

**ORIGINAL**

Decision No. 49703

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ) SAN JOSE HILLS WATER COMPANY, a ) California corporation, for a Cer- ) tificate of Public Convenience and ) Necessity. )	Application No. 34947
--	-----------------------

In the Matter of the Application of ) SAN GABRIEL VALLEY WATER COMPANY for ) a Certificate of Public Convenience ) and Necessity in the Puente area in ) Los Angeles County. )	Application No. 34880
--	-----------------------

John E. Skelton, attorney, for applicant  
San Gabriel Valley Water Company, and  
protestant to the application of San  
Jose Hills Water Company.

C. L. Gardner, attorney, for applicant  
San Jose Hills Water Company and Suburban  
Water Systems, and protestant to the  
application of San Gabriel Valley Water  
Company.

Lance D. Smith, attorney, for Rowland Area  
County Water District, protestant to  
both applications, and for Kwis Mutual  
Water Company in support of the applica-  
tion of San Gabriel Valley Water Company  
and protestant to the application of  
San Jose Hills Water Company.

Harold Richardson, for Victoria Mutual  
Irrigation Company, protestant.

Everett L. Clark, consulting engineer, for  
Whittier Extension Mutual Water Company.

Charles N. Jewett, for Cross Water Company  
(a mutual company), interested parties.

James F. Wilson, for the Commission staff.

O P I N I O N

San Gabriel Valley Water Company,<sup>1/</sup> by the above-entitled  
application filed November 16, 1953, seeks a certificate of public  
convenience and necessity to construct and operate a public utility

<sup>1/</sup> Hereinafter referred to as San Gabriel.

water system in unincorporated territory south of the town of Puente, Los Angeles County. The territory for which a certificate is requested is outlined in red on the map attached to the application as Exhibit "A". A request entered at the hearing to amend the application to include the service area of Kwis Mutual Water Company,<sup>2/</sup> which is immediately adjacent to San Gabriel's proposed area on the west, was denied.

San Jose Hills Water Company,<sup>3/</sup> now Suburban Water Systems,<sup>3/4/</sup> by the above-entitled application filed December 9, 1953, seeks a certificate of public convenience and necessity to construct and operate a public utility water system in unincorporated territory south of Puente, Los Angeles County, comprising substantially the same territory sought by San Gabriel except that the northerly portion of the service area of Kwis is also included in Suburban's application. The territory sought by Suburban is shown by the shaded gray area on the map attached to its application as Exhibit "A".

Public hearings in these matters were held on a consolidated record before Examiner Warner on January 19 and 20, 1954 at Los Angeles.

Several prospective subdividers and property owners were called by each applicant in support of its application and in protest to the other application. Rowland Area County Water District, a political entity which includes the Rowland Ranch (a Fred H. Bixby

---

<sup>2/</sup> Hereinafter referred to as Kwis.

<sup>3/</sup> Hereinafter referred to as Suburban.

<sup>4/</sup> By Decision No. 49423 dated December 15, 1953 in Application No. 34873, Suburban was authorized to purchase the assets of San Jose Hills Water Company. Such purchase was effected as of December 22, 1953.

Ranch property) within its boundaries, protested the inclusion of any part of its area in the areas covered by both applications. Witnesses for the Rowland Ranch and the Rowland Area County Water District testified that approximately 800 acres of said ranch would be affected by the instant applications; that the ranch properties were now devoted to ranching only with their own adequate water supplies; that there were no plans to develop or subdivide them; that if they were developed or subdivided they would be developed as industrial sites; that in April, 1953 the Rowland Area County Water District had joined the Metropolitan District; and that Metropolitan Water District water would be available to the Rowland area through a Pomona Valley County Water District's connection.

Application No. 34880

Witnesses for San Gabriel testified that the proposed area comprised about 1,600 acres of valley, ranch land lying just south of the town of Puente and generally east of Hacienda Boulevard but also including Warwickshire Heights and territory west of Hacienda Boulevard. They stated that requests for water service had been received from the subdivider of Tracts Nos. 16494 and 19905, comprising 202 and 250 lots, respectively, and that additional customers in Tract No. 17609 of 126 lots, Tract No. 15239 of 139 lots, and Tract No. 19906 of 165 lots, together with the Kwis system would bring the total of customers in the proposed area, in the immediately foreseeable future, to 1,107. They estimated that the area including the Rowland Ranch had a potential of 8,000 customers, and, excluding the ranch, between 3,000 and 5,000 customers. San Gabriel's water system capital expenditures in the proposed area would approximate \$750,000.

The record shows that on January 5, 1954 San Gabriel purchased<sup>5/</sup> the Kwis water system and commenced operating it. The Kwis system comprises 225 domestic metered and 6 or 7 irrigation customers. Water service is furnished from two wells now in use, of a total of 4 wells, through 12-inch and 10-inch pipelines to a 200,000-gallon concrete, covered reservoir and through approximately 34,000 lineal feet of pipelines. Two Kwis employees have been retained by San Gabriel and an office is operated in a residence on Kwis Avenue. The service area of Kwis is, as stated before, immediately adjacent on the west to San Gabriel's proposed area and San Gabriel plans to extend its water system to serve Tracts Nos. 16494 and 19905, hereinbefore referred to, which are along the east side of Hacienda Boulevard between Puente Road and Gale Avenue as shown on the map filed at the hearing as Exhibit No. 1.

San Gabriel plans to construct a 600,000-gallon steel reservoir, which is on order, at the Kwis well site (known as San Gabriel's Plant P1). It also plans to acquire a reservoir site just outside the south central boundary of the proposed area at an

<sup>5/</sup> Exhibit No. 7 is a copy of Complaint No. 623517 in the Superior Court of Los Angeles County for rescission, cancellation of instruments and for preliminary injunction (Shareholders Derivative Action) and An Order to Show Cause regarding preliminary injunction and points and authority of Royal C. Johnson and Jack Bracket complainants, vs. Kwis, San Gabriel, R. G. Martin, et al, and Title Insurance and Trust Company, defendants, filed in said court January 14, 1954. This complaint alleges irregularities in the sale of Kwis to San Gabriel, and the order to show cause is an order by the court to defendants to appear on January 25, 1954 and show cause, if any they have, why a preliminary injunction should not be made ordering the defendants to be enjoined and restrained from consummating the sale.

elevation of 525 feet and construct thereon a 2,000,000-gallon reservoir. It is also planned to install 12-inch transmission mains throughout the proposed area and eventually to acquire a well site in the center of the proposed area to augment the sources of water supply from the Kwis system. San Gabriel also plans to import water from the easterly limit of its El Monte Division, at Orange Avenue and Valley Boulevard, through approximately 15,250 feet of 8-, 10- and 12-inch mains to the northwest corner of the proposed area. A total in excess of 3,500 gallons per minute of water supply would be available to the proposed area when the installation of these water system facilities had been completed.

The record shows that San Gabriel does not possess and has not applied for a certificate of public convenience and necessity to operate the Kwis water system. Since the Kwis area is at least 2 miles distant from San Gabriel's nearest certificated area,<sup>6/</sup> it is neither adjacent nor contiguous thereto.

San Gabriel proposes to continue to charge the present Kwis rates to its Kwis customers, but a different and substantially lower set of rates is proposed for the area requested to be certificated. San Gabriel's proposed rates for the proposed area are substantially at parity with Suburban's present rates for Suburban's Puente system.

---

<sup>6/</sup> As shown on the maps Exhibits 1, 18 and 20.

A witness for San Gabriel testified that it had recently been authorized<sup>7/</sup> to sell \$1,000,000 of bonds and that it had ample financial resources for the capital expenditures for the proposed area. The record shows that a total of 35,000 customers were being furnished water service in its El Monte, Whittier, Fontana, and Puente Divisions, including the Kwis customers in the Puente Division. San Gabriel's total invested capital at December 31, 1953 amounted to about \$5,700,000 and gross revenues for 1953 amounted to approximately \$1,070,000.

Counsel for San Gabriel stated that it would not object to the exclusion of the Rowland Area County Water District area from San Gabriel's proposed area.

Application No. 34947

Witnesses for Suburban testified that Suburban's sources of water supply for the proposed area comprised an 8-inch pipeline serving the Sky Ranch on the north side of Valley Boulevard just east of the town of Puente, which would be extended to serve the northerly portion of the proposed area. They also testified that Suburban would install an 8-inch pipeline westerly from the corner of Hacienda Boulevard and Gale Avenue to Turnbull Canyon Road. At the corner of Turnbull Canyon Road and Gale Avenue a connection would be made with Whittier Extension Mutual Water Company under the

---

<sup>7/</sup> By Decision No. 49532 dated January 12, 1954 in Application No. 34992. This decision stated that San Gabriel's proposed expenditures of the receipts from the \$1,000,000 bond issue and sale authorized thereby were as follows:

To pay expenses incident to the issue of bonds	\$	6,970
To pay Bank of America loans		300,000
To pay for capital additions and for other corporate purposes		<u>693,030</u>
	Total	1,000,000

terms of a one-year contract filed at the hearing as Exhibit No. 19. Through this source of supply water would be furnished to Tract No. 17609 comprising 126 lots at the northeast corner of Hacienda Boulevard and Gale Avenue in accordance with the terms of a contract with the subdivider of said tract dated January 15, 1954. A copy of said contract was filed at the hearing as Exhibit No. 13 and a map of the distribution system proposed to be installed in Tract No. 17609 was filed at the hearing as Exhibit No. 15. Water service from the same source would be furnished to Tract No. 15239 at the northwest corner of Hacienda Boulevard and Gale Avenue when subdivision plans for that tract had been completed.

Suburban also proposes to import water from its present Puente System through approximately 4,500 feet of 12-inch main from the corner of Hudson and Nelson Avenues as shown on the map filed at the hearing as Exhibit No. 11. This map shows that Suburban's presently certificated area is about 3,000 feet east of its proposed area, excluding the Rowland Ranch, on the north thereof and about 2,400 feet from the northwest extremity of the proposed area. A 500,000-gallon storage reservoir is to be constructed to serve the Sky Ranch and Suburban plans to increase the capacity of this reservoir to 2,000,000 gallons. When Suburban's three proposed sources of water supply have been fully installed, they would provide about 3,500 gallons per minute for the proposed area.

The record shows that Suburban has just sold \$2,000,000 of bonds<sup>8/</sup> and that about \$500,000 cash of the proceeds from the bond sale are still on hand and are available for extensions to its water system.

Several owners of property amounting to anywhere between nine acres and 165 acres in the proposed area appeared as witnesses for Suburban and indicated the possibilities of developing their properties if and when domestic water service became available thereto.

Suburban proposes to apply its presently filed rates for its Puente System to the proposed area. The application of these rates to Suburban's Sky Ranch area was authorized by Decision No. 48644 dated May 26, 1953, in Application No. 34245.

Counsel for Suburban likewise stated that it would not object to the exclusion of the Rowland Area County Water District area from Suburban's proposed area.

#### Conclusion

After considering the proposed sources of water supply and the estimated costs attendant thereto, the proposed rates, the relative locations of the applicants' present certificated service areas to the proposed area, the testimony of present and prospective subdividers and property owners in the vicinity, and all other evidence of record in this proceeding, it appears, and the Commission is of the opinion that a certificate of public convenience and

---

<sup>8/</sup> Authorized by Decision No. 49423 hereinbefore referred to. This decision shows that Suburban would be furnishing water service to approximately 18,500 customers by the end of 1953 and that during 1954 approximately 3,000 more customers would be added to the lines; that Suburban's total invested capital at December 31, 1953 would amount to approximately \$5,270,000; and that gross revenues for 1953 would approximate \$733,200.



necessity should be granted to Suburban covering the area applied for, excluding the Rowland Area County Water District area<sup>9/</sup> and the Kwis service area,<sup>10/</sup> 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.

It further appears from a review of the record that public convenience and necessity do not require that San Gabriel be granted a certificate of public convenience and necessity to serve the area for which it applied and San Gabriel's application will be denied by the order which follows:

O R D E R

Applications as above-entitled having been filed, public hearings having been held, the matters having been submitted, the Commission being fully advised in the premises and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require that a certificate of public convenience and necessity be granted to San Jose Hills Water Company, a corporation, now Suburban Water Systems, a corporation, to construct and operate

---

<sup>9/</sup> As shown on Exhibit No. 10.

<sup>10/</sup> As shown on Exhibit No. 22.

a public utility water system in the area outlined as "Service Area Boundary" on the map attached hereto as Exhibit "A"; therefore,

IT IS HEREBY ORDERED as follows:

1. That (San Jose Hills Water Company) Suburban Water Systems, a corporation, be and it is, granted a certificate of public convenience and necessity to construct and operate a public utility water system and to extend its water system in the area outlined as "Service Area Boundary" on the map attached hereto as Exhibit "A".
2. That (San Jose) Suburban be, and it is authorized to apply its presently filed rates for its Puente system in the area certificated by this order.
3. That (San Jose) Suburban shall file, to be effective on or before the date service is rendered to the public, a tariff service area map of the area hereinabove certificated acceptable to this Commission and in accordance with the requirements of General Order No. 96.
4. That (San Jose) Suburban shall file within forty days after the effective date of this order four copies of a comprehensive map, drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory hereinabove certificated and the location of the various properties of applicant therein.

IT IS HEREBY FURTHER FOUND AS A FACT that public convenience and necessity do not require that a certificate of public convenience and necessity be granted to San Gabriel Valley Water Company, a corporation, to construct and operate a public utility

water system and to extend its water system in the area for which it applied; therefore,

IT IS HEREBY ORDERED that the application of San Gabriel Valley Water Company be and it is denied.

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

Dated at San Francisco, California, this 13<sup>th</sup> day of February, 1954.

A. F. Anderson  
President  
Justus F. Caserio  
Samuel Pottel  
W. E. Mitchell  
Donna Rogers  
Commissioners

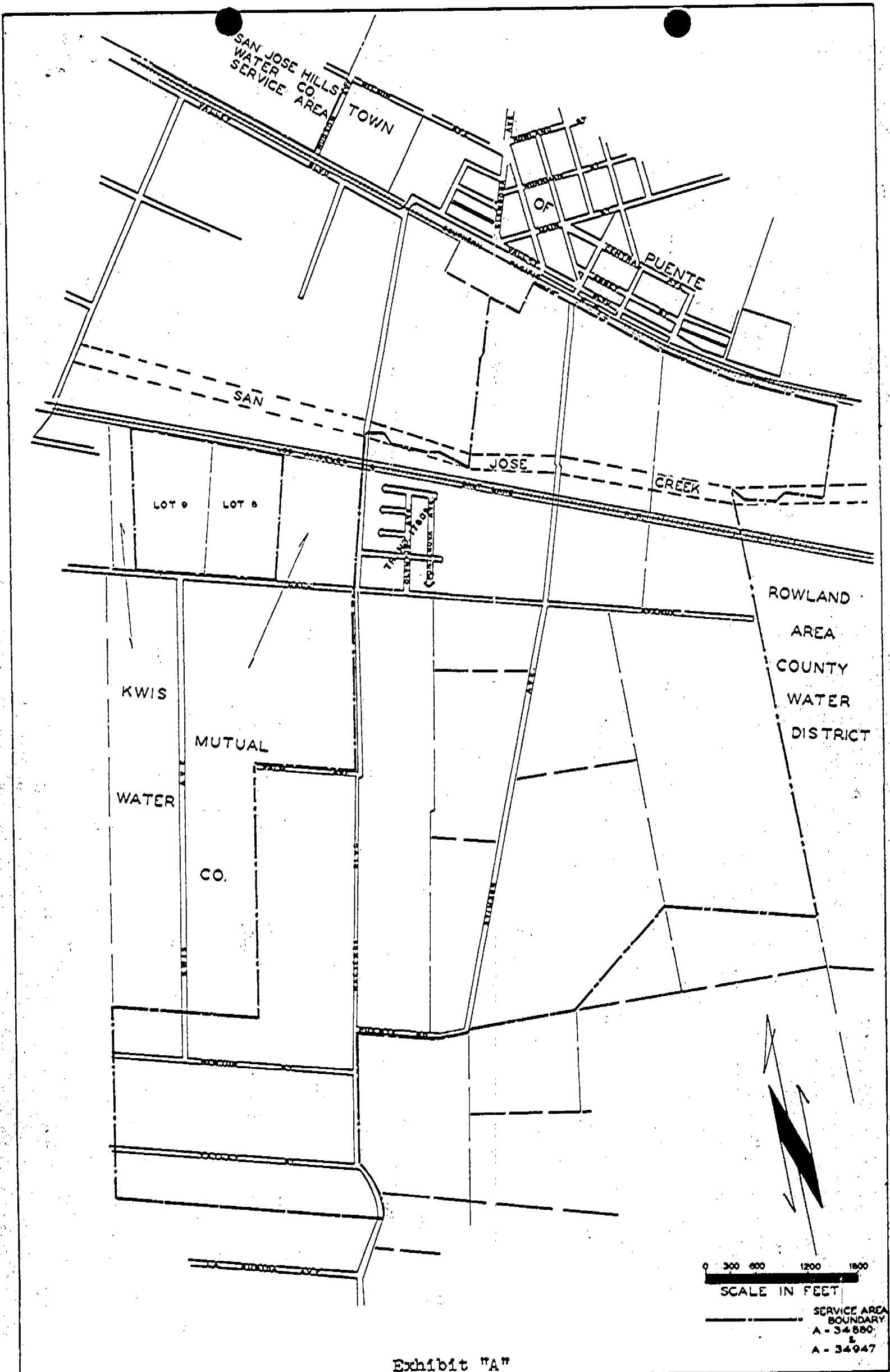


Exhibit "A"