

Decision No. 85299

ORIGINAL

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 Authorization to Increase Its
Rates Charged for Water Service.

Application No. 55052
(Filed July 19, 1974;
amended March 17, 1975)

Maroney, Demchuk, and Brandt, by Donald
B. Maroney, Attorney at Law, for
applicant.
Robert Durkin and I. B. Nagao, for the
Commission staff.

O P I N I O N

Pomona Valley Water Company (Pomona), a California corporation, seeks authority by its amended application to increase water rates in order to increase operating revenues for test year 1975 from \$286,900 to \$379,000, an increase of \$82,100 or 27.65 percent annually over the rates in effect at the time of filing of the application. Approximately \$17,200 of this increase has been authorized by Resolution W-1777 dated July 29, 1975, to offset increased costs for gas, electricity, and wages. Resolution W-1777 granted the relief sought in Pomona's Advice Letter 27.

The amendment to the application shows that granting the requested rate relief would increase Pomona's net income from \$27,300 to \$66,700, which would yield a rate of return of 5.28 percent on Pomona's estimated 1975 rate base of \$1,263,300.

By letter dated March 20, 1975, the staff advised Pomona's president that the work papers relating to the amendment were incomplete and that a cost of service study requested in mid-February had not been received.

After notice public hearings were held in the city of Chino in San Bernardino County on April 17 and 18, 1975, and in Los Angeles on May 5 and 12, 1975, before Examiner Jerry Levander. Pomona and the staff each filed revised late-filed cost-of-service exhibits with the understanding that further hearings could be requested for the limited purpose of cross-examination on the late-filed exhibits. Pomona subsequently requested and was authorized to file a closing brief in lieu of further hearings. The staff waived the filing of a response to Pomona's closing argument and the matter was submitted on June 24, 1975.

History and Background of Pomona

Predecessor companies of Pomona first provided water service in the Los Serranos area near Chino in 1912. D.46881 dated March 25, 1952, in A.33189 authorized the consolidation of several water purveyors into Pomona.

Pomona acquired the water service facilities of Rolling Ridge Ranch (Ranch) in 1965 pursuant to authorization contained in D.69419 dated July 21, 1965, in A.46912. Pomona's stock and the Ranch facilities were owned by the estate of Paul Greening, deceased (Estate). Ranch operated several wells and utilized water pumped from Lake Los Serranos (Lake) in supplying two pressure irrigation systems, a domestic pressure system, and a gravity irrigation system. After the acquisition of the Ranch facilities Pomona's existing facilities were interconnected with those of Ranch. D.72594 dated June 9, 1967, authorized the issuance of stock for acquired Ranch assets based upon estimated valuations on an original cost basis and of recorded plant additions, less accrued depreciation. Lake, its dam, and certain

facilities were retained by Ranch subject to an agreement permitting Pomona to use Lake for water storage purposes. Water removed from Lake is used in irrigating the Los Serranos Golf Course.^{1/}

Pomona was authorized to acquire the assets of Southwest Chino Mutual Water Company (Mutual) in D.73047 dated September 12, 1967, in A. 48405..

The Commission required that separate records be kept on the Ranch^{2/} and Mutual systems because there were questions concerning the future usefulness of portions of the acquired plant, the limited utilization of acquired plant (e.g. 35 percent of the new service areas involved in the Mutual acquisition were undeveloped), and the ability of Pomona to absorb losses caused by acquisition of the systems. Estate was a major property owner within the acquired service areas.

Mutual obtained its water supplies from the Chino feeder line of the Chino Basin Municipal Water District (CBMWD), a member agency of the Metropolitan Water District (MWD). From 1968 to 1973 Pomona's CBMWD usage has increased from 180 acre feet to 806 acre feet. During the same period of time the quantity of water pumped from Pomona's wells has increased from 1,838 acre feet to 3,179 acre feet.

The presently interconnected pressure system has five distribution reservoirs with a storage capacity of 4,800,000 gallons which are utilized to provide service pressure to Pomona's customers.

1/ Estate was the lessor of this golf course in 1966.

2/ This requirement has been rescinded.

The number of residential customers Pomona served averaged 1,094 in 1968. Pomona served 2,132 general metered and irrigation customers as of December 31, 1974. Pomona also provides resale service to a mutual water company and to a county water works district, public and private fire protection services.

Results of Operations

The amended application contains a result of operations study for test year 1975. After cross-examination Pomona stipulated to all elements of the summary of earnings contained in the staff results of operation report for test year 1975.

Table 1 compares the amended estimate of Pomona and of the staff for test year 1975 at present rates,^{3/} at the rates proposed in the amended application, and sets forth the adopted summary of earnings for test year 1975 at present rates.^{3/} The adopted results modify the staff summary of earnings to reflect 1975 changes in the federal income tax law.

The differences between Pomona's amended showing and the staff are as follows:

- (a) The later and higher staff estimate of commercial revenues reflects later data including a higher estimate of numbers of customers than that contained in Pomona's estimate. The staff utilized 1974 temperature and rainfall conditions which approximated the average temperature and rainfall in the area in recent years. The staff did not utilize normalization in preparing its estimate because of a

^{3/} The rates in effect at the time of filing of the amendment to the application and prior to the August 3, 1975, effective date of the abovementioned offset rate relief.

Table 1
Summary of Earnings
(Estimated Year 1975)

	: Pomona Estimate		: Staff Estimate		: Adopted
	: Present	: Proposed	: Present	: Proposed	: at
	: a/	: b/	: a/	: b/	: Present
	: Rates	: Rates	: Rates	: Rates	: Rates
(Dollars in Thousands)					
<u>Operating Revenues</u>					
Commercial-Lower	\$ 210.7	\$ 269.7	\$ 240.0	\$ 302.3	\$ 240.0
Commercial-Upper	10.7	14.8	10.7	13.7	10.7
Resale	2.5	3.3	3.1	4.1	3.1
Irrigation -					
Gravity	13.2	16.9	5.6	7.2	5.6
Pressure I	3.6	4.5	.9	1.2	.9
Pressure II	17.7	22.1	20.3	25.3	20.3
Pressure III	.6	.8	-	-	-
Golf Course II	22.4	28.0	25.6	32.1	25.6
Golf Course III	13.8	17.2	14.6	18.2	14.6
Other	1.8	1.8	1.8	1.8	1.8
Total Operating Revenues	\$ 296.9 ^{c/}	\$ 379.0 ^{c/}	\$ 322.6	\$ 405.9	\$ 322.6
<u>Deductions</u>					
Operating Expenses ^{d/}	\$ 197.9	\$ 197.9	\$ 214.5	\$ 214.7	\$ 214.5
Taxes other than Income	33.7	33.7	38.3	38.3	38.3
Depreciation Expense	34.0	34.0	38.6	38.6	38.6
Income Taxes	4.0	46.7	4.3	48.0	3.0
Total Deductions	\$ 269.6	\$ 312.3	\$ 295.7	\$ 339.6	\$ 294.4
Net Oper. Rev.	\$ 27.3	\$ 66.7	\$ 26.9	\$ 66.3	\$ 28.2
Deprec. Rate Base	\$1,263.3	\$1,263.3	\$1,334.6	\$1,334.6	\$1,334.6
Rate of Return	2.16%	5.28%	2.02%	4.97%	2.11%

a/ Rates in effect prior to August 3, 1975.

b/ Per amended application.

c/ Does not add due to rounding.

d/ Not including Chino Basin Pumped Water Assessment established by S.B. No. 222.

recent change in the customer mix. The new customers' requirements are less than the previous system average. Trending the water usage of previously served customers to reflect customer growth would result in a distorted projection;

- (b) the staff estimates of irrigation sales, which broke out sales and revenues for each zone and type of delivery (i.e., gravity and pressure irrigation, and golf course irrigation) differ significantly from Pomona's estimates. The staff estimates were based upon a review of Pomona's meter books from 1970 to early 1975, 1973 to 1975 billing records, and a 1975 field investigation of selected irrigation meters. The staff witness testified that Pomona has misclassified certain deliveries; that large meters have been damaged by vandals and left without replacement for extended periods of time; and that possible errors in using large meter constants and insufficient testing of large meters may have resulted in underbillings;
- (c) the staff estimate at present rates does not include Pomona's billing surcharge for combination irrigation-domestic billings which are not now provided for in Pomona's tariffs. The staff recommends a refund of these unauthorized charges. The charges relate to modifications of the agricultural discount offered by CEMWD to Pomona;
- (d) monthly rather than single delivery minimum charges are applied to scheduled irrigation deliveries;

- (e) the staff estimate of water requirements is based upon its sales estimates and an allowance of 15 percent for unaccounted for water. Pomona's corresponding estimate has an allowance of approximately 18.8 percent for unaccounted for water. The amount of water unaccounted for since 1968 has exceeded 30 percent of the water delivered. The staff witness suggested that possible causes of the excessively high level of unaccounted for water are due to inaccurate production records, misread or stuck meters, broken mains, and substantial evaporation from Lake. Due to a falling water table the amount of water which can be produced from Pomona's wells is declining. Pomona's 1975 estimate for pumped water is 3,143 acre feet (AF) and its estimate for purchased water is 907 AF. The corresponding staff estimate of 2,700 AF for pumped water and 1,045 AF for purchased water reflects the abovementioned loss in productive capacity. The staff points out that Pomona has properly claimed the agricultural discount for all water purchased from CBMWD and that the discount does not apply to golf course usage;
- (f) both Pomona and the staff used the Southern California Edison Company electric rates in effect on January 1, 1975. The staff used a later estimate as to Southern California Gas Company rates namely those in effect on April 1, 1975. The staff estimate is based upon electrical requirements of 1,427,500 kilowatt hours and gas engine requirements of 137,600 thermal units. The staff estimate includes the surcharge on electric bills of 0.01 cents per kwh for the State Energy Resources Conservation and Development Special Account. Pomona jointly owns a well with an irrigator.

Pomona and the co-owner of the well prorate costs based upon electric consumption during the scheduled irrigation usage of the well. The staff correctly deducted the allocated power costs for this well from operating expenses. Pomona showed the receipts as revenues. Pomona and the staff reduced pumping expenses related to the excess quantity of unaccounted for water;

- (g) Payroll Costs. The amended application reflected a wage increase as of January 1, 1975. The staff rolled the April 1, 1975, wage increase back to January 1, 1975, for ratemaking purposes. The staff allocated 10 percent of the total labor charges to an affiliate for services performed and 10 percent for Pomona's capitalized labor costs;
- (h) the staff estimate utilized recent recorded data in estimating costs for customer account expense, administrative and general expense, and rental expense. The staff estimate gave consideration to the introduction of a proposed computerized billing system;
- (i) the staff's estimates of ad valorem taxes and depreciation expense, which are higher than those of Pomona, relate to later data on tax rates and on proposed plant construction;
- (j) in computing federal income taxes Pomona and the staff used straight line depreciation on plant not financed by advances for construction. Due to federal disallowances only that portion of advances for construction which have been refunded were considered for tax depreciation purposes. Neither estimate reflects the 1975 corporate income tax rates or allowable investment tax credits;^{4/}

^{4/} The accrued and deferred investment tax credits applicable to Pomona's operations were sufficient to eliminate any federal income tax expense for the years 1973 and 1974.

- (k) the staff estimate of rate base contains later estimates of utility plant and construction work in progress than that used by Pomona, shows the addition of contributed plant for an over-sized meter installed at the request of a resale customer, and adjusts advances for construction^{5/} to actual costs.

Pomona's gross revenues at present rates and at proposed rates are \$322,600 and \$405,900 respectively, an increase of \$83,300 (25.82 percent). The corresponding net revenues of \$28,200 and \$73,300 would yield overall rates of return on the adopted \$1,334,600 rate base of 2.11 percent and 5.49 percent.

Cost of Service Studies

Pomona and the staff employed different methodologies in their respective cost allocation studies. The cost allocation studies would tend to show, on a cost basis, whether any class of service was being asked to pay excessive rates to supply Pomona's total revenue requirements.

Pomona's witness considered changes in factors affecting cost of service since the 1968 test year staff study was found reasonable in D.75739 dated June 3, 1969, in A.50382. Pomona's methodology purportedly updated the above mentioned 1968 study, which contained allocations based on quantities of water delivered to three

5/ A developer agreed to contribute the costs of facilities to serve a commercial subdivision, Southwest Hills Center. Pomona requested retroactive approval of this transaction at the hearings. This approval should be granted. Pomona should secure Commission authorization in advance of execution of any future agreement deviating from its filed main extension rule.

domestic zones, to three irrigation pressure zones, and to a gravity irrigation zone, following a method described in a Commission staff manual.^{6/}

Pomona's original study, based upon its results of operations study, allocated operating expenses by ascertaining assignments to total irrigation service and allocated the remaining expenses to total commercial customers. Pomona's revised study (Exhibit 5-1) allocates the amounts contained in the staff summary of earnings.

The staff witness testified that Pomona's recorded data was not good and that the end result of projecting this data into an estimated year would result in a range rather than a precise determination of the cost of service.

The staff's original study allocated costs to a small residential customer class and combined the costs of the remaining commercial customers and of the irrigation customers into a single category. The revised staff study, Exhibit 18-1, split the latter category into miscellaneous, which includes all classes except small residential and irrigation, and irrigation services.

CEMWD permits its customers to take a discount for water sales made for specified agricultural uses. Certain customers of Pomona, whose usage falls under the CEMWD agricultural discount provisions^{7/} (e.g. dairies) are billed at commercial rates. Pomona's Exhibit 5-1 incorrectly allocated \$4,500 of purchased water expense for 150 AF of water to irrigation customers for this type of commercial sale.

^{6/} The manual outlined several cost allocation methods including studies made on a judgmental basis.

^{7/} The usage for Pomona's irrigation-golf course customers does not fall under the CEMWD agricultural discount provision.

The staff allocation of purchased water, purchased power, and other operating and maintenance expenses segregated out gravity irrigation expenses and allocated pressure system expenses by zones following estimated water sales plus unaccounted for water volumes^{8/} by zone. Pomona's purchased power for irrigation allocation is the sum of the product of the average power costs per AF from four wells times the required irrigation supply and 76 percent of the power cost of a booster pump. There are 12 pumping units on the Pomona system.

Pomona's allocations to irrigation service for pumping labor and pump maintenance expenses are based upon costs for the abovementioned five of its pumping units. Pomona's estimates of other transmission and distribution expenses for the irrigation class are based upon the ratio of irrigation water delivered to total deliveries, modified to eliminate expenses of maintenance of reservoirs and tanks. This modification was made because the major irrigation customers (i.e. the golf courses) have independent storage facilities with a capacity of 25 AF which would minimize their demands on Pomona's storage.

Pomona originally did not allocate water treatment expenses to irrigation service purportedly because there was no benefit to the class. However, treated water is supplied to irrigation customers and the combination domestic-irrigation services require potable water. Exhibit 5-1 shows the effect of allocating treatment costs to irrigation customers.

^{8/} Unaccounted for water estimates were eight percent of small residential sales, 15 percent of miscellaneous sales and 18.6 percent of irrigation sales.

Pomona's entire system is integrated except for the gravity irrigation system. The staff approach for purchased power, pumping labor, pumping equipment maintenance, and water treatment expenses should be modified to more nearly equalize the allocation of unaccounted for water between small domestic and miscellaneous uses. Pomona's estimates of the remaining transmission and distribution expenses are reasonable.

Pomona's \$400 allocation of customer expenses, based upon numbers of customers, does not address itself to the extra expenses associated with scheduled water deliveries. The staff's \$3,000 allocation is excessive.

Pomona allocated administrative and general expenses on a percentage of customers basis and allocated rents on the pro rata proportion of other expenses. This rent allocation results in an excessive assignment to the irrigation customers.

The allocations of depreciation expense for book purposes and ad valorem taxes would be increased for the small residential and miscellaneous customers along with the decrease in the irrigation rate base discussed hereinafter.

The staff treatment of income taxes for cost allocation purposes differs from that utilized in the staff results of operation report (see item (j) on page 8, supra) in that a theoretical basis was utilized to increase the tax depreciation and investment tax credit to the maximum that Pomona "could be assured of winning in a reasonable tax court". Pomona is not taking tax depreciation or the ITC on unrefunded advance balances where the facilities were installed pursuant to main extension contracts.

The staff witness was critical of applicant for not seeking a maximum profit from its operations as evidenced by a low rate of return and an operating loss for irrigation service. It is not known whether the owners of Pomona still have residual holdings which would be affected directly by increased irrigation rates. The water rate level applicable to the Los Serranos Golf Course could be a factor in lease negotiations involving the golf course.

The staff witness assumed higher earnings for the irrigation class in making his initial tax allocation to the small residential class. He then allocated the residue of the total income tax contained in his results of operations study to the remaining classes of service.

There is merit to certain aspects of the staff engineer's approach but we cannot accept the preferential weighting inherent in his treatment nor do we have an adequate record to determine whether the increased deductions proposed by the staff are in fact reasonable.

As noted in footnote 4 supra Pomona paid no federal income taxes in 1973 and 1974. Pomona should at least exhaust administrative review procedures within the Internal Revenue Service to lessen potential tax liability associated with a return on its investment. The 1975 tax law should lessen the tax liability for all classes of service.

Pomona's allocations of rate base, depreciation expense, and property taxes are the products of the average of two ratios and the total allocated item. The first ratio is a commodity factor based upon sales by class of customer. The second ratio, a demand factor, is based upon meter equivalents, a weighting of meters by size times the numbers of meters.

This method is not an update of the cost allocation, Exhibit 7-A, adopted in Decision No. 75739. In that study the corresponding allocations included customer and commodity components modified to assign all advances for construction to domestic service.

The staff allocations of rate base were made on a judgmental basis beginning with allocations of utility plant in service. Estimated 1975 irrigation water sales volumes of 1,685 AF are approximately 88 percent of 1,966.1 AF adopted quantity for test year 1968.

There has been a continuity of irrigation service for several years. Changes in acreage irrigated, weather variations, and discontinuance of irrigation service have affected the sales volumes. The 1968 irrigation sales volumes were 71.4 percent of total sales. The 1975 estimated irrigation sales volumes are 51.8 percent of total sales.

Pomona's 1975 irrigation rate base estimate of \$446,420 is approximately 71 percent of the corresponding \$625,670 adopted 1968 rate base assignment. Pomona's irrigation rate base estimate, modified to assign all advances to domestic service would be \$611,500, approximately 98 percent of the 1968 rate base assignment. The corresponding staff irrigation rate base estimate of \$552,000 is approximately 88 percent of the adopted 1968 amount.

The tabulation on the following page shows meter size^{9/} information contained in Pomona's 1968 and 1974 annual reports. Almost all of the 150 new customers added in 1975 will be served by small meters.

^{9/} Not all of which are active.

Meter Size	End of Year Meters		Increase
	1968	1974	
5/8x3/4 ^{a/} and 3/4 ^{a/} inch	1,021	1,926	905
1 inch	49	115	66
1 1/4 inch	10	9	(1)
1 1/2 inch	28	23	(5)
2 inch	45	66	21
3 inch	5 ^{b/}	4	(1)
4 inch	17 ^{c/}	15	(2)
6 inch	4	6	2
8 inch	3	3	0
10 inch	1	1	0
Total	1,183	2,168	985

a/ Pomona does not differentiate between the two sizes.

b/ Includes 2-3x1 compound meters.

c/ Includes 2-4x1 compound meters.

The reasons for employing the methodologies used by both Pomona and by the staff in deriving their respective irrigation rate bases are unclear.

Elements of the staff cost of service study appear to offer promise for expeditiously analyzing the reasonableness of a proposed rate design. However, an adequate written explanation of a new conceptual approach with sufficient review time is necessary to test all of the elements of such a study. The limited oral testimony explaining the methodology of the single paged Exhibit 18 (which was to be carried forward in late-filed Exhibit 18-1) did not afford such an opportunity.

Pomona's counsel was unable to cross-examine after the staff explanation of Exhibit 18 had been completed and he wished to avoid the expense and delay of further hearings. The disposition of this proceeding could have been more expeditious had the record been more fully developed.

We are unable to arrive at a definitive rate base allocation between classes of service on this record. It appears that the staff allocation did not give adequate consideration to both the changed irrigation deliveries and to the growth in non-irrigation customers since 1968 in allocating irrigation rate base. The result of this is that the staff irrigation rate base is overstated.

While a precise determination modifying the staff allocated results of operation to the various classes cannot be established on this record the thrust of the abovementioned modifications would be to decrease the rate of return on the non-irrigation classes. The excessive 14 percent rate of return for the small residential class shown in Exhibit 18-1 would decrease to a rate of return within the range of reasonableness. The rate of return for the miscellaneous class of customer would be reasonable. The rate of return for the irrigation class would be negative at proposed rates. Pomona's overall rate of return is low. Any near-term general rate increase filed by Pomona should give consideration to the discussion on cost of service considerations enunciated above and any increase should be primarily focussed on the irrigation class of customer and to golf courses and to a lesser extent on the larger general service customers. We are not prescribing a specific cost allocation method.

Rate Design

Pomona is proposing new general metered rates containing a restructuring of the rate blocks which would result in an above average increase for the small users. The staff engineer did not see the justification for Pomona's proposed restructuring of rate blocks.

The rate design we will authorize for general metered service will reflect the fact that revenues from the small domestic user will yield the highest rate of return on the system. We will not increase the rate for the minimum quantity of 8 Ccf contained in the present tariffs, which includes the offset relief authorized by Resolution No. W-1777 dated July 29, 1975. However, in order to equitably spread the increase within the general metered class it will be necessary to consolidate certain rate blocks and to add a tailblock rate for usage in excess of 500 Ccf. The owners of individual residences within the large trailer parks served by Pomona should benefit from this tailblock.

Adopting the staff proposal consolidating the resale customers within the upper zone general metered service schedule at this time would result in disproportionate increases to these customers.

The staff recommends that the irrigation tariffs be broadened to include the lower zone commercial users (e.g. dairies) qualifying for the MWD agricultural discount under Pomona's irrigation tariff; that meter minimum charges for irrigation service be eliminated as no customers presently qualify under this usage; that a flat rate additional charge for combined irrigation and domestic service be established equal to the quantity and price differential contained in MWD's then effective rules.

These recommendations should be implemented except for the broadening of the irrigation class at this time. Such a broadening in this proceeding would adversely affect the small residential users. The combined domestic-irrigation service should be limited to residences now receiving such service.

The charge for one AF for each scheduled delivery has not been enforced. Pomona has charged this amount as a monthly minimum to its financial detriment. A monthly minimum charge for one AF of usage is reasonable. The authorized tariffs contained in Appendix A herein will conform the irrigation tariff with the practice.

The staff proposes that a special condition be added permitting Pomona to establish the appropriate meter size and type for each irrigation service. Pomona contends that this is now being done. This proposal, which relates to the oversizing situation previously discussed, should be augmented.

The staff proposes to restrict irrigation service to the lower zone with one gravity class and one pressure class. It would be reasonable to consolidate Zone I and Zone II pressure irrigation deliveries. However, a schedule should remain available for Zone III in the event that any customers desire irrigation service in that area.

The staff proposes to include the two golf courses in the current commercial tariffs by modifying the tariff definitions, by establishing a 500 Ccf tailblock, and by adding appropriate special conditions which will authorize scheduled deliveries of nonpotable water to the golf courses.

Since golf course usage is not subject to MWD's agricultural discount and general metered service is potable the appropriate treatment would be to establish a special limited schedule applicable to the golf courses. This schedule should reflect the zone differential between the two golf courses and the agricultural discount differential.

Staff Review of Pomona's Operations

The staff accountant detailed the results of his investigation of Pomona's books and records (Exhibit 7) and made the following recommendations regarding Pomona which we find reasonable:

- (a) Complete details in the plant ledger as to locations and dollar value of major items of plant;
- (b) adjust utility plant and the reserve for depreciation to reflect unrecorded retirements and adjust the reserve for depreciation where certain retirements were not in accordance with the uniform system of accounts; reclassify a back-up engine out of utility plant in service and into materials and supplies and reclassify a nonoperative engine as other physical property;
- (c) adjust accounts receivable to show certain underbillings;
- (d) make a study to determine the proper amount of administrative and general expense to be capitalized;
- (e) institute a work order system;
- (f) record charges to Mr. Van Vliet on Well No. 1 as reductions in purchased power;
- (g) request Commission approval for any proposed deviations from the main extension rule prior to finalizing the agreement;
- (h) provide fully supported detailed cost breakdowns for all services rendered by an affiliated company to Pomona;
- (i) expense tools, drills, rainwear, and like items rather than capitalize them due to the difficulty in maintaining an accurate inventory of these items.

Applicant leases communications equipment from Ranch. The cost of the leased equipment in 1965 was \$6,907. Pomona pays rental charges of \$150 per month as rental and additional \$75 per month as a maintenance charge for the equipment. The staff suggests that Pomona consider the feasibility of purchasing the communications equipment. We will require Pomona to submit an economic study of the cost of leasing rather than purchasing its required communications equipment.

A staff engineer testified that when a customer requests a smaller meter Pomona occasionally reduces the minimum charge to that of the smaller meter requested and delays installation of the smaller meter for excessive periods of time, sometimes in excess of two years; that Pomona does not differentiate between 3/4 inch and 5/8x3/4 inch meters when a new customer is given service or when a meter is replaced, and that customers supplied through either the 3/4 inch or 5/8x3/4 inch meters are billed at the lower rates; that customers having combined irrigation and domestic service were billed an unauthorized charge during the period from 1972 through 1975 and that the net overcharge for these billings is approximately \$1,500 which should be refunded; that Pomona did not record a contribution for installing an over-sized meter at the request of a resale customer; that Pomona has not consistently adhered to its tariff schedule for measured irrigation service; that consumption is billed in units of 0.0001 AF rather than the AF provided for in the tariff; that Pomona has not charged the minimum for scheduled irrigation deliveries, which is applicable to all irrigation deliveries, at a rate minimum equal to the cost of one AF at the appropriate rate; and that Pomona has incorrectly charged meter minimum rates to the golf course services receiving scheduled deliveries.

He also testified that the quality of the water service provided by Pomona is excellent.

The staff engineer recommended that:

- (a) All sources of supply be metered with water meters so as to assure accurate reported water production;
- (b) that Pomona file a list of customers having over-sized meters and a program to properly meter all customers;
- (c) that all meters be read in units of AF or Ccf, as appropriate, and that a list be filed of all meters reading in other units together with a program to convert or retire these meters;
- (d) that authorization be granted providing for billing units of either 0.001 AF or Ccf for metering and billing of all customers and that these be the only units authorized for metering and billing of sales and that meter billings be truncated to these units with rounding not permitted;
- (e) and that records of sales revenues and customers be made by tariff classification and filed in annual reports to the Commission.

Pomona objected to metering the production of one well due to its inaccessible location in a body of water. Pomona should file a report to ascertain whether or not it is feasible to meter this well or to provide a telemetering of meter readings and/or water levels to more accurately measure production from this well.

Pomona converted electric meter readings on the Van Vliet well, supplying the gravity system, to production for billing purposes. The fluctuation of the water table is such that the annual efficiency test of this well constitutes a source of error in ascertaining production. The water production from this well should be accurately metered.

Pomona should supply a list of over-sized meters and its program for changing these meters to smaller sizes. The program should also set forth a schedule for replacing large meters damaged by vandalism and of malfunctioning meters. Pomona need not meter its gravity irrigation customers. It appears that Pomona is losing sizable revenues by its failure to promptly repair large damaged meters. We will not require Pomona to expeditiously replace meter registers reading in other units because of the added financial burden on the company but billings should be in the units specified below. However, we will require Pomona to file a schedule for the frequency of testing of 1 1/2 inch and larger meters. Pomona should install cubic feet or AF registers if repairs are necessary to meet the accuracy limitations set forth in General Order No. 103.

The staff proposal that billings be made in units of 0.001 AF would result in a billing precision of three to five cents for each unit as compared to a far larger revenue increment when Ccf billings are utilized. It would be reasonable to permit billings in units of 0.01 AF.

The errors in past recording practices of Pomona should be corrected and sales, revenues, and customers should be correctly classified in the annual reports filed with this Commission.

The staff engineer recommends that tariff minimums for the 5/8x3/4 inch meters and the 3/4 inch meters be consolidated and that the minimums for 1 inch and 1 1/4 inch be consolidated. The testimony supports the reasonableness of this proposal and it will be adopted.

The unauthorized charges for combined irrigation and domestic service and for the golf course meter minimum charges are more than offset by Pomona's failure to collect the one AF charge for each scheduled irrigation delivery. No refunds will be required. Pomona should record the contribution for the installation for the resale customer.

Findings

1. The adopted estimates set forth in Table I of operating revenues, operating expenses, and rate base for test year 1975 for the entire operation of Pomona for 1975 are reasonable.

2. Pomona's 1975 revenues at the amended proposed rates would yield total operating revenues of \$405,900 and an overall rate of return of 5.49 percent on an adopted rate base of \$1,334,600. This rate of return is not unreasonable.

3. Pomona is in need of additional revenues but the proposed rates set forth in the amended application are unreasonable.

4. It would be reasonable to establish a separate schedule for golf course service. It would be reasonable to review the expansion of the irrigation service schedule to include service to customers whose usage falls within the agricultural discount provisions of MWD's rules in a future proceeding.

5. It would be reasonable to combine the Zone I and Zone II irrigation rate areas. It would also be reasonable to establish a surcharge for combination domestic and irrigation service.

6. The authorized rates contained in Appendix A attached hereto should provide revenues of \$405,900, an increase of \$66,100 (19.5 percent) above the interim relief authorized by Resolution No. W-1777. The authorized revenues exceed the rates in effect at the time of the filing of the amended application by \$83,300 (25.8 percent).

7. The increases in rates and charges authorized by this decision are justified and are reasonable; and the present rates and charges, insofar as they differ from those prescribed by this decision, for the future are unjust and unreasonable.

8. The recommendations of the staff accountant described herein are reasonable and should be implemented.

9. Pomona should review its billing and recording practices to classify correctly sales revenues and customers by class and should record this information in its annual reports to this Commission.

10. Pomona should record the contribution for the installation of a meter for one of its resale customers.

11. Pomona should submit an economic study of the cost of leasing rather than purchasing its required communications equipment.

12. Pomona should accurately meter the water production from its wells. In the event that it is not feasible to meter the well located in a body of water, Pomona may discuss alternatives to metering to more accurately measure production from this well. Pomona should file a report setting forth its schedule for the metering of its wells and its scheduling for testing the accuracy of existing water production meters.

13. Pomona should supply a list of over-sized meters, the date requests for smaller meter sizes were made, and its program for changing these meters for smaller sizes. The program should set forth a list of large meters damaged by vandalism and of malfunctioning meters and a schedule for replacing or repairing such meters.

14. Pomona should file a schedule as to the frequency of its testing of 1-1/2 inch and larger meters.

15. Pomona should be authorized to deviate from its main extension rule by its receipt of a contribution in aid of construction rather than on advance for construction for the Southwest Hills Center. Any future deviations from the main extension rule should require advance approval from this Commission.

Conclusions

1. The application should be granted to the extent set forth in the order which follows.

2. Pomona should improve the adequacy of its accounting and operating procedures and report to the Commission on its compliance with the requirements set forth in Findings 8 to 14.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order Pomona Valley Water Company is authorized to file the new and revised rate schedules attached to this order as Appendix A and concurrently cancel and withdraw presently effective schedules for general metered service, irrigation service, and resale service. Such filing shall comply with General Order No. 96-A. The effective date of the new and revised schedules shall be four days after the date of filing. The new and revised schedules shall apply only to service rendered on and after the effective date thereof.

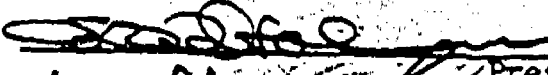
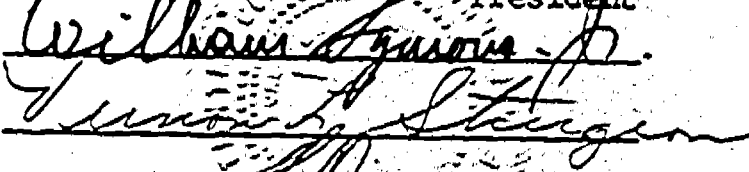
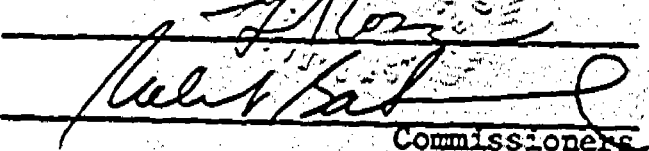
2. Pomona Valley Water Company shall carry out the requirements set forth in Findings 8 to 10 within sixty days after the effective date of this order. Pomona Valley Water Company shall file a description of the action it has taken pursuant to this paragraph within ninety days after the effective date of this order.

3. Pomona Valley Water Company shall file the reports described in Findings 11 to 14 herein within one hundred eighty days after the effective date of this order.

4. Pomona Valley Water Company is authorized to deviate from its main extension rule by its receipt of a contribution in aid of construction rather than an advance for construction for the Southwest Hills Center. Any future deviation from the main extension rule shall require advance approval from this Commission.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 6th
day of JANUARY, 1976.

 President
William Aguon

 Commissioners

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Page 1 of 8

Schedule No. L-1

Lower ZoneGENERAL METERED SERVICEAPPLICABILITY

Applicable to general metered water service.

TERRITORY

Lower Zone; Los Serranos Village and vicinity, San Bernardino County.

RATES

Quantity Rates:

		Per Meter Per Month	
First	800 cu.-ft. or less	\$ 4.10	
Next	4,200 cu.-ft., per 100 cu.-ft. ....	.56	(I)
Next	20,000 cu.-ft., per 100 cu.-ft. ....	.35	!
Next	25,000 cu.-ft., per 100 cu.-ft. ....	.18	
Over	50,000 cu.-ft., per 100 cu.-ft. ....	.16	(I)

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 4.10	
For	1-inch meter	10.00	(I)
For	1 1/2-inch meter	18.00	
For	2-inch meter	25.00	
For	3-inch meter	40.00	
For	4-inch meter	60.00	
For	6-inch meter	100.00	(I)

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

(Continued)

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Schedule No. I-1

Lower Zone

GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITION

The lower zone rates shall apply to that portion of the territory below the Carbon Canyon Boosters.

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Schedule No. U-1

Upper ZoneGENERAL METERED SERVICEAPPLICABILITY

Applicable to general metered water service.

TERRITORY

Upper Zone, Los Serranos Village and vicinity, San Bernardino County.

RATES

Quantity rates:		Per Meter Per Month	
First	800 cu.-ft. or less	\$ 4.60	
Next	4,200 cu.-ft., per 100 cu.-ft. ....	.58	(I)
Next	20,000 cu.-ft., per 100 cu.-ft. ....	.37	|
Next	25,000 cu.-ft., per 100 cu.-ft. ....	.20	|
Over	50,000 cu.-ft., per 100 cu.-ft. ....	.18	(I)

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 4.50	
For	1-inch meter	12.00	(I)
For	1 1/2-inch meter	21.00	|
For	2-inch meter	30.00	|
For	3-inch meter	46.00	|
For	4-inch meter	72.00	|
For	6-inch meter	120.00	(I)

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

(Continued)

Schedule No. U-1

Upper Zone

GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITION

The upper zone rates shall apply to the portion of the territory served water supplied through the Carbon Canyon Boosters.

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Schedule No. 3-M

MEASURED IRRIGATION SERVICEAPPLICABILITY

Applicable to all measured irrigation service except golf courses.

TERRITORY

Los Serranos Village and vicinity, San Bernardino County.

RATES

Per Acre-Foot
Per Service Connection
Per Month

Lower Zone Quantity Rates

For gravity flow deliveries	\$32.00	(I)
For pressure system deliveries	48.50	(I)

Upper Zone Quantity Rates

For pressure system deliveries	59.00	(I)
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SPECIAL CONDITIONS

1. The minimum monthly charge per connection (gravity or pressure) is the charge for one acre-foot of water at the applicable zone rate. (I)

2. For each residence served from the irrigation service as of the effective date of this schedule, there is a surcharge of \$1.85 per month. (N)

(Continued)

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Schedule No. 3-M

MEASURED IRRIGATION SERVICE

SPECIAL CONDITIONS—(Contd.)

3. Upper zone rates apply to the portion of the territory served water supplied through the Carbon Canyon Boosters. (T)

4. The utility will establish appropriate meter size and type for each irrigation service. (N)

5. The water supplied under this schedule which was formerly served by Rolling Ridge Ranch is untreated water. The company does not represent or guarantee that any water delivered hereunder, formerly served by Rolling Ridge Ranch, is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.

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Schedule No. 3-ML

(N)

GOLF COURSE IRRIGATION SERVICE

(N)

APPLICABILITY

Applicable to all measured irrigation service to golf courses.

(N)

TERRITORY

Los Serranos Village and vicinity, San Bernardino County.

RATES

Quantity Rates:

Per Acre-Foot
Per Service Connection
Per Month

Lower Zone
Upper Zone

\$57.15
67.65

(N)
(N)

SPECIAL CONDITIONS

1. The minimum monthly charge per connection is the charge for one acre-foot of water at the applicable zone rate. (N)
2. Upper zone rates apply to the portion of the territory served water supplied through the Carbon Canyon Boosters. (N)
3. The utility will establish appropriate meter size and type for each irrigation service. (N)
4. The water supplied under this schedule which was formerly served by Rolling Ridge Ranch is untreated water. The company does not represent or guarantee that any water delivered hereunder, formerly served by Rolling Ridge Ranch, is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith. (N)

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Schedule No. 6-ML

LIMITED METERED RESALE SERVICEAPPLICABILITY

Applicable to limited metered resale service.

TERRITORY

Upper Carbon Canyon and vicinity, San Bernardino County.

RATES

Quantity Rate:	Per Meter Per Month	
Per 100 cu.ft.	\$.23	(I)
Minimum Charge:		
For 1-inch meter	\$ 8.50	(I)
For 1½-inch meter	11.80	
For 2-inch meter	16.00	
For 3-inch meter	28.00	
For 4-inch meter	45.00	
For 6-inch meter	85.00	
For 8-inch meter	140.00	(I)

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

SPECIAL CONDITION

Service under this schedule shall be limited to service to San Bernardino County Water Works District No. 8 and Mountain View Park Mutual Water Company.