

CALIFORNIA PUBLIC UTILITIES COMMISSION

Small Water Company Advice Letter Filings for Financing

Decision 93-11-066 allows Class C and Class D water utilities to meet the requirements of Public Utilities Code §§ 816-830 and Rule 33 of the Rules of Practice and Procedure, to the extent necessary, to permit Class C and Class D water utilities to seek approval of utility loans through the advice letter process.

Other than filing for approval through an advice letter rather than a formal application, Class C and Class D water utilities should follow all of the other requirements of PU Code §§ 816-830, General Order 96-A, and Rule 33 of the Rules of Practice and Procedure.

A sample draft advice letter, which a Class C or D water company should follow when filing for approval of loans, is attached. Following the format of this sample advice letter will satisfy the requirements of PU Code §§ 816-830 and General Order 96-A. After you have completed the draft advice letter, send a copy to the Commission's Advisory and Compliance Division's Water Branch and we will assist you in preparing the customer notice after we have completed our review of the draft advice letter.

For loans that will NOT be Safe Drinking Water Bond Act (SDWBA) loans, there will need to be public notice (including dollar amount and percentage of the expected rate impact of this debt). For less than 10% eventual rate impact, a legal notice is adequate. For more than 10%, individual notice to customers is required. This requirement is for Class C and D water utilities seeking approval for a loan with or without a concurrent surcharge. We will assist you in preparing the newspaper and customer notices after we have completed our review of the advice letter.

To assist the staff in analyzing the request, all Class C and D water utilities may be required to file some or all of the information listed in the attached Supplemental Data Request. After an advice letter is filed, the Finance Branch will contact the utility if the additional information is necessary.

For your convenience, the following are also attached:

Rule 33 of the Rules of Practice and Procedure,
PU Code §§ 816-830, and
General Order 96-A.

If the request is for a Safe Drinking Water Bond Act Loan (SDWBA), Class C and D water utilities should file the information listed in the attached Safe Drinking Water Bond Act Loan Supplemental Data. This information is required before an advice letter for a Safe Drinking Water Bond Act loan can be processed.

For SDWBA loans, the Class C or D water utility will arrange a mutually agreeable date for a public meeting with your customers to explain the plant improvements program and proposed rate surcharge. Representatives from the Department of Health Services, the Department of Water Resources may attend this meeting to help you to explain this loan program to your customers. A notice will need to be published in a local newspaper advising the customers that the loan advice letter has been filed and announcing the date of the public meeting. A notice of the meeting will also need to be sent to each customer at least 15 days prior to the public meeting. We will assist you in preparing the newspaper and customer notice after we have completed our review of the draft advice letter.

Example of a Draft ADVICE LETTER Seeking Authority for Financing
(Size 8 1/2" x 11")

(Name of Utility)

Advice No. _____

_____ (Date)

Public Utilities Commission of the State of California;

_____ hereby requests authority for the following financing, pursuant to Sections 816 and 851 of the California Public Utilities Code and Decision 93-11-066.

[Description of financing authority being sought].

The proceeds of the loan will be used for the following purpose:

[PURPOSE]

The proceeds of this loan will not be used for operating expenses.

[For Safe Drinking Water Bond Act (SDWBA) loans: (Name of Company) proposes to establish a balancing account which would be credited with revenues collected through the proposed surcharge and any interest on deposits. The balancing account would be charged with payments of interest, trustee fees (if any), and principal on the loan. The surcharge would be adjusted, when authorized by a Commission resolution, to reflect changes in the number of connections and overages and/or shortages in the balancing account.]

This filing will not increase any rate or charge, cause the withdrawal of service nor conflict with other schedules or rules [or if requesting a concurrent surcharge: This filing will increase rates after the execution of the loan, but will not cause the withdrawal of service nor conflict with other schedules or rules. Name of Water Company] hereby submits for filing the following changes in its tariff schedules:

Cal P.U.C.

Sheet No.

Title of Sheet

Canceling]

[LIST]

It is desired that this filing become effective on [specify the desired effective date.] The effective date of the revised rate schedule (if any) would be the date of the execution of the loan, and would apply only to service rendered thereafter.

Anyone wishing to protest this filing may do so by letter or telegram to the California Public Utilities Commission, FINANCE BRANCH CHIEF, Room 3105, 505 Van Ness Avenue, San Francisco, CA

Example of Advice Letter
9-94

94102. The protest must be received by the Commission no later than 20 days after the date of this filing. A copy shall also be mailed to the attention of the undersigned at [Name of Company], [water company's address]. There is no restriction on who may file a protest, but the protest must set forth specifically the grounds on which it is based.

In compliance with Section III, Paragraph G of General order 96-A, we are mailing a copy of this advice letter to the following utilities and/or interested parties:

[LIST]

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping open for public inspection at the Company the Advice Letter plainly stating the changes to be made and the time when the changes will take place.

[For SDWBA loans: If this loan is approved, a copy of the loan contract with the State Department of Water Resources will be filed with the Commission as soon as it is available.]

[Name and Title of Utility Officer]

[Name of Utility]

cc: CPUC, SF - Attn: Chief, Water Branch

CALIFORNIA PUBLIC UTILITIES COMMISSION

SUPPLEMENTAL DATA REQUEST
Small Water Company Advice Letter Filings for Financing

The Finance Branch of the Commission Advisory and Compliance Division requests that each Class C and D water utility file the following supplemental information with each advice letter requesting authority for financing. This information will assist staff in analyzing the advice letters.

- A. Construction Authorization (include the decision or resolution number authorizing the construction), if any.
- B. Construction Budget, and if prior authorization for construction has not been acquired, a detailed justification for each budget item.
- C. When monies from the financing authority requested are to be used to refinance existing debt:
 1. A list of the debt to be refinanced, including:
 - a. Interest rates,
 - b. Balance Owed,
 - c. Current monthly payments;
 2. Projected monthly payments after refinancing; and
 3. A list of all projected refinancing costs and fees.
- D. Cash Flow Statements using the format provided in Attachment A (must cover current year and at least one future year).
- E. When seeking financing for capital expenditures that have been made previously from moneys expended from income or other moneys in the treasury, include:
 1. Description of the construction or other capital expenditure;
 2. Source of funds that were used;
 3. Periods when the expenditures were made; and
 4. The reason the expenditure needs to be financed.
- F. An income statement for the most recent calendar year or twelve-month fiscal period.
- G. List of Assets and Loans (provide recorded date) using the format provided in Attachment B. Also list any shareholder loans and any amounts of owner or shareholder equity.

- H. A letter from the water utility owner or president attesting that neither the water utility nor the owner nor any employee of the water utility has an ownership interest in the lender, or is involved in a partnership or joint venture with the lender.
- I. A schedule showing the effect of the projected surcharge (if any), on a per month basis, for each type of customer.
- J. The terms and conditions of the proposed loan. A dated copy of the public notice (including dollar amount and percentage of the expected rate impact of this debt). For less than 10% eventual rate impact, a legal notice is adequate. For more than 10%, individual notice to customers is required.

ATTACHMENT A

MONTHLY STATEMENT OF CASH INFLOW AND OUTFLOW

	<u>Latest Recorded Year</u>			<u>Projected Year</u>		
	Jan	Feb.....	Dec	Jan	Feb.....	Dec
<u>Cash In:</u>						
Operating Gross Revenue	\$	\$	\$	\$	\$	\$
Sale of Equipment	\$	\$	\$	\$	\$	\$
Sale of Property	\$	\$	\$	\$	\$	\$
Proceeds from Approved Debt	\$	\$	\$	\$	\$	\$
Proceeds from Proposed Debt	\$	\$	\$	\$	\$	\$
CIAC	\$	\$	\$	\$	\$	\$
Advances	\$	\$	\$	\$	\$	\$
Facilities Fees	\$	\$	\$	\$	\$	\$
Connection Fees	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
TOTAL	\$	\$	\$	\$	\$	\$
<u>Cash Out:</u>						
Operating Expenses (1)	\$	\$	\$	\$	\$	\$
Purchase of Equipment	\$	\$	\$	\$	\$	\$
Purchase of Property	\$	\$	\$	\$	\$	\$
Payment of Debt (2)						
Loan # 1	\$	\$	\$	\$	\$	\$
Loan # 2	\$	\$	\$	\$	\$	\$
Loan # 3, etc.	\$	\$	\$	\$	\$	\$
Refunds of Advances	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
TOTAL	\$	\$	\$	\$	\$	\$
	=====					

Notes:

(1) Do not include in these operating expenses depreciation or any other expense where there is only an accounting entry and no direct outlay of cash.

(2) Include both the payment of principal and interest here.

ATTACHMENT B
ASSETS AND LIABILITIES

Total Assets	\$	=====
Debt:		
Balance Owed Loan # 1	\$	
Balance Owed Loan # 2	\$	
Balance Owed Loan # 3	\$	
Total Liabilities	\$	=====

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA

From General Order 96-A

NUMBER OF COPIES. (III B.) Each submission of advice letter and tariff sheets shall be in quadruplicate. One copy will be returned to the utility.

CONTENTS OF ADVICE LETTER. (III C.) The advice letter should list the sheet numbers and titles of all tariff sheets being filed, together with the sheet numbers of all sheets being cancelled.... The letter should give essential information as to the reasons for the filing and the date on which the tariff sheets are proposed to become effective. Advice letters shall call attention to each increase or decrease in rate or charge, or change in condition which may result in an increase or decrease...

In the case of an increase authorized by a Commission decision, reference to the decision number in the advice letter authorizing such increase shall be given.

If the tariff schedules as filed will result in an increase or decrease in revenues, the advice letter should give an estimate of the annual revenue effect thereof. Such estimate should be by areas, schedules and classes of customers where practicable.

NUMBERING OF ADVICE LETTERS. (III D.) Advice letters should be numbered chronologically beginning with No. 1 for the first such letter submitted by a public utility for each class of utility service rendered, except that a single series of advice letters may be used for telecommunications services combined in the same tariff schedules.

SYMBOLS. (III E.) When any change is proposed on a tariff sheet, attention shall be directed to such change by an appropriate character along the right-hand margin of the tariff sheet utilizing the symbols set forth in the preliminary statement.

NOTICE. (III G.) At the time of making a tariff filing with the Commission, each... water utility shall furnish a copy of the advice letter and a copy of each of the related tariff sheets to the following:

1. Competing utilities either privately or publicly owned.
2. Adjacent utilities either privately or publicly owned.
3. Utilities, either privately or publicly owned, having requested such notification.
4. Other interested parties having requested such notification.
5. In the event of increases not previously authorized by Commission order,... affected customers where practicable, or in lieu thereof, a statement in the advice letter of other means of notification of said customers. Utilities requesting authority to increase rates by advice letter filing in accordance with Section VI shall give written

notification to each customer of the present and proposed rates, including the increase in dollar and percentage terms and a brief statement of the reasons the increase is sought or required. The customer shall be informed that he may communicate with the Commission regarding the proposed increase not later than fifteen days after the date of distribution of the notice...

PROTEST. (III H.) A protest must be made by letter or telegram and received not later than 20 days after the date of the tariff filing. On the same date a protest is made to the Commission, the protestant shall serve a copy of the protest by mail on the subject utility. The utility shall respond in writing to such protest within 5 business days after its receipt and shall serve copies of its response to the protest by mail on each protestant and the Commission.

The protest shall set forth specifically the grounds upon which the protest is based, including such items as financial and service impact.

ADVICE LETTER SUPPLEMENTS. (III I.) An advice letter supplement may be filed for relatively minor changes to the original advice letter, such as: modifications to respond to a protest; ... a clarifying change in language; or request of a later effective date for the tariff. Such advice letter supplement shall have the same number as the original advice letter with an "A" suffix; shall be served on all parties who were served with the original advice letter; and the supplemental filing will not automatically extend the effective date stated in the original advice letter unless requested in the supplement. A supplemental advice letter will be rejected if filed on or after the effective date of the tariff. The Commission staff has the responsibility to either accept the advice letter supplement or, where significant changes are proposed, to require the utility to file an entirely new advice letter.

SUBSTITUTE TARIFF SHEETS (III J.) Substitute tariff sheets are allowed in order to make minor changes due to typographical errors or other errors that are insignificant in impact. At the discretion of the staff such substitute tariff sheets may be filed without being served on the parties receiving the original advice letter.

WITHDRAWAL. (III K.) Utilities are permitted to withdraw their advice letter by writing to the Commission stating the reason for withdrawal. The withdrawal letter must be received by the Commission prior to the effective date of the tariff. The Commission will return one copy of such withdrawal sheets (stamped "Withdrawn") to the utility with a letter approving the withdrawal. Withdrawn tariff sheets shall be retained in the utility's file of cancelled and superceded sheets, and sheet numbers and advice letter numbers of withdrawn filings shall not be reused.