

ORIGINAL

Decision No. 52571

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 EARL J. GILLETTE, DEAN J. GILLETTE,)
 and DAVID B. GILLETTE, doing business)
 as LA VERNE HEIGHTS DOMESTIC WATER)
 COMPANY, for a certificate of public)
 convenience and necessity to extend)
 our present public utility water)
 system to include the area served by)
 LA VERNE HEIGHTS WATER ASSOCIATION a)
 mutual water company and that terri-)
 tory served by the LA VERNE WATER)
 ASSOCIATION, a mutual water company,)
 and a small portion of land on our)
 eastern boundary, now served by the)
 RICHARD'S IRRIGATION COMPANY, a)
 mutual irrigation company; and to)
 establish rates for water service in)
 the above-mentioned unincorporated)
 area described as La Verne Heights)
 in the County of Los Angeles.)

Application No. 37203

Earl Gillette, for applicant;
Charles W. Drake, for the Commission staff.

O P I N I O N

The applicants have authority from this Commission to operate a public utility water company in Los Angeles County in an area north of the City of La Verne. This area contains approximately 400 acres and is bounded by Foothill Boulevard on the south, Bradford Street and the extension thereof on the west, by a line approximately 2,000 feet north of Baseline Road on the north, and by Laurel Avenue, 6th Street, Oak Hollow Road, Thompson Creek, and Garey Avenue on the east (see Decision No. 49277, dated November 3, 1953, in Application No. 34765). By the application herein, filed on August 10, 1955, applicants seek a certificate of public convenience and necessity authorizing them to extend their service into two portions of Los Angeles County contiguous to said area. These areas are shown on

Exhibit A attached to the application, and are bounded as follows:

1. The proposed area west of the presently certificated service area and containing approximately 1,000 acres

Commencing at the northwest corner of applicants' presently certificated area, west to Wheeler-La Verne Road, north 500 feet, west to Puddingstone Channel, south to Bonita Avenue, east to Sedalia Avenue, north to Gladstone Avenue, east to Moreno Avenue, north to Foothill Boulevard, east to the west boundary of applicants' existing certificated area, and north to the point of beginning.

2. The proposed area east of the presently certificated area and containing approximately 30 acres

Commencing at the intersection of the eastern boundary of applicants' certificated area and College Way, via College Way, Baseline Road, Thompson Creek Wash, and the eastern boundary of applicants' existing certificated area to the point of beginning.

A public hearing on the application was held in Los Angeles before Examiner Kent C. Rogers on November 30, 1955, evidence was presented and the matter was submitted, subject to the filing of Exhibit No. 7. This exhibit has been filed and the matter is ready for decision. Prior to the hearing notice thereof was served and published as required by this Commission. There were no protests.

The applicants' general manager testified that no franchise is required by the County of Los Angeles, and that all service connections are metered.

Applicants' general manager and one-third owner stated the following:

Applicants' facilities in its presently certificated area

In the presently certificated area applicants own four wells, with a total capacity of 675 gallons of water per minute, or approximately 75 miner's inches.[#] These wells have been tested by

[#] In this opinion the term, miner's inch refers to a Southern California miner's inch.

the Los Angeles County Health Department and found free from contamination. They own a 760,000-gallon concrete reservoir and lease a 90,000-gallon concrete reservoir. The lease on the latter reservoir is for 10 years and was executed on August 1, 1953. The pipe is owned by the applicants (see Exhibit A on the application for pipe sizes).

In addition to the four wells the applicants have 15-1/2 shares of stock in the La Verne Water Association which entitles them to 150-hour inches of water per share per month. The association's source of supply is in the applicants' presently certificated service area. In addition applicants have a connection with the upper feeder line of the Pomona Valley Municipal Water District which entitles them to 280 acre feet of water per year from the Metropolitan Water District.

When the certificated area is fully developed there will be approximately 300 houses which will require a total of approximately 40 to 50 miner's inches of water. At present there are 94 customers in the certificated area using about 10 miner's inches of water.

For the calendar year of 1954, the year immediately following their certification, applicants had a net profit of \$156. For the first eight months of 1955 they made a net profit of \$4,673. The figures for the first eight months of 1955 do not include depreciation, or income and ad valorem taxes.

Proposed service west of
applicants' certificated area

On August 20, 1954, applicants and the La Verne Heights Water Association, an unincorporated association, entered into an

agreement¹ whereby the applicants undertook to extend service into the association's territory (that portion of the proposed service area west of Wheeler-La Verne Road (see Exhibit A)) and the applicants were to receive certain assets of the association including a 50,000-gallon reinforced concrete reservoir (No. 8 on Exhibit A), all meters and water mains, pipes and fittings, \$1,000 in cash, and 22 shares of stock in San Dimas Water Company. The cost, estimated by applicants, of the facilities acquired from La Verne Heights Water Association is as follows:

| | | |
|--------|---|--------------|
| 1 | 50,000-gallon reservoir | \$ 5,000 |
| 2 | booster pumps at \$150 | 300 |
| 22 | shares San Dimas Water Association at \$250 | 5,500 |
| 12,000 | ft. 4" steel pipe | 15,000 |
| 4,000 | ft. 3" steel pipe | 4,000 |
| 11,000 | ft. 2" steel pipe | 8,250 |
| 5,000 | ft. 1½" steel pipe | 2,500 |
| 1,000 | ft. 1" steel pipe | 400 |
| 61 | services and meters at \$25 | <u>1,525</u> |
| | Total | 42,475 |

To enable them to serve the area, applicants were to construct and lay a 6-inch steel pipeline from their 760,000-gallon reservoir at Baseline Road near Garey Avenue to the association's 6-inch pipeline at Wheeler-La Verne Road and Baseline Road. A pipeline 10,350 feet in length was constructed by applicants at a cost of \$15,775 pursuant to this agreement. On January 20, 1955, applicants acquired the facilities of the association² and commenced serving approximately 61 customers in the area at the same rates as the association had charged.

The 22 shares of stock in the San Dimas Water Company entitle applicants to 150-inch hours of water per month per share. This source of supply is on Baseline Road west of Puddingstone

¹ Exhibit No. 7, the agreement between applicants and the association.
² Exhibit D on the application.

Channel (G5 on Exhibit A). The water is free from contamination (Exhibit No. 3) and the pressure in the area runs from a low of 30 pounds to a high of 94 pounds per square inch.

In addition to the water supply acquired by the applicants, there are four wells in the proposed area supplying a total of 140 miner's inches of water, which wells are or will be available to the applicants if needed (G1, G2, G3 and G4 on Exhibit A). Applicants own a one-fifth interest in one of these wells, which has a total production of 30 miner's inches.

There is also a Metropolitan Water District filtration plant south of Foothill Boulevard on Moreno Avenue from which applicants could secure water. It would cost a minimum of \$18,000 to connect with this plant.

Most of the pipe acquired from the association is less than 10 years of age and has a life expectancy of from 40 to 50 years according to applicants' witness.

Applicants' authorized rates are substantially the same as those of the association. If they are authorized to serve the area, they will charge their filed rates.

Proposed service east of applicants' certificated area

At the present time there are 25 houses under construction or completed in this area on the extensions of La Junta and La Quinta north of the boundary of applicants' service area to College Way. It is expected that there will be eventually 76 houses in this area requiring approximately 10 miner's inches of water. Applicants estimated that the cost of extending service to the portion of the area where homes have been or are being constructed will be \$10,458.50, and entered into a tentative agreement to refund the cost of the extensions to the subdivider on a "20 year pay back."³ Applicants' authorized rates will be applied in this area.

³ See Anderson agreement on Exhibit No. 7.

Fire hydrants

There are 13 fire hydrants in the area to be served by applicants. Pursuant to an agreement with a county fire district, applicants charge a flat rate of \$2 per month per hydrant for the fire hydrant service, with no extra charges for water used.

Report of the Hydraulic Section
of the Commission staff

The staff made a thorough study and report on applicants' proposal.⁴

It estimated that for 1955, at applicants' authorized rates, and including the revenue from the acquired territories, their total revenue would be \$12,915 as compared with applicants' reported revenue of \$5,958.04 for 1954. The staff reports that the company has no filed fire hydrant rate although it charges \$2 per month for all hydrants within the fire protection district, and that the contract on this service has not been filed with the Commission. In addition, the applicants are furnishing irrigation water for seven consumers at 3 cents per miner's inch hour, the prevailing rate used by mutual organizations serving irrigation water in the La Verne Heights areas, and are selling bulk water at 3 cents a hundred gallons or 25 cents a hundred cubic feet. No rate filing has been made for either of the latter two services.

The staff made an appraisal of the properties acquired by applicants from the La Verne Heights Water Association (Table 6-A, pp. 14 and 15 of Exhibit No. 8). The staff's estimate of historical cost of these properties is \$52,515, including the amount of \$15,615 — for the connection between applicants' well and the association's service area. The applicants had valued these items at \$58,250. The difference is largely attributable to the fact that the staff

⁴ Exhibit No. 8.

appraised the San Dimas Water Company stock at \$50 per share, while the applicants valued the stock at \$250 per share. The staff increased the value of the acquired properties by \$915 because of service connections not included by the applicants in their inventory.

The staff historical cost estimate for these properties in the amount of \$52,515 with a related depreciation reserve requirement of \$13,640.59 as of July 1, 1954 appears to be reasonable.

The staff historical cost estimate for other properties acquired as shown on page 15 of Exhibit No. 8 in the amount of \$22,972 with a related depreciation reserve requirement of \$14,790.63 as of July 1, 1954 also appears to be reasonable.

Applicant will be required in the order herein to set up on its books of account these historical cost estimates with the related depreciation reserve requirements.

As a result of its study, the staff made certain recommendations as follows:

1. That the applicants be granted a certificate of public convenience and necessity authorizing them to serve the two areas referred to herein.
2. That the applicants file rates for fire hydrant service, haulage sales and irrigation sales.
3. That the applicants file their contract with the County Fire District as required by General Order No. 96.
4. That the applicants revise their California Public Utilities Commission Tariff Sheet No. 31-W to include a copy of the actual billing form being used.
5. That the applicants' standard contract for advances for construction be filed with this Commission.
6. That future accruals to depreciation reserve be based upon the straight-line remaining life method of computing depreciation expense; and that the applicants review these remaining lives when major changes in plant composition occur, and at intervals of not more than five years, and submit the results of these reviews to the Commission.

Each of these recommendations appears to be reasonable and applicants will be required to comply therewith by the order herein.

Upon the evidence of record herein, the Commission is of the opinion and finds that public convenience and necessity require that applicants construct and operate a public utility water system in unincorporated territories in Los Angeles County north of the City of La Verne and contiguous to their presently certificated area, which territories are shown on the map attached to the application as Exhibit A.

This certificate of public convenience and necessity is subject to the following provisions 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.

O R D E R

The Commission having found that public convenience and necessity require the construction and operation by applicants of a public utility water system in certain territories, hereinbefore described, contiguous to their certificated service area in Los Angeles County,

IT IS HEREBY ORDERED that:

1. Earl J. Gillette, Dean J. Gillette and David B. Gillette, doing business as La Verne Heights Domestic Water Company, be, and they hereby are, granted a certificate of public convenience and necessity to construct and operate a public utility water system in the territories described in the opinion herein and shown on Exhibit A attached to the application herein.

2. Applicants are authorized to revise their presently filed tariff schedules, including Schedule No. 1, General Metered Service, and tariff service area map, in accordance with the procedure prescribed by General Order No. 96, to provide for the application of said tariff schedules in the territories being certificated by this order, such revised tariff sheets to be effective on or before service is first furnished to the public in said territories. Such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Applicants shall file, within forty days after the water system is placed in operation in the territories being certificated by this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.

4. Within thirty days after the effective date of this order applicants shall file in accordance with the procedure prescribed by General Order No. 96, rate schedules for the following services.

- a. *Public fire hydrant* service, on the basis of the terms and conditions set forth in the contract executed by applicants with the local fire protection district.
- b. Irrigation water service, on the basis of rates currently being charged and as referred to in opinion herein.
- c. Bulk water hauled in trucks, based upon the rates referred to in the opinion herein.

The rate schedules indicated above shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

5. Within thirty days after the effective date of this order, applicants' shall file as part of their tariff schedules a sample of their billing form actually being used, to replace their currently filed Form No. 3, Suggested Form of "Monthly Bill for Service".

6. Applicants shall set up on their books of account the amounts substantially as shown in Exhibit No. 8 and as referred to in the opinion herein representing the fixed capital and related depreciation reserve requirement for both the properties to be acquired from La Verne Heights Water Association and other properties acquired, and within sixty days thereafter applicants shall submit to the Commission in writing a copy of the journal entries used to record such transactions.

7. Beginning with the year 1956, applicants shall determine depreciation expense by multiplying the depreciable fixed capital by a rate of 2.0 per cent. This rate shall be used until review indicates it should be revised. Applicants shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable fixed capital occur or at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

8. Within thirty days after the effective date of this order, applicants shall file with this Commission in accordance with the procedure prescribed by General Order No. 96, the standard form of

contract used by applicants for main extension agreements which shall conform to applicants' filed main extension rule.

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

Dated at San Francisco, California, this 7th day of February, 1956.

(E. W. ...)
President

James D. ...

Raul ...

...

Commissioners

Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.