

Decision No. 46181

In the Matter of the Application of	)	
POMONA VALLEY WATER COMPANY	)	Application No.32463
for authority to raise rates and charges	)	
-----	)	
Investigation into the operations and	)	
service of CLARA BLUM BARTLETT, dba Pomona	)	
Valley Water Company, in connection with a	)	Case No. 5231
public utility water system at Los Serranos	)	
Village, near Chino, San Bernardino County	)	

Steiner Larsen, for applicant; Leslie L. Heath,  
for Dr. Phillip Stephens, Mr. and Mrs. Horace  
Kincaid, Mr. and Mrs. John T. Foy, Mr. and Mrs.  
W. K. Sprott, Mr. and Mrs. H. G. Miller,  
Mr. Seth Venie, Mrs. Frances Schlessinger;  
Melvin Shaw and Mrs. Chester Miller, in propria  
persona; Lovel Sisil, ranch manager, for  
Carl O. Jelm; Clyde F. Norris and A. L. Gieleghem,  
for the Commission Staff.

OPINION IN APPLICATION No. 32463  
FIRST SUPPLEMENTAL INTERIM OPINION IN CASE No. 5231

Clara Blum Bartlett, an individual, doing business as Pomona Valley Water Company, owner and operator of a water system, by the above-entitled application filed June 5, 1951, seeks authority to increase rates for domestic and irrigation water service at Los Serranos Village, near Chino, San Bernardino County, California.

The matter of the Commission's investigation was instituted by its order dated September 19, 1950, with the stated purpose to determine (a) the adequacy and sufficiency of the water supply available to, and the distribution thereof by, applicant, and (b) the feasibility at this time, or in the future, of attaching new or additional domestic or agricultural services to applicant's water system. By its Decision No. 45056 dated November 28, 1950,

in Case No. 5231, the Commission issued an interim order which continued in effect those certain restrictions placed upon the furnishing of water to new or additional consumers by applicant, contained in paragraph 2 of the order, in Decision No. 44500 dated June 30, 1950, in Case No. 5196, except for the lifting of the restrictions with respect to two specific consumers.

Q.2.2. An adjourned public hearing in Case No. 5231 was held before Examiner Warner in Chino, California, on July 18, 1951, at which time further evidence was taken, and the matter was continued. ~~Another~~ <sup>A</sup> ~~Adjourned hearing in~~ Case No. 5231 and a hearing in Application No. 32463 were consolidated for hearing on August 17, 1951, before Examiner Warner at Chino, California, at which time the matter of Application No. 32463 was submitted, and the matter of Case No. 5231 was continued to a date to be set.

In Decision No. 45056 the Commission, among other things, found that, due to litigation, during 1950 and the early part of 1951, contesting applicant's title, she was unable financially to carry out certain plans and specifications for the repair and rehabilitation of her water system as outlined by her in compliance with the Commission's order in Decision No. 44500.

Q.1.2. At the hearing in July, 1951, evidence was adduced to the effect that the ~~before referred to~~ <sup>previous documents</sup> title, and all other, litigation against the Pomona Valley Water Company had ceased, and that full title now rested in Mrs. Bartlett. However, the witness Bartlett and others testified that, due to the unfavorable earnings position of Pomona Valley Water Company, as discussed hereinafter, she had been unable to effect the necessary financing either with private banks or with insurance

companies or the Reconstruction Finance Corporation in order to purchase the necessary equipment to place the water system in sound operating condition. She further testified that the estimated cost for effecting such installations had risen, and that her estimated financial needs had thereby increased from a minimum of approximately \$50,000 in 1950 to between \$75,000 and \$100,000 in July of 1951.

With respect to the current operating condition of the water system, Richard P. Mogle, a witness for Mrs. Bartlett, testified at the August, 1951, hearing, that the bowls in the Pellissier well had ~~been~~ <sup>been</sup> to be lowered three times during the last year due to a decline in the water level in the area. This witness testified, and Exhibit No. 2 shows, that the total tested production capacity of the three wells producing water for applicant's system is as follows:

<u>Well</u>	<u>Capacity in Gallons per Minute</u> <u>Per Exh. No. 2*</u>
Jelm	98
Junior Republic	472
Pellissier	<u>587</u>
Total	1,157

\* As tested August 15, 1951, by Southern California Edison Co.

The witness Mogle further testified, however, that until Mrs. Bartlett is able to obtain financial assistance, and to rehabilitate the water system, particularly with respect to the replacement of the redwood stave transmission line across the golf course, and to replace the distribution mains in Tract No. 1932, thereby relieving the low pressure and poor service conditions in that area of the water system, his recommendation would continue to be that the water service extension restrictions imposed by Decision No. 45056 be continued in effect.

With respect to the three tracts of the Don Lugo Corporation, viz., Tracts Nos. 2650, 2562, and 2576, San Bernardino County, the witness Fisher asked again that the restrictions on the furnishing of additional water service therein be lifted. It appears from the record that under the terms of contracts between the former owners of Pomona Valley Water Company, Pomona Valley Resort Water Company, and Don Lugo Corporation, dated October 22, 1946, January 15, 1947, and March 29, 1947, applying to the subdivider's advances for service extension construction in Tracts Nos. 2576, 2562, and 2650, respectively, copies of which were filed at the August 1951 hearing as Exhibit No. 7, Mrs. Bartlett would now be required to refund \$141.98 per additional consumer in Tract No. 2576, \$139.54 per additional consumer in Tract No. 2562, and \$148.28 per additional consumer in Tract No. 2650 each time a service connection is made in said subdivision until the advance in said subdivision is paid in full. The amounts originally advanced by Don Lugo Corporation are as follows: Tract No. 2576, \$11,090.90; Tract No. 2562, \$4,967.12; Tract No. 2650, \$3,159.27. When asked if he would be willing to attempt to renegotiate said contracts to provide that refunds would be made to the subdivider out of 35% of the gross revenues deriving from the service extensions into a subdivision, over a 10-year period, Fisher stated that he would be unwilling to do so. He testified, however, that he would be willing to give Mrs. Bartlett a one year moratorium on the making of refunds for each service extension into the tracts of the Don Lugo Corporation, and that he would attempt to sell a water meter with each house, thereby relieving the water company of that capital expenditure. The Balance Sheet dated June 30, 1951, filed as Exhibit No. 1, showed Subdividers Advances in the

amount of \$11,341.57, and the record shows that this is primarily composed of advances by Don Lugo Corporation to the water company. It is obvious that the making of refunds under the present contracts should be deferred until applicant's earnings position has improved to the extent that adequate financing of the entire water system operations can be obtained.

The witness Bartlett testified that the rate increase application herein being considered, which contains a straight-across-the-board 100% requested increase in all water rates, was filed in an attempt to improve applicant's earnings position. The following is a comparative summary of applicant's present and proposed rates:

POMONA VALLEY WATER COMPANY  
COMPARISON OF PRESENT AND PROPOSED RATES  
Schedule No. 1

<u>GENERAL METERED SERVICE</u>		<u>Present Rates*</u>	<u>Proposed Rates</u>
<u>Quantity Charge:</u>			
First	800 cu. ft., per 100 cu. ft.....	\$0.25	\$ 0.50
Next	1,200 cu. ft., per 100 cu. ft.....	.20	.40
Next	3,000 cu. ft., per 100 cu. ft.....	.15	.30
Next	20,000 cu. ft., per 100 cu. ft.....	.10	.20
Next	25,000 cu. ft., per 100 cu. ft.....	.05	.10
<u>Minimum Charge:</u>			
For	5/8 x 3/4-inch meter .....	\$2.00	\$ 4.00
For	3/4-inch meter .....	2.25	4.50
For	1-inch meter .....	2.75	5.50
For	1 1/2-inch meter .....	4.00	8.00
For	2-inch meter .....	6.00	12.00

\* Present rates of Pomona Valley Water Company established by Decision No. 37803, dated April 17, 1945, in Application No. 25834.

Schedule No. 2

<u>FLAT RATE DOMESTIC SERVICE</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
For one residence of 5 rooms or less on one lot of 7,500 square feet in area, or less, including irrigation of lawn, garden and shrubs .....	\$2.50	\$5.00
For each additional room .....	.20	.40
For each additional lot having an area of 7,500 square feet or less .....	1.50	3.00
For each additional 100 square feet of area irrigated in excess of 7,500 square feet on same lot or adjoining lot .....	.02	.04
For each additional residence on the same lot, when occupied .....	1.00	2.00
For irrigation of otherwise unimproved lots, \$0.02 per 100 square feet per month, where separate service connections are installed, minimum .....	1.50	3.00
For horses or cattle, per head .....	.25	.50
For separate service connection to stables or enclosures for horses, cattle or other livestock, minimum .....	2.50	5.00

Schedule No. 3

<u>FLAT RATE IRRIGATION SERVICE</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Golf course, throughout the year, per 100 sq. ft. ....	\$0.01	\$0.02
Irrigation of crops, gravity flow, per acre ft. ....	15.00	30.00

An accounting witness for applicant submitted as Exhibit No. 1, a Balance Sheet as of June 30, 1951, and a Profit and Loss statement for the period January 1, 1951, to June 30, 1951. The latter showed a net loss of \$2,451.18 for the period. An estimate of earnings for the year 1951, at the present and proposed rates, and a Schedule of Additions and Retirements to Fixed Assets since December 31, 1943, were also included in Exhibit No. 1.

A Commission staff engineering witness submitted a Report on an Investigation of the Operations of Pomona Valley Water Company, as Exhibit No. 4. This report included the recorded revenues and expenses of applicant for the years 1946 through 1950 and for the first six months of 1951, and estimates

of operating revenues and expenses for the fiscal year July 1, 1950, to June 30, 1951, on a normal basis, at both the present and the proposed rates.

The following tabulation is a summary of the information contained in Exhibits Nos. 1 and 4:

POMONA VALLEY WATER COMPANY  
SUMMARY OF EARNINGS

Item	Per Co. Exh. No. 1			Per PUC Exh. No. 4	
	Estimated			Estimated Fiscal Yr.	
	Year 1951			7-1-50 to 6-30-51	
	Recorded : 1-1-51 : to : 6-30-51 :	Present : Rates :	Proposed : Rates :	Present : Rates :	Proposed : Rates :
Oper. Revenues	\$ 4,515	\$ 8,430	\$16,282	\$11,988	\$23,976
Oper. Expenses	6,966	16,711	16,711	15,066	16,938
Net Operating Revenues	(2,451)	(8,281)	(429)	(3,078)	7,038

(Red Figure)

In discussing the condition of applicant's books, applicant's accounting witness stated that he had been employed by applicant for but one month, and that the amounts shown in Exhibit No. 1 were those shown on applicant's books of accounts without adjustments thereto. He stated that, in his opinion, it would be necessary to make many adjustments to applicant's books of account before the books would properly conform to the Uniform Classification of Accounts for Water Corporations prescribed by the Commission. With respect to the Profit and Loss Statement for the period January 1, 1951, to June 30, 1951, he stated that certain items of expense for power bills, particularly with respect to those applicable to the Junior Republic well, could not be located, and that some expenses of the water company were being paid by the Los Serranos Country

Club, out of its bank account, with no expense being charged to the utility. This witness further testified that no charges had been rendered by the Country Club against the utility's accounts for the bookkeeper's salary, or the superintendent's and Mrs. Bartlett's services. Also, no charges were rendered against the utility for rent of office space, use of office machinery or public utilities, i.e. light, heat, water, and telephone. He also testified that certain legal expenses resulting from extensive court litigation and other legal matters, were not shown on the utility's books.

Applicant's accounting witness testified that he intended to set up and, in the future, keep applicant's books in accordance with prescribed accounting procedures, and applicant, herself, concurred in the intention to see that that is done.

In discussing Exhibit No. 4, the Commission staff witness testified that applicant has not been billing the Jelms account properly for water taken from the Jelms well under the terms of a contract dated December, 1947, between Gordon Bell et al, former owners and operators of Pomona Valley Water Company, and Carl O. and Henrietta Jelms, a copy of which was filed at the August hearing as Part 1, Exhibit No. 6. Under this contract Jelms was to receive one-third of the water produced from the well without charge, and was to be billed for any excess water delivered to him. The costs of operation of the well, including the power costs, were to be borne two-thirds by the utility and one-third by Jelms. The cost of drilling and constructing the well, including the cost and installation of a pump and motor were borne by Jelms; the well site being owned by the owners of the utility.

The Commission engineer further testified that deliveries of water to a lake located adjacent to, but not within applicant's



service area, likewise had not been billed properly in accordance with the terms of a contract dated January, 1948, between Gordon Bell, et al, former owners of Pomona Valley Water Company, and Harold V. and Helen M. Saffell, a copy of which was filed at the August hearing as Part 2 of Exhibit No. 6. Under this contract, water was to be sold to Saffell for the lake at the rate of one cent per hour-inch. The Commission engineer stated that no revenues had been received by applicant from this source whatsoever. It is evident that the free furnishing of this water for the lake has increased applicant's normal pumping power costs and applicant should either apply the contract rate or discontinue the service. Under the present arrangement, all other utility consumers are discriminated against and the utility loses the operating revenue, which, in conjunction with other losses of operating revenues, partially accounts for applicant's present financial stress.

The Commission engineer further testified that the billings by Pomona Valley Water Company to Los Serranos Country Club for water used by the latter on its golf course had not been made in accordance with the utility's filed schedules of rates with respect thereto, and that if such billings had been made properly the operating revenues from this account would have been about \$4,300 per year instead of \$1,200 as actually recorded on the company's books.

Concerning the operating expenses as recorded and as estimated, the Commission staff witness confirmed the testimony of applicant's witness in so far as it applied to the unrecorded expenses as between the Country Club and the utility, and the incorrect records, and accounting of other types of expenses in general. He stated that he had been unable to submit, for the Commission's consideration, an estimated rate of return due to the deficiencies in accounting procedures, the inadequacies of the

revenue billing methods and applications, the improper recording of the utility's operating expenses, and the uncertainties and contingencies affecting the determination of an estimated rate base. He stated that he had, however, submitted an estimate of the total operating revenues based on the assumption that proper billing practices had been applied, and of the total normal operating expenses based on the assumption that the water system was in good operating condition, including proper bookkeeping and accounting practices and prudent management, and that the contemplated capital expenditures for rehabilitation of the system had been made.

A Summary of Appraisal of Invested Capital, which includes the estimated original cost, plus overheads, of applicant's intangible and tangible capital as shown in Exhibit No. 23 in Application No. 25834, together with the adjustments, retirements, and additions and betterments to December 31, 1950, as included in Exhibit No. 4, the Commission staff report, shows the total fixed capital, as of December 31, 1950, to have amounted to \$100,264.62. The Commission staff engineer testified that an adjusted depreciation reserve in the amount of \$22,591.58 was established in 1945 on a 5% sinking fund basis in Application No. 25834, and that he had recomputed the depreciation reserve as of December 31, 1950, on a straight-line basis, using the lives as set up in Exhibit No. 23 in Application No. 25834, and the fixed capital as shown in Exhibit No. 4, with a resultant depreciation reserve as of December 31, 1950, in the amount of \$42,512.13.

It is evident from the record that applicant's normal operating net revenue after taxes and depreciation would be about \$7,000 per year under the proposed rates which would produce an excessive rate of return. It is considered, however, that applicant is in need of financial relief, and the order herein therefore will authorize the filing of a new schedule of just and reasonable rates.

The fixed capital that could reasonably be adopted  
under this operation follows:

Fixed Capital	\$100,265
Accrued Depreciation	<u>42,512</u>
Depreciated Capital	57,753
Advances for Construction	<u>11,342</u>
	46,411
Lowest Estimate of Necessary Additions to Rehabilitate the System to Provide Service	<u>50,000</u>
Total	96,411

It is estimated that a net revenue of \$5,600 will be produced by the rates established herein and will result in a return of 5.81% on the above-estimated fixed capital.

The record shows that if and when the water system is properly reconstructed, it is capable of supplying a much larger number of consumers than are presently being served. The imminent transfer of the State of California Women's Prison from Tehachapi to Chino should bring many new families into the community, many of which would be potential water consumers. After taking this and other residential development possibilities in the community into consideration, it is possible that within one year, if finances permit, the applicant should be able to serve, and be serving, approximately 500 consumers instead of the approximately 200 consumers as at present.

The Commission recognizes that under Mrs. Bartlett's operation the present water consumers have been, and are, receiving better water service than at any time in the history of the water system. While at the same time that it recognizes the severe service deficiencies complained of, the Commission also recognizes the existence of the difficult operating problems peculiar to this utility, particularly with respect to its litigation before the

courts, its several transfers of ownership, sometimes under what appear to have been unusual circumstances, and its resultant financial stress as indicated hereinabove. The addition of the water production from the Pellissier well to the system, together with the construction of the 8-inch transmission main from the Pellissier well, plus the many repairs made to the transmission system from the Jelm well and the Junior Republic well, to the booster station and across the golf course, all constitute beneficial steps taken by the present operator in the public interest.

The applicant should immediately conduct a consumer survey to determine that all accounts are being metered and billed in accordance with applicant's filed rate schedules, in order that all possible sources of revenue may be realized, and that no discrepancies and misbilling shall take place, and the Order herein will provide that such a survey be made at once.

With respect to the possible lifting of restrictions on the addition of new consumers, the Commission concludes that this would not be in the public interest at this time, and the matter of the Commission's investigation into the applicant's operations will be continued, looking toward a possible lifting of said restrictions upon the completion of the necessary and planned improvements to applicant's water system as outlined hereinabove.

ORDER IN APPLICATION NO. 32463  
FIRST SUPPLEMENTAL INTERIM ORDER IN CASE NO. 5231

Clara Blum Bartlett, an individual, owner and operator of Pomona Valley Water Company, a public utility, having applied to the Commission for an increase in water rates, a public hearing having been held, the matter having been submitted and now being ready for decision, and public hearings having been held in the matter of the investigation on the Commission's own motion into the operations of Clara Blum Bartlett, doing business as Pomona Valley Water Company, and that matter having been continued to a date to be set;

IT IS HEREBY FOUND AS A FACT:

1. That Clara Blum Bartlett, an individual, doing business as Pomona Valley Water Company, is still unable financially to effect certain plans and specifications for the repair and rehabilitation of the Pomona Valley Water Company which would materially improve the water company's operations, and that it would not be in the public interest to remove or modify the restrictions placed in effect by the Commission's Decision No. 45056 dated November 28, 1950; and
2. That the increases in rates and charges as authorized herein are justified, and that present rates, in so far as they differ from those hereinprescribed, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED:

1. That the restrictions placed upon the furnishing of water to new or additional customers by Clara Blum Bartlett, owner and operator of Pomona Valley Water Company, as contained in paragraph 2 of the order in Decision No. 44500, issued June 30, 1950, in Case No. 5196, and continued in effect with two exceptions by Decision No. 45056 dated November 28, 1950, be further continued in effect;
2. That applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, a schedule of rates as shown on Exhibit A attached hereto together with rules and regulations and tariff service area map acceptable to this Commission, and to make the rates shown in Schedules Nos. 1, 2, and 3 therein effective for service rendered on and after the effective date of this order.

3. That applicant shall conduct a consumer billing and metering survey to determine that all accounts are being metered and billed properly, and shall submit within ninety (90) days to the Commission, for its information, a report of the results of such survey.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 11<sup>th</sup> day  
of September, 1951.

R. T. [Signature]  
President.  
Justin D. [Signature]  
Benjamin [Signature]  
John E. [Signature]  
Commissioners.

EXHIBIT A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to metered water service for general domestic and commercial purposes.

TERRITORY

In and in the vicinity of Los Serranos Village, San Bernardino County, California.

RATES

Quantity Charge:		Per Meter Per Month
First	800 cu.ft. or less .....	\$3.00
Next	1,200 cu.ft., per 100 cu.ft. ....	.30
Next	3,000 cu.ft., per 100 cu.ft. ....	.225
Next	20,000 cu.ft., per 100 cu.ft. ....	.15
Over	25,000 cu.ft., per 100 cu.ft. ....	.075

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$3.00
For	3/4-inch meter .....	3.50
For	1-inch meter .....	4.50
For	1 1/2-inch meter .....	6.00
For	2-inch meter .....	9.00

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.

EXHIBIT A  
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Schedule No. 2

FLAT RATE DOMESTIC SERVICE

APPLICABILITY

Applicable to flat rate, domestic and commercial water service.

TERRITORY

In and in the vicinity of Los Serranos Village, San Bernardino County.

RATES

For one residence of 5 rooms or less on one lot of 7500 square feet in area, or less, including irrigation of lawn, garden and shrubs .....	\$3.75
For each additional room .....	.30
For each additional lot having an area of 7500 sq. ft. or less .....	2.25
For each additional 100 sq. ft. of area irrigated in excess of 7500 sq. ft. on same lot or adjoining lot .....	.03
For each additional residence on the same lot, when occupied .....	1.50
For irrigation of otherwise unimproved lots, \$0.03 per 100 square feet per month, where separate service connections are installed, minimum .....	2.25
For horses or cattle, per head .....	.375
For separate service connection to stables or enclosures for horses, cattle or other livestock, minimum .....	3.75

Meters may be installed at the option of the utility or the consumer for the above classification, in which event service will be rendered on the basis of the General Meter Rates.



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EXHIBIT A  
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Schedule No. 3

FLAT RATE IRRIGATION SERVICE

APPLICABILITY

Applicable to flat rate, irrigation water service.

TERRITORY

In and in the vicinity of Los Serranos Village, San Bernardino County.

RATES

Golf course, throughout the year, per 100 sq.ft.per mo. ..	\$ 0.02
Irrigation of crops, gravity flow, per acre foot .....	30.00