

LUKINS BROTHERS WATER COMPANY

2031 West Way, So. Lake Tahoe, CA 96150

Telephone (530)541-2606

October 16, 2017

Advice Letter No. 71-W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

LUKINS Brothers Water Company, Inc. (LUKINS) hereby transmits for filing one original and one copy of this advice letter.

REQUEST

By Advice Letter (AL) #71-W, LUKINS hereby requests authority to borrow up to \$2,200,000 from Plumas Bank, other financial institutions, or from the State Water Resources Control Board (Water Board) to address the contamination of its groundwater supplies with Tetrachloroethylene (PCE).

LUKINS requests that the Commission approve and issue a Resolution:

- 1) Granting LUKINS all necessary authority to borrow up to \$2,200,000 from financial institutions and to encumber the utility's assets in connection with the loan(s).
- 2) Granting LUKINS authority to institute a monthly surcharge to its ratepayers to pay up to \$2,200,000 loan(s) for a period of 20 years as may be required by the lender(s).
- 3) Stating that loan proceeds may be used to finance construction cost and cost of issuance.
- 4) Granting LUKINS the authority to refinance the bank or financial institution loan(s) should the Water Board, at a later date, approve a construction loan, grant or a takeout loan under the State Revolving Fund (SRF) or another similar funding source.
- 5) Granting such other and additional relief as the Commission may deem appropriate.

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This loan request is made pursuant to Sections 816 through 851 and other relevant sections of the Public Utilities Code and the requirements of General Order 96-B.

Decision 93-11-066 authorized Class C and D water utilities to file to incur long-term debt by advice letter rather than by formal application. The intent was to speed up the granting of loan authorizations.

BACKGROUND

LUKINS immediately notified the Commission regarding the PCE contamination of its groundwater supply when it was first discovered in LUKINS' Well Nos. 2 and 5 in July 2014. LUKINS is in the process of securing funding for a Granular Activated Carbon (GAC) Water Treatment Plant through the SRF from the Water Board. The proposed funding from the Water Board will consist of SRF grants and loans. The GAC Water Treatment Plant will help to address the PCE contamination impacting LUKINS' water system.

As a first step in the process of securing funding for the construction of a GAC Treatment Plant, the Water Board requires completion of the design and permitting phases. LUKINS has engaged Resource Concept Inc. to complete the design and permitting, which will be submitted to the Water Board upon completion. A SRF loan will provide the construction and/or take out financing for the GAC Treatment Plant project. The Water Board has been receptive and cooperative with LUKINS' funding request applications for the GAC Treatment Plant to solve, in part, its contamination problem. The Water Board is reimbursing LUKINS for the costs of the treatment plant design and permitting with a \$137,000 Proposition 1 grant. The grant is scheduled to be disbursed any time now. The Water Board sent the grant agreement to LUKINS on July 13, 2017. LUKINS promptly signed and returned the agreement to the Water Board to be processed for payment.

LUKINS now would like to secure a bridge loan with a bank instead of waiting for an SRF construction loan to be finalized because of the extensive processing time it takes to complete the SRF loan process. It is long and tedious. To date, the Water Board has yet to indicate when the construction loan will be funded and disbursed. Only the design and permitting costs are being funded under the current grant, three years after the Water Board first received LUKINS' application. Because its groundwater resources are contaminated with PCE, LUKINS has been buying water from the South Tahoe Public Utility

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District since July 2014. LUKINS needs to address the PCE contamination in its wells through a GAC Treatment Plant as soon as possible to reduce the cost of purchased water.

LUKINS is actively engaged in the Regional Water Quality Control Board's investigation into the source of the PCE impacting its groundwater supplies, and has engaged a law firm specializing in groundwater contamination litigation to aid LUKINS in its efforts.

TIER DESIGNATION AND REQUESTED EFFECTIVE DATE

This AL and the enclosed tariff sheets are submitted pursuant to General Order (GO.) 96-B. AL 71-W is designated as a Tier 3 AL and the enclosed tariff sheets will become effective upon a Commission resolution.¹

NOTICE

A copy of this AL has been served to all parties listed on the service list² on the last page of this AL. This filing will not cause withdrawal of service nor conflict with any other schedule or rule.

The utility shall inform its customers, by bill insert of the proposed loan and the surcharge to repay the loan expressed in dollar and percentage terms and by publication in a newspaper of local circulation.

RESPONSE OR PROTEST³

Anyone may respond to or protest this advice letter. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

1. The utility did not properly serve or give notice of the advice letter;
2. The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;

¹ GO. 96-B, Water Industry Rule 7.3.3

²GO. 96-B, Water Industry Rule 4.1

³ GO. 96-B, General Rule 7.4.1

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3. The analysis, calculations, or data in the advice letter contain material error or omissions;
4. The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
5. The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
6. The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require relitigating a Prior order of the Commission).

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility.

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. DWA must receive a response or protest via email (or postal mail) within 20 days of the date the AL is filed. The addresses for submitting a response or protest are:

Mailing Address:

California Public Utilities
Commission
Water Division, 3rd Floor
505 Van Ness Avenue
San Francisco, CA 94102

Email Address:

Water.Division@cpuc.ca.gov

On the same day the response or protest is submitted to DWA, the respondent or protestant shall send a copy of the protest to LUKINS at:

Mailing Address:

LUKINS BROTHERS Water
Company
2031 West Way
South Lake Tahoe, CA 96150

Email Address:

jennifer@lukinswater.com

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Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform DWA, within the 20 day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

REPLIES

The utility shall reply to each protest and may reply to any response. Each reply must be received by DWA within five business days after the end of the protest period, and shall be served on the same day to the person who filed the protest or response.

CERTIFICATE OF SERVICE

I hereby certify that the service list from Advice Letter No. 71-W has been served a copy of this advice letter on October 16, 2017.

Executed in South Lake Tahoe, California on October 16, 2017.

Lukins Brothers Water
Company

By: /s/ DANNY LUKINS

Danny Lukins
President

Enclosures