

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 16th  
day of June, 1995.

In the matter of the application of Loma Linda )  
Estates, Inc., d/b/a Loma Linda Water Company, to ) Case No. WF-95-101  
enter into a loan agreement not to exceed \$35,000. )  
)

In the matter of Loma Linda Water Company's tariff )  
revision designed to increase rates for water service ) Case No. WR-95-337  
pursuant to the Commission's informal rate procedure. )  
)

**ORDER APPROVING FINANCING AND TARIFF SHEET**

On September 27, 1994, Loma Linda Estates, Inc., d/b/a Loma Linda Water Company (Loma Linda), filed an application requesting authority to enter into a loan agreement to borrow an amount not to exceed \$35,000 to install meters for all of its customers. Case No. WF-95-101 was established to consider this application. The loan would be secured by plant and equipment, would bear an interest rate of nine percent or less, and would be amortized over 48 months or less. The installation of meters was ordered in Case No. WA-92-187.

On September 27, 1994, Loma Linda filed a letter requesting an increase in rates of \$10,000 for water service under the Commission's small rate case procedure. 4 CSR 240-2.060(8). On April 28, 1995, Loma Linda filed a proposed tariff to implement a rate increase of \$8,756. This tariff was the result of an audit by Commission Staff. Case No. WR-95-337 was established to consider the tariff filing.

Cases No. WF-95-101 and WR-95-337 were consolidated by Commission order issued May 9, 1995. On June 5, 1995, Commission Staff filed a memorandum concerning both cases. In the memorandum Staff recommends the granting of the authority to borrow \$35,000 and the approval of the rate increase.

Based upon the file in Case No. WR-95-337 the Commission will approve the tariff sheet which will increase annual revenue for Loma Linda by \$8,756. This tariff is based upon a Staff audit and is agreed to by the company and the Office of Public Counsel. Based upon residential usage of 7,000 gallons per month, a customer's bill will increase, approximately, from \$18.19 to \$22.78 per month.

The Commission finds that a local hearing is not warranted based upon Staff's memorandum. Staff indicates that it received four telephone calls and one letter concerning the proposed tariff, as well as complaints based upon Loma Linda's original request. Staff indicates that it resolved those complaints dealing with service, and the other complaints concerned the amount of the rate increase. Staff also indicates that Loma Linda has completed the meter installation and the costs of installation have been included in the rate increase.

Staff has also recommended approval of the loan request. Staff indicates that the loan will be for a private placement through a local bank. The approval of this loan will increase Loma Linda's debt from 9.01 percent to 25.83 percent and decrease equity from 90.99 percent to 74.17 percent. Staff states that this should not change Loma Linda's financial risk and that Staff's cash flow analysis indicates that the rate increase approved in Case No. WR-95-337 is necessary to ensure sufficient cash flow to cover debt payments.

The Commission has considered the loan request and will grant Loma Linda authority to borrow \$35,000 at a rate of nine percent or less as requested in its application. Since the Commission ordered the installation of meters, this loan is required to cover the cost of complying with the Commission's order. In addition, the Commission finds that the proceeds are reasonably necessary for the purposes specified in the order and are not, in whole or in part, reasonably chargeable to operating expense or income.

The Commission would note that since this loan and rate increase are the result of a Commission requirement to meter all customers, which is based upon its Staff's recommendation, the benefits of the meter installation presumably are greater than the costs to the company of installing the meters and repaying the loan. Staff should evaluate its requirement that meters be installed to ensure that the benefit from meters outweighs the cost to customers and the company from their installation. Some type of cost/benefit analysis should be performed before recommending that meters be installed.

**IT IS THEREFORE ORDERED:**

1. That the tariff sheet filed on April 28, 1995, by Loma Linda Estates, Inc., d/b/a Loma Linda Water Company, is hereby approved for service on and after June 27, 1995. The tariff sheet approved is:

P.S.C.No. No. 1  
1st Revised Sheet No. 4, Cancelling Original Sheet No. 4

2. That Loma Linda Estates, Inc., d/b/a Loma Linda Water Company, is hereby authorized to borrow up to \$35,000 under the conditions specified in the application.

3. That Loma Linda Estates, Inc., d/b/a Loma Linda Water Company, is hereby authorized to take the actions necessary to execute the loan approved in Ordered Paragraph 2.

4. That Loma Linda Estates, Inc., d/b/a Loma Linda Water Company, shall file journal entries showing the receipt and disbursement of the proceeds from the loan approved in Ordered Paragraph 2.

5. That this order shall become effective on the 27th day of June,  
1995.

BY THE COMMISSION

A handwritten signature in cursive script, reading "David L. Rauch".

David L. Rauch  
Executive Secretary

( S E A L )

Mueller, Chm., McClure, Kincheloe  
and Crumpton, CC., concur.