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Decision No. 89639

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
RANCHO LAS POSAS WATER COMPANY,  
a California corporation  
for authorization to increase its  
rates for general metered service,  
irrigation service and special  
service rates.

Application No. 56964  
(Filed December 22, 1976)

ORDER DENYING REHEARING

Samuel C. Palmer III has filed a petition for rehearing of Decision No. 89448 on his own behalf and on behalf of Norman Blatcher and Pro Ag., Inc. The Commission has considered each and every allegation contained therein and is of the opinion that good cause for granting the requested relief has not been shown. Therefore,

IT IS ORDERED that rehearing of Decision No. 89448 is denied. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 19th day of DECEMBER, 1978.

Robert B. Baker  
President  
William J. Givens  
Verizon L. Spurgeon  
Robert D. Givens  
Clare J. Daniels  
Commissioners

es/fc

Decision No. 89448 October 3, 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
RANCHO LAS POSAS WATER COMPANY, )  
a California corporation, )  
for authorization to increase its )  
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irrigation service and special )  
service rates. )

Application No. 56964  
(Filed December 22, 1976)

Cohen, England, Whitfield & Osborne,  
by Anson M. Whitfield, Attorney at  
Law, for applicant.  
Norman Blacher, for himself; and  
Samuel C. Palmer, III, Attorney at  
Law, for himself and Pro-Ag, Inc.;  
protestants.  
James M. Barnes and I. B. Nazao, for  
the Commission staff.

## O P I N I O N

### Introduction

Rancho Las Posas Water Company (Rancho), a California corporation, seeks authority to increase water rates in order to increase operating revenues for test year 1977 from \$245,580 to \$377,490, an increase of \$131,910 or 53.7 percent annually over the rates in effect at the time of filing of the application.

After notice, public hearings were held in the unincorporated community of Somis, Ventura County, on June 27 and 28, 1977 and in the city of Los Angeles on July 5, 1977 before Administrative Law Judge Jerry Levander. The matter was submitted on July 5, 1977 subject to the receipt of late-filed exhibits, closing arguments, and points and authorities

on whether or not the preparation of an Environmental Impact Report (EIR) pursuant to the California Environmental Quality Act (CEQA) of 1970 was necessary as a prelude to the authorization of a rate increase and as a precondition for the Commission to order that Rancho make certain improvements to the water system pursuant to a staff recommendation.

The history and background of Rancho, together with the affiliated relationships of Rancho and its past and present parent companies, are described in D.85012 (see mimeo. pages 2 through 6) dated October 15, 1975 in A.55008 (Rancho's prior general rate increase application).

Compliance with Ordering Paragraph 3 of D.85012

In D.85012 we pointed out that Rancho's parent Kaiser Aetna (KA), a partnership of Kaiser Aluminum and Chemical Corporation and Aetna Life and Casualty Company, has subsidized Rancho's operations as an adjunct to KA's major developmental and sales activities in Rancho's service area; that KA caused Rancho to secure authorization to transfer certain of its orchard properties from Rancho's service area to the service areas of other water purveyors; and that these transfers have caused Rancho to lose future water sales.

Findings 12 through 17 of D.85012 are as follows:

"12. Rancho should reduce excessive delivery pressures to the limits set forth in Section II.3.a. of General Order No. 103 or secure waivers from customers supplied excessive pressures.

"13. Rancho should maintain a customer complaint file.

"14. Rancho should install a main replacement on Price Road and a hydropneumatic tank in Tract 2185.

- "15. Rancho should submit a program for replacement of all 2- and 3-inch mains with mains meeting the minimum requirements set forth in General Order No. 103. First priority should be given to installations needed to correct low pressure conditions. A high priority should also be given to main replacements or to the installation of corrective facilities where dirty water conditions cannot be corrected by flushing or other operating procedures.
- "16. Rancho should make the following accounting changes in its operations:
- "(a) Establish a work order system in conformance with Uniform Systems of Accounts for Water Utilities which is fully documented for identification and for accounting purposes.
  - "(b) Reestablish the Accounts Payable Journal to comply with the accrual system of accounting.
  - "(c) Reconcile plant detail within primary plant accounts to the totals of each utility plant account.
  - "(d) Adjust main extension contracts to conform with its Tariff Rule 15 provisions distinguishing between extensions to serve individuals and extensions to serve subdivisions. Contracts should be adjusted to actual costs. Future contracts should be in conformity with Rancho's Rule 15.
  - "(e) Amortize Account 142, Preliminary Survey and Investigation, charges over 10 years beginning with the calendar year 1974.

"(f) Maintain supplementary schedules for customer deposits, accounts payable, and advances for construction.

"17. Rancho should file an amended 1974 annual report reflecting the accounting changes recommended by the Commission staff."

Ordering Paragraph 3 of D.85012, which implemented the recommendations of a staff engineer<sup>1/</sup> and of a staff accountant, states:

"3. Rancho Las Posas Water Company shall take the necessary actions to carry out the requirements set forth in Findings 12 to 17 within ninety days after the effective date of this order. Rancho Las Posas Water Company shall file a description of the actions it has taken and of its improvement program within one hundred days after the effective date of this order."

Rancho's delayed six-paragraph response, (set forth and discussed in sequence below) filed February 9, 1976 (117 days after the effective date of the order), states:

- (1) Re Finding 12 - Rancho now has operating pressures at the six critical areas measured within the limits set forth in General Order No. 103.
- (2) Re Finding 13 - Rancho has and will continue to maintain a customer complaint file of verbal and written complaints.
- (3) Re Finding 14 - Rancho replaced 3,500 feet of 2-inch steel main with a 3-inch PVC main on Price Road. "The details of this main replacement were discussed

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<sup>1/</sup> The staff recommended replacement of all 2-inch and 3-inch steel mains. Finding 15, supra, should have been limited to steel mains.

with the Commission staff and they did concur that the replacement proposed and installed were adequate under the circumstances."<sup>2/</sup>

Rancho did not install a hydropneumatic tank in Tract 2185. It considered alternates to this installation, including facilities associated with potential growth in the area, and installed more sophisticated controls on its existing Tract 2185 booster station which would operate automatically depending on water pressure and demand requirements. Rancho states that this alternate solution cut its installation costs and would cut its energy costs.

This alternate solution appears reasonable to the Commission.

- (4) Re Finding 15 - Rancho submitted a 5-year plan for replacement of 3,300 feet of 2-inch steel main and of 7,200 feet of 3-inch steel main<sup>3/</sup> with 650 feet of 4-inch<sup>4/</sup> and 10,450 feet of 6-inch AC main together with service and fire hydrant replacements.

Rancho cited declining revenues, actual and possible increased expenses, and other existing and potential obligations as justification for delaying the implementation of the ordered main replacement plan. Rancho contemplated a further rate increase to generate the cash flow necessary to carry out the program.

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<sup>2/</sup> Rancho originally planned to install a 4-inch asbestos cement (AC) replacement main.

<sup>3/</sup> These footages are at variance with the footages shown in Rancho's annual reports to the Commission. The discrepancy should be rectified.

<sup>4/</sup> The current General Order No. 103 provides for a minimum main size of 6 inches where a fire hydrant is supplied from a new main. The contemplated 1976 main replacement is governed by this requirement.

Rancho differentiated between making specifically ordered improvements (e.g., the Price Road replacement and hydropneumatic tank installation) and its submission of a main replacement program.

The Commission's file on this matter does not contain either a staff evaluation of the replacement plan or a staff response to the deferral of its implementation. However, the staff recommendations in this proceeding include implementation of this replacement plan.

The staff should have responded after reviewing the filing. When a utility does not adequately respond to a Commission order, the staff has the obligation to advise the Commission that a compliance filing is inadequate and to recommend further action.

- (5) Re Finding 16 - Rancho stated that:
- (a) It had set up a work order system as ordered.
  - (b) It established a Voucher Register to comply with the requirement for establishment of an Accounts Payable Journal to comply with the accrual system of accounting and that it could quickly assemble a list of vendors and month-end balances owed to the vendors, if requested.
  - (c) It had made the required plant reconciliation.

- (d) It had changed its accounting system to differentiate between extensions to serve individuals and extensions to serve subdivisions; it was accruing refunds payable to associated companies; and it was adjusting contracts to actual costs.
- (e) It was amortizing preliminary survey and inspection charges over 10 years. The staff accountant did not object to beginning the amortization in 1975 rather than in 1974 because the order was issued in 1975.

The change in amortization periods is reasonable. However, the Commission's prior approval should have been obtained.

- (f) It had set up the required supplementary schedules.
- (6) Re Finding 17 - Rancho filed an amended 1974 annual report.

The substitution of controls for the hydropneumatic tank and the shifting of the amortization of preliminary survey amortization period discussed above is reasonable and should be authorized. Paragraph 3 of D.85012 will be modified accordingly.



Results of Operation

The following tabulation compares the estimated summary of earnings of Rancho filed with its application and the estimated summary of earnings of the staff for test year 1977 at present rates and at Rancho's proposed rates, and sets forth the adopted summary of earnings for test year 1977 at present rates.

Summary of Earnings  
(Estimated Year 1977)

Item	Rancho Estimated		Staff Estimated		Adopted
	Present	Proposed	Present	Proposed	Present
	Rates	Rates	Rates	Rates	Rates
Operating Revenues	\$245,580	\$377,490	\$284,140	\$445,020	\$284,140
<u>Operating Expenses</u>					
Operation & Maintenance	143,040	143,040	156,180	156,180	177,430*
Administrative & General	56,370	56,370	45,150	45,150	50,310**
Taxes Other Than Income	29,570	31,000	29,100	30,680	18,100***
Depreciation	36,790	36,790	33,960	33,960	33,960
Taxes on Income	200	31,000	200	60,100	200
Total Operating Expenses	265,970	298,200	264,590	326,070	280,000
Net Operating Income	<u>(20,390)</u>	79,290	19,550	118,950	<u>(4,140)</u>
Rate Base	726,830	726,830	694,340	694,340	694,340
Rate of Return	<u>(2.81)%</u>	10.91%	2.82%	17.13%	<u>(0.50)%</u>

(Red Figure)

- \* To the staff estimate of \$156,180 an amount of \$24,250 for purchased power has been added and \$3,000 for outside operating and maintenance service has been deducted resulting in the \$177,430 estimate.
- \*\* To the staff estimate of \$45,150 an amount of \$5,000 for insurance and \$160 for regulatory Commission expenses has been added resulting in the \$50,310 estimate.
- \*\*\* The staff ad valorem estimate of \$22,970 has been reduced to \$11,970 to reflect the impact of the adoption of Article XIII-A of the California Constitution.

Rancho at the hearing adopted the staff estimates for the items listed below. Certain modifications are being made in these estimates for the reasons indicated.

‡ Operating Revenues - The staff used later information showing a larger number of commercial customers and the average use per customer of 376.70 Ccf per year developed by Rancho. The staff estimates for irrigation and special metered service (primarily tank truck deliveries used for agricultural spraying) reflect increasing per-acre water requirements for still maturing orchards in the service area. The staff estimates annual irrigation use is increasing at a 0.1 acre-feet/acre (AF/A) rate. The staff estimate of irrigation use exceeds 0.6 AF/A in 1977. Rancho's witness believes that the average annual use will level out between 1.0 and 1.5 AF/A when the irrigated groves have matured.

The staff estimates at present rates are reasonable.

The staff estimates at proposed rates omitted the increase in special rates. This modification increases revenues at proposed rates to \$449,600, an increase of approximately \$168,500 (58.23 percent).

Purchased Power - The staff estimate of \$87,600 is for ground water production and for boosting of water. The staff utilized later (January 13, 1977) rates for power provided by Southern California Edison Company (Edison) than Rancho. At the hearing a staff witness testified that due to time limitations he could not incorporate additional expenses of \$5,500 in his report to reflect a further increase in Edison's rates.

The adopted purchased power expenses have been increased by \$24,250 over the staff estimate to \$111,850 to reflect Edison's present rates.

Payroll, Payroll Taxes, and Benefits - The staff estimates are based upon the personnel required for operating the system using later wage rates. The staff believes that an additional serviceman contemplated by Rancho was unnecessary because most large repairs and construction are handled by outside contractors.

The staff estimates are reasonable.

Outside Operating and Maintenance Services - The staff estimate (which is \$4,950 higher than Rancho's estimate) reflects increases in leak repairs, in billing costs, in costs for implementing cross-connection inspections, in other maintenance costs, and in cost trends.

Rancho's rates should not reflect increased repair expenses flowing from its failure to carry out its small diameter steel main replacement program. The adopted expense of \$25,600 is \$3,000 less than the staff estimate.

Franchise Tax - The staff used the same effective rate as Rancho. The staff estimate which we adopt herein is based upon the adopted gross revenues from metered customers. At proposed rates the franchise taxes would be increased by \$1,630.

Rate Base and Depreciation Expense - The staff estimate reflects accounting adjustments, use of later recorded data, later estimates of additional construction, and retirements. Rancho adopted normalization on the first 4 percent of the Investment Tax Credit (ITC) and ratable flow through for the remaining 6 percent credit on ITC. Rancho and the staff reduced rate base by the net normalized ITC. Both Rancho and the staff used the same methodology in determining working cash.

We will adopt the staff estimates.

Other General Expenses - The staff estimate reflects costs for a part-time accountant rather than the in-house accounting services previously used. This estimate is reasonable.

Ad Valorem Taxes - The staff estimate based upon later data is reasonable.<sup>5/</sup>

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<sup>5/</sup> Excluding the flow through of reduced taxes resulting from adoption of Article XIII-A of the California Constitution.

The remaining differences between the Rancho estimates and the staff estimates are resolved as follows:

Purchased Water - Rancho based its original estimate of purchases from Calleguas Municipal Water District (CMWD) and from Ventura County Water Works District No. 1 (VC) in 1975. The staff used 1976 purchases from VC and 1975 purchases from CMWD priced out at current rates.<sup>6/</sup> The staff did not use 1976 CMWD purchases because Rancho had sufficient well pumping capacity to meet its peaking requirements at the 1975 level of purchases from CMWD. Rancho's updated estimate projects 1976 CMWD purchases as a percentage of water sales into 1977. Rancho's witness believed increasing amounts of water would have to be purchased instead of pumped from wells, due in part to inadequacies in Rancho's distribution mains. It is not reasonable to increase Rancho's expenses for purchased water which result from its failure to carry out its replacement program to eliminate undersized steel distribution mains.

We will adopt the staff estimate.

Insurance - KA purchased a package of public liability and property damage insurance for several of its operations, including Rancho. The package was cheaper than paying for individual policies for each operation. Rancho's consultant testified that his estimate was comparable to those incurred by other water utilities, that he furnished work papers to the staff which supported a 1977 pro rata allocation to Rancho of approximately \$4,300 for property and general liability insurance, but that he did not have and did not furnish the staff with the updated material prepared by Rancho personnel to support an increase of this item to \$5,000.

The staff initially did not include any expense for this insurance because it was not provided with the requested underlying data to support Rancho's estimate and because Rancho was not paying for the insurance. However, the staff witness analyzed insurance expenses for other companies and stated that

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<sup>6/</sup> Excluding temporary drought-induced penalty surcharges for excess use.

Rancho's estimate was not unreasonable. KA now intends to bill Rancho<sup>7/</sup> for its pro rata portion of the insurance expense.

We will adopt Rancho's estimate for insurance. However, we are putting Rancho on notice that its failure to provide the necessary information to the staff on a timely basis may result in a disallowance of a revenue requirement item in a future rate proceeding.

Regulatory Commission Expenses - Rancho amortized the expense of the prior proceeding at \$5,275 per year for three years ending in 1977; amortized \$22,000 at \$7,334 per year for the three years ending in 1978 for this proceeding, and did not include an estimate for amortizing an additional \$2,200 for a cost allocation study. Rancho's estimate for 1977 is \$12,610.

The staff amortized \$18,190 for this proceeding over four years at a rate of \$4,550 per year. In D.85012 we adopted the amount of \$8,000 amortized over three years for regulatory Commission expense. The staff estimate assumed no amortization of the \$8,000 in 1975, amortized \$2,666 in 1976, and amortized the remaining \$5,334 or \$1,440 per year over four years. The staff estimate for 1977 is \$5,900.

The adopted 1977 regulatory Commission expense of \$6,060 is based upon a three-year amortization through 1979 of the \$18,190 estimated by the staff for this proceeding. As the prior regulatory expenses of \$8,000 have been fully amortized on a three-year basis, no allowance for such expense is being made.

Income Taxes - The methodologies followed by Rancho and by the staff are similar. The adopted tax at present rates is the minimum California Corporate Franchise Tax of \$200 since there is no taxable income.

At proposed rates the differences in estimates stem from differences in the three items above and from a difference in the interest deduction. Rancho's consultant testified that small utilities such as Rancho and other nearby utilities cannot secure debt financing at any price because of insufficient cash flow to repay debt and to provide funds for additional investment; that KA's proposal

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<sup>7/</sup> A memorandum furnished with Rancho's brief indicates the billings for 1977 will total \$5,400.

to provide Rancho with financing at 10 percent benefits Rancho's customers; that his \$26,485 estimate of 1977 interest expense assumes repayment of \$282,339 of notes to KA, associated with existing company funded plant additions, in 15 equal annual debt service installments; and that other debt, primarily funds advanced by KA to meet operating losses, would be converted to equity.

Income taxes at proposed rates would total \$59,320 based upon current tax levels, the tax treatment utilized by the staff, interest expense of \$28,230 (10 percent of the amount borrowed from KA for plant construction), and investment tax credit of \$910.

Rancho's proposed rates would yield net earnings of \$108,860 which result in a rate of return of 15.68 percent on the adopted rate base for test year 1977. This rate of return is excessive, as discussed below.

#### Rate of Return

The results of operations study attached to the application shows pro forma rates of return at proposed rates of 14.3 percent in 1975, 11.4 percent in 1976, and 10.9 percent in 1977. Rancho prepared a revised results of operations study indicating a rate of return of 15.17 percent at proposed rates, using the staff rate base. Rancho also prepared a calculation yielding a return on rate base of 12.43 percent, predicated upon conversion of existing advances<sup>8/</sup> held by KA to equity capital and to contributions in aid of construction.

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8/ The pro forma calculation, as of December 31, 1977, used discount factors contained in Rancho's Main Extension Rule and used proposed rates to discount \$487,328 in advances for construction to \$142,519 in equity capital. The appropriate discounted value is \$118,169 as of December 31, 1977, at present rates.

Rancho's rationale for requesting this rate of return is to generate sufficient funds from its revenues to make necessary improvements without additional investment by KA or through outside financing, which cannot be secured at this time. KA's management believes it is necessary to obtain rates of return on further investments in Rancho comparable to yields it would seek in making alternative investments in nonregulated enterprises, i.e., 15 percent.

A staff financial witness testified that Rancho has an unbalanced capital structure created by a high debt ratio of 60 percent (in the form of 10 percent notes payable to KA) and 40 percent of common equity; that no principal had been paid on the notes to date because of Rancho's cash problems; and that Rancho's financial position is further aggravated by large holdings of advances for construction contracts by KA which require refunds pursuant to Rancho's Main Extension Rule. The staff financial witness recommends that Rancho should: (1) not pay cash refunds on the advance contracts held by KA and treat the refund amounts due as capital surplus; (2) convert approximately \$100,000 of the notes payable to KA into common equity capital, which would create a more balanced capital structure with lower fixed charges; and (3) be restricted from extending its service area until its financial position has improved.

The staff financial witness recommended that a 9.75 percent rate of return on rate base be adopted, which in her opinion, would be fair and reasonable to provide a return on common equity of approximately 9.5 percent based upon a balanced capital structure consisting of 50 percent debt and 50 percent equity.

The staff recommendation is based on rates of return recently allowed by the Commission, the financial problems of Rancho, and implementation of the staff recommendations to correct the cash-flow problems created by Rancho's unbalanced capital structure.

KA reviewed the recommendations of its consulting engineer and of the Commission staff and stated that "in order to assist the water company to become financially self-sustaining with funds available to make requisite improvements to both better service to existing customers and meet the future demands resulting from new service connections, Kaiser Aetna agrees" to:

- (1) Convert all outstanding notes payable to KA by Rancho, loaned to cover Rancho's cash deficiencies (\$194,480, as of July 14, 1977), to common equity.
- (2) Convert \$282,339 in notes payable to KA by Rancho to long-term debt. This amount was used for construction of utility plant by Rancho. The loan would be repaid over 15 years at an interest rate of 10 percent with equal annual payments of \$37,120.
- (3) Convert outstanding KA-Rancho main extension contracts to equity and contributions in aid of construction by terminating the main extension contracts pursuant to Rancho's Main Extension Rule. The outstanding



contract balances of \$487,328 would be converted into \$142,519 of equity (capital surplus) and into \$344,809 of contributions in aid of construction.

- (4) A moratorium on the declaration of dividends by Rancho to provide funds for construction of improvements by Rancho until the Commission agrees that a reasonable service level is being provided by Rancho.

KA disagrees with the staff financial witness' recommendation that annual refunds under main extension contracts payable to it not be paid in cash but be credited to Rancho's capital surplus.

Section 818 of the Public Utilities Code prohibits the issuance of stock, stock certificates, or other interest or ownership, or bonds, notes, or other indebtedness which are, in whole or in part, chargeable to operating expenses or to income. This issue was previously discussed in D.85012 (see mimeo. pages 11 and 12).

The staff financial witness' recommendation that Rancho convert a portion of its debt (the notes covering plant expenditures) to achieve a balanced capital structure is reasonable. Rancho could file an application requesting authorization to convert these notes into long-term debt and equity to accomplish this goal.

Rancho should eliminate the cash drain from refunding KA's advances either by discounting these advances as indicated herein or by crediting refunds due to capital surplus. If Rancho and KA do not elect to adopt one of these options, Rancho should be restricted from entering into new main extension contracts to avoid exacerbating its cash-flow problems.

The rate of return recommendation of the Commission staff would be reasonable if Rancho were providing an adequate quality of service or if Rancho and its parent KA were committed to rapid implementation of the improvements previously ordered, with the modifications discussed herein, together with our adoption of portions of the staff's additional recommendations for plant construction and studies to improve service. We cannot accept Rancho's and/or KA's proposition that the financial considerations for investing in plant to improve Rancho's public utility water service should be the same as those for an alternate investment in a nonregulated enterprise. Rancho's operations constitute a tiny fraction of the business transacted by its parent companies. Rancho's service problems are based in part on its acquisition of an old, undersized mutual water company system serving relatively few domestic customers within a large service area and the superimposition of large irrigation loads on that system. KA has not provided sufficient funds to correct Rancho's present service problems and to meet increasing water requirements on Rancho's system due to customer growth and to growing AF/A irrigation requirements resulting from the increasing maturity of the citrus and avocado orchards supplied by Rancho. KA's agricultural subdivision activities created this agricultural demand on Rancho's system. Rancho sought and was authorized to provide public utility irrigation service in areas not served by mutual water companies<sup>9/</sup> or by proprietary wells when KA required irrigation service to supply these agricultural subdivisions. KA should now supply the necessary funds to provide an adequate level of service.

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<sup>9/</sup> The irrigation service tariff is applicable to Rancho's entire service area.

A staff engineer recommends that an annual increase of 1.0 percent in rate of return be considered in setting rates. This increase, primarily caused by increases in per-acre irrigation demands and by a decline in Rancho's plant construction, will be offset by the substantial investment in facilities required to improve service.

We will authorize Rancho to file the rates contained in Appendix A attached to this decision, with the reductions necessary to flow through the benefits of reduced property taxes realized from the adoption of Article XIII-A of the California Constitution, provided KA agrees to provide the funding needed to make the ordered improvements, on the schedule adopted herein. These rates will yield a 9.75 percent rate of return on Rancho's rate base. This rate of return would yield net earnings of approximately \$67,700. We will require Rancho to reduce its gross revenue requirements by the estimated \$11,000 ad valorem tax savings resulting from the recently enacted Article XIII-A to the State Constitution, and we will adopt \$11,970 as a reasonable estimate of ad valorem taxes for the test year 1977 after adjustment for the \$11,000 reduction resulting from such savings. Rancho's gross revenues would be approximately \$361,700, an increase of \$77,600, or 27.31 percent over present rates. Absent KA's agreement to secure the funds needed by Rancho, beyond those generated internally by Rancho, to make the ordered improvements, we will adopt a rate of return on rate base of 5.00 percent which is reflected on the rates contained in Appendix B attached to this decision. This would result in net revenues of

approximately \$34,700 and gross revenues of approximately \$317,300, an increase of approximately \$33,200, or 11.68 percent, over present rates. It is reasonable to reduce Rancho's rate of return absent a commitment to provide an adequate quality of service.

Staff Accounting Procedure Recommendations

The staff financial witness took exception to six aspects of Rancho's accounting procedures and recommended that they be corrected. Rancho did not take exception to the accounting recommendations. These recommendations are reasonable and will be adopted.

Staff Recommended Improvements

A staff report contains the following tabulation of customer complaints filed in Rancho's office:

	<u>1975</u>	<u>1976</u>	<u>1/1/77 to 4/14/77</u>
Leaks	14	26	6
Low Pressure	7	14	2
High Pressure	2	1	-
Taste, Odor, Color	19	15	-
No Water	8	13	2
Meter Reading	2	4	-
Main Damage	4	8	-
Miscellaneous	<u>6</u>	<u>6</u>	<u>-</u>
Total	62	87	10

Service problems tend to occur more frequently during periods of heavy demand, i.e., during summer and fall months.

The staff recommends that Rancho be ordered to:

- (1) Install chlorination treatment on Well No. 2 in accordance with the letter dated March 3, 1976 from the California Department of Health to Rancho.

(2) Prepare and submit to the Commission for approval within 180 days a master plan of improvements to provide for the systematic replacement of old, undersized mains and to provide adequate storage and transmission and distribution facilities to properly service the area when developed to saturation. The master plan should include, but not be limited to, the following:

- (a) The replacement of 2-inch and 3-inch mains as outlined in the in-house memorandum dated November 10, 1975, attached to the letter to the Commission dated February 5, 1976. These areas should be designated by priority as ordered by D.85012.
- (b) An estimate of the number and types of customers to be served.
- (c) An estimate of the increase in water consumption due to the watering of the orchards and the increase in customers.
- (d) A year-by-year schedule of construction plans.
- (e) A year-by-year estimate of the costs of construction.
- (f) The annual increase in gross revenues necessary to provide a reasonable rate of return on plant constructed.
- (g) The rates necessary to generate the gross revenues spread on an equitable basis between domestic and agricultural customers.
- (h) The proposed method of financing the improvements.

(3) Institute a program for the routine testing of customers' meters in accordance with the provisions of Section VI of General Order No. 103 and as ordered by D.68660 dated February 24, 1965 in A.45857, and submit the results in Schedule D-6 of Rancho's annual report to the Commission.

Rancho's consultant and former manager outlined an improvement program which would cost approximately one million dollars, primarily involving construction of new reservoirs and transmission mains and repair or replacement of pumping equipment on Well No. 2. He estimates the cost of replacing undersized mains ordered in D.85012 at \$120,000, the cost of installing a Well No. 2 chlorinator at about \$3,000, and the cost of repairing the pumping equipment on Well No. 2, to improve its operating efficiency to normal levels, at \$12,000.

Some of the additional storage is needed to permit full-time operation of Well No. 2 during peak periods. This would reduce Rancho's expenses by permitting it to produce more well water and to purchase less water. Other improvements would eliminate constrictions in transmission lines. Some of the improvements may be contingent on further development, which would be financed in part by advances for construction.

Rancho submitted a tentative advice letter proposal to the staff to limit new service connections because of inadequacies in its transmission and storage facilities. Rancho has the obligation as a public utility to provide an adequate level of service, which meets or exceeds the standards set forth in General Order No. 103. Rancho should be required to correct its service deficiencies.

Accordingly, Rancho will be ordered to:

- (a) Install the chlorination equipment on Well No. 2 within 90 days after the effective date of this order, to eliminate the objectionable taste and odor from this supply and to lessen the possibility of bacterial contamination of the water supply. Rancho should chlorinate its other well if ordered to do so by the California Department of Health. Rancho indicates that chlorination of both wells is needed.

- (b) Replace the 2-inch and 3-inch steel mains on a three-year schedule commencing with the effective date of this order, meeting the minimum size requirements set forth in General Order No. 103. It appears that some of the main replacements should be increased in size and utilized as transmission lines to avoid future paralleling of these mains. Rancho should indicate where this approach will be used.
- (c) Replace any other 2-inch or 3-inch main on its system not meeting the minimum sizing requirements of General Order No. 103 within one year of the effective date of this order, if any customer served off of such an undersized main has filed a low pressure complaint with Rancho in the past two years.
- (d) Repair or replace the pumping equipment on Well No. 2 to improve the operating efficiency of the equipment during the winter of 1978-1979.

Rancho should also file a master plan with the Commission covering the areas in staff recommended items (2)(a) as modified above, (2)(b), (2)(c), (2)(d), (2)(e), and (2)(h). The plan should indicate the improvements needed to supply existing developments and to supply anticipated developments, and should indicate the conceptual requirements for ultimate development of the service area. The 2-inch and 3-inch main replacement plan should be submitted within 60 days after the effective date of this order. The remaining portions of the plan should be submitted within 180 days after the effective date of this order.

The primary objective of Rancho is to provide the public with a water supply delivered at adequate pressures. Irrigation supplies must meet system demands. Rancho's current irrigation scheduling practices are needed to maintain adequate system pressures. The priorities in Rancho's construction plan should be (1) to eliminate existing deficiencies, (2) to avoid deficiencies anticipated due to growth through 1981, (3) to time additional improvements on a cost-effective basis to meet further growth in existing system demands, and (4) to meet future development needs. Rancho should look at the overall economy of enlarging facilities to meet its master plan criteria where a smaller facility is to be financed pursuant to its Main Extension Rule. The revenue requirement associated with a 1.1 million dollar construction program, which includes increases in operation and maintenance expenses and ad valorem taxes, a decrease in income taxes by reason of the investment tax credit, and a return on the additional investment, could approach \$250,000 per year. The timing of the construction to meet priorities 3 and 4 should consider the potential rate impact on Rancho's customers.



The staff should promptly review the construction plan filings and discuss possible modifications with Rancho. The staff should then recommend approval of the plan (or of the modified plan) to the Commission, or recommend reopening this proceeding.

The scheduling of improvements falling under priorities 3 and 4, supra, are necessarily tentative at this time. We will not mandate construction under priorities 3 and 4 unless (1) the improvements are necessary to provide or maintain satisfactory service; or (2) Rancho's plan indicates that cost savings exceed the revenue requirement, at the authorized rate of return, for facilities scheduled for construction through 1981, which can be safely deferred. We will not mandate post-1981 construction at this time. Rancho should be permitted to request modifications of the plan based on changed circumstances.

A pro forma calculation of gross revenue requirements by year, through 1981, at the authorized rate of return should be filed to reflect implementation of the plan.

A staff witness testified that Rancho's old meters have been replaced. The recent vintage of the water meters in Rancho's system precludes mandating the testing of such meters on a routine basis at this time.

Rates

Rancho's present and proposed rates for general metered service are tabulated below.

		<u>Per Meter</u>	<u>Per Month</u>
		<u>Present</u>	<u>Proposed</u>
		<u>Rates</u>	<u>Rates</u>
<u>Service Charge:</u>			
For	5/8 x 3/4-inch meter .....	\$ 3.00	\$ 3.00
For	3/4-inch meter .....	4.50	4.50
For	1-inch meter .....	7.50	7.50
For	1-1/2-inch meter .....	15.00	15.00
For	2-inch meter .....	24.00	24.00
For	3-inch meter .....	45.00	45.00
For	4-inch meter .....	60.00	60.00
For	6-inch meter .....	90.00	90.00
<u>Quantity Rates:</u>			
First	500 cu.ft., per 100 cu.ft. ....	\$ 0.43	\$ 0.49
Next	9,500 cu.ft., per 100 cu.ft. ....	-	0.75
Over	10,000 cu.ft., per 100 cu.ft. ....	-	0.64
Next	13,000 cu.ft., per 100 cu.ft. ....	0.45	-
Next	12,500 cu.ft., per 100 cu.ft. ....	0.39	-
Over	26,000 cu.ft., per 100 cu.ft. ....	0.24	-

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

The following tabulation compares general metered service revenues at present and proposed rates for 5/8 x 3/4-inch meter and shows the effect of the proposed increase.

Use Per Month in Ccf	Revenues		Difference	
	Present Rates	Proposed Rates	Dollars	Percent
0	\$ 3.00	\$ 3.00	\$ 0	0
2	3.86	3.98	0.12	3.1
4	4.72	4.96	0.24	5.1
6	5.60	6.20	0.60	10.7
8	6.50	7.70	1.20	18.5
10	7.40	9.20	1.80	24.3
12	8.30	10.70	2.40	28.9
14	9.20	12.20	3.00	32.6
16	10.10	13.70	3.60	35.6
18	11.00	15.20	4.20	38.2
20	11.90	16.70	4.80	40.3
25	14.15	20.45	6.30	44.5
30	16.40	24.20	7.80	47.6
35	18.65	27.95	9.30	49.9
40	20.90	31.70	10.80	51.6
45	23.15	35.45	12.30	53.1
50	25.40	39.20	13.80	54.3
60	29.90	46.70	16.80	56.2
70	34.40	54.20	19.80	57.6
80	38.90	61.70	22.80	58.6
90	43.40	69.20	25.80	59.4
100	47.90	76.70	28.80	60.1
110	52.40	83.10	30.70	58.6
120	56.90	89.50	32.60	57.3
130	61.40	95.90	34.50	56.2
140	65.60	102.30	36.70	55.9
150	69.50	108.70	39.20	56.4

The impact on Rancho's four largest customers is to increase the rates charged to an oil company by 60.3 percent, to a school by 64.1 percent, to a citrus packer by 114.7 percent, and to a feed yard by 137.6 percent. There was testimony that the magnitude of increases to these operators could result in the discontinuance of service to these customers either through their utilization of their own wells or by closing down the enterprises.

Rancho's present and proposed metered irrigation service rates are set forth in the following tabulation.

	<u>Per Meter</u> <u>Present</u> <u>Rates</u>	<u>Per Month</u> <u>Proposed</u> <u>Rates</u>
<u>Service Charge:</u>		
For 1-inch, or smaller, meter ....	\$ 7.50	\$ 7.50
For 1-1/2-inch meter .....	15.00	15.00
For 2-inch meter .....	24.00	24.00
For 3-inch meter .....	45.00	45.00
For 4-inch meter .....	60.00	60.00
For 6-inch meter .....	90.00	90.00
<u>Quantity Rate:</u>		
Per 100 cu.ft. ....	\$ 0.16	\$ 0.32

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.

Rancho also proposes adding the following special condition<sup>10/</sup> to its metered irrigation service tariff:

- i "3. Where the use of water is seasonal or intermittent, no adjustment will be made for any temporary disconnection. Any customer resuming service within 12 months after it was disconnected, will be required to pay all service charges which would have been billed if the temporary disconnection had not been made."

Rancho proposes no rate changes for private fire protection service or for public fire hydrant service. It proposes an increase in the daily service charge for special metered service from \$2.00 to \$3.24 and an increase in the quantity rate from \$0.54 per Ccf to \$0.87 per Ccf.

Rancho states that its rates for general metered service are designed using the Commission's lifeline concept. Rancho proposes no changes in service charge levels.

D.85012 points out that the staff results of operations exhibit contained no discussion of rate spread or rate design. There has been vigorous public opposition to the proposed increases, including strong written and verbal comments on the adverse impact of the proposed rates, on domestic and agricultural customers, in this proceeding. Rancho, at the request of the staff, prepared cost-of-service studies in this proceeding. In response to questions on rate design, a staff witness testified that domestic customers should not

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<sup>10/</sup> Adoption of this provision would in effect transform the service charge into an annual rate payable monthly.

be required to subsidize agricultural rates but that, if agricultural rates were so high as to result in losses to the economy, there should be an effort to equalize rates so that all customers would pay a portion of the rate increase granted; that both service charges and quantity rates should be increased; and that Rancho should implement a more vigorous water conservation program. If Rancho files a future general rate increase application, a staff witness should testify on the effects of and reasonableness of Rancho's rate proposals.

Testimony and statements by Rancho's witness and by public witnesses compared per-acre irrigation costs at Rancho's proposed rates, at the rates of mutual water companies supplying gravity deliveries in Rancho's service area, and at the rates of waterworks districts supplying irrigation water under pressure.

Rancho's witness testified that even though its proposed water rates are greater than those of a nearby mutual, the greater water use required under gravity versus drip irrigation offsets the rate differential and that costs per acre are comparable. In comparing Rancho's rates with VC rates he contends that, if VC taxes<sup>11/</sup> are added to water charges, costs per acre are comparable. Customers argue that other combinations of use and service charges result in higher per-acre charges by Rancho. There was testimony that the high cost of water results in marginal or unprofitable orchard cultivation; that cultivation of oranges and grapefruit could be unprofitable even if there were no water charges; and that orchard operations might operate at a loss for as long as 10 years, even for the cultivation of high value avocados.

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11/ Formation of some improvement districts and the resultant taxes flow from the transfer of service areas from Rancho to the districts at KA's behest.

Rancho's cost-of-service study, based on its original estimates, shows that at proposed rates the rates of return on rate base for commercial, irrigation, and special service are 15.68 percent, 3.69 percent, and 39.03 percent respectively. The study used 1976 load factors for 1977 allocations. If 1975<sup>12/</sup> load factors were used, the disparity in rate of return between commercial and irrigation service would increase. Rancho's witness testified that value of service as well as cost of service should be considered in setting rates; and that elimination of the rate of return differences between classes of service should be a long-range goal, but this goal should be tempered to consider community goals which resulted in setting up an agricultural preserve within Rancho's service area.

The adopted rates give consideration to cost of service, lifeline and conservation.<sup>13/</sup> We recognize that irrigation water costs are a major component in the cost of the cultivation of orchard crops in Rancho's service area. However, the large disparity in spread of rate of return between classes of service would soon precipitate the need for further rate relief given continuing increases in irrigation demand, the underpricing of the charges for irrigation water, and the increase in plant

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<sup>12/</sup> 1975 weather was closer to normal weather than was 1976 weather.

<sup>13/</sup> The staff did not indicate any specific water conservation actions beyond those required under D.86959 and D.88466 in C.10114. The drip irrigation method drastically reduces irrigation requirements compared to supplying water from furrows or by flooding.

investment needed to correct service deficiencies. Rancho's proposed rates would have increased irrigation revenues by approximately 63 percent, special metered rates by approximately 62 percent, and commercial revenues by approximately 55 percent. The adopted rates will narrow the gap in rate of return between customer classes. Test year irrigation service revenues and special metered service revenues will each be increased by approximately 39 percent. Commercial revenues exclusive of the lifeline revenues will be increased by approximately 21 percent which reflects the flow through of the decrease in ad valorem tax expense resulting from the addition of Article XIII-A to the State Constitution. The overall increase is 16.94 percent.

Request for EIR

One of Rancho's irrigation customers contends that an EIR is required prior to consideration of the merits of the rate application; that earlier rate increases authorized together with the increase proposed herein would clearly have a significant environmental impact; that the rate increases could threaten the viability of agriculture in an



area master-planned, down-zoned, and given tax incentives to encourage agricultural uses; that he suspects that the addition of chlorine in a water supply could cause the irrigated trees to die and damage the environment; and that Rancho would deplete the underground water supply to avoid buying water.

The applicability of CEQA to the Commission's ratemaking functions was considered and rejected in the adoption and amendment of Rule 17.1 of the Commission's Rules of Practice and Procedure in D.81237 dated April 3, 1973 (75 CPUC 133) and in D.81484 dated June 19, 1973 in C.9452 (Peninsula Commute and Transit Committee, 75 CPUC 243). The California Supreme Court sustained the Commission by denial of petitions for writs of review in Planning and Conservation et al. v P.U.C., S.F. 23031, January 16, 1974; Peninsula Commute and Transit Committee v P.U.C., S.F. 23034, January 16, 1974; and Sierra Club v P.U.C., S.F. 23069, April 17, 1974.

Rancho is in need of rate relief to carry out its utility operations. The rates authorized are reasonable for all of Rancho's customers.

The California Department of Health has a primary responsibility to require water companies to supply domestic customers with safe, potable water supplies. The health department requirement that Rancho chlorinate its well supply is consistent with that responsibility. The purported threat of chlorination destroying trees has not been observed in other companies supplying chlorinated irrigation water. Rancho's purchased CMWD water supply is chlorinated.

A staff witness testified that the water table was relatively unchanged in the last three years. The staff recommendation that Rancho should cut back on the use of purchased water is designed to cut Rancho's costs, which are reflected in its rates.

Rancho's service would deteriorate absent construction of needed improvements. Replacement of mains in an existing easement or right-of-way would have no long-term effect on the environment. Rancho needs to routinely inspect the route of its system to detect leaks, to repair leaks, and to perform routine or emergency services to keep its system operational. Rancho was not required to have, nor did it seek, nor is it granted, a certificate in this proceeding.

Rancho has the obligation to provide necessary facilities in its service area to meet the requirements of its commercial, agricultural, and other customers. The improvements specifically ordered herein and the improvements incorporated in the approved plan, which Rancho will be

directed to carry out, are meant to meet this obligation. Rancho would need no authority from this Commission to construct any of these facilities, either within or adjacent to its service area (e.g., a storage tank needed to provide pressure within the service area). Local governmental bodies would issue necessary construction permits and perform the environmental review needed to comply with CEQA. No EIR is needed in this proceeding. The motion to require an EIR should be denied. If Rancho had adequately met its service obligations<sup>14/</sup> we would not have to direct it to do so now.

Findings

1. The adopted estimates previously discussed herein of operating revenues, of operating expenses, and of rate base for test year 1977 are reasonable.

2. Rancho's 1977 revenues at the proposed rates would yield total operating revenues of \$449,600, an increase of approximately \$168,500 (58.23 percent), which would yield a rate of return of 15.68 percent on an adopted rate base of \$694,340. This rate of return is excessive.

3. Rancho is in need of additional revenues but the proposed rates set forth in the application are excessive.

4. Rancho's parent, KA, has subsidized Rancho's operations as an adjunct to its major developmental and sales activities in Rancho's service area.

5. Rancho sought and was authorized to provide public utility irrigation service to supply irrigation service to KA's agricultural subdivisions. Rancho's service problems

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<sup>14/</sup> Rancho contends that it believed its compliance filing was sufficient and it was confirmed in that belief by the lack of response from the Commission. The procedure discussed herein should prevent any misunderstanding of this order.

are based in part on its acquisition of an old, undersized mutual water company system serving relatively few domestic customers within a large service area and the superimposition of large irrigation loads on that system.

6. KA has not provided sufficient funds to correct Rancho's present service problems and to meet the increasing water requirements on Rancho's system due to customer growth and to growing AF/A irrigation requirements, resulting from the increasing maturity of the citrus and avocado orchards, supplied by Rancho.

7. Rancho should construct the specific improvements and prepare the master plan as described on pages 21 through 24 herein. Rancho should make its filings within the prescribed time limits. The Commission staff should carry out the instructions set forth on page 24 herein regarding review, modification, and approval of the plan.

8. Rancho should be directed to construct the improvements called for under priorities 1 and 2 of the plan, which include the approved schedule of improvements through 1981. Rancho should construct the improvements called for under priorities 3 and 4 in accordance with the criteria set forth herein. Rancho should use internally generated funds to make these improvements.

9. A rate of return of 9.75 percent on the adopted rate base of \$694,340 is reasonable, providing that KA agrees to secure the funds needed by Rancho, beyond those generated internally by Rancho, to make the improvements ordered herein. A 9.75 percent rate of return based on a 50-percent-debt-50-percent-equity capital structure, as described herein, would provide a return on common equity of 9.50 percent.

10. The authorized rates contained in Appendix A attached hereto should provide gross revenues of approximately \$361,700, an increase of \$77,600, or 27.31 percent, over present rates. The rates contained in Appendix A are based on ad valorem tax estimates which do not reflect recent reductions mandated by the Commission by reason of the adoption of Article XIII-A of the California Constitution. These rates are predicated upon KA's agreement to secure additional funds needed to construct the ordered improvements.

11. Absent KA's agreement to provide additional funds needed to construct the ordered improvements, a rate of return on rate base of 5.00 percent on the adopted rate base of \$694,340 is reasonable. It would be reasonable to reduce Rancho's rate of return absent a commitment to provide an adequate quality of service.

12. The authorized rates contained in Appendix B attached hereto should provide revenues of \$317,300, an increase of approximately \$33,200, or 11.68 percent, over present rates and a rate of return on the adopted rate base of \$694,340, or 5.00 percent.

13. The apportionments of rate increases between different classes of customers authorized herein are reasonable.

14. 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, are for the future unjust and unreasonable.

15. Rancho should be directed to establish a tax initiative account pursuant to Commission OII 19, issued June 27, 1978.

16. Rancho should eliminate the substantial delays in writing off retired and abandoned plant, eliminate the overstatement of its depreciation reserve and depreciation expense flowing from the delay in writing off retired and abandoned plant, properly record purchased power and purchased water expenses, and correct and maintain its general ledger balances for advances for construction, construction work in progress, and contributions in aid of construction to properly reflect changes in these accounts during the year. Rancho's annual reports to the Commission should show the correct footages of its mains.

17. Rancho should be authorized to amortize the preliminary surveying and investigation charges discussed in D.85012 over 10 years beginning with calendar year 1975.

18. Rancho's installation of controls on its Tract 2185 booster station in lieu of a hydropneumatic tank meets the requirements of D.85012.

19. Rancho should eliminate the cash drain resulting from refunding KA's advances either by discounting these advances as indicated herein or by crediting refunds due to capital surplus. If Rancho and KA do not elect to adopt one of these options, Rancho should be restricted from entering into new main extension contracts to avoid further exacerbating its cash flow problems.

20. Rancho is not required to have, nor did it seek, nor is it granted, a certificate in this proceeding. No EIR is needed in this proceeding. The motion to require an EIR should be denied.

Conclusions

1. The application should be granted to the extent set forth in the order which follows.
2. Rancho should take the necessary actions to improve the quality of its service and the adequacy of its accounting procedures in the areas described in Findings 7, 8, and 16 herein.
3. KA should provide the additional funds needed to implement Findings 7 and 8.
4. Rancho should eliminate the cash drain resulting from refunding KA's advances either by discounting these advances as indicated herein or by crediting refunds due to capital surplus. If Rancho and KA do not elect to adopt one of these options, Rancho should be restricted from entering into new main extension contracts to avoid further exacerbating its cash flow problems.
5. No EIR is needed in this proceeding. The motion to require an EIR should be denied.
6. The effective date of this order should be the date hereof because of the prompt need for rate relief.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order and subject to the condition set forth in Ordering Paragraph 4 below, Rancho Las Posas Water Company is authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised rate schedules shall be four days after the date of filing. The revised rate schedules shall apply only to service rendered on and after the effective date thereof.

2. Rancho Las Posas Water Company shall take the necessary actions to carry out the requirements set forth in Findings 7 and 8 within the prescribed time limits after the effective date of this order. Rancho Las Posas Water Company shall use internally generated funds as a source of funds to construct the needed facilities.

3. Rancho Las Posas Water Company shall implement the accounting corrections set forth in Finding 16, including the reconciliation of its main inventory. Rancho shall file a report of its compliance action pursuant to this ordering paragraph within sixty days after the effective date of this order.

4. In order to be authorized to file the rates set forth in Appendix A, Rancho Las Posas Water Company shall, concurrently with the filing of such rates, file an executed agreement with its parent, Kaiser Aetna, indicating Kaiser Aetna's commitment to provide Rancho Las Posas Water Company with the additional funds needed to construct the ordered improvements as set forth in Findings 7 and 8 on the prescribed schedule.

5. If Rancho Las Posas Water Company cannot file the executed agreement as set forth in Ordering Paragraph 4 herein, it shall not be authorized to file the rates contained in Appendix A.



In that event, after the effective date of this order, Rancho Las Posas Water Company is authorized to file the revised rate schedule attached to this order as Appendix B. Such filing shall comply with General Order No. 96-A. The effective date of the revised rate schedules shall be four days after the date of filing. The revised rate schedules shall apply only to service rendered on or after the date thereof.

6. Decision No. 85012 is modified to reflect the revised amortization period described in Finding 17 herein and the substitution of booster station controls for a hydropneumatic tank described in Finding 18 herein.

7. Rancho Las Posas Water Company is directed to establish a tax initiative account pursuant to Commission OII 19, issued June 27, 1978.

8. The motion for an Environmental Impact Report in this proceeding is denied.

9. Rancho Las Posas Water Company shall eliminate the cash drain from refunding Kaiser Aetna's advances for construction either by discounting these advances as indicated herein or by crediting refunds due to capital surplus. Rancho Las Posas Water Company shall file an executed agreement with Kaiser Aetna adopting one of these options within thirty days after the effective date of this order. If this agreement is

not filed within thirty days after the effective date of this order, Rancho Las Posas Water Company is restricted from entering into new main extension contracts without further order of the Commission.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 3rd  
day of October, 1978.

ROBERT BATINOVICH  
President

WILLIAM SYMONS, JR.

VERNON L. STURGEON

RICHARD D. GRAVELLE

CLAIRE T. DEDRICK  
Commissioners

APPENDIX A  
Page 1 of 8

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service, except metered irrigation service.

TERRITORY

Somis and vicinity, Ventura County.

RATES

Service Charge:	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter.....	\$ 3.00	
For 3/4-inch meter.....	5.40	(I)
For 1-inch meter.....	9.00	
For 1 1/2-inch meter.....	18.00	
For 2-inch meter.....	28.20	
For 3-inch meter.....	54.00	
For 4-inch meter.....	72.00	
For 6-inch meter.....	108.00	(I)
Quantity Rates:		
First 500 cu.ft., per 100 cu.ft.....	\$ 0.43	
Next 25,700 cu.ft., per 100 cu.ft.....	.51	(I)
Over 26,000 cu.ft., per 100 cu.ft.....	.33	(I)

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

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Schedule No. 2

METERED IRRIGATION SERVICE

APPLICABILITY

Applicable to all metered irrigation service.

TERRITORY

Somis and vicinity, Ventura County.

RATES

Service Charge:	Per Meter Per Month	
For 1-inch, or smaller, meter.....	\$ 9.00	(1)
For 1 1/2-inch meter.....	18.00	
For 2-inch meter.....	28.20	
For 3-inch meter.....	54.00	
For 4-inch meter.....	72.00	
For 6-inch meter.....	108.00	(1)
Quantity Rates:		
Per 100 Cu.Ft.....	\$ 0.24	(1)

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

(Continued)

APPENDIX A  
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Schedule No. 2

METERED IRRIGATION SERVICE  
(Continued)

SPECIAL CONDITIONS

1. Water obtained under this tariff schedule is to be used for irrigation purposes only. If any portion of such water is used for domestic purposes, the service will be billed under Schedule No. 1, General Metered Service.

2. Scheduling may be required for use of irrigation water in such portion or portions of the service area where it is determined by the utility to be of benefit to the water users.

- (a) Within those portions of the service area wherein the utility has determined that scheduling will be beneficial to the water users, said scheduling shall be a mandatory requirement for those irrigation services with a meter size of 2 inches or larger.
- (b) Requests for irrigation service scheduling shall be made not less than 24 hours in advance of the time irrigation water is desired.
- (c) In the event of a scheduling conflict, the utility shall provide a solution such that irrigation water shall be available for use by the requestor within three days from the date and time requested for availability of irrigation service. However, this condition shall not be construed such that it supersedes or takes precedence over the terms and conditions contained within Rule No. 14.

APPENDIX A  
Page 4 of 8

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Somis and vicinity, Ventura County.

RATE

Per Month

For each inch of diameter of service connection ..... \$4.00

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.
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.

(Continued)

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS—(Contd.)

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 is to be paid by the applicant. Such payment shall not be subject to refund.

5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

APPENDIX A  
Page 6 of 8

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State.

TERRITORY

Somis and vicinity, Ventura County.

RATE

Per Month

For each hydrant ..... \$ 2.50

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1, General Metered Service.

2. The cost of installation and maintenance of hydrants shall be borne by the Utility.

3. Relocation of any hydrant shall be at the expense of the party requesting relocation.

4. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the ownership\*, type\* and the size\* of hydrant and the specific location at which each is to be installed.

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

\* Include only when appropriate.



Schedule No. 9M

SPECIAL METERED SERVICE

APPLICABILITY

Applicable to all users of construction or spray water from special metered services.

TERRITORY

Somis and vicinity, Ventura County.

RATES

	<u>Per Meter</u> <u>Per Day</u>
Service Charge .....	\$2.00 per day for the period of use.
Quantity Rate:	
Per 100 cu.ft. ....	\$0.54

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

SPECIAL CONDITIONS

1. Bills shall be rendered monthly as part of the regular billing procedure.

(Continued)

APPENDIX A  
Page 8 of 8

Schedule No. 9M

SPECIAL METERED SERVICE

SPECIAL CONDITIONS—(Contd.)

2. Users shall apply at office of the utility prior to use of service for permit authorizing use.
3. Water shall be delivered only to customer-owned containers.
4. Service under this schedule will be furnished only from hydrants specified by the utility.

APPENDIX B  
Page 1 of 8

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service, except metered irrigation service.

TERRITORY

Somis and vicinity, Ventura County.

RATES

Service Charge:	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter.....	\$ 3.00	
For 3/4-inch meter.....	4.90	(I)
For 1-inch meter.....	8.20	
For 1 1/2-inch meter.....	16.35	
For 2-inch meter.....	26.15	
For 3-inch meter.....	49.00	
For 4-inch meter.....	65.40	
For 6-inch meter.....	98.10	(I)
Quantity Rates:		
First 500 cu.ft., per 100 cu.ft.....	\$ 0.43	
Next 25,700 cu.ft., per 100 cu.ft.....	.47	(I)
Over 26,000 cu.ft., per 100 cu.ft.....	.28	(I)

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

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Schedule No. 2

METERED IRRIGATION SERVICE

APPLICABILITY

Applicable to all metered irrigation service.

TERRITORY

Somis and vicinity, Ventura County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:		
For 1-inch, or smaller, meter.....	\$ 8.20	(I)
For 1 1/2-inch meter.....	16.35	
For 2-inch meter.....	26.15	
For 3-inch meter.....	49.00	
For 4-inch meter.....	65.40	
For 6-inch meter.....	98.10	(I)
Quantity Rates:		
Per 100 Cu.Ft.....	\$ 0.20	(I)

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

(Continued)

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Schedule No. 2

METERED IRRIGATION SERVICE  
(Continued)

SPECIAL CONDITIONS

1. Water obtained under this tariff schedule is to be used for irrigation purposes only. If any portion of such water is used for domestic purposes, the service will be billed under Schedule No. 1, General Metered Service.

2. Scheduling may be required for use of irrigation water in such portion or portions of the service area where it is determined by the utility to be of benefit to the water users.

- (a) Within those portions of the service area wherein the utility has determined that scheduling will be beneficial to the water users, said scheduling shall be a mandatory requirement for those irrigation services with a meter size of 2 inches or larger.
- (b) Requests for irrigation service scheduling shall be made not less than 24 hours in advance of the time irrigation water is desired.
- (c) In the event of a scheduling conflict, the utility shall provide a solution such that irrigation water shall be available for use by the requestor within three days from the date and time requested for availability of irrigation service. However, this condition shall not be construed such that it supersedes or takes precedence over the terms and conditions contained within Rule No. 14.

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Somis and vicinity, Ventura County.

RATE

Per Month

For each inch of diameter of service connection ..... \$4.00

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.
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.

(Continued)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS—(Contd.)

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 is to be paid by the applicant. Such payment shall not be subject to refund.

5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State.

TERRITORY

Somis and vicinity, Ventura County.

RATE

Per Month

For each hydrant ..... \$ 2.50

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1, General Metered Service.
2. The cost of installation and maintenance of hydrants shall be borne by the Utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the ownership\*, type\* and the size\* of hydrant and the specific location at which each is to be installed.
5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

\* Include only when appropriate.



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Schedule No. 9M

SPECIAL METERED SERVICE

APPLICABILITY

Applicable to all users of construction or spray water from special metered services.

TERRITORY

Somis and vicinity, Ventura County.

RATES

	<u>Per Meter Per Day</u>
Service Charge .....	\$2.00 per day for the period of use

Quantity Rate:

Per 100 cu.ft. .... \$0.54

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

SPECIAL CONDITIONS

1. Bills shall be rendered monthly as part of the regular billing procedure.

(Continued)

Schedule No. 9M

SPECIAL METERED SERVICE

SPECIAL CONDITIONS—(Contd.)

2. Users shall apply at office of the utility prior to use of service for permit authorizing use.
3. Water shall be delivered only to customer-owned containers.
4. Service under this schedule will be furnished only from hydrants specified by the utility.