

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
 COMMISSIONER SMITH
 COMMISSIONER HANSEN
 COMMISSION SECRETARY
 COMMISSION STAFF
 LEGAL**

FROM: JOHN R. HAMMOND

DATE: OCTOBER 30, 2003


**SUBJECT: IN THE MATTER OF THE APPLICATION OF CAPITOL WATER
 CORP. TO USE MONEY IN A SURCHARGE ACCOUNT TO RETIRE A
 LOAN EARLY. CASE NO. CAP-W-03-1**

On September 30, 2003, Capitol Water Corp. filed an Application requesting Commission authorization to use money in a surcharge account to retire a loan early. Capitol Water states that it has \$100,000 in a surcharge account. The Company says this became possible because of two factors, the entire amount of the surcharge two loan has not been borrowed and the interest rate on it was reduced from 7% to 5.65%. Capitol Water proposes to use the money in the surcharge account to retire the surcharge one loan early. The Company states that this loan is expected to be paid August 1, 2004. The amount to pay this loan off is about \$63,000. The Company states that this would leave more than \$40,000 to satisfy surcharge two's obligations and surcharge one's uses for phosphate purchases, power, etc. The Company contends that by retiring surcharge one early, it believes that money can be saved on the interest charges and consumers' bills. The Company requests the Commission approve its Application quickly because it contends it is in the best interest of ratepayers.

INITIAL ANALYSIS BY COMMISSION STAFF

The Commission Staff has reviewed Capitol Water's Application and discussed it with the Company. In this process the Commission Staff has found possible issues with the Company's request. Accordingly, the Commission Staff requests that the Commission issue Notice of this Application and process this matter by Modified Procedure. In the Notice the Commission Staff requests that the Commission provide that all interested persons and parties

may submit written comments on the Company's Application within twenty-one (21) days of the Notice.



John Hammond

bls/M:CAPW0301_jh