

Decision No. 44798

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION OF
 THE VAL VERDE PARK WATER COMPANY FOR
 A CERTIFICATE OF PUBLIC CONVENIENCE
 AND NECESSITY, FOR ESTABLISHMENT OF
 WATER RATES

Application No. 31075

Harry M. Waterman, Frank D. Godden,
 for applicant; Dr. A. H. Lawrence,
George W. Ingram, protestants.

O P I N I O N

Val Verde Park Water Company, which has been operating as an unincorporated private water company supplying water for domestic water purpose in a subdivided area known as Val Verde Park, Los Angeles County, asks the Commission for a certificate of public convenience and necessity to establish rates for water service.

Public hearing was held at Val Verde Park on June 14, 1950, before Examiner Crenshaw.

The service area of the Val Verde Park Water Company, consisting of six recorded tracts containing approximately 1,700 lots and comprising some 410 acres in foothill country, is located in San Martinez Chiquito Canyon, approximately 7 miles northeast of Saugus..

In 1924, Laura Janes subdivided Tracts Nos. 8600, 8672, and 8673, and Harry M. Waterman subdivided Tracts Nos. 5317 and 8676. In 1945, Tract No. 13243 was subdivided by Henry M. Waterman, who owns and operates the water system. The subdivisions were designed to provide a week-end recreational and homesite community. Adjacent to the tracts is a county recreation park which supplies water for its own needs.

The water system in the Val Verde Park area was constructed to serve water to the purchasers of lots in the subdivision. Until 1934, water was supplied without cost to the property owners by Val Verde Park Properties, Ltd. as a sales promotional expense in the development of the territory. In 1934, a charge was set up to provide for a caretaker to operate the system. This charge was covered by a flat rate of \$1.50 per month and a meter rate of \$1.50 per month with an allowance of 300 cubic feet of water.

From 1924 to 1925, water was furnished from a well located on Tract No. 8672. When this well failed, arrangements were made to purchase water from the B. F. Gilmour Ranch, situated in Halsey Canyon, some 2 miles north of the subdivision. This arrangement continued until 1941, when applicant installed wells Nos. 1 and 2, located on four lots in Tract No. 8672. These wells are 10 inches and 11 inches in diameter, respectively, and each is 70 feet deep, powered with 5 hp electric motors connected to turbine pumps.

Well No. 3, acquired through applicant's purchase of the Harris Ranch in 1945, was added to the system. This well is 6 inches in diameter and 125 feet deep. The pump is a gear-driven jet pump, powered with a 1 hp electric motor.

The distribution system consists of 40,100 feet of 3/4 inch to and including 2 1/2-inch black and galvanized piping. Six tanks, situated on hilltops in various locations within the service area, provide water storage for an aggregate of 64,000 gallons.

Applicant is now serving approximately 200 consumers, 57 of which are served at metered rates.

Applicant submitted as Exhibit "A" in its application, a statement of its fixed capital for the year 1949 in the amount of \$35,510. The revenues for the year 1949, as reported on Exhibit "B" in the application, were \$3,900, and the expenses were reported to be \$9,450.

Since applicant's books were not kept in accordance with the Uniform Classification of Accounts, as prescribed by this Commission, the exhibit submitted at the hearing by the engineer of the Commission distributed as near as possible the amounts to the Commission's classification of accounts. Complete information was not available as to the historical cost of the water system; therefore, an appraisal was made by the engineer of the Commission. This appraisal was based on the historical cost of the property, using receipts and vouchers, and estimates were made where such were not available, using the cost of labor and materials for the year of installation. This appraisal showed a fixed capital investment of of \$27,563. The straight-line method was used in computing the depreciation expense which amounted to \$991, and the depreciation reserve requirements were estimated to be \$7,608.

The following tabulation shows the revenues and expenses for the three-year period of 1947, 1948, and 1949, as set forth in the Commission Engineer's report:

	<u>1947</u>	<u>1948</u>	<u>1949</u>
<u>Gross Revenue</u>			
Metered	\$1,012.06	\$ 639.05	\$ 676.04
Flat Rate	<u>1,388.96</u>	<u>1,889.98</u>	<u>1,774.90</u>
Total	2,401.02	2,529.03	2,450.94
Operating Expenses Exclud- ing Taxes & Depreciation	4,517.18	5,781.99	3,992.51
Net Revenue	<u>(2,116.16)</u>	<u>(3,252.96)</u>	<u>(1,541.57)</u>
Uncollectible Bills	166.18	281.30	657.97
	<u>(Red Figure)</u>		

From the above tabulation, it will be noted that the revenue received by applicant was substantially less than the operating expenses for each year of the three-year period.

Applicant has requested that it be allowed to increase the rates to \$2.50 per month per customer for flat rate service. The metered rate would be increased by charging \$2.50 for the first 500 cubic feet or less; the next 500 cubic feet would be at 30 cents per 100 cubic feet; the next 400 cubic feet would be at 20 cents per 100 cubic feet; and all over 1,400 cubic feet would be at the rate of 15 cents per 100 cubic feet.

The application of the requested rates to the number of consumers served during 1949 will produce an estimated revenue of \$6,000. The expenses as shown in the report of the engineer of the Commission of approximately \$4,000, excluding taxes and depreciation, would leave a net minimum revenue of approximately \$2,000 for taxes, depreciation, and return. It appears from the record, that the rates proposed by the company are not unreasonable for flat rate service, but somewhat excessive for metered rate service. Therefore, the rates established in the schedules attached to and made a part of this order as Exhibit A are estimated at this time to provide a net revenue of approximately \$700, and accordingly, said rates are con-sidered just and reasonable.

The certificate of public convenience and necessity granted herein is subject to the following provisions of law:

That the Commission shall have no power to authorize the capitalization of the franchise involved herein or this certificate of public convenience and necessity or the right to own, operate or enjoy such franchise or certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the construction and operation of a public utility water system by Harry M. Waterman, doing business as Val Verde Park Water Company, in Val Verde Park, Los Angeles County, in the area set forth on a map attached to and made a part of the application in this proceeding; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Harry M. Waterman, doing business as Val Verde Park Water Company, to construct and operate a public utility system for the distribution and sale of water within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED that applicant shall:

1. File in quadruplicate with this Commission after the effective date of this order in conformity with General Order No. 96 the schedule of rates, as shown in Exhibit A attached hereto, and after not less than five (5) days' notice to the Commission and the public to make said rates effective for service rendered on and after November 1, 1950.
2. File in quadruplicate with this Commission within sixty (60) days from the date of this order rules and regulations and a tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96.
3. File within sixty (60) days after the effective date of this order four (4) copies of a comprehensive map drawn to an indicated scale of

Schedule No. 1

GENERAL METERED RATES

APPLICABILITY

Applicable to all domestic and commercial metered water service.

TERRITORY

Within Tracts Nos. 8600, 8672, 8673, 8676, 5317 and 13243, all situated in Val Verde Park, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.25
For 3/4-inch meter	2.75
For 1-inch meter	3.50
For 1 1/2-inch meter	4.50
For 2-inch meter	6.00

Monthly Quantity Rate:

First	500 cubic feet or less	2.25
Next	500 cubic feet per 100 cubic feet..	.30
Next	1,000 cubic feet per 100 cubic feet..	.20
All over	2,000 cubic feet per 100 cubic feet..	.15

The Monthly Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rate.

Schedule No. 2

MONTHLY FLAT RATE

APPLICABILITY

Applicable to all domestic and commercial water service rendered on a flat rate basis.

TERRITORY

Within Tracts Nos. 8600, 8672, 8673, 8676, 5317 and 13243, all situated in Val Verde Park, Los Angeles County.

RATES

	<u>Per Month</u>
For each residence including one lot containing 7,500 square feet or less, per service connection	\$2.50
For each additional house on a lot	1.00
For each 100 square feet in addition to the 7,500 square foot minimum02

A meter may be installed on any flat rate service at the option of the consumer or the utility.

approximately 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 19th day of September, 1950.

R. Z. [Signature]
James F. [Signature]
[Signature]

Commissioners.