

**ORIGINAL**

Decision No. 90364 JUN 5 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's )  
own motion into whether Southern )  
California Water Company's present )  
Big Bear District water rates )  
should be modified. )

OII No. 40  
(Filed March 13, 1979)

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GOLDMINE SKI ASSOCIATES, INC., )

Complainant, )

vs. )

SOUTHERN CALIFORNIA WATER COMPANY, )

Defendant. )

Case No. 10628  
(Filed July 18, 1978;  
amended February 13, 1979)

J. A. Shuff, for Goldmine Ski Associates, Inc.,  
complainant and respondent.  
William V. Caveney, for Southern California  
Water Company, defendant and respondent.  
Charles W. Morton, for County of San Bernardino,  
Economic Development Department, interested  
party.  
Robert M. Mann, for the Commission staff.

O P I N I O N

Goldmine Ski Associates, Inc. (Goldmine) operates recreational facilities in a rural mountain resort area in the vicinity of Big Bear Lake in San Bernardino County. During cold weather Goldmine operates skiing facilities. It operates the only golf course in the Big Bear area when the weather is warmer.

Goldmine purchases water from Southern California Water Company (SCWC) for manufacturing artificial snow, when needed, and for golf course irrigation. The SCWC supply is delivered through two 2-inch meters into Goldmine's 750,000-gallon water tank, which is located on Goldmine's ski slope.

Goldmine plans to place a 2,000,000 storage tank into operation in the future. The latter tank is located further up the ski slope than the 750,000-gallon tank. Goldmine also operates its own golf course well, with a purported 150 gpm capacity. The discharge pressure from Goldmine's well is not sufficient to deliver water into its 750,000-gallon tank.

Goldmine's amended complaint contends that SCWC's Big Bear water rates are outrageous and exorbitant. Goldmine requested an investigation on the Commission's own motion into these rates and requested a hearing on its proposal for an irrigation rate. Goldmine contends that it would be against the public interest - both for local residents and for the large numbers of tourists visiting Big Bear - if it were compelled to close its golf course due to SCWC's high water rates. Goldmine also contends that its water bill for August 1978 was in error. The amended complaint contains letters from (1) James L. Mayfield, chairman of the San Bernardino County Board of Supervisors, speaking for the Board of Supervisors; (2) the Big Bear Lake Chamber of Commerce, by its president, James W. B. Riffenburgh; and (3) Jim McDill, a ski school director. These letters all supported Goldmine's rate complaint and emphasized the adverse impacts on the local resort economy if Goldmine's golf course were forced to close. Letters supporting Goldmine were received from the director of the San Bernardino County Economic Development Department and by a Big Bear Lake property owner.

Four communications were received protesting potential increases in homeowner rates, including a mailgram from the Sugarloaf Property Owners Association.

SCWC's response to the complaint was that (1) its tail block rate, which has a significant effect on large water users, such as Goldmine, was increased from 26.9 cents per Ccf to 85 cents per Ccf (an increase of 216 percent) by D.87708; (2) the tail

block rate was subsequently reduced to 75.3 cents per Ccf to flow through ad valorem tax savings in response to OII 19; and (3) its charges to Goldmine were made pursuant to its filed tariffs.

The Commission opened an investigation on its own motion, OII 40 dated March 13, 1979, regarding SCWC's Big Bear District water rates. OII 40 states in part:

"If the Commission should authorize a rate reduction for service to Goldmine, SCWC would be faced with a revenue requirement deficiency based upon test year 1977 rates set in D.87708 dated August 16, 1977 in A.56339, modified by a revenue reduction based on SCWC's Advice Letter No. 529-W to reflect lower ad valorem tax rates.

"It is reasonable to consider this complaint in the context of SCWC's overall revenue requirements for water service in its Big Bear District. SCWC's Big Bear District water revenue requirement of \$931,800<sup>1</sup> should be considered in evaluating Goldmine's request for a reduced irrigation rate.

"It is reasonable to institute an investigation on the Commission's own motion into whether SCWC's current Big Bear District water rates should be modified and to consolidate the investigation with C.10628 for hearing."

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"SCWC's Big Bear District water customers should be notified of the Commission's investigation and of the consolidation with C.10628 to consider alternate rate proposals which may be introduced by Goldmine, SCWC, the Commission staff, or by any other interested party."

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<sup>1</sup>/ The authorized rates contained in D.87708 were designed to yield \$971,000. Advice Letter No. 529-W reflects a \$40,100 reduction, or a new revenue requirement of \$931,800."

After notice,<sup>2/</sup> a hearing was held in the city of Los Angeles on April 17, 1979 before Administrative Law Judge Jerry Levander, and the matter was submitted on that date.

Rates

The staff submitted three general metered service rate designs for Commission consideration. The revenue requirement of \$931,800, derived in OII 40, could be realized through a combination of revenues derived from any of the three alternate general metered rate proposals plus existing residential flat rates and existing fire hydrant rates.

The following tabulation compares SCWC's present monthly rates and the staff's three alternate rate proposals:

Quantity Rates	: Present: Staff Alternate Rate Proposals:			
	: Rates :	1	2	3
First 500 Cf/Ccf	\$ 0.25	\$ 0.30	\$ 0.25	\$ 0.25
Next 14,500 Cf/Ccf	0.753	.75	0.75	0.68
Over 15,000 Cf/Ccf	0.753	.62	0.462	0.434
<u>Service Charge</u>				
For 5/8 x 3/4-inch meter	\$ 5.50	\$ 5.50	\$ 5.75	\$ 6.00
For 3/4-inch meter	8.25	8.25	8.50	8.80
For 1-inch meter	11.25	11.25	11.60	12.00
For 1-1/2-inch meter	15.00	15.00	16.00	16.00
For 2-inch meter	20.25	20.25	21.00	22.00
For 3-inch meter	37.50	37.50	39.00	40.00
For 4-inch meter	51.00	51.00	53.00	54.00
For 6-inch meter	84.75	84.75	88.00	90.00
For 8-inch meter	126.00	126.00	130.00	134.00

2/ SCWC's customers were advised that their rates might be increased and that they could submit alternate rate proposals. The mailing of approximately one-third of the customer notices, which should have been mailed by March 23, 1979, were mailed on Monday, March 26, 1979. No customer utilized the water use and customer data contained in Appendix A of OII 40 (as corrected by D.90193 dated April 10, 1979) to prepare an alternate rate design. Nor did any customer ask for additional time to prepare an alternate rate proposal. SCWC's customer notification is in substantial compliance with the requirements of OII 40.

In comparison with present rates, (1) Alternate 1 leaves service charges unchanged, increases the lifeline quantity rate by \$0.05 per Ccf (20 percent), and offsets most of the lifeline quantity rate increase through a \$0.133 per Ccf (17.7 percent) reduction for consumption in excess of 150 Ccf; (2) Alternate 2 increases monthly service charges by amounts ranging from \$0.25 cents (4.5 percent) per month for 5/8 x 3/4-inch meters to \$4 (3.2 percent) for 8-inch meters, does not modify the lifeline quantity rates, and offsets most of the increased service charge revenues through a \$0.291 per Ccf (38.6 percent) reduction for consumption in excess of 150 Ccf; and (3) Alternate 3 increases monthly service charges by amounts ranging from \$0.50 (9.1 percent) for 5/8 x 3/4-inch meters to \$8 (6.3 percent) for 8-inch meters and uses the greater service charge revenues to reduce monthly quantity rates for consumption between 5 Ccf and 150 Ccf by \$0.073 (9.7 percent) per Ccf and reduces quantity rates in excess of 150 Ccf by \$0.319 (42.4 percent).

The staff recommends adoption of Alternate 3 to bring charges closer to the cost of supplying the service. Alternate 3 would provide a greater reduction of Goldmine's bills than Alternates 1 or 2.

SCWC concurs with the staff recommendation. A SCWC witness estimates that the average expense to produce water in Big Bear is slightly less than \$0.20 per Ccf and that the overall cost of service would be between \$0.30 and \$0.35 per Ccf. SCWC contends that its fixed costs,<sup>3/</sup> such as service improvements, are not being recovered in its service charges and that even higher service charges were warranted and acceptable to SCWC.

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<sup>3/</sup> The cost of leak repairs, water production costs related to leaks, and the need for bleeding water in the winter time to prevent freezing are not tied to water sales.

Both SCWC and the staff considered that D.87708 represents the Commission's definitive position in rejecting the establishment of a service charge differential between year-round residents and vacation residents. The staff and SCWC recommend a general metered schedule applicable to all metered sales. Neither SCWC or the staff recommended adoption of a separate irrigation or large user tariff. SCWC contends that Goldmine's water use is not covered by the definition of agricultural uses contained in its tariffs.<sup>4/</sup>

Goldmine's witness testified that (1) he proposes a \$0.15 per Ccf irrigation rate based upon comparisons with rates charged by other water purveyors; (2) Goldmine's well is close to SCWC's wells; (3) he was informed that drilling and equipping a well adequate to serve Goldmine's requirements would cost approximately \$75,000; (4) Goldmine desired to avoid competing with SCWC for a water supply in a limited area - a competition it could well lose; (5) he was not familiar with costs of producing water; (6) Goldmine took water during off-peak periods and it provides its own storage; (7) most of the water used by Goldmine percolates back into the water table from which it was extracted; (8) Goldmine's golf course irrigation prevents erosion, lessens fire hazards, and establishes the largest greenbelt in the area; (9) active negotiations for San Bernardino County's acquisition of the golf course have been adversely affected by the passage of Proposition 13 (Article XIII-A to the California Constitution); (10) the minimum cost to water Goldmine's golf course for four to five months at SCWC's current rates would be

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<sup>4/</sup> Provision of water for commercial, agricultural, floricultural or horticultural use, and billed under distinct irrigation rates.

\$12,000; (11) the golf course would be faced with a 20 to 30 percent operating deficit if it had to pay SCWC's rates; (12) the recreational facilities run by Goldmine and other nearby attractions bring 300,000 visitors per year to the Big Bear area; and (13) these facilities are essential for the well-being of the area.

A representative of the Economic Development Department of the county of San Bernardino and a local resident supported Goldmine's request for lower rates. They state that (1) tourism is the backbone of the Big Bear economy; (2) Goldmine's operations are an essential element in that economy; and (3) Big Bear derives environmental benefits from the golf course operation.

SCWC deferred filing a request for a rate increase to offset its system improvement costs to replace inadequate water system facilities<sup>5/</sup> as authorized by D.87708, due to the pendency of these proceedings. SCWC contends that offset increases for system improvements should be assigned to service charges rather than to commodity charges. SCWC requests that this decision indicate whether it would be appropriate to request further increases in service charges rather than commodity charge increases to avoid a complaint similar to Goldmine's being filed in the future.

The staff and SCWC did not recommend any increase in the existing flat rate because (1) the average per customer use was low, on the order of 5 Ccf per month; (2) the flat rate charge was not out of line compared to any of the proposed alternate general metered rates; (3) increasing flat rates in these circumstances would encourage customer requests for meters to reduce their bills; and (4) such metering would increase SCWC's costs.

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<sup>5/</sup> SCWC purchased operating water systems in its Big Bear District (see D.64011 dated July 24, 1962 in A.44579).

Billing Dispute

Goldmine's witness testified that (1) a tabulation of water consumption and billings for its golf course (Exhibit 6) is correct except for SoCal's August 15, 1978 billing of \$3,091.40; (2) SCWC supplies the water delivered to Goldmine's 750,000-gallon tank; (3) Goldmine has a golf course watering system supplied from this tank; (4) Goldmine immediately shut the connection from its tank to the golf course after receipt of a \$1,399.05 bill on June 15, 1978 and commenced limited watering of the golf course from its own well supply; (5) water service from SCWC was not turned off; and (6) Goldmine did not dispute SCWC's bills of July, September, October (estimated), November, or December 1978.

Goldmine's witness cited two instances where SCWC was sure that its billings were correct and then made adjustments as follows:

- (1) SCWC billed a nearby stable for water consumption based upon a reading from a meter which had been installed backwards. The stable's water bill increased from \$30 per month to \$700 per month.
- (2) SCWC's August 15, 1978 bill of \$1,065 for electric service to Goldmine's golf course well pumping equipment was for consumption of 21,598 kWh, which was over 800 percent above any prior bill. SCWC confirmed the meter reading and the bill twice. Goldmine notified SCWC that a pump manufacturer stated that it would be impossible for Goldmine's equipment to use the billed consumption for August 1978 billing period. SCWC subsequently made a \$942.43 billing adjustment without any explanation or comment.<sup>6/</sup>

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<sup>6/</sup> SCWC states that Goldmine's golf course electric consumption was 1472 kWh for its July 17, 1978 billing and 1598 kWh for its August 15, 1978 billing. It appears that SCWC made a 20,000 kWh adjustment to Goldmine's August 15, 1978 bill.



Exhibit 9 shows that SCWC corrected prior water bills to Goldmine which it attributed to a clerical error.

Exhibit 7 contains SCWC's explanation of the August 15, 1978 billing as follows:

"Tabulated below is an analysis of the bills as rendered to Goldmine and as should have been rendered:

<u>Date</u>		<u>As Billed</u>			<u>Should have been Billed</u>			<u>Billing Difference</u>
		<u>Read</u>	<u>ccf</u>	<u>Amount</u>	<u>Read</u>	<u>ccf</u>	<u>Amount</u>	
6-15-78	East Meter	13732	2)	\$1,399.05	- (OK as billed)			\$ -
	West Meter	05754	1,606)					
7-17-78	East Meter	13732	0)	43.30	02631	2,631)	\$2,779.65	2,236.35+
	West Meter	05767	13)		05767	13)		
8-15-78	East Meter	03551	3,551)	3,091.40	03551	920)	885.05	2,236.34-
	West Meter	05815	46)		05815	48)		
	<b>Total</b>		<u>3,612</u>	<u>\$3,134.70</u>	<u>3,612</u>	<u>\$3,134.70</u>	<u>\$ -</u>	

"The East Meter with a reading of 13732 was changed out on June 15 with a new meter set to zero. The notification to the computer of the change in meters was not made before the meter cards were printed by the computer for the July reading. In July the new East Meter had a reading of 2,631 ccf but was not entered on the meter read card because of the difference in meter numbers on the card. The District substituted the previous old meter read (of 13732 same as June 15) so the account would bill. For the August 15 reading the computer had printed meter read cards reflecting the new East Meter number. The usage on the new East Meter of 2,631 ccf from June 15 to July 17 plus the usage of 920 ccf from July 16 to August 15 was correctly picked up as a usage of 3,551 and reflected in the August billing. As can be seen by the tabulation the total billing over the two month period is correct."

A SCWC witness testified that (1) the July-August billing period deliveries of 3612 Ccf meant that Goldmine's reservoir with a capacity of approximately 1000 Ccf was either drained or overflowed; (2) he could not explain the anomaly as to what happened to the water registered on SCWC's meters; (3) on a number of occasions during the summer of 1978, SCWC's Big Bear District superintendent advised Goldmine that two 3/4-inch hose bibs were running to waste on the golf course at a rate of about 20 gallons per minute and he recommended that Goldmine remove the hose bib handles, but this recommendation<sup>7/</sup> was not followed; (4) most of Goldmine's June to August 1978 consumption was registered on the new meter; (5) new meters are routinely checked and set at zero; and (6) meter tests tend to show slow readings. He believed that the local SCWC manager, whose house fronts on the golf course, would have shut off SCWC's supply and would have notified Goldmine had he noted that Goldmine's reservoir was overflowing. Goldmine's manager did not report any reservoir overflow during the period in question.

There was not a streamflow in the watercourse adjacent to Goldmine's reservoir at that time.

Goldmine contends that SCWC's history of errors justifies a ruling in Goldmine's favor.

SCWC contends that (1) it can not explain what happened to the disputed quantity of water; (2) if its meter reads were in error or suspect it would not be disputing Goldmine's claim; (3) it believed the water went through its meters; (4) since there might not have been any beneficial use from this water, SCWC was

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<sup>7/</sup> Goldmine did not remove the hose bib handles to avoid retaliatory breakage by vandals.

willing to make an adjustment of half of the disputed bill of \$3,091.40; and (5) SCWC and Goldmine should voluntarily get together to better define their operations to avoid this type of problem.

Discussion

The Commission has established lower lifeline rates for consumption needed for meeting minimal essential human needs. The quantity rates established for consumption above 5 Ccf in D.87708 and in Advice Letter No. 529-W have caused a very sharp increase in billings to Goldmine and to other large customers. The magnitude of SCWC's present tail block may cause termination of Goldmine's golf course operations in a resort area. The staff and SCWC concur that lower charges for consumption above 5 Ccf are justified to bring revenues in closer relationship to costs. The tail block commodity charge of \$0.434 per Ccf proposed in staff Alternate 3 exceeds SCWC's rough estimate of a commodity charge range of \$0.30-\$0.35 per Ccf. This differential is reasonable to keep the lifeline quantity rate at \$0.25 per Ccf. The general metered rates proposed in staff Alternate 3 are just and reasonable and should be adopted.

Goldmine's proposed irrigation rate of \$0.15 per Ccf would not compensate SCWC for its pumping costs, let alone for SCWC's full cost of service. Goldmine has not justified a separate irrigation rate schedule.

A change in SCWC's Big Bear flat rates is not justified at this time.

SCWC did not present any detailed cost data in these proceedings. We will consider SCWC's request to spread increased revenue requirement related to system improvements to its service charges. However, SCWC must provide a convincing cost-related justification for its proposal.

A SCWC witness testified that even though there was customer growth in the Big Bear District, the rate of return for water service in the Big Bear District was below the last authorized rate of return for the District of 8 percent. The adopted rates provide a revenue shift between customers but should not have any impact on the Big Bear District revenues or rate of return. The basis for reviewing SCWC's Big Bear District water rates adopted in OII 40 is reasonable. The adopted general metered rates, staff Alternate 3, are just and reasonable.

The actual readings registered on the new water meter do not support Goldmine's contention that the meter was installed backwards.

In light of this record, it is not surprising that Goldmine is skeptical about the accuracy of SCWC's meter readings. SCWC should review its procedures for processing billing disputes where there is an unexplained and marked variance from prior consumption patterns. Exhibit 6, a billing summary of deliveries to Goldmine's golf course, shows sales of 3773 Ccf and of 2803 Ccf for SCWC's \$1,014.55 and \$775.86 bills of June 15, 1977 and July 15, 1977. Goldmine did not dispute those sales volumes, which are greater than the adjusted July and August 1978 sales volumes.

SCWC should have either sent Goldmine a manually-prepared bill for \$2,779.65 or a computer-issued bill reflecting the meter change rather than issue a nominal July 17, 1978 bill of \$43.30 and then an August 15, 1978 bill of \$3,091.40 for consumption of 3599 Ccf. The total water billings for July and August 1978 on the "as billed" and on the "should have been billed" bases are the same.

The above-noted waste of water through open hose bibs, at a rate of 20 gpm<sup>8/</sup>, would account for over 2300 Ccf of use if the hose bibs were open continuously for the two-month period billed in July and August 1978.

If Goldmine needs hose bib outlets, it should remove the hose bib handles or construct protected outlets to avoid wasting substantial volumes of water. Discussions between Goldmine and SCWC concerning a coordinated meshing of their operations would be useful.

To the extent that water delivered to Goldmine was not wasted, the use of SCWC's water deliveries to the golf course is unclear. SCWC's proposal to adjust half of the disputed bill with Goldmine, since the water was not beneficially utilized, is reasonable and will be adopted.

#### Findings of Fact

1. SCWC's Big Bear District water bills for Goldmine's golf course and snow making activities increased sharply as a result of the rate increase and rate restructuring ordered in D.87708. The tail block increase was partially reduced by SCWC's Advice Letter No. 529-W.
2. The magnitude of Goldmine's water bills may cause it to terminate its golf course operations in the Big Bear resort area.
3. Goldmine has not established that it is entitled to an irrigation rate.
4. The basis for reviewing SCWC's Big Bear District water rates adopted in OII 40 is reasonable.

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<sup>8/</sup> The actual rate of flow was not measured. The record is not clear as to whether waste was intermittent or continuous. A continuous flow of 31 gpm could account for all of the registered consumption billed in July and August 1978.

5. The general metered service water rates proposed in Exhibit 3, staff Alternate 3, are justified and reasonable, and the present rates and charges, insofar as they differ from those prescribed in this decision, are for the future unjust and unreasonable. These rates should not impact SCWC's total revenues or rate of return.

6. No modification of SCWC's flat rates or fire hydrant rates is justified at this time.

7. SCWC's proposed 50 percent adjustment of its disputed \$3,091.40 bill to Goldmine, due to nonbeneficial use of this water, is reasonable.

8. Goldmine has deposited \$3,091.40 with the Commission pending resolution of the complaint.

Conclusions of Law

1. The general metered service water rates proposed in Exhibit 3 should be authorized.

2. Goldmine is not entitled to an irrigation rate.

3. SCWC's proposed 50 percent adjustment of its disputed \$3,091.40 bill to Goldmine should be authorized.

4. Since the disposition of these proceedings brings SCWC's Big Bear District general metered rates into better balance with cost, the effective date of this order should be the date hereof.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Southern California Water Company (SCWC) is authorized and directed to file the revised General Metered Water Service Schedule set forth in Exhibit 3. Such filing shall comply with General

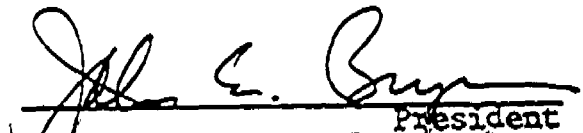
Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after its effective date.

2. Goldmine Ski Associates, Inc.'s (Goldmine) request for a special irrigation rate is denied.

3. Deposits by Goldmine in the sum of \$3,091.40, deposited with the Commission with respect to Case No. 10628, shall be disbursed as follows: \$1,545.70 to SCWC and \$1,545.70 to Goldmine.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 5<sup>th</sup> day of JUNE 4, 1979.

  
President







  
Commissioners