

ORIGINAL

Decision No. 88761 MAY 22 1978

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 the rates for water service in its San Bernardino Valley District. Application No. 57271 (Filed April 29, 1977; amended December 23, 1977)

O'Melveny & Myers, by Guido R. Henry, Jr., Attorney at Law,

for applicant.

Richard D. Rosenberg, Attorney at Law, for the Commission

staff.

PRINCIPAL

Southern California Water Company (SCWC) seeks authority to increase its San Bernardino Valley District general metered service^{1/} and private fire protection rates approximately \$202,700 (61.7 percent) annually over the rates established by D.82257 dated December 18, 1973 in A.53663, as modified by offset increases authorized by Resolutions Nos. W-1535 dated March 19, 1974, W-1611 dated September 4, 1974, W-1711 dated April 8, 1975, and W-2158 effective July 3, 1977.

SCWC, a California corporation, renders public utility water service in various areas in the counties of Contra Costa, Imperial, Los Angeles, Orange, Sacramento, San Bernardino, and Ventura, and public utility electric service in the vicinity of Big Bear Lake in San Bernardino County. SCWC owns all of the

^{1/} No increase is proposed for SCWC's company-wide schedules covering temporary service or service to company employees.

outstanding capital stock of a subsidiary, California Cities Water Company (CCWC), which renders public utility water service in various areas in the counties of Lake, Los Angeles, Orange, San Bernardino, San Luis Obispo, and Santa Barbara.

The San Bernardino Valley District serves a portion of the city of San Bernardino and certain unincorporated areas east and west of the city in San Bernardino County. The service area consists of two physically separate systems, Delmann Heights and Highland. The source of water for Delmann Heights is four company-owned wells. Two of the wells are 12 inches in diameter and two are 11 inches in diameter. All of these wells are equipped with deep well turbines and driven by electric motors. The source of water for Highland is ten company-owned wells, ranging in size from 12 to 20 inches in diameter equipped with electrically driven deep well turbines mixed with supplemental water purchased from the East San Bernardino County Water District at two locations to maintain nitrate and fluoride compounds at an acceptable level. An additional minor source of water for the Highland area is spring water purchased from an individual.

As of December 31, 1976 there were 289,644 feet of distribution mains in the San Bernardino Valley District ranging in size up to ten inches and a total storage capacity of 995,000 gallons at four locations, three of which are in the Highland area. There are also 13 electric-driven booster pumps at six locations.

As of December 31, 1976 the San Bernardino Valley District was providing metered water service to 3,542 customers and private flat rate fire protection six customers.

After due notice, public hearing was held before Administrative Law Judge N. R. Johnson in San Bernardino on February 2, 1978 and the matter was submitted on receipt of late-filed Exhibit 15-R due February 17, 1978.

Testimony^{2/} on behalf of SCWC was presented by its president, its senior vice president, one of its vice presidents, one of its assistant vice presidents, and by its chairman of the Finance Committee. The Commission staff presentation was made through a financial examiner and two utilities engineers.

Rates

D.86708, dated December 7, 1976 in SCWC's A.56157, applied the lifeline concept to water rates in its Orange County District by assigning the entire authorized increase to nonlifeline service. Lifeline service was identified as usage of 500 cubic feet per month served through a 5/8-inch by 3/4-inch meter. The same concept was followed in D.86970 dated February 15, 1977 in A.56158 for SCWC's Central Basin District; D.87000 dated February 23, 1977 in A.56181 for SCWC's Pomona Valley District; and D.86994 dated February 23, 1977 in A.56440 for SCWC's Southwest District. The increases authorized by those decisions ranged from 5.0 percent to 15.2 percent.

In the present proceeding where the requested increase will result in the total increase in nonlifeline rates since January 1, 1976 being far in excess of the 25 percent differential specified in the lifeline legislation, SCWC proposes to implement the increase in this proceeding in such a manner that the total increase in lifeline rates will be approximately 25 percent less than the total increase in nonlifeline rates since January 1, 1976.

2/ Testimony and exhibits relating to the cost of money and rate of return for SCWC's operations had been presented by witnesses for SCWC in A.56157 for Orange County District. Testimony and exhibits relating to adjustments to the Commission staff report on general office common revenues and expenses for later information had been presented by witnesses for SCWC in A.56158 for the Central Basin District and A.56440 for the Southwest District. These exhibits, together with related testimony and cross-examination, were included in this record by reference as Exhibits 9, 10, and 10-A and Exhibits 8 and 8-A, respectively.

The Commission staff's engineer recommended the utilization of 300 cubic feet for the lifeline quantity and that this lifeline quantity be increased an unspecified amount less than the average increase. We will adopt 300 cubic feet as the lifeline quantity and increase this block 25 percent less than the overall increase of nonlifeline quantities.

The following tabulation sets forth the present and proposed general service and private fire protection rates.

Results of Operation

Both the Commission staff and SCWC presented summary of earnings for the test years 1976 and 1977. In addition, SCWC presented exhibits reflecting the later information on expenses and rates that prompted the amendment to the application and the effect of recently increased purchased power and water expenses. The latter expense increases relate to energy cost adjustment billing factors approved for Southern California Edison Company (Edison), the latest becoming effective January 17, 1978.

Revenue

Both the staff and SCWC used the "Modified Bean" method to estimate commercial per unit sales. Consistent with the guidelines established by the staff and the California Water Association's Consumption-Revenue Estimation Committee, the estimated normalized consumption per commercial customer before adjustment for conservation effect was estimated by the staff and SCWC to be 243.3 Ccf per customer for both test years 1976 and 1977. SCWC's and the staff's witnesses agree that there will be some conservation-consciousness effect when the drought ends but disagree as to the amount. SCWC's witness used one-half of the maximum percentage difference in recorded monthly supply for the first six months of 1977 as compared to the first six months of 1976 to derive a conservation-consciousness effect of 15 percent.

Quantity	Rates	Per Meter Per Month	
		Present Rates	Proposed Rates
First 500 cu.ft., per 100 cu.ft.		\$ 0.280	\$ 0.413
Next 49,500 cu.ft., per 100 cu.ft.		0.327	0.544
Over 50,000 cu.ft., per 100 cu.ft.		0.249	0.544

Service Charge:

For 5/8 x 3/4-inch meter	\$ 2.00	\$ 2.95
For 3/4-inch meter	2.20	3.90
For 1-inch meter	2.60	6.00
For 1 1/2-inch meter	3.40	10.00
For 2-inch meter	4.60	15.50
For 3-inch meter	6.20	20.00
For 4-inch meter	13.40	37.00
For 6-inch meter	23.80	65.00
For 8-inch meter	31.80	100.00

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

PRIVATE FIRE PROTECTION SERVICE**TERRITORY**

Rate A - Applicable within the San Bernardino Valley, Central Basin, Orange County, Pomona Valley, and Southwest Districts.

Rate B - Applicable within the Barstow, Culver City, San Gabriel Valley, and Simi Valley Districts.

Rate C - Applicable within the Arden-Cordova, Bay, Big Bear, Calipatria-Niland, Desert, Ojai, and San Bernardino Valley Districts.

RATES

	Per Month	
For each inch of diameter of service connection	\$3.00	\$2.25

The staff's witness used one-quarter of the percentage reduction from normalized sales to recorded sales for the first seven months of 1977 to derive a conservation-consciousness effect of four percent. The record shows that the water consumption per customer for the eight-month period ending December 31, 1977 was 12.46 percent less than for a similar period in 1976. SCWC's senior vice-president admitted under cross-examination that this 12.46 percent would be a more accurate estimate of the conservation-consciousness effect but testified he did not believe that a lesser amount would be appropriate because customers in the San Bernardino Valley District had acquired better water-use habits and would, therefore, not return to their predrought, wasteful water practices. The Commission's staff engineer testified that for the recorded year 1977 the water consumption was 7.7 percent less than recorded 1976 and that when the 1976 unit consumption was adjusted to normal temperature and rainfall conditions the difference was 4.4 percent. In his opinion, this 4.4 percent decline in 1977 recorded from 1976 adjusted consumption data fully vindicated his utilization of 4 percent as the residual conservation-consciousness effect. We agree and will adopt the staff's estimates of sales and revenues for the test year 1977 at present rates.

Operation and Maintenance Expense

The staff's analysis of SCWC's various operating and maintenance expense estimates indicated that they were generally reasonable with the primary differences attributable to the differences in sales estimates and the use of later information by the staff at the time the staff's exhibits were prepared. Subsequent to the preparation of the staff's report, however, Edison was authorized to effect an energy cost adjustment factor of 0.335 cents per kwhr effective January 17, 1978. SCWC's

agreement with the East San Bernardino County Water District provides for increases in cost for each acre-foot of water furnished when power costs increase as a result of fuel adjustment increases. SCWC's witness computed the increase to be \$9.55 per acre-foot for each cent per kwhr increase in the cost of power. From January 13, 1977 to January 17, 1978 the electric power rate increased 0.841 cents per kwhr which SCWC estimates will increase the cost of purchased water \$8.04 per acre-foot from \$71 to \$79.04 per acre-foot. Such an increase would raise SCWC's estimated purchased water costs approximately \$6,300 and the staff's estimated purchased water costs approximately \$6,900. Consistent with our adoption of the staff's revenue estimates, we will adopt the staff's estimated purchased water costs increased by the above discussed \$6,900 amount.

SCWC's witness further testified that in computing the effect of the increased purchased power costs he noted that his original estimate had not included the kwhrs used for boosting water throughout the system. The total effect of the increase in power costs, including booster pumps usage, was approximately \$16,000 as shown in late-filed Exhibit 15-R. The Commission staff's engineer testified that he computed the well pump and booster pump kwhr separately in the preparation of his estimates. The application of the increased 0.335 cents per kwhr to the estimated electrical consumption increase his estimate of purchased power expense from \$56,500 to \$71,600 which we will adopt as reasonable.

The staff's and SCWC's administrative and general expenses differed only in office supplies and other expense and street franchise expense. We will adopt the staff's estimated office supplies and other expense because it is based on later information and the staff's estimated franchise expense as being commensurate with our adopted revenues. We will also adopt the staff's estimates of ad valorem and payroll taxes.

The differences in the staff's and SCWC's rate base and estimates reflect the staff's access to later information and having its roll-back to beginning of year 1976 the net additions of \$82,866 of main replacement and \$21,070 of retirements. According to the record, the additions and retirements were rolled back to avoid the distortion of 1977 estimated plant additions in comparison with a normal year's additions. The roll-back of the additions and retirements also accounts for the differences in the staff's and SCWC's estimates of depreciation expense and reserve. At the hearing, the staff's engineer recommended the adoption of his rate base estimates because they more closely reflected actual conditions and SCWC agreed with his position. We will adopt the staff's estimates of rate base and depreciation expense, including the staff's estimate of working cash based on its expense estimates.

The following tabulation sets forth our adopted revenue, expense, and rate base amounts at present rates for the test year 1977:

<u>Summary of Earnings</u> <u>(Estimated Year 1977)</u>	
<u>Item</u>	<u>Present Rates</u> <u>(Dollars in Thousands)</u>
Operating Revenues	\$ 363.7
Operating Expenses	
Operation & Maintenance	226.5
Administrative & General	38.6
Taxes, Other Than Income	46.3
Depreciation	43.1
Subtotal	354.5
Income Taxes	(30.0)
Net Operating Revenue	39.2
Depreciated Rate Base	1,236.3
Rate of Return	3.17%
(Red Figure)	

The staff's estimates of two test years (recorded and not adjusted 1976 and estimated 1977), indicate a decrease of 0.52 percent in the rate of return at present rates and a decrease of 0.68 percent at company proposed rates. In view of the decrease in apparent attrition in rate of return, the staff recommends that a 0.60 percent attrition in rate of return be included in the adopted rates by the establishment of step rates with SCWC being required to file an advice letter at the end of each year to justify the next step increase in rates.

One method of allowing for attrition is the establishment of rates sufficiently high to produce the authorized rate of return on the average over a specified period of time. Another method of counteracting the effect of rate of return attrition is the use of step rates. Such rates provide the utility the opportunity to earn the authorized rate of return on a uniform basis and are considered more equitable to the customers in that they do not pay any excesses during the first years to offset future anticipated deficiencies. Another advantage to step rates is that they afford an opportunity of a review of future changes in rates of return and initiation of appropriate action if a reduction in rates is indicated. This order will provide for the establishment of step rates with SCWC's San Bernardino Valley District earnings subject to annual review. Rate of Return

SCWC had included in this record by reference the exhibits, testimony, and related cross-examination presented by SCWC's witnesses at the hearings in A.56157 for a general rate increase in SCWC's Orange County District. These exhibits, testimony, and related cross-examination were also incorporated by reference at the hearings on A.56158 for SCWC's Central Basin District; A.56181 for its Pomona Valley District; A.56440 for its Southwest District; and A.56339 for its Big Bear District.

For all of these, except the Big Bear District, the staff's financial examiner recommended a rate of return of 9.15 percent and a return on equity of 13.33 percent, and we adopted as more reasonable a rate of return of 8.85 percent to provide a return on common equity of approximately 12.5 percent. A lesser rate of return of 8.0 percent with a return on equity of 10.34 percent was authorized for the Big Bear District because of the quality of service being rendered.

The rates proposed in this application were designed to provide a rate of return of approximately 9.6 percent based on the test year 1977 estimated. SCWC alleges that this is the minimum rate of return required by it to attract capital at a reasonable cost and to maintain appropriate borrowing capability on or credit. Such a return approximates the 9.73 percent rate of return to provide a return on equity of 15 percent as requested in A.56157 for the Orange County District and incorporated into this record by reference.

In this proceeding, the Commission staff's financial examiner recommended a range of rate of return of 8.85 percent to 9.05 percent which would provide a range on return on common stock equity of 13 percent to 13.62 percent on the present consolidated financial structure. The present financial structure consists of 51.97 percent long-term debt; 3.31 percent bank loans; 12.94 percent preferred stock; and 31.78 percent common stock equity. The staff's financial examiner testified that as a result of the acquisition of CCWC by SCWC the common stock equity dropped from its historical 35 percent of the capital to the present 31.78 percent. He believes this to be a temporary position and expects the capital structure to return to the normal 35 percent common stock equity in the near future. Consequently, he recommends that such a financial structure be used for our computations. Assuming such a capital structure, the range of

rate of return of 8.85 percent to 9.05 percent will provide a return on equity ranging from 12.40 percent to 12.97 percent. Under the latter assumption, the return on equity will provide an after-tax interest coverage of about 2.5 times and a combined coverage of about 2.0 times for debt interest and preferred stock dividends. It is the staff financial examiner's judgment that a rate of return within the recommended range will provide a balancing of the consumer interest with the benefits accruing to the investor of the company, allow for the servicing of the utility's fixed charges, and provide an opportunity to make moderate additions to retained earnings after the payment of a suitable dividend. We have carefully considered the evidence of record on rate of return and adopt as reasonable a rate of 9.0 percent which will provide a return on equity of approximately 13.47 percent with the present financial structure and 12.83 percent with an assumed 35 percent common stock equity. To achieve this return for the immediate future, we will authorize rates designed to produce a rate of return of 9.60 percent for the test year 1977 and 9.00 percent for the year 1978, and authorize step rate increases to offset the previously discussed 0.60 percent attrition in the rate of return for the years 1979 and 1980.

Balancing Account

At the hearing, SCWC's senior vice president proposed that a balancing account be established as a vehicle to mitigate the adverse effect on revenue requirements caused by widely fluctuating sales resulting from water supply rationing and water conservation efforts. It is proposed that the balancing account amounts reflecting the difference in revenue and direct supply expenses caused by deviations in water sales and supply expenses from the Commission's adopted amounts be determined monthly. After 12 months of operation of the balancing account and each

12 months thereafter, SCWC would file an advice letter setting forth its calculation of the amounts in the balancing account certified to by a registered professional engineer or certified public accountant together with a proposal for the amortization of such a balance by a unit rate change in the quantity rate for water sold in excess of the lifeline quantities. The balancing account amount is to be computed by deducting from the revenue deviation the sum of the supply cost deviation from water sales change and the supply cost deviation from unit cost changes. The direct supply expense included in the computations is the sum of purchased water expense, power for pumping expense, and chemicals expense.

The Commission staff's engineer presented testimony in opposition to the implementation of a balancing account on the basis that such a procedure was unnecessary, particularly in view of the fact that the 1977 recorded usage per customer, when compared to 1976 adjusted unit usage, closely approximated historical conservation-consciousness compensated estimates. He noted that climatic factors have historically had much greater effect on utility earnings than estimated conservation consciousness. He admitted under cross-examination, however, that climatic factors resulted in unit usage both above and below normalized usage but that conservation effects only resulted in decreased unit consumption. In view of the recorded 1977 test year sales of 876,973 Ccf approximating the staff's 1977 test year estimate of 871,300 Ccf, it would appear unlikely that the establishment of a balancing account as proposed by SCWC would serve a useful purpose at this time.

Service

annex 15

According to the record there were 18 informal complaints for disputed bills and one service-related informal complaint filed with the Commission during the period from January 1975 to June 1977. Customer complaints on file in SCWC's San Bernardino Valley District office are as follows:

Type	1975	1976	Months (Ended July 1977)
Billing	183	135	52
Pressure	10	11	11
Dirty Water	7	11	7

Total 200 157 70

The record shows that these complaints were expeditiously handled and settled. Conservation is a major concern of SCWC.

In D.86959 and C.10114, our investigation into water conservation, we found as follows: "Rather than requiring detailed compliance reports during the impending water crisis period, the Commission should consider compliance with this decision in connection with requests for rate or other relief from this Commission." (Mimeo, page 16.) As a result, SCWC presented evidence detailing its water conservation program in its

San Bernardino Valley District. This program includes the distribution of water conservation pamphlets, the distribution of landscaping suggestions using plants that consume relatively little water, placing advertisements of water-saving tips in local papers, the distribution of water conservation kits, the institution of leak detection and repair programs, and the seasonal forecasting of probable availability of water in the area. It is SCWC's position that the conservation measures listed above fully comply with the requirements of D.86959.

See also D.86959 and C.10114. (attached 7.18)

Findings

1. SCWC is in need of additional revenues for its San Bernardino Valley District, but the proposed rates set forth in the application are excessive. The adopted estimates previously discussed herein of annual operating revenues, operating expenses, and rate base for the test year 1977 reasonably indicate the results of SCWC's operations in its San Bernardino Valley District in the near future.

3. A rate of return of 9.60 percent on the adopted rate base of \$1,236,300 is reasonable for the test year 1977. For the year 1978, the rates should provide a rate of return of 9.0 percent and a return on equity of approximately 13.47 percent with the present CCWC/SCWC consolidated financial structures and approximately 12.83 percent on the assumption that SCWC will return to its historical capital structure of approximately 35 percent common stock equity.

4. An operational slippage of approximately 0.60 percent at proposed rates will be experienced and is sufficient to justify the authorization of a stepped progression of rates.

5. The increases in rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

6. The authorized increase in rates at the 9.60 percent rate of return for the test year 1977 is expected to provide increased revenues for SCWC's San Bernardino Valley District for general metered service and private fire protection service of approximately \$170,800 (47.0 percent) for the first 12-month period and an additional \$15,900 each 12-month period for the next two periods as compared to a requested increase of \$202,700 (61.7 percent).

7. The quality of service rendered by SCWC in its San Bernardino Valley District is adequate.

8. SCWC's present and proposed plans for effecting water conservation generally comply with the requirements of D.86959.

9. The establishment of a 300-cubic-foot lifeline block bearing an increase of 25 percent less than the overall increase of nonlifeline quantities is reasonable.

10. A balancing account to mitigate the adverse effect on revenue requirements caused by fluctuations in sales related to conservation and/or rationing should not be authorized.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southern California Water Company (SCWC) is authorized to file the initial revised rate schedules attached to this order as a portion of Appendix A and concurrently to cancel and withdraw the presently effective schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Southern California Water Company is authorized to file on or before December 1, 1978 the first attrition offset increases, along with appropriate work papers, attached to this order as a portion of Appendix A or to file a lesser increase in the event that the San Bernardino Valley District rate of return on rate base, adjusted for initial revised rates authorized herein and for normal climatic conditions, for the twelve months ended October 31, 1978, exceeds 9.00 percent. Such filing shall comply with General Order

A.57271 km

No. 96-A. The effective date of the revised schedules shall be January 1, 1979. The revised schedules shall apply only to service rendered on and after January 1, 1979.

3. Southern California Water Company is authorized to file on or before December 1, 1979 the second attrition offset increases, along with appropriate work papers, attached to this order as a portion of Appendix A or to file a lesser increase in the event that the San Bernardino Valley District rate of return on rate base, adjusted for first attrition offset rates and for normal climatic conditions, for the twelve months ended October 31, 1979, exceeds 9.00 percent. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be January 1, 1980. The revised schedules shall apply only to service rendered on and after January 1, 1980.

The effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 2nd day of MAY, 1978.

Robert Bateman
President
William Synovis Jr.
Vernon L. Sturgeon
Richard D. Harkley
Clair J. Del Rio
Commissioners

APPENDIX A

Page 1 of 2

Schedule No. SB-1

San Bernardino Valley DistrictGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The communities of Highland and Muscoy and portions of the City of San Bernardino, San Bernardino County.

RATES

Quantity Rates:

	<u>Per Meter Per Month</u>			
	<u>1978</u>	<u>1979</u>	<u>1980</u>	
First 300 cu.ft., per 100 cu.ft.	\$0.383	\$0.394	\$0.406	(I)
Over 300 cu.ft., per 100 cu.ft.	0.492	0.507	0.522	(I)

Service Charge:

For 5/8 x 3/4-inch meter	\$ 2.60	\$ 2.68	\$ 2.76	(I)
For 3/4-inch meter	2.92	3.00	3.09	
For 1-inch meter	3.98	4.09	4.21	
For 1-1/2-inch meter	5.30	5.46	5.62	
For 2-inch meter	7.16	7.37	7.58	
For 3-inch meter	13.25	13.65	14.05	
For 4-inch meter	18.00	18.60	19.10	
For 6-inch meter	30.00	31.00	32.00	
For 8-inch meter	45.00	46.00	48.00	(I)

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

APPENDIX A

Page 2 of 2

Schedule No. AA-4

All DistrictsPRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

- Rate A - Applicable within the Big Bear, Central Basin, Orange County, Pomona Valley, San Bernardino Valley, and Southwest Districts. (C)
- Rate B - Applicable within the Barstow, Culver City, San Gabriel Valley, and Simi Valley Districts.
- Rate C - Applicable within the Arden-Cordova, Bay, Calipatria-Miland, Desert, and Ojai Districts. (D)

RATE

	Per Month		
	A	B	C
For each inch of diameter of service connection	\$3.00	\$2.25	\$2.00

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund. The facilities paid for by the applicant shall be the sole property of the applicant.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.
5. In accordance with Section 774 of the Public Utilities Code, the utility is not liable for injury, damage or loss resulting from failure to provide adequate water supply or pressure.