

ORIGINAL

Decision No. 72594

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of Pomona Valley Water Company,)	
a California corporation, for)	Application No. 46912
Issuance of Securities and for)	(Filed August 19, 1964)
Certificate of Public Convenience)	(Amended January 6, 1965)
and Necessity.)	

Donald E. Maroney, for applicant.
Raymond E. Heytens and Jerry J. Levander,
 for the Commission staff.

OPINION ON FURTHER HEARING

By Decision No. 69419, dated July 21, 1965, Pomona Valley Water Company was granted authority to acquire the public utility properties of Rolling Ridge Ranch (Ranch), and a certificate to serve additional territory. The requested stock issue and certain other matters were deferred in that decision pending preparation of original cost and depreciation reserve requirement studies applicable to the facilities to be acquired. The proceeding was reopened by Decision No. 71919, dated January 24, 1967; a further hearing was held before Examiner Main in Los Angeles on April 20, 1967, and the deferred matters are now ready for decision.

The Estate of Paul Greening, deceased, controls both the applicant and Ranch, the former through ownership of all its outstanding stock.

An original cost valuation summary of Ranch water assets as of December 31, 1963 was filed October 13, 1966 with the Commission in compliance with aforesaid Decision No. 69419.

This valuation represents in part known and in part estimated original cost. To develop the latter from a comprehensive earlier study, in which the assets were inventoried and costed as of December 31, 1957, reproduction cost new estimates were rolled back by Weber & Ficke indices to the dates of original cost. Plant additions and replacements made during the period January 1, 1958 to December 31, 1963 were included at actual cost. The valuation excludes the Ranch water system assets consisting of Lake Los Serranos and related facilities.

The staff had reviewed the aforesaid valuation, and, except for certain errors therein, did not take exception to the valuation procedure or its results. Applicant, in turn, stipulated that the valuation should be revised to eliminate duplications disclosed by the staff. The revised valuation is Exhibit IA herein and its results are summarized as follows:

Plant in Service

<u>Description</u>	<u>Original Cost</u>	<u>Depreciation Reserve</u>
Land	\$ 2,196	\$ -
Wells	32,887	7,527
Pump Buildings	7,993	3,162
Pump Equipment	47,855	14,369
Reservoirs and Tanks	19,288	5,266
Transmission and Distribution Mains	125,448	21,624
Services	7,648	1,654
Meters	4,494	788
Total Plant in Service	<u>247,809</u>	<u>54,390</u>

Other Physical Plant

Land	86	-
Wells	2,966	1,391
Pump Buildings	863	314
Pump Equipment	2,198	790
Reservoirs and Tanks	1,023	392
Total Other Physical Plant	<u>7,136</u>	<u>2,887</u>
Total Plant	254,945	57,277

Estimated Depreciated Original Cost of Total Plant as of December 31, 1963	\$197,668
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Exhibit 1A also includes the following breakdown of Plant in Service into original cost by service categories based on present use: Domestic only, \$21,031; irrigation only, \$44,769; combination domestic and irrigation, \$182,009. It should be observed that the facilities assigned to the combination use category serve predominantly irrigation water requirements.

The record indicates that the extent of future usefulness of Ranch water assets for domestic water service, especially the concrete transmission and distribution mains in gravity-flow systems, depends on the location of initial subdivisions and the rate of buildup in the area as it changes in character from rural to residential. Such appears to be the case because these aspects of future development influence costs of alternative types of transmission facilities which could be used to bring water supplies to distribution systems within subdivisions. The facility alternatives include pressurized feeder mains as replacements for gravity-flow transmission, booster-cistern plants supplied from gravity-flow pipelines, and a combination of the two types of installations.

The Ranch water assets designated as Other Physical Plant in the amount of \$7,136 consist of Wells Nos. 3, 8 and 10 and related equipment. These wells have been rendered inoperative by the lowering of the water table. Applicant anticipates that the Basin should recover eventually to the point where this plant may return to service as the result of more imported water coming into the area and contemplated replenishment programs.

Lake Los Serranos, an equalizing and storage reservoir consisting of 26 acres of land and a dam and its appurtenances, was originally included in the Ranch water assets to be acquired by applicant. Applicant and Ranch owners now propose, in lieu of

such acquisition, an agreement under which Ranch owners provide applicant with the right to use the lake and related facilities for so long as applicant continues in the water business and the lake is used and useful for the storage of water by applicant. The proposed agreement is Exhibit 3A herein.

Applicant renders irrigation water service under Schedule 3-ML, which by special condition 1 thereof is limited to customers having irrigation water service during calendar year 1964. Neither the staff nor applicant take exception to the rate levels in this schedule but the staff questions the need for the special condition which appears unreasonably restrictive and discriminatory. Applicant stipulated that this restriction should be removed.

The staff made recommendations concerning the stock issuance and related accounting matters which appear reasonable and will be adopted.

The Commission finds that:

1. The original cost and related depreciation reserve valuations of the water assets of Ranch as of December 31, 1963, set forth in Exhibit 1A herein, require adjustment for subsequent plant additions and retirements and for further depreciation to the date of actual transfer of said assets to applicant. The valuations thus adjusted would not be unreasonable and should be adopted for the purposes of the stock issue and accounting entries.

2. Applicant's request to use the book value of \$37 per share of its common stock as of December 31, 1963 for the purpose of the stock issue is not unreasonable and will be granted.

3. The resulting stock issue should not exceed 5,342 shares, based upon the estimated depreciated original cost of water assets of Ranch as of December 31, 1963, of \$197,668. If the depreciated original cost after the required adjustments exceeds \$197,668, the amount in excess thereof may be credited to capital surplus.

4. In the event the water system of Ranch is acquired by applicant the arrangement for the use of Lake Los Serranos provided for under the proposed agreement, Exhibit 3A herein, appears essential; applicant therefore will be authorized and directed to consummate this agreement upon such acquisition.

5. The extent to which the irrigation-oriented water system of Ranch, particularly the concrete transmission and distribution mains, would be used and useful for domestic water service as the area served becomes more residential in character is not determinable at this time.

6. The need for special condition 1 in Schedule No. 3-ML, Limited Measured Irrigation Service, restricting service thereunder to customers having irrigation service in calendar year 1964 is unsupported by the record herein.

Based on the foregoing findings the Commission concludes that the order in Decision No. 69419 should be supplemented to the extent set forth in the order which follows.

The issue of the securities herein authorized is reasonably required for the purposes specified herein and such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

Applicant and its shareholders are placed on notice that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates; in such proceedings substantial adjustments to utility plant for facilities acquired from Ranch which do not become used and useful for rendering domestic water service and to the related depreciation accounting may be appropriate.

ORDER ON FURTHER HEARING

IT IS ORDERED that:

1. After the effective date of this order Pomona Valley Water Company may issue not more than 5,342 shares of its no par value common stock in exchange for the water system assets of Ranch as of December 31, 1963, set forth in Exhibit 1A herein, together with related rights including easements and with subsequent plant additions; the actual number of shares to be issued shall be determined in the manner prescribed in the foregoing opinion.

2. Within ten days after the date of actual transfer of the water system of Ranch, applicant shall file with the Commission written notice of the date of transfer and a true copy of the instrument used to effect such transfer.

3. Within sixty days after the date of actual transfer applicant shall submit a statement of the proposed journal entries accounting for the water system acquisition, which was authorized by Decision No. 69419, and the stock issuance authorized herein.

4. Applicant shall file with this Commission a report or reports as required by General Order No. 24-B, which order, insofar as applicable, is made part of this order.

5. Upon acquiring the water system of Ranch, applicant is authorized and directed to enter into an agreement which conforms to Exhibit 3A herein concerning the use of Lake Los Serranos for water storage purposes and shall file with this Commission within sixty days thereafter a certified copy of the agreement as executed.

6. After the effective date of this order applicant is authorized and directed to file the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing.

7. Except as herein otherwise provided the order in Decision No. 69419 remains in full force and effect.

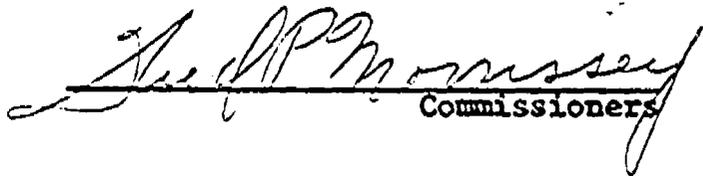
The authorizations herein granted will expire if not exercised within one year of the effective date of this order, which shall be twenty days after the date hereof.

Dated at San Francisco, California, this 22 day of JUNE, 1967.



President





Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 3

(T)

IRRIGATION SERVICE

APPLICABILITY

Applicable to all irrigation service.

TERRITORY

Irrigation service area, Los Serranos Village and vicinity, San Bernardino County.

(T)

RATES

Per Acre-Foot
Per Service Connection

Zone 1 Quantity Rates:

For gravity-flow deliveries	\$13.00
For pressure-system deliveries	25.35

Zone 2 Quantity Rates:

For pressure-system deliveries	26.35
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SPECIAL CONDITIONS

1. Zone 1 rates shall apply to that portion of the territory which is north of Little Chino Creek and the Flood Control Channel.

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2. Zone 2 rates shall apply to that portion of the territory south of Little Chino Creek and the Flood Control Channel, including golf courses of Los Serranos Country Club.

3. The minimum charge for each irrigation delivery shall be the charge equal to a delivery of one acre-foot at the applicable zone.

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