

A QUICK EXPLANATION

Here is a brief grant project update and origin of the Public Notice in this mailing:

The good news is that, at long last, we have completed our \$14 million worth of grant projects that includes 3 state-of-the-art water treatment plants, a combined total of 1.5 million gallons of additional water storage for Oakhurst and Raymond, and 5 new wells which produce a total of 700+ gallons of water per minute. As of Friday, March 1, 2019, all facilities were cleared by Waterboards to go on line.

More good news is that we received grants for all those projects so Hillview customers didn't have to pay any of that \$14 million, but we received a couple of significant surprises with the completion of these amazing new projects.

The first surprise, to everyone, was that the 2018 Tax Cuts and Jobs Act (the "new tax law") included language that requires all public water systems to pay taxes on grant money. No one saw this coming.

A second surprise was that there has been a "glitch" in the California state government that prevents the state from temporarily paying some \$1.2 million owed to the companies who have built the water treatment plants and other facilities. Hillview, therefore, has to "temporarily" pay that money until the state can work out their "glitch." We worked diligently to not have this happen but this is what we're required to do. We, therefore, need to take out a bridge loan to get the money to pay the contractors, until the state can reimburse us.

The bottom line is that we are asking the California Public Utilities Commission for permission to establish surcharges to repay a loan for the taxes on the project grants and the payment of the project contractors, until the state can write the checks. The attached Public Notice explains the details.

Ralph Fairfield
Compliance and Resource Officer
Hillview Water

NOTICE OF PROPOSED WATER RATE INCREASE

Hillview Water Company (HWC) has requested authority from the California Public Utilities Commission (CPUC) to add a surcharge on each customer's bill to provide funds adequate to service debt payments on borrowings utilized to pay costs related to the construction of water treatment facilities to remove uranium, arsenic, nitrate, iron and manganese from the groundwater pumped by HWC.

HWC applied for and received approval for grant funds from Proposition 50 and Proposition 84. The total estimated cost to construct the required treatment facilities is approximately \$14,000,000. A portion of these grant funds received by HWC will be subject to income tax as a result of the 2018 Tax Cuts and Jobs Act ("the new tax law"). Additional grant funding to pay the income tax on the taxable portion of the grant proceeds is not available. HWC has requested authority from the California Public Utilities Commission to obtain a loan to pay the unanticipated taxes due as a result of the new tax law. This is identified as the "Primary loan". The proposed Primary loan surcharge will be used to make the loan payments on the portion of the loan attributable to the income tax payment.

HWC has also requested approval to obtain additional loan funds to be used to pay construction costs for the water treatment plant that will ultimately be reimbursed by the State of California (State Water Resources Control Board) when internal issues at the granting agencies are resolved. The additional loan funds are identified as the "Secondary loan". The Secondary loan will be repaid as soon as the grant funds are released to HWC.

To provide for the principal, interest, and fees HWC proposes the following surcharges that will be in direct proportion to the capacity of each customer's meter or service connection assuming a 25 year fully amortized loan at 6% interest per annum.

Estimated Surcharge

<u>Size of Meter</u>	<u>Primary Loan Surcharge Per Month</u>	<u>Secondary Loan Surcharge Per Month</u>	<u>Total Surcharge Per Month</u>
5/8" x 3/4"	\$ 5.12	\$ 3.00	\$ 8.12
3/4"	\$ 7.68	\$ 4.49	\$ 12.17
1"	\$ 12.79	\$ 7.49	\$ 20.28
1-1/2"	\$ 25.59	\$ 14.98	\$ 40.57
2"	\$ 40.94	\$ 23.97	\$ 64.91
3"	\$ 76.76	\$ 44.93	\$121.69
4"	\$127.94	\$ 74.89	\$202.83
6"	\$255.88	\$149.78	\$405.56

The current monthly bill for 3/4-inch metered customer using approximately 14 ccf of water would increase from \$119.89 to \$132.06 or 10.2%.

The monthly surcharge to be imposed during the 25-year term of the Primary loan is estimated to generate \$166,423.00 annually. Approximately 90% of HWC's metered customers have 3/4" connections.

The monthly surcharge to be imposed during the 25-year term of the Secondary loan is estimated to generate \$97,418.00 annually. When SWRCB resolves its reimbursement

problems and the payment to contractors is resumed, HWC would use receipt of all the reimbursement amounts as payments to the Secondary loan. The Proposed Secondary loan surcharge will be temporary in nature and terminated as soon as the outstanding contractor's costs plus loan costs are fully liquidated.

Once the Secondary loan is paid off, the monthly bill for a 3/4-inch metered customers using approximately 14 ccf of water would decrease from \$132.06 to \$127.57, a decrease of 3.4%.

The Commission staff will make a thorough investigation of the utility's request. Following the investigation, the Commission may grant the utility's request in whole or in part or may deny it. It may also order the utility to charge surcharge rates different from those shown in this notice.

California law requires the company to show to the Commission's satisfaction that the surcharge is justified before it may implement the surcharge. Customers who would like to call the Commission's attention to any concerns about their water service or who would like to provide any other information or comments regarding this requested increase should write to the Commission.

Protests and Responses

A protest is a document objecting to the granting in whole or in part of the authority sought in this advice letter filing. A response is a document that does not object to the authority sought but nevertheless presents information that the party tendering the response believes would be useful to the Commission in acting on the request.

A protest must be mailed within 20 days of the date of this notice. A protest must state the facts constituting the grounds for the protest, the effect that approval of the advice letter might have on the protestant and the reasons the protestant believes the advice letter or part of it is not justified. If the protest requests an evidentiary hearing, the protest must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the advice letter.

There are two ways to respond to this notice. You may send a protest to the CPUC and, if you do, you must send a copy of the protest to the utility, or you can send a response to the CPUC.

All protests or responses to this filing should be sent to both of the following addresses and should mention that they pertain to Hillview Water Company, Advice Letter No. 119A:

California Public Utilities Commission
Water Utilities Division, Room 3106
505 Van Ness Avenue
San Francisco, CA 94102

Fax: (415)703-2655

Email: water_division@cpuc.ca.gov

James F. Foster
Manager
Hillview Water Company
40312 Greenwood Way
P.O. Box 2269
Oakhurst, CA 93644

Phone: (559)683-4322

Comments must be sent no later than twenty (20) days after the date of this notice.

If you have not received a reply to your protest from the utility within 10 business days, contact James F. Foster at (559)683-4322.

Further information may be obtained from the utility at its business office or from the Commission at the above address.