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Filed

NOV 9 1990

Decision 90-11-002 November 9, 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
the Southern California Water
Company for an order authorizing it
to increase rates for water supply
contingency plan improvements for
water service in its Barstow
District.

ORIGINAL
Application 90-02-070
(Filed February 27, 1990)

Thomas N. Harding, Attorney at Law, and
Susan L. Conway, for Southern California
Water Company, applicant.
Lawrence O. Garcia, Attorney at Law, and
Richard Tom, for the Commission Advisory
and Compliance Division.

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O P I N I O N

I. Summary

Southern California Water Company (SoCalWater) is authorized to purchase water and construct and place in service certain projects and improvements to augment the deficient water supply in its Barstow District. Certain planned and budgeted 1990 expenditures are ordered deferred. Those planned expenditures are used to partially offset the revenue requirement increase necessary for the water supply augmentation.

SoCalWater is authorized to record expenses related to litigation of Barstow area ground water rights in a memorandum account. The reasonableness of those expenses may be considered in a subsequent SoCalWater General Rate Case (GRC).

II. Background

SoCalWater filed this application seeking authority to construct and place in service specific water supply projects and system improvements to augment the existing supply and distribution systems in its Barstow District. These additions are intended to help alleviate the declining supply and deliverability now being experienced.

California is currently in its fourth year of below average precipitation. In addition to the drought effects, the Barstow area apparently is experiencing more severe supply problems due to the growth in population and associated water consumption of upstream communities such as Hesperia, Apple Valley, and Victorville.

Actual water deliverability has declined from the system design capacity of 19,700 gallons per minute (gpm), to 12,800 in

August 1989. The expected deliverability of August 1990 is 11,200 gpm, with the decline expected to continue unless supply and distribution improvements are made. The 1989 peak demand was 13,521 gpm. The 1990 peak demand is expected to increase somewhat over 1989 due mainly to increased customers.

SoCalWater seeks to recover the revenue requirement for these capital projects and appurtenances through rates. The original rate increase requested was \$237,500 or an 8.0% increase over present rates.

The proposed additions and associated costs follow:

<u>Item Number</u>	<u>Description</u>	<u>Dollars</u>
1.	Equip Crooks Well	\$109,400
2.	Equip Del Taco Well	75,000
3a.	Drill Well - North of Mojave River (Kenyon)	185,000
3b.	New Main from North of Mojave River (Kenyon)	300,000
3c.	Land Acquisition of Kenyon Property - 8 Acre Lot	50,000
4.	Jasper Booster Station	68,000
4a.	Booster Station Main Improvements	42,000
5.	Upgrade Soapmine Well No. 2	95,000
6.	Protection of Ground Water Rights	150,000
7.	Water Conservation Landscaping Project Site	25,000
8.	Land Acquisition of 2-40 Acre Parcels	50,000
9.	Transmission Main Improvements from Crooks Well	125,000
10.	Barstow Heights Low Pressure Problem	100,000
	Total Capital Additions	\$1,374,400

By letter to the Commission dated April 27, 1990, applicant updated its request to reflect an agreement with Paragon Companies (Paragon) under which applicant would purchase water from Paragon. This would increase purchased water expenses by \$188,800 and allow deferral of four of the water supply projects as follows:

2.	Equip Del Taco Well	\$ 75,000
3a.	Drill Well - North of Mojave River (Kenyon)	185,000
3b.	New Main from North of Mojave River (Kenyon)	300,000
8.	Land Acquisition of 2-40 Acre Parcels	50,000

The resulting revenue requirement increase is \$323,300 or 10.89% over present rates. The effect on an average monthly residential bill would be \$2.85 or an increase of 11.79%.

SoCalWater's current rates were set by Decision (D.) 89-01-043 in GRC Application (A.) 88-05-019. A step increase effective January 1, 1990 was authorized by Advice Letter No. 805-W.

III. Barstow District

A discussion of the Barstow District and the Mojave River system is necessary for an understanding of the need for emergency measures to augment water supply.

A. Geography

The Barstow District water system consists of three separate areas:

1. The City of Barstow and immediate vicinity.
2. The community of Lenwood, which is about seven miles west of downtown Barstow.
3. The Marine Corps Logistics Base.

The three areas have recently been interconnected. The Barstow District contains approximately 788,786 feet of distribution mains, ranging in size from one to 16 inches.

B. Operation

As of December 31, 1989 the Barstow District served 8,239 metered customers and 53 private flat rate fire protection customers. Approximately 99% of the metered customers are in the commercial classification, which consists of residential and business customers.

C. Water Supply

1. The Mojave River System

a. Physical Description

The Mojave River system is an underground river system in which water flows in a generally easterly direction from the north side of the San Bernardino Mountains near Hesperia to the Soda Lake area east of Barstow. The system consists of three basins at separate levels. It supplies all municipal, industrial, and agricultural needs in an area of about 1,000 square miles. The major communities served include Adelanto, Hesperia, Victorville, Apple Valley, the Helendale-Silver Lakes area, Barstow, Yermo, Daggett, and Newberry Springs.

Although water flows sequentially from the upper basin to the middle basin and then to the lower basin, the flow is very slow. As a result, upstream removal of large amounts of water significantly affects the supply downstream. As the water table declines, not only does deliverability decline, but water quality deteriorates.

b. Administration

The Mojave Water Agency (Agency) has the responsibility to administer the water resource, and is required to establish a water management plan for allocating the resource. The Technical Advisory Committee (TAC) of the Agency was formed to assist the

Agency in carrying out these duties. It is composed of a group of citizens, water purveyors, and well owners. TAC has met monthly for the past two years. However, since the TAC has not been able to reach a consensus, no water management plan has been developed, and the Agency has not carried out that requirement to date.

Eric Ziegler, City Manager of Barstow, believes that the lack of consensus is due to competing political interests of the TAC members. While conservation or rationing would appear to be helpful, there is fear among some parties including Ziegler that any attempt to restrict or ration water would severely impact economic development. No community appears ready to be the first to ration or adopt stringent measures regarding water use. At the present time, those who have access to more water upstream are apparently willing to take all they need, without apparent regard for the effect on downstream communities. The downstream communities feel their problem is caused by the upstream communities.

2. Demand for Water

The Barstow area has had population growth rates of approximately two percent per year, causing a slow but steady increase in water demand. However, as mentioned above, some of the upstream communities such as Hesperia have had explosive growth. This growth is in part caused by people willing to commute long distances to work in the Los Angeles Basin being able to obtain lower-cost housing in these more remote communities.

3. Wells and Deliverability

The Barstow District water supply is obtained from 21 active wells owned by SoCalWater, and located near the Mojave River within the Barstow District. Three other wells are not in service; two due to the declining water table, and the third due to poor water quality. The delivery from the wells is dependent on the volume and level of ground water in the lower basin, which in turn is dependent on flows of storm water run-off and on releases of

water from Lake Silverwood in the San Bernardino Mountains, and on upstream consumption.

The water table in the Barstow area has been declining steadily in recent years. While it may be attributable in part to the most recent drought years, applicant and Ziegler believe the primary cause of the decline is increased water demand and consumption by the upstream communities.

D. Water Quality

While the water from the operating Barstow District wells meets all primary health standards set by the California Department of Health Services (DHS), it does not meet some secondary standards, such as total dissolved solids (TDS). DHS characterizes secondary standards as aesthetic standards that pose no health hazard. DHS believes that the high TDS is the result of overdrafting. Overdrafting refers to taking more water out of the aquifer than is normally replenished through rainfall and subterranean flow. The result is lowering of the ground water table, which not only increases TDS, but reduces available flow from each well.

E. Public Participation and Evidentiary Hearings

SoCalWater served copies and provided notice of the application in accordance with the Commission's Rules of Practice and Procedure.

Duly-noticed hearings, which included public participation hearings on June 5, and evidentiary hearings on June 6, 1990, were held in Barstow before Administrative Law Judge Stalder.

Approximately 18 people attended the public participation hearings. The customers appeared to generally be aware of the declining availability and quality of water in Barstow. Those customers who made statements generally supported SoCalWater's request for a \$2.85 per month increase to an average residential

bill. Some felt that conservation or rationing was needed, both in Barstow and in the upstream communities which obtain water from the same source. Several expressed concern that declining water supplies could severely jeopardize Barstow's future as a city.

Some customers, especially in the higher elevation Barstow Heights area, indicated low pressure problems, but generally felt that SoCalWater was aware and responsive in attempting to correct the problems and upgrade the system.

Ziegler likened Barstow to the desert ghost towns that dried up when gold or silver was mined out. It is his fear that if the explosive growth in population and associated water consumption of the upstream communities such as Hesperia continues unabated, Barstow will eventually be left with little or no water and die just as the mining towns died as the mineral resource played out. By one report, Hesperia's population has grown from 12,000 to 66,000 in about five years, and Victor Valley has had annual growth rates of approximately 25%.

While Barstow is struggling to meet demand for water, upstream communities are considering constructing golf courses and lakes.

F. Issues

At the evidentiary hearing, continued discussions between applicant and Water Utilities Branch (Branch) resulted in narrowing the issues to three categories, which follow:

1. Branch proposes to defer certain items approved in the last SoCalWater GRC and budgeted for 1990 and to apply the savings to the needed water supply contingency improvements in order to reduce the impact on rates. Branch witness Liang calculates the savings from deferral of all items recommended for deferral to be \$207,100 or \$2.25 per month for an average residential bill. With these deferrals, the resulting increase for an average residential bill due to this application would be \$0.60 per month.

Applicant agrees with deferring all except three of the 1990 budget items recommended for deferral by Branch. Applicant opposes deferral of two main replacement sections, and the purchase of certain safety equipment. Applicant believes that the three items should be completed as scheduled and budgeted, since they are important and the impact on rates is minimal. Applicant calculates that the three deferral items at issue would affect the average residential bill by \$0.14 per month.

2. Applicant requests approval for landscaping at a water tank site. Branch opposes it as not appropriate to be considered in this emergency application.
3. Applicant requests recovery of litigation costs for Mojave River water rights. Applicant argues that this is of an emergency nature requiring Commission approval. Barstow argues that any delay in prosecuting the lawsuit would jeopardize Barstow's chances for prompt relief from the water supply problems.

Branch believes that this item does not immediately affect the emergency water situation, and that it can be deferred until the next SoCalWater GRC. Branch argues that the litigation cannot have an effect on the 1990 water supply problems that are the subject of this application.

G. Items Budgeted for 1990

Branch reviewed the status of the projects budgeted for 1990 to determine those projects that could be deferred. In Exhibit 3 Branch recommends that of the \$549,800 1990 capital budget, \$207,100 can be deferred and applied toward the capital costs of this application. The deferred projects include street improvements, new mains and fire hydrants, meter replacements, and traffic control items.

Applicant agrees with Branch's recommendations on project deferral, with three exceptions, as follows.

1. Kelly Drive Main Replacement

This project involves installing 1,200 feet of eight-inch polyvinyl-chloride (pvc) pipe in Kelly Drive from Agnes Drive to Patricia Street at an estimated cost of \$62,800.

SoCalWater presented the testimony of Division Manager Redding who describes this as a project to replace an existing six-inch cast iron main that was installed in 1943. This existing main has been cracking or splitting longitudinally during the past two or three years. Redding believes that the manufacturing process may be responsible for the longitudinal splitting. Repairs are difficult and sometimes aggravate the situation by causing further splitting. Sometimes even the excavation for repairs causes further splitting.

Two types of repairs are used. A full circle clamp can be installed to try to prevent pipe expansion and resulting leaking. Secondly, stop drilling may be used. This involves drilling a small hole at each end of the crack, which is intended to prevent crack propagation. Then a full circle clamp is installed to contain the leakage of the cracked section. However, the crack may still propagate beyond the repair.

Redding concludes that neither repair has been reliable, since either the repairs, or subsequent vibrations when the pipe is pressurized and returned to service, tend to cause further cracking.

Redding states that while SoCalWater kept leak records, the records for this main, and the Palessi Street main discussed below, were lost several months ago.

Branch argues that deferral for a few years should not cause severe problems, and that while this project may be necessary, it is not an emergency. Lack of leak records hindered the investigation of Branch with regard to the frequency of leaks.

Branch concludes that savings due to deferral of this project are worthwhile in reducing the rate impact of this application.

2. Palessi Street Main Replacement

This project involves replacing 275 feet of four-inch steel main with eight-inch pvc main in Palessi Street from Fifth Street easterly, at a cost of \$18,000. The existing main was installed in 1942.

Applicant believes that the increasing frequency of leaks in this main is probably due to cathodic reaction with the soil caused by stray electrical currents in the ground. When this occurs, the frequency of leaks can increase dramatically, since the entire main has been attacked, corroded, and weakened. Applicant argues that replacing this main will save water during this time of declining water supply.

Branch takes a similar position on this item as on the Kelly Drive replacement; i.e., it is not an emergency that needs to be accomplished in 1990. As in the Kelly Drive item, the lack of leak records hampered Branch's investigation.

3. Safety Equipment

This budget item involves the purchase of safety items such as traffic cones and traffic barricades. Redding explains that these items are normally purchased on an annual basis to replace those items lost due to damage and theft. Since these items have been deferred in the past, they can no longer be safely deferred. The \$2,000 cost is fully justified from a safety standpoint, in applicant's view.

Branch believes that this item may be deferred without causing problems.

H. Discussion

We applaud Branch for its attempt to reduce the impact on ratepayers by recommending deferral of certain projects that would otherwise be completed in 1990. Applicant agrees that all but three of these items can reasonably be deferred. This results in a

significant reduction in the rate increase that would otherwise be required by this application.

We examine the justification for deferral of the three items below.

Taking the last item first, we believe the safety of applicant's workers should not be even potentially compromised for the sake of deferring \$2,000 of costs in 1990. A possible shortage of traffic cones and barricades could impact safety, in our view. Since this item has been deferred recently, the need may be critical. We conclude that this item should not be deferred.

The Kelly Drive main replacement is intended to alleviate a difficult maintenance problem, the repair of longitudinal cracks in cast iron pipe. Repairs are difficult and there apparently is no reliable means of reasonably permanent repair.

The Palessi Street replacement is not as difficult to repair, yet the type of failure indicates that the main has been severely compromised by corrosion. Leaks will likely occur at increasing frequency. In addition, the loss of water from the leaks presents a negative impression to customers during these times of water scarcity.

In both the Kelly Drive and the Palessi Street replacement, deferral could mean incurring potentially significant additional repair expenses on mains that will soon be replaced. Considering that the total savings to ratepayers from deferring both main replacement projects would be only 14 cents a month to the average residential customer, we conclude that it is not prudent to defer these projects.

In summary, we will not order SoCalWater to defer the three 1990 budget items at issue.

I. Landscaping Improvements

This project involves aesthetic improvements at a steel tank reservoir site in Barstow. The improvements include adding earth-tone stucco finish to the existing concrete walls, adding

wrought iron fencing to the top of the walls, and using "zeriscape" landscaping. Zeriscape refers to the use of native plants including shrubs and trees, that once established, require little or no watering.

Applicant stresses the need for these improvements, estimated to cost \$56,500, to upgrade the appearance of the tank site, which has been a severe eyesore to Barstow residents and visitors for years.

Ziegler testified eloquently about the compelling need for this project without further delay, since the site is on a heavily traveled street from the freeway into downtown Barstow.

Branch argues that this project is neither of an emergency nature, nor will it help alleviate the water supply problem that is the subject of this application. Branch believes that this project is not appropriate in this proceeding, and rather should be routinely considered in a GRC.

J. Discussion

The issue here is not whether the project is needed, but whether it is truly an emergency project that should be considered in this proceeding.

Branch correctly points out that this project has no bearing on the water supply emergency. We agree and observe that if anything, completion of the project will add to the water demands, if only slightly, due to landscaping.

We note that the alleged eyesore has been in existence for 35 years. A delay until the next GRC would not appear to cause a great hardship to Barstow's residents and visitors.

We conclude that the project is not an emergency, and is not a proper matter to be considered in this application. SoCalWater may request authorization for it in a future GRC application.

K. Litigation Costs for Protection of Ground Water Rights

This, the final area of controversy, is the most significant in terms of potential cost and commitment. Applicant and Barstow (parties) believe that litigation is necessary to force Agency to overcome political differences and carry out its responsibility to establish an equitable water management plan. Absent litigation, applicant and Barstow believe that no plan will be developed and Barstow's supply will continue to deteriorate.

Ziegler sponsored exhibits that graphically compares water flow in the 1931 to 1950 period, with the 1951 to 1987 period, at several locations. The exhibit shows that water flow at the upper portion of the Mojave River in the Victorville area has not declined significantly between the two periods. In contrast, the flow at Barstow in the latter period is less than half of the earlier period. Ziegler believes this demonstrates that Barstow's water supply problems are not significantly drought related, since the Victorville area apparently has no supply problems.

1. The Lawsuit

On May 30, 1990 parties jointly filed an action in Superior Court seeking adjudication of ground water rights in the three basins of the Mojave River water system. The lawsuit alleges that overdrafting of the system by upstream users in the more developed areas, which include Victorville, Apple Valley, and Hesperia has caused a precipitous decline in ground water levels in applicant's Barstow District. The lawsuit cites Barstow's historic rights to waters of the Mojave River system, and seeks a plan that would fairly allocate the supply among the various users.

2. Agreement Between the Parties

Parties entered into an agreement to share the costs of litigation on 50/50 basis, with applicant's costs limited to \$150,000 per year. Under the agreement, Barstow will pay the attorneys' fees, costs, and expenses monthly upon receipt of

invoices. With Commission approval, applicant in turn will reimburse Barstow for 50% of the litigation costs up to the annual limit. If other parties join in the litigation and participate in payment of the costs incurred, the obligation of parties decrease accordingly.

3. Benefit to Ratepayers

Parties believe that even in the worst case scenario some relief is assured, since the reduction of water supply has not been primarily caused by growth in Barstow, but rather by upstream community growth. Therefore those communities must share the responsibility for alleviating Barstow's water supply problems.

In addition to obtaining more water for the Barstow District, the parties expect the result to end the overdrafting and possibly cause a partial restoration of the ground water table. This would improve water quality as well.

4. Rate Recovery

Applicant requests that it be allowed to include in rate base for the Barstow District the costs incurred for litigation, since this is an emergency action necessary to protect the ground water resource. If the Commission defers action on this request, Barstow would be severely hampered in its ability to proceed with the litigation, since it must pay monthly invoices. Barstow does not have an adequate population or tax base to support this effort alone, even if it would be reimbursed later by SoCalWater after a GRC decision.

5. Branch Position

Branch has not analyzed the details of the litigation, since it does not view this effort as an emergency that should be handled in this application. Branch argues that since the litigation may take five years, it is not related to and will not help solve the immediate water supply problem. Therefore it cannot be perceived as an emergency requiring Commission action in this proceeding. Branch recommends that the Commission allow applicant

to record the litigation costs in a memorandum account. At a later time such as in a GRC, applicant would have an opportunity to demonstrate benefits to ratepayers and stockholders through cost/benefit analyses.

Branch argues that recent Commission action dealing with litigation costs of ground water lawsuits demonstrates that the Commission will not grant the type of blanket approval for litigation expenses that applicant seeks. In D.89-09-048 in A.89-01-004 at p. 18 we stated:

"We share San Gabriel's concern for providing its customer pollutant free water; however, there are deficiencies in San Gabriel's and CACD's agreement to allow San Gabriel to recover its litigation costs through advice letter filings. Such a procedure gives San Gabriel blanket approval to recover all litigation costs solely from its ratepayers without presenting any showing on: (1) the impact on its ratepayers and its stockholders, (2) projected long-term litigation costs, (3) the cost to clean up pollutants, (4) expected judgments, and (5) the ability to collect judgments from such polluters."

* * *

"We will not authorize San Gabriel to seek recovery of pollution litigation costs through the advice letter filing procedure. However, San Gabriel may accumulate such litigation costs in a memorandum account during its test years and attrition year. If the memorandum account is used, San Gabriel shall file as part of its next general rate proceeding workpapers that show that San Gabriel conducted a cost benefit analysis prior to embarking on groundwater litigation, and benefits derived by its ratepayers and its stockholders from incurring such costs. San Gabriel should also provide a proposal to seek recovery of reasonable litigation costs from its ratepayers and from its stockholders."

Branch believes that the litigation expenses in this application should be handled in the same manner.

L. Discussion

Parties present strong evidence that the litigation may be beneficial to both ratepayers and stockholders, and that the future of Barstow's water supply may be bleak without a fair means of allocating the Mojave River resource. Barstow states it cannot carry the litigation without prompt reimbursement from applicant, and applicant wants Commission authority to reimburse Barstow.

Nevertheless, we observe that the litigation was entered into without an opportunity for prior Commission review or approval. Applicant now requests blanket approval without detailed justification or quantification of the expected benefits. Branch accurately points out that the Commission will not grant blanket advance approval of litigation expenses without some control over the expenses, and assurance of probable benefits to ratepayers. Litigation can be protracted with potential benefits years away.

We conclude that the litigation is not an emergency that requires immediate recovery of costs in rate base. The Barstow District declining water table and deliverability has been occurring over a period of years, and any benefits from the litigation are not likely to occur this year to help the 1990 summer supply situation.

Similar to our handling of the litigation expenses of San Gabriel in D.89-09-048, we will defer the request for authorization to pursue the litigation. Instead of addressing the reasonableness of that effort here, we will authorize applicant to record the litigation expenses in a memorandum account. Applicant may later request in a GRC that we consider the reasonableness of the recorded expenses. At that time applicant should also propose ratemaking treatment to recover the litigation costs.

M. Revenue Requirement

The adopted changes in revenue requirement are shown in Table 1. The operating revenues increase \$79,400 or 2.7% in 1990, and \$191,700 or 6.3% in 1991, based on the current adopted rate of return on rate base of 10.95%.

TABLE 1

Adopted Summary of Earnings

	Present	1990 Adopted	1991 Adopted
	(Dollars in Thousands)		
Operating Revenue	\$2,979.0	\$3,058.4	\$3,250.1
Operating Expenses			
Purchased Water	0.0	0.0	188.8
Uncollectibles	9.9	10.2	10.8
Business License Tax	34.9	35.8	38.1
Depreciation	223.9	232.1	232.1
Ad Valorem Taxes	64.5	66.9	66.9
State Income Tax	39.2	42.3	42.3
Federal Income Tax	211.9	226.3	226.3
All Other Expenses	1,664.4	1,664.4	1,664.4
Total	2,249.3	2,278.0	2,469.7
Net Revenue	729.6	780.4	780.4
Rate Base	6,663.1	7,127.7	7,127.7
Rate of Return	10.95%	10.95%	10.95%

N. Rate Design

Applicant originally proposed to recover all purchased water expenses from the fixed monthly charges. However, Branch was concerned that substantial increases in the fixed costs could be perceived as not being conservation oriented.

Applicant and Branch ultimately stipulated that the purchased water expenses should be recovered 50% from fixed monthly charges, and 50% from the commodity rates. In other respects, the rate design follows normal practices.

The rates we adopt are shown in Appendixes A and B. Appendix C compares typical customer bills under existing rates and adopted 1990 rates.

O. Conservation

Applicant requests that the Commission authorize it to adopt the proposed Rule 14.1 attached to Exhibit 1 as Appendix G. This is a mandatory plan that defines non-essential uses and sets forth restrictions on use during times of water shortage.

In order to insure consistency with other water utilities, we conclude that applicant should file an advice letter requesting Commission approval of its proposed Rule 14.1.

P. Comments

Comments on the proposed decision, which were mailed on October 5, 1990, were filed by SoCalWater. The comments, which deal with the litigation of ground water rights, were considered. No changes have been made to the proposed decision.

Findings of Fact

1. The Barstow District is experiencing declining water supply and deliverability.
2. Without additional supply and distribution improvements SoCalWater may not be able to meet the Barstow District peak demand for water during the summer of 1990.
3. SoCalWater obtains all its water for the Barstow District from wells tapped into the Mojave River system, which serves an area of approximately 1,000 square miles.
4. The Mojave River system is being overdrafted.

5. The Barstow District water meets all primary health standards but does not meet certain secondary standards such as TDS.

6. Certain items budgeted for 1990 can be deferred without significant negative impact. The savings can offset a portion of the costs of the water supply augmentation.

7. The planned 1990 replacement of water mains in Kelly Drive and Palessi Street should not be deferred.

8. The safety equipment budgeted for 1990 cannot be deferred without potentially compromising worker safety.

9. The landscaping project proposed by SoCalWater is not an emergency item related to Barstow District water supply for 1990.

10. The litigation entered into by SoCalWater and Barstow is not an emergency related to Barstow District water supply for 1990.

Conclusions of Law

1. SoCalWater should be authorized to file the rates set forth in Appendix A, as specified in the following order.

2. SoCalWater should be authorized to file the rates set forth in Appendix B, as set forth in the following order.

3. SoCalWater should be authorized to record the expenses for litigation of ground water rights in a memorandum account; the reasonableness of those expenses may be considered in a subsequent GRC.

4. The effective date of this order should be the date of signature because there is a need to commence the system improvements as soon as possible.

O R D E R

IT IS ORDERED that:

1. Southern California Water Company (SoCalWater) is authorized to file the revised rate schedule attached to this order as Appendix A. This filing shall comply with General Order (GO) 96-A. The effective date of the revised schedule shall be no earlier than five days after the date of filing. The revised

schedules shall apply to service rendered on and after the effective date.

2. On or after November 5, 1990, SoCalWater is authorized to file an advice letter, with supporting workpapers, requesting step increases for 1991 included in Appendix B, or file a lesser increase in the event that the rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1990, exceeds the rate of return last found reasonable for SoCalWater. This filing shall comply with GO 96-A, and include pro forma calculations that comply with the established procedures dated October 30, 1985, for calculating pro forma rates of return. The requested rates shall be reviewed by the Water Utilities Branch (Branch) to determine their conformity with this order and shall go into effect upon the Branch's determination of conformity. Branch shall inform the Commission if it finds that the proposed rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised tariff schedules shall be no earlier than January 1, 1991, or 40 days after filing, whichever is later. The revised schedules shall apply to service rendered on and after their effective date.

3. SoCalWater may record litigation costs incurred for protection of groundwater rights in a deferred debit (memorandum) account during its test years and attrition year. If the deferred debit account is used, SoCalWater shall file, as part of its next GRC proceeding, workpapers that show (1) that a cost benefit analysis was conducted prior to further embarking on such litigation, and (2) benefits derived by its ratepayers and its stockholders from incurring such costs. It shall also provide a

proposal to seek recovery of reasonable litigation costs from its ratepayers and from its stockholders.

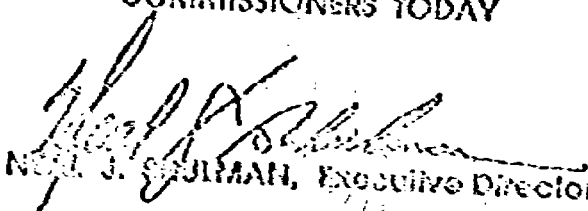
This order is effective today.

Dated November 9, 1990, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Commissioner Stanley W. Hulett,
being necessarily absent, did
not participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEIL J. SPELMAN, Executive Director

AB

APPENDIX A

Southern California Water Company
Barstow District

Schedule No. BA-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Barstow and vicinity, San Bernardino County.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 10,000 cu.ft., per 100 cu.ft.	\$ 0.528
Over 10,000 cu.ft., per 100 cu.ft.	0.433

Service Charge:

For 5/8 x 3/4-inch meter	\$ 7.45	(I) (I)
For 3/4-inch meter	8.50	
For 1-inch meter	10.05	
For 1-1/2-inch meter	13.05	
For 2-inch meter	23.00	
For 3-inch meter	31.00	
For 4-inch meter	53.00	
For 6-inch meter	86.00	
For 8-inch meter	118.00	
For 10-inch meter	216.00	

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the quantity charge computed at the quantity rates.

SPECIAL CONDITIONS

1. Due to an undercollection in the balancing account, a surcharge of \$0.018 per Ccf is to be added to the quantity rate for twelve months from the effective date of this tariff. (N)
|
(N)

2. All rates are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX A)

APPENDIX B

Southern California Water Company
Barstow District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

Effective Date
1/1/91

SCHEDULE BA-1

Quantity Rates:

First 10,000 cu.ft., per 100 cu.ft.....	0.023
Over 10,000 cu.ft., per 100 cu.ft.....	0.019

Service Charge:

For 5/8 x 3/4-inch meter	\$ 0.85
For 3/4-inch meter	0.95
For 1-inch meter	1.25
For 1-1/2-inch meter	1.45
For 2-inch meter	2.00
For 3-inch meter	4.00
For 4-inch meter	6.00
For 6-inch meter	10.00
For 8-inch meter	14.00
For 10-inch meter	24.00

(END OF APPENDIX B)

APPENDIX C

Southern California Water Company
Barstow District

Comparison of typical bills for residential metered customers at various usage levels and average level at present and authorized rates for the year of 1990.

General Metered Service
(5/8 X 3/4-inch meters)

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
300	\$ 8.33	\$ 9.03	8.4%
500	9.39	10.09	7.5
1,000	12.03	12.73	5.8
2,000	17.31	18.01	4.0
3,000	22.59	23.29	3.1
3,300 (Average)	24.17	24.87	2.9
4,000	27.87	28.57	2.5
5,000	33.15	33.85	2.1
10,000	59.55	60.25	1.2

(End of APPENDIX C)