

ORIGINAL

Decision No. 47713

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of AZUSA VALLEY WATER COMPANY, a)
corporation, for a certificate of)
public convenience and necessity,)
for permission to issue and sell)
stock, to execute a note, to exe-)
cute an agreement or agreements,)
and to establish rates for water)
service near the City of Azusa,)
Los Angeles County, California.)

Application No. 33275

P. J. Tschanner, attorney, for applicant; Gordon Knapp & Gill, by Hugh Gordon, attorney, and C. L. Gardner, attorney, for San Jose Hills Water Company; Mrs. Juanita Dennis and Mrs. Irene Komar, interested parties; Dailey S. Stafford, City Attorney, City of Covina, and Anderson and Anderson, by Trent C. Anderson, attorney, for the City of Covina, protestants; Verner R. Muth and Theo Stein for the Commission staff.

O P I N I O N

Azusa Valley Water Company, a corporation, by the above-entitled application filed March 31, 1952, seeks a certificate of public convenience and necessity to operate a public utility water system in unincorporated territory near the City of Azusa, and within the city limits of Covina and West Covina, Los Angeles County. Permission to issue and sell stock, to execute a note, to execute agreements, and to establish rates for water service is also requested.

A public hearing in this matter was held before Examiner Warner on August 20, 1952, at Los Angeles. The matter was consolidated for hearing with Application No. 33350 (Amended), San Jose Hills Water Company, a corporation, for a certificate of public convenience and necessity to extend its water system,

for the reason that each of the applications covered territory overlapping and in conflict with the other.

Memorandum of Agreement Between Azusa Valley Water Company and San Jose Hills Water Company Disposing of Claims to Conflicting Applied-for Territories.

Exhibit No. 1 in this proceeding is a copy of a memorandum of agreement dated August 18, 1952, between Azusa Valley Water Company and San Jose Hills Water Company providing for the amending of each application by each applicant, thereby disposing of all claims to conflicting territories covered by the applications of each. It also provides that applicant shall acquire the water system in Tract No. 16608 and the water system under construction in Tract No. 15681, now owned by San Jose Hills Water Company. It further provides that applicant shall assume all consumers' advances for construction applicable to such subdivisions. The consideration to San Jose Hills Water Company for the acquisition of property by applicant will be the actual depreciated cost of the water system in Tract No. 16608, and the actual cost of the water system in Tract No. 15681.

Settlement of Conflict with the City of Covina, and
Withdrawal of Protest by said City.

Prior to and during the hearing, the conflict with the City of Covina was settled, and the protest of that city to the granting of this application was withdrawn. No other protests were entered.

Proposed Service Area, and General Information.

Exhibit No. 2 is a map showing in olive green diagonal lines the area applied for herein. It also shows in red diagonal lines the area applied for by San Jose Hills Water Company in Application No. 33350 (Amended).

Applicant's proposed service area comprises approximately 4,500 acres, in 4,000 acres of which the domestic system of Azusa

Irrigating Company, a mutual organization, has been furnishing water service since 1928. The irrigating company was organized in 1886, and has been furnishing irrigation service in the area since that year. As of the date of the hearing water service was being furnished to 1,505 consumers. All water services were metered. Applicant's witness, Ira R. Calvert, Secretary-Manager, testified that applicant had received numerous tract maps involving over 900 new applications for water service. The record shows that applicant's proposed service area is rapidly being converted from rural citrus groves to suburban residences. Because of such conversion, Azusa Valley Irrigating Company stockholders and Board of Directors believed that the area would best be served by a public utility water company rather than by a domestic branch of a mutual water company.

Exhibit No. 3 is a letter from Azusa Foot-Hill Citrus Company, owner of approximately 365 acres of land lying within applicant's proposed service area. The letter is in support of the application.

Exhibit No. 4 is a letter from Citrus Union High School and Junior College, a large consumer of Azusa Irrigating Company, a mutual water company, in support of the application.

Exhibit No. 5 is a resolution of the Board of Directors of Azusa Irrigating Company, passed unanimously at its meeting of December 11, 1951, authorizing the organization of a public utility corporation for the purpose of providing domestic water service, and providing, among other things, for the transfer to said company of the domestic water system of Azusa Irrigating Company in exchange for all shares of applicant's capital stock.

Exhibit No. 6 is a copy of a resolution of the stockholders of the Azusa Irrigating Company, passed unanimously at its annual meeting on February 23, 1952, approving the resolution contained in Exhibit No. 5.

Exhibits A and B attached to the application are copies of applicant's Articles of Incorporation, filed with the Secretary of State on January 25, 1952, and its by-laws, respectively. By its Articles of Incorporation applicant is authorized to issue 12,000 shares of common stock, to be without par value. No other issuance of stock is authorized.

Exhibit No. 8 is a copy of a proposed note of applicant in the amount of \$210,000, bearing interest on the unpaid balance at the rate of 4% per annum, to the Azusa Irrigating Company.

Exhibit No. 8-A is a copy of a chattel mortgage securing the note, Exhibit No. 8.

Exhibits Nos. 9, 9-A, and 9-B are maps and diagrams of applicant's proposed service area and water system facilities proposed to be acquired from Azusa Irrigating Company.

Exhibit No. 10 is a report on the historical cost evaluation and proposed operations of applicant as of December 31, 1951, and Exhibit No. 10-A is a legal description of the boundaries of the territory requested to be certificated. Exhibit No. 10-B is a comparison of applicant's rates for water service with those of adjacent water companies. It shows applicant's rates to be lower in all instances.

Exhibit E attached to the application is a copy of a proposed water exchange agreement between Azusa Irrigating Company and applicant. This agreement provides for the interexchange of untreated surplus water from the irrigating company's Wells Nos. 1, 2, 3, and 5, and from its San Gabriel River surface water sources, and from its large uncovered reservoirs, and from applicant's Wells Nos. 4 and 6, and its reservoirs and storage facilities. The purpose of this agreement would be to provide standby facilities, only, for applicant. The rates for such interexchange of surplus

water are \$0.04 per 100 cu.ft., or \$17.424 per acre-foot (43,560 cu.ft.). The agreement is for a period of five years.

Rates

Exhibits G, H, I and J, attached to the application, show the rates requested to be established. They are identical to the rates for water service now being charged by the mutual company. The rate for general metered service is shown as follows:

Present* and Proposed Rates

<u>Quantity Rates</u>	<u>Per Meter Per Month</u>
First 1,000 cu.ft. or less.....	\$ 2.00
Next 4,000 cu.ft., per 100 cu.ft.....	.15
Next 5,000 cu.ft., per 100 cu.ft.....	.10
Next 40,000 cu.ft., per 100 cu.ft.....	.08
Over 50,000 cu.ft., per 100 cu.ft.....	.06
 <u>Minimum Charge</u>	
For 5/8 x 3/4-inch meter.....	\$ 2.00
For 3/4-inch meter.....	2.75
For 1-inch meter.....	3.50
For 1 1/2-inch meter.....	4.25
For 1 3/4-inch meter.....	5.00
For 2-inch meter.....	6.50
For 3-inch meter.....	9.00
For 4-inch meter.....	12.00
For 6-inch meter.....	21.00

* Established by Azusa Irrigating Company August 20, 1951.

Exhibit No. 11 is a report on the results of applicant's operations for an estimated normal year. It contains a summary of estimated earnings as shown below:

SUMMARY OF EARNINGS - ESTIMATED NORMAL YEAR

<u>Item</u>	<u>Amount</u>
Total Operating Revenues	\$66,800
Total Operating Expenses before Income Taxes	55,911
Income Taxes	817
Net Revenue	10,072
Depreciated Rate Base	507,000
Rate of Return	1.98%

A review of the record indicates that there was no objection to the components of the estimated rate of return

determination as shown in Exhibit No. 11. It appears that such components are reasonable and sound, and they will be adopted for the purposes of this proceeding. It further appears that the estimated rate of return is not excessive, and the rates requested to be established will be authorized by the order which follows.

Issuance and Sale of Stock and Execution of Note

Applicant's request to issue 12,000 shares of no par value common stock in exchange for the properties proposed to be acquired, and for permission to execute a secured promissory note in the principal amount of \$210,000 will be authorized by the order which follows. The term "properties proposed to be acquired" includes the net assets transferred by the mutual to applicant. "Net Assets" includes total estimated original cost of fixed capital, including overhead, related depreciation reserve requirement, consumers' advances for construction and materials and supplies to be determined after a review by the Commission staff of Exhibit No. 10, brought up to the date of the transfer.

Complaints by Consumers

Complaints were entered at the hearing by Mrs. Dennis and Mrs. Komar, domestic water service consumers of Azusa Irrigating Company and prospective consumers of applicant, regarding water pressures in their areas. The record shows that applicant is cognizant of the water pressure conditions complained of. Applicant's general manager testified that applicant had plans for immediately correcting Mrs. Dennis' complaint. He testified, also, that applicant would investigate Mrs. Komar's complaint looking toward its immediate correction.

Franchises

Franchises now held by Azusa Irrigating Company, proposed to be transferred to applicant include those granted to the

irrigating company by Ordinance No. 1499 (new series), Los Angeles County, and Ordinance No. 203, City of West Covina. No franchise has been required of applicant by the City of Covina for operations within Covina's city limits.

A portion of the proposed service area in unincorporated territory, Los Angeles County, is not covered by Ordinance No. 1499 (new series) and the record shows that applicant will apply to Los Angeles County authorities for a franchise covering such area.

Conclusion

The Commission has reviewed the record in this proceeding and is of the opinion that the application of Azusa Valley Water Company for a certificate of public convenience and necessity should be granted subject to the following provision of law:

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

The action taken herein shall not be construed to be a finding of the value of the property herein described.

O R D E R

The above-entitled application having been filed, a public hearing having been held, the Commission being fully advised in the premises; the matter having been submitted and now being ready for decision;

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require Azusa Valley Water Company to construct and operate a public utility water system in unincorporated territory near the City of Azusa; and within the city limits of Covina and

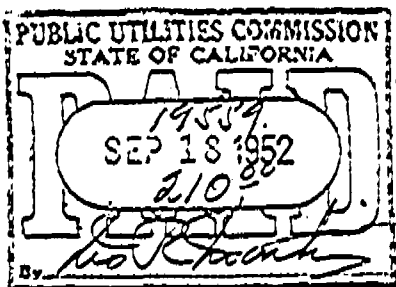
West Covina, Los Angeles County, as delineated by olive green diagonal lines on the map, Exhibit No. 9, and as particularly described on Exhibit No. 10-A, and as shown on the map attached hereto as Exhibit B; therefore,

IT IS HEREBY ORDERED as follows:

1. That Azusa Valley Water Company be, and it is, granted a certificate of public convenience and necessity to construct and operate a public utility water system in the territory hereinabove described.
- 2a. That applicant is authorized to file in quadruplicate with this Commission after the effective date hereof, in conformity with the Commission's General Order No. 96, a schedule of rates shown in Exhibit A attached hereto, together with rules and regulations and tariff service area map acceptable to this Commission, and on not less than five (5) days' notice to the Commission and the public, to make such rates effective for services rendered on and after November 1, 1952.
- b. That applicant is authorized to file Rule and Regulation No. 9--Rendering and Payment of Bills, Section 2, Metered Service, to provide for bimonthly billing.
3. That applicant shall file, within forty (40) days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, and the location of various properties of applicant.
4. That the proposed water exchange agreement between applicant and Azusa Irrigating Company, attached to the application as Exhibit E, be, and it is, approved.
5. That the agreement between applicant and San Jose Hills Water Company dated August 18, 1952, copy of which was filed as Exhibit No. 1 in this proceeding, providing for the disposition of conflicting claims relating to proposed service areas, be, and it is, approved.
6. That applicant shall set up the depreciation reserve requirement and shall compute the depreciation annuity on its properties and future properties according to the remaining life principle of depreciation.

- 7. That applicant shall review annually the accruals to its depreciation reserve which shall be based upon spreading the original cost of the plant, less estimated net salvage, and less depreciation reserve, over the estimated remaining life of the property, and the results of these reviews shall be submitted annually to the Commission.
- 8. That applicant be, and it is, authorized to issue 12,000 shares of its common stock to be without par value, after the effective date hereof and on or before June 30, 1953, for the purpose of acquiring certain water system assets from Azusa Irrigating Company as outlined in the foregoing opinion, and to issue a note to Azusa Irrigating Company in the principal amount of not exceeding \$210,000 and to execute a loan agreement and a mortgage on its water properties to secure the payment of said note, the Commission being of the opinion that the money, property or labor to be procured or paid for by the issuance of such stock and note is reasonably required by applicant for the purposes herein stated and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.
- 9. That the authority herein granted to issue a note will become effective when applicant has paid the fee prescribed by Section 1904 of the Public Utilities Code, which fee is two hundred ten dollars (\$210.00). In other respects the authority herein granted will become effective twenty (20) days after the date hereof.
- 10. That applicant shall file with the Commission a report, or reports, as required by the Commission's General Order No. 24-A, which order in so far as applicable is made a part of this order.

Dated at San Francisco, California, this 16th day of September, 1952.



[Signature] President.
Justin F. Calver
Harold A. Kula
[Signature]

Commissioners.

EXHIBIT A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all measured water service, except haulage service.

TERRITORY

Throughout the authorized service area comprising approximately 4,500 acres in unincorporated territory near the City of Azusa, and within the city limits of Covina and West Covina, Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month
First 1,000 cu.ft. or less.....	\$ 2.00
Next 4,000 cu.ft., per 100 cu.ft.....	.15
Next 5,000 cu.ft., per 100 cu.ft.....	.10
Next 40,000 cu.ft., per 100 cu.ft.....	.08
Over 50,000 cu.ft., per 100 cu.ft.....	.06

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 2.00
For 3/4-inch meter.....	2.75
For 1-inch meter.....	3.50
For 1 1/4-inch meter.....	4.25
For 1 1/2-inch meter.....	5.00
For 2-inch meter.....	6.50
For 3-inch meter.....	9.00
For 4-inch meter.....	12.00
For 6-inch meter.....	21.00

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

EXHIBIT A
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Schedule No. 2

FLAT RATES - SPECIAL

APPLICABILITY

Applicable to water service for construction work.

TERRITORY

Throughout the authorized service area comprising approximately 4,500 acres in unincorporated territory near the City of Azusa, and within the city limits of Covina and West Covina, Los Angeles County.

RATES

1. For water for settling backfill in ditches and trenches:
 - a. per cubic foot of excavation per lineal foot of trench..... \$0.001
 - b. minimum charge per lineal foot of trench..... .01
 - c. minimum charge per service connection or job. 1.00

2. For water for various types of concrete and brick construction and plastering, including water for curing:
 - a. per barrel of cement or lime used..... \$.15
 - b. per 1000 brick laid..... .25
 - c. per 100 lineal feet of sidewalk..... .25
 - d. per 100 lineal feet of street curbing..... .30
 - e. per 100 square feet of plastered surface.... .35

3. For water for settling graded streets of average width; per 100 lineal feet..... \$1.00

4. For use of a fire hydrant by a contractor or builder, when applicable city and county ordinances and rules and regulations permit such use, not including water service; per hydrant connection.. \$1.00

5. All consumers of every class using water in large or varied quantities shall be served and charged for the service in accord with the applicable general metered service rates.

EXHIBIT A
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Schedule No. 3

FIRE HYDRANT RATESAPPLICABILITY

Applicable to water service to fire protection districts, municipalities, similar organizations or individuals when use of the fire hydrants or fire sprinkler system is for fire fighting purposes only.

TERRITORY

Throughout the authorized service area comprising approximately 4,500 acres in unincorporated territory near the City of Azusa, and within the city limits of Covina and West Covina, Los Angeles County.

RATES

Per Month

1. "District"-owned Hydrants
Any type hydrant repaired, painted and maintained at District expense:
 - a. For each 2½" single outlet hydrant..... \$ 1.50
 - b. For each 2½" double outlet hydrant..... 1.75
2. Company-owned Hydrants
Any type hydrant installed and maintained at Company expense:
 - a. For each 2½" single outlet hydrant..... \$ 2.00
 - b. For each 2½" double outlet hydrant..... 2.25
3. Private Fire Sprinkler Systems or Fire Hydrants within Buildings or within Premises Served
Any type hydrant or sprinkler system privately owned and maintained:
 - a. For each 1½" connection direct to main..... \$ 1.00
 - b. For each 2" connection direct to main..... 1.50
 - c. For each 2½" connection direct to main..... 3.00
 - d. For each 3" connection direct to main..... 4.00
 - e. For each 4" connection direct to main..... 5.00
 - f. For each 6" connection direct to main..... 9.00

SPECIAL CONDITIONS

1. The municipality or "District" shall select the location, size and type of hydrant to be installed.
2. Relocation of any hydrant shall be at the expense of the party desiring the hydrant relocated.

EXHIBIT A
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Schedule No. 4

HAULAGE RATESAPPLICABILITY

Applicable only to sales of surplus water for haulage in customer's tanks or containers from locations and under the conditions determined by the Company, as applicable, following each request for service.

TERRITORY

Throughout the authorized service area comprising approximately 4,500 acres in unincorporated territory near the City of Azusa, and within the city limits of Covina and West Covina, Los Angeles County.

RATES

Tank Capacity:	<u>Per Load</u>
400 gallons, or less, minimum charge.....	\$0.10
400 to 600 gallons.....	.15
600 to 800 gallons.....	.20
800 to 1,000 gallons.....	.25
For tanks of capacity exceeding 1,000 gallons, per each 200 gallons or fraction thereof.....	.05

EXHIBIT B

AZUSA VALLEY WATER COMPANY
AZUSA, CALIF.

AUTHORIZED SERVICE AREA

