharge rates are subject to periodic adjustment.
4. The surcharge rates to repay the loan shall last until the loan is fully paid.
5. The surcharge shall be deposited in a trustee account and shall be used only for the repayment of the loan described in Resolution No. W-\_\_\_\_\_. (N)
6. The annual service charge applies to service during the 12-month period commencing January 1, and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he or she may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing period. A non-permanent resident may elect

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to pay the annual charge in two equal installments. Where such a resident has failed to pay the first half of the annual charge due January 1, service will not be restored until the total annual charge has been paid.

7. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
8. Meters may be installed at the option of the utility, and customers will be charged at the General Metered Service Rate thereafter.

END OF APPENDIX B

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## APPENDIX C

Schedule No. 3

### DRINKING WATER STATE REVOLVING FUND LOAN UNDEVELOPED LOT CHARGE

#### APPLICABILITY

Applicable to undeveloped lots within the service territory of Bass Lake Water Company.

#### RATES

A service fee to provide for reduction of the Drinking Water State Revolving Fund loan surcharge is chargeable to customers requesting future service to undeveloped lots. The service fee was authorized by Resolution No. W-\_\_\_\_\_

The service fee shall be the accumulated total of the surcharges provided for in Schedule No. 1 or Schedule No. 2, as applied to the property being furnished water service from the effective date of this advice letter to the date of connection. The maximum service charge shall be \$2,000. The service fee shall be due and payable upon connection of water service to the lot. The surcharge authorized by the Commission, as contained in Schedule No. 1 or Schedule No. 2 will apply thereafter.

END OF APPENDIX C

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## BASS LAKE WATER COMPANY ADVICE LETTER NO. 71 SERVICE LIST

Hillview Water Company  
Attn: Roger Forrester  
PO Box 2269  
Oakhurst, CA 93644

Broadview Terrace Mutual Water Company  
PO Box 1454  
Oakhurst, CA 93644

Yosemite Spring Park Utility Company  
Attn: Layton Gillette, General Manager  
[layton@yloa.org](mailto:layton@yloa.org)

Madera County  
Public Works  
[mcpublicworks@madera-county.com](mailto:mcpublicworks@madera-county.com)

Cody and Joy Taylor  
[Candjtaylor@sbcglobal.net](mailto:Candjtaylor@sbcglobal.net)