

ORIGINAL

Decision 82 11 059 NOV 17 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Park Water Company)
and Pomona Valley Water Company)
for an order authorizing transfer)
of certain utility property of)
Park Water Company to its)
subsidiary, Pomona Valley Water)
Company.)

Application 82-09-43
(Filed September 27, 1982)

O P I N I O N

Summary

Park Water Company (Park) is authorized to transfer its Chino area water system to Pomona Valley Water Company (Pomona Valley), a wholly owned subsidiary of Park. A request by Pomona Valley to consider the combined system as a single rate area for the establishment of future rates is denied without prejudice.

Authorization Sought

Park, a corporation, requests authorization to transfer its Chino area water utility facilities (as described in Exhibit A to the application) to Pomona Valley. Pomona Valley, also a corporation, requests authorization to consider the combined system as a single rate area in establishing future rates.

Nature of Utilities

Park is a California public utility corporation whose principal office is located in Downey, Los Angeles County. Park provides water service in the southeastern section of Los Angeles County and the Chino area of San Bernardino County. It also

provides water and sewer service in the Vandenberg area, near Lompoc, Santa Barbara County. Park owns four subsidiary public utilities which provide water service: Pomona Valley in the Chino area of San Bernardino County; Santa Paula Water Works, Ltd. in Santa Paula, Ventura County; Uehling Water Company in the southeastern portion of Los Angeles County; and Mountain Water Company in Missoula and Superior, Montana. ✓

Park's Los Angeles County service area are all located in that county's Central Basin area. The Central Basin and Chino service areas are organized as Park's Southern Division. The 28,000 Central Basin area customers are located within 9 miles of the Southern Division's office in Downey. Park's 2,000 Chino area customers are 27 miles by freeway from Park's Southern Division office. ✓

All of the stock of Pomona Valley was purchased by Park in April 1979. Pomona Valley's service area is contiguous to the southern boundary of Park's Chino system. Currently it serves approximately 4,900 customers. As the planned Chino Hills community develops, Park's engineering staff estimates that 1,000 customers a year will be added until an additional 30,000 are served in the Chino Hills area of Pomona Valley's system.

Accounting Information

Park prepared the following table to compare utility plant of the two utilities before and after the transfer, estimated as of December 31, 1982:

<u>Description</u>	<u>Park Southern Division Prior To Transfer</u>	<u>Park Chino System</u>	<u>Park Southern Division After Transfer</u>	<u>Pomona Prior To Transfer</u>	<u>Pomona After Transfer</u>
Utility Plant in Service	\$14,197,784	\$2,209,892	\$11,987,892	\$6,805,647	\$9,015,539
Plus Construction Work in Prog.	79,706	10,966	68,740	209,483	220,449
Less Reserve for Depreciation	(4,651,272)	(376,601)	(4,274,671)	(997,094)	(1,373,695)
Less Advances for Construction	(615,708)	(367,973)	(247,735)	(2,434,540)	(2,802,513)
Less Contributions in Aid of Construction	(1,941,913)	(130,653)	(1,811,260)	(99,856)	(230,509)
Net Investment	<u>7,068,597</u>	<u>1,345,631</u>	<u>5,722,966</u>	<u>3,483,640</u>	<u>4,829,271</u>

Park and Pomona Valley prepared the following journal entries (in Exhibit B attached to the application) to record the sale, also estimated as of December 31, 1982:

Park Water Company Books

<u>Acct. No.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
111.1	Investments in Securities of Associated Companies	\$1,345,631	
100.1	Utility Plant in Service		\$2,209,892
100.3	Construction Work in Progress		10,966
241	Advances for Construction	367,973	
250	Reserve for Depreciation of Utility Plant	376,601	
265	Contributions in Aid of Construction	130,653	

Pomona Valley Water Company Books

<u>Acct. No.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
100.1	Utility Plant in Service	\$2,209,892	
100.3	Construction Work in Progress	10,966	
241	Advances for Construction		\$ 367,973
250	Reserve for Depreciation of Utility Plant		376,601
265	Contributions in Aid of Construction		130,653
270	Capital Surplus		1,345,631

Reasons for Transfer

The utilities believe that combining the two systems would produce an improved grade of service and result in savings in operating expenses and capital expenditures. Park's engineering staff prepared a report, a copy of which was attached to the application, which identified service improvements and cost savings. ✓

According to Park's engineers, the two systems are hydraulically compatible, and their joining into one system would be mutually beneficial. The three lower pressure zones could easily be served by existing facilities, and a smaller number of future facilities could be designed and constructed if operated as only one combined system. Additionally, the elevated storage that would be provided for Park's Chino area system by combining it with Pomona Valley is much preferred by the Chino Fire District. Elevated storage is more effective and efficient than a well and natural gas engine-driven well pump constructed to supply emergency water. ✓

Currently, the two service areas are interconnected with four emergency interties. All four are metered connections and are used to supply water between the two systems when necessary. If the systems were joined, these metered interties would not be needed and would be removed to allow free flow of water between the systems in either direction.

Park's engineering staff identified three areas of operating expense reduction. The Park Chino area system is presently being operated under contract by the Pomona Valley Water Company. Expense savings would result from elimination of separate recordkeeping and accounting requirements when operating as a single system. Park's engineers estimate this saving at \$5,445 for 1983. Elimination of the operation and maintenance of the interties would save \$3,470 annually, and the eliminating of the operation and maintenance of a contemplated well and a 2,000-gallon per minute (gpm) natural gas engine-driven pump would save an additional \$8,000 per year.

The engineering staff estimates that the combined systems would reduce capital costs by \$267,000 over the next five years. These savings would be the net total of the savings that result from eliminating the interties: from not constructing a new transmission main that would be required to serve Pomona Valley from the north; from replacing the 2,000-gpm well, pump, and pumphouse contemplated for the Park Chino system; and a planned 1.6 million-gallon (mg) storage reservoir required by Pomona Valley with a 3.37-mg reservoir designed to serve the combined system.

Park Chino system would require 2.87 mg of emergency storage in 1985 to satisfy the Chino Fire District. The district prefers elevated storage but it will accept an equivalent well supply with a combustion engine-driven well pump that would deliver emergency water to the system at adequate pressure. There is no location within the Chino area system that has sufficient elevation to provide elevated storage for the system. The closest higher elevation is too far from the service area to provide cost-effective facilities to store and deliver 2.87 mg. Even ground level storage and a booster pump facility located within the service area would not be cost-effective. The most cost-effective means to supply the emergency water for this system is the 2,000 gpm well with the natural gas engine-driven well pump. The capital cost of this facility would be \$320,000, and it would require in addition the operating and maintenance costs discussed above.

A joint elevated storage facility would provide operating advantages in that emergency water flows would be by gravity and storage need only be provided for one major fire instead of two.

Discussion

The foregoing recitation indicates that the proposed transfer has obvious operating and economic advantages and no apparent disadvantages. Moreover, the transfer is, for all practical purposes, merely a legal technicality, as only Pomona's separate corporate identity distinguishes it from an operating district of Park. Were it not for the separate corporate status Park could rearrange the day-to-day operation of the two areas without being required to seek Commission authority.

No protests have been received and the Commission sees no reason why it should not authorize the transfer. The Commission will find that the proposed transfer is in the public interest and conclude that the transfer should be authorized. A public hearing is not necessary.

Park's request that the decision authorize the combined system be treated as a single ratemaking area in establishing future rates is premature. Park's and Pomona Valley's tariffs, which the utilities incorporated by reference in their application, show that each utility has two rate areas. The four sets of rate schedules differ considerably both in rate structure and rate level. Pomona Valley's different rate schedules appear to be attributable to different operating conditions, whereas Park's Chino rate schedules appear to reflect historical considerations. There is no explanation for the differences in this record so the Commission can only infer reasons for the differences.

Desirable as Park's and Pomona Valley's request for a uniform rate area may be, it will of necessity involve an increase for many customers. Before the Commission may authorize that those rates be increased, it must make a finding that the increase is justified and that finding must be based on a showing before the Commission (Public Utilities (PU) Code § 454(a)). The Commission has no showing of justification before it and therefore cannot make the required finding. The Commission will therefore conclude that the request for a uniform rate area cannot be granted in this proceeding. Pomona Valley can renew the request at the time of a general rate proceeding.

Findings of Fact

1. Park and Pomona Valley are public utility water corporations subject to the jurisdiction of the Commission.
2. Pomona Valley is a wholly owned subsidiary of Park.
3. Park proposes to transfer its Chino area water system to Pomona Valley.
4. Pomona Valley's service area is contiguous to the southern boundary of Park's Chino system.
5. Combining the two systems would produce an improved grade of service and result in savings in operating expenses and capital expenditures.
6. Pomona Valley is presently operating Park's Chino system by contract and has demonstrated the ability to operate the combined system.
7. No protests to the transfer have been received.
8. A public hearing is not necessary.
9. The proposed transfer is in the public interest.
10. The two utilities request that the combined system be considered as a single ratemaking area in establishing future rates.
11. The record in this proceeding contains no showing of justification for considering the combined system as a single ratemaking area.
12. The journal entries proposed by Park and Pomona Valley to record the transfer are appropriate.

Conclusions of Law

1. The transfer should be authorized.
2. Pomona Valley should apply Park's presently effective Chino system rate schedules in the service area being acquired from Park.
3. A single rate area should not be authorized in this proceeding.
4. Park and Pomona Valley should account for the transfer by journal entries substantially similar to those proposed in the application. ✓
5. Park should be relieved of its public utility obligations in its Chino service area when the transfer is completed and this order is complied with.

O R D E R

IT IS ORDERED that:

1. Park Water Company (Park) may transfer its Chino area system to Pomona Valley Water Company (Pomona Valley) in accordance with the terms and conditions described in this decision. ✓
2. As a condition of the transfer, Pomona Valley shall assume Park's public utility obligations in its Chino service area.

3. The request that Pomona Valley consider the combined system as a single rate area in establishing future rates is denied without prejudice to the request's being renewed, together with a sufficient showing, in a rate proceeding.

4. Pomona Valley shall apply Park's presently effective Chino system rate schedules in the area being acquired.

5. Pomona Valley shall, within 30 days after the transfer, refile the rates of Park's Chino system as part of Pomona Valley's filed tariffs, and apply Park's Chino system rates to the service area being acquired.

6. Park and Pomona Valley shall account for the transfer by journal entries substantially similar to those proposed in Exhibit B to the application.

7. On the date the facilities area is transferred, Park shall transfer any unrefunded customer deposits and all advances for construction pertaining to its Chino system to Pomona Valley. The transferred deposits and advances shall become the obligation for refund of Pomona Valley.

8. On or before the date of transfer, Park shall deliver to Pomona Valley all records pertaining to the operations of the Chino area system. Pomona Valley shall retain the records as required by General Order 28.

9. Upon compliance with the requirements of this order, Pomona Valley shall notify the Commission in writing of the date of the transfer and the dates that compliance with the requirements were completed.

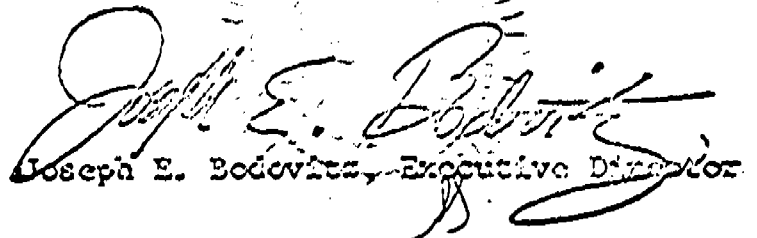
10. When compliance with this order is completed, Park shall have no further public utility obligations in connection with the transferred water system.

11. The authority granted by this order shall expire if not exercised within one year of the effective date of this decision. This order becomes effective 30 days from today.

Dated NOV 17 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

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


Joseph E. Bodovitz, Executive Director

provides water and sewer service in the Vandenberg area, near Lompoc, Santa Barbara County. Park owns four subsidiary public utilities which provide water service: Pomona Valley in the Chino area of San Bernardino County; Santa Paula Water Works, Ltd. in Santa Paula, Ventura County; Uehling Water Company in the southeastern porortion of Los Angeles County; and Mountain Water Company in Missoula and Superior, Montana.

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O R D E R

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