

**ORIGINAL**Decision No. 54523

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SAN GABRIEL VALLEY WATER COMPANY for  
a certificate of public convenience  
and necessity to extend water service  
into additional territory in  
Los Angeles County, California.

Application No. 38065

In the Matter of the Application of  
VALLECITO WATER COMPANY for an order  
granting a certificate of public con-  
venience and necessity to construct  
or extend its plant or system and to  
render service in certain territory  
in Los Angeles County.

Application No. 38415

CROSS WATER COMPANY, a California  
corporation,

Complainant,

vs.

Case No. 5833

SAN GABRIEL VALLEY WATER COMPANY, a  
California corporation,

Defendant.

Gibson, Dunn & Crutcher, by Max Eddy Utt, and  
John E. Skelton, for San Gabriel Valley Water  
Company, applicant in Application No. 38065,  
protestant in Application No. 38415, and  
respondent in Case No. 5833.

O'Melveny & Myers, by Lauren M. Wright, for Vallecito  
Water Company, applicant in Application No. 38415,  
and protestant in Application No. 38065.

George G. Gillette, for Cross Water Company,  
complainant in Case No. 5833, protestant in  
Application No. 38065, and interested party in  
Application No. 38415; and for Antonio Sanino,  
Matias Echeverria and John Ferrero, protestants  
in Application No. 38065.

Camille A. Garnier, for Suburban Water Systems,  
interested party.

John D. Reader and Colin Garrity for the Public  
Utilities Commission staff.

O P I N I O N ✓

San Gabriel Valley Water Company,  
Application No. 38065.

By the above-numbered application filed with this Commission on May 25, 1956, San Gabriel Valley Water Company, hereinafter referred to as San Gabriel, requests a certificate of public convenience and necessity authorizing it to extend water service to Tract No. 1343 of Rancho La Puente, in Los Angeles County, California, except the portion thereof lying south of the Union Pacific Railroad right of way, and a portion thereof in the west end presently served by it. The proposed service area is shown on Exhibit No. 2 herein. The western half thereof is contiguous on the north to San Gabriel's Bassett service area, and the extreme southeast corner thereof is contiguous to San Gabriel's Kwis area.

Vallecito Water Company,  
Application No. 38415.

By the above-numbered application, filed with this Commission on September 13, 1956, Vallecito Water Company, hereinafter referred to as Vallecito, requests a certificate of public convenience and necessity authorizing it to furnish water to approximately the eastern one-half of that portion of Tract No. 1343 lying north of the Union Pacific Railroad right of way. The proposed service area is shown on Exhibit No. 3A herein, is bounded on the west by Sixth Avenue, and is contiguous on the south to Vallecito's existing service area.

Cross Water Company vs. San Gabriel Valley  
Water Company. Case No. 5833.

Cross Water Company, hereinafter referred to as Cross, filed the above-numbered complaint against San Gabriel on

October 11, 1956. It alleges therein, inter alia, that it is a mutual water company engaged in the business of producing and distributing water in, from, and upon Tract No. 1343; that substantially all of Tract No. 1343 is presently being adequately served by Cross with water service; that it has at no time refused or failed to serve any property therein upon request therefor; and that it has an adequate water supply and facilities to enable it to supply all present and future needs of the tract with domestic, irrigation, and industrial water. It further alleges that on or about October 8, 1956, San Gabriel deposited 12-inch pipe along Turnbull Canyon Road, also known as Tenth Avenue, for a distance of approximately 1,900 feet between Proctor Avenue on the north and San Gabriel's Kwis area on the south; that San Gabriel has hired a pipeline construction company to install a pipe line from the Kwis area to Turnbull Canyon Road and thence via Turnbull Canyon Road, Proctor Avenue, Sixth Street and Valley Boulevard to Orange Avenue; and that said route is within Tract No. 1343 and parallels Cross' pipe line. Cross requested that the Commission order San Gabriel to cease and desist the construction of water supply, transmission or distribution facilities in Tract No. 1343 pending further order of the Commission.

The three matters were consolidated for hearing, and public hearings were held thereon before Examiner Kent C. Rogers in Los Angeles on October 18 and 19, and November 28 and 29, 1956. Prior to the first day of hearing, notices of the hearing on the application matters were published as required by this Commission. At the close of the last day of hearing the parties argued in

support of their respective positions. In addition to the evidence presented, three landowners having property in Tract No. 1343 in that portion thereof which San Gabriel seeks to serve, but west of the territory sought to be served by Vallecito, filed written protests to the granting of San Gabriel's request. These three protestants own a total of approximately 66 acres in said portion of Tract No. 1343.

Application No. 38065 - San Gabriel

Descriptions of its systems in the vicinity  
of and in the proposed service area.

Exhibit No. 2 herein depicts San Gabriel's El Monte Division Bassett Area, its Kwis area, and the area for which a certificate is sought herein by San Gabriel, as well as existing and proposed water service facilities.

The Bassett Area

This service area lies east of the San Gabriel River, west of Orange Avenue, north of Valley Boulevard and is contiguous to the western half of Tract No. 1343. With few exceptions all pipes indicated on Exhibit No. 2 are in place. The area has four interconnected water wells with an aggregate capacity of 16,000 gallons per minute. The peak load on the system in 1956 was approximately 7,200 gallons per minute. San Gabriel proposes to drill a new well on the west bank of the San Gabriel River which, it is estimated, will have a production of 7,000 gallons per minute. It now has in the area two reservoirs with an aggregate capacity of one million gallons, and it plans to construct a third reservoir with a capacity of 600,000 gallons within a year. All storage facilities are at ground level and pressure is secured

from booster pumps. At the present time the total number of customers and fire hydrants in the system is 5,216, including approximately 5,000 residential customers.

The Kwis Area

This area lies southeast of the proposed service area, and one Kwis area customer is actually located in Tract No. 1343. The existing facilities of San Gabriel are depicted on Exhibit No. 2. San Gabriel has approximately 300 customers in the Kwis area, contemplates acquiring another 70 to 80 customers within a year, and estimates an ultimate development of approximately 1,500 customers therein in five years. There are two wells in the service area producing approximately an aggregate of 1,200 gallons of water per minute, and a water reservoir with a capacity of 150,000 gallons. In Decision No. 50251, dated July 6, 1954, in Application No. 35093, pursuant to which the Commission gave San Gabriel authority to serve the Kwis area, it noted that the water from the Kwis wells had a total hardness of 600 parts per million and stated that San Gabriel should take steps to remedy the hardness of the water. The decision also directed San Gabriel not to make extensions to the west of the certificated territory without first getting authority from this Commission. If its application is granted San Gabriel proposes to place its wells and reservoir on a stand-by basis.

Tract No. 1343

Tract No. 1343 is shown on Exhibit No. 11. It contains approximately 2,000 acres of land. Cross and its predecessors have been serving the tract since 1911.

By Decision No. 33350, dated July 23, 1940, in Application No. 21250, San Gabriel was given authority to serve that portion of Tract No. 1343 consisting of Lots 1, 2, 3 and 4 of Block 29, all of Block 10, and Lots 3 and 4 of Block 11, all of which lots and blocks are located in the extreme western portion of the tract. San Gabriel originally applied for authority to serve a larger portion of that tract, but the request was denied upon objection by Cross except for the portion described above.

By Decision No. 53277, dated June 26, 1956, in Application No. 36348, Vallecito was given authority to serve that portion of said Tract No. 1343 lying south of the Union Pacific Railroad right of way.

The portion thereof which San Gabriel seeks to serve by its application is depicted on Exhibit No. 2. Roughly, the area extends from a Union Pacific Railroad right of way on the south to Valley Boulevard on the north, and from approximately 1,200 feet east of Turnbull Canyon Road on the east to the San Gabriel River on the west, in Los Angeles County, and contains about 1,800 acres of land varying in elevation from 280 feet to over 300 feet. From north to south and starting on the west this area is crossed by Second to Tenth Avenues, inclusive, and from east to west between Valley Boulevard on the north and the Union Pacific Railroad on the south the area is crossed by Proctor Avenue, Don Julian Road and Lomitas Avenue. San Gabriel proposes to install a system of mains in this area and extend service therein. On or about October 8, 1956, San Gabriel commenced the construction of a 10-inch, 12-inch and 16-inch transmission line or service main

in Tract No. 1343 for the purpose of bringing water from its Bassett area to the Kwis area, and sometime prior to November 28, 1956, completed this main which is shown in red on Exhibit No. 2. San Gabriel will secure its water from the Bassott area and proposes to serve Tract No. 1343 through this line and others to be constructed as the need arises.

The Interim Order, Case No. 5833

On October 16, 1956, by Decision No. 53940 in Case No. 5833, this Commission, by an Interim Order, required that San Gabriel, pending further Commission action, immediately cease and desist and refrain from constructing any new water supply transmission or distribution facilities, or from constructing any additions to or extensions of existing facilities within Tract No. 1343. On October 18, 1956, during the consolidated hearings herein, evidence was presented as to whether or not said Interim Order should be continued in effect, and thereafter, by Decision No. 53972, dated October 23, 1956, in Case No. 5833, the Commission ordered that the Interim Order, Decision No. 53940 in Case No. 5833, issued October 16, 1956, be vacated, dissolved and terminated. The Commission further ordered that San Gabriel shall furnish no water (except water used in constructing the pipe line) for any purpose, or to any consumer, in any portion of Tract No. 1343 without further order of this Commission.

The need for service in San Gabriel's proposed service area.

The area is served by Cross with the exception of the Handorf Ranch which is situated in the east half of the area, contains several hundred acres (Exhibit No. 3-A), and has its

own water supply. San Gabriel has offered to purchase the Cross system and to serve its customers, but Cross' officers refuse to sell any portion of its system to San Gabriel although no official action has been taken by its members and, as heretofore stated, three members of Cross owning property in the area west of Sixth Avenue filed written protests against San Gabriel serving the area.

San Gabriel's vice-president testified that the Union Pacific Railroad is negotiating for the purchase of the Handorf property to subdivide for industrial development, and that there is impending industrial development in the territory east of Turnbull Canyon Road (in the extreme northeast portion of the proposed service area). He further testified that San Gabriel had a request two and one-half years ago to serve a subdivision at Don Julian Road and Second Avenue in the west end of the proposed service area, which subdivision is now served by Cross; that about February, 1956, San Gabriel received a request to serve a proposed subdivision at Second Avenue and Proctor Avenue in the west end of the service area, but that this proposed subdivision was subsequently abandoned; and that about four years ago San Gabriel received a request to serve a five-acre subdivision at the intersection of Proctor Avenue and Third Avenue, and that this subdivision has been completed, and is served by Cross.

A real estate broker testified that the Cross service is adequate for the residential portion of the proposed service area, i.e., that part west of Eighth Avenue. He had one inquiry from a paperbox manufacturer for property in the east portion of



the service area. This manufacturer would have needed 1,000,000 gallons of water per day. Cross, the witness said, informed him it could not furnish the required amount of water, and the paper-box factory purchased land outside the proposed service area and in San Gabriel's territory. This witness had had other inquiries for commercial land in the proposed service area, but had not attempted to locate the inquirers in the area as he assumed Cross could not give adequate water service.

The president of Parks Properties, Inc., appeared as a witness on behalf of San Gabriel. Parks purchased 41 acres of land in the proposed service area east of Turnbull Canyon Road for subdivision into industrial tracts and has sold one three-acre parcel. All of this land is zoned for heavy industrial purposes. The witness stated that the Fire Sprinkler Risk Division of the Board of Fire Underwriters informed him that the Cross system could not give adequate water and pressure for a favorable fire protection rating. When the 3-acre tract above referred to was sold, Cross ran an 8-inch line from a high pressure line of Vallecito to the tract and, as far as the witness knew, the purchaser has a satisfactory fire rating. This witness is interested in having an adequate water supply to his remaining land so that the purchasers can secure a favorable fire protection rating.

The financial reports submitted by San Gabriel as Exhibit No. 10 and other parts of the record hereon show that it has the requisite financial responsibility to support the granting of the certificate of public convenience and necessity by this Commission.

San Gabriel's proposed rates are set out in Exhibits Nos. 5 through 8 herein. Applicant's vice-president testified that the system can be operated at the proposed rates and give a reasonable rate of return. Applicant intends to request increased rates in its other service areas, but not in the proposed service area. A comparison of its proposed rates with the rates of other water companies in the vicinity is shown on Exhibit No. 9. San Gabriel's rates are lower than those of Vallecito.

Application No. 38415 - Vallecito

The Existing System and Service Area  
of Vallecito

By Decision No. 53277, dated June 26, 1956, in Application No. 36348, Vallecito was granted a certificate of public convenience and necessity to furnish water to an area comprising approximately 2,670 acres lying between La Fuente and the San Gabriel River and extending to the Union Pacific Railroad and Tract No. 1343 on the north. The authority was granted subject to the condition that Vallecito shall not make extensions into territory lying outside the described service area without authority first having been obtained from this Commission. The existing water system and facilities were acquired from the Whittier Extension Mutual Water Company. On November 29, 1956, Vallecito had 857 domestic customers in the area, 181 irrigation customers were served through meters, and 450 customers were served through 200 weir boxes. Water is secured from six wells located north of Tract No. 1343 which produce an aggregate of 8,010 gallons of water per minute. Two of these wells are located on a strip of land 100 feet wide and 600 feet long, owned by Vallecito, on which

additional wells can be dug. Water from these six wells is transmitted through a 30-inch concrete gravity transmission line to a booster station, having a 6,500-gallon per minute capacity, situated on Eighth Avenue in Tract No. 1343. The water is pumped in a 24-inch steel pipe to Vallecito's reservoir No. 1 which has a capacity of 1,500,000 gallons and is located at an elevation of 480 feet, and by means of booster pumps to its reservoir No. 2 located at an elevation of 710 feet and having a capacity of 750,000 gallons, and to its reservoir No. 3 located at an elevation of 685 feet and having a capacity of 2,000,000 gallons. In addition, Vallecito has three reservoirs having a total capacity of 700,000 gallons. The existing facilities plus the pipe system are shown on Exhibit No. 3-A herein.

The Proposed Service Area

By its application, Vallecito requests authority to extend service into that portion of Tract No. 1343 which is bounded by Sixth Avenue and San Jose Creek on the west and comprises approximately 700 acres (Exhibit No. 3-A). The area varies in elevation from 280 feet to over 300 feet and is zoned for residential or agricultural purposes in the western portion and for manufacturing purposes in the eastern portion. The southern boundary of the proposed service area is the northern boundary of Vallecito's authorized service area. Cross presently serves the area, with the exception of the Handorf property which has its own water supply and comprises over one-half of the proposed service area. Cross has some customers along Valley Boulevard, the northern boundary of the proposed service area, and has an 8-inch main

connected to a 12-inch main of Vallecito's through a meter located south of the proposed service area. This main extends to the 41-acre tract of land owned by Parks Properties, Inc., heretofore referred to, and is shown on Exhibit No. 11 herein. Vallecito's 30-inch transmission line heretofore referred to is on Eighth Street. San Gabriel's 10-, 12- and 16-inch line between its Kwis area and its Bassett area, heretofore referred to, is along Turnbull Canyon Road, Proctor Avenue and Sixth Avenue.

Proposed Improvements

Vallecito intends to acquire the Cross facilities in the area east of Sixth Street, including the 8-inch main extending from the existing service area to the 41-acre industrial tract hereinabove referred to, although such authority is not requested by its application. Eventually and as needed it proposes to replace the 30-inch concrete line from the wells to the booster station on Eighth Avenue with a steel line, replace or modify the pumps at the wells, abandon the booster station on Eighth Avenue, and install a grid of 8- and 10-inch mains on the east-west streets and 8-inch mains on the north-south streets. The service area is over 150 feet lower than Vallecito's No. 1 reservoir and the system will permit the area to secure water either direct from the wells or from the No. 1 reservoir which is at an elevation of 480 feet. Vallecito's engineering witness testified that the Pacific Fire Rating Bureau rates a system down when pumps rather than high level storage are used to build up pressure.

Vallecito's engineering witness estimated that between 1957 and 1961, both inclusive, it will have 68 additional 2-inch

services in the area and that to serve the area during this period it will be required to add facilities costing a total of \$130,200 consisting of service stubs at a cost of \$5,100, meters at a cost of \$12,850, hydrants at a cost of \$18,750, the company's portion of the cost of the distribution system totalling \$69,000, the portion of the cost of replacing or modifying the pumps on the wells attributable to Tract No. 1343 of \$13,300, and the portion of the cost of the replacement of the 30-inch concrete transmission main with steel pipe attributable to Tract No. 1343 amounting to \$11,200. These costs total \$1,910 for each of the 68 estimated connections by 1961. The witness estimated a gross revenue of \$1,560 per year per connection.

Need for Service

In addition to the evidence presented by San Gabriel concerning the requests for water service in the area, Vallecito's manager testified that the son of the owner of the Handorf properties had requested that Vallecito provide water service thereto.

Financial Responsibility

The financial report submitted in evidence by Vallecito as Exhibit No. 13 and other parts of the record herein show that it has the requisite financial responsibility to support the granting of the sought certificate of public convenience and necessity.

Franchise

Vallecito's secretary testified that it holds Los Angeles County Franchise Ordinance No. 6798 permitting it to use the streets in the territory for water system purposes.

Rates

Vallecito's proposed rates are set forth on Exhibit No. 20 herein and are the same as the rates in its existing service area. A comparison of the rates with San Gabriel's proposed rates is set forth in Exhibit No. 9 herein. Vallecito's rates are higher for each type of service. Vallecito's witness testified that it will be able to provide service at the proposed rates and secure a reasonable return.

Cross Water Company

The secretary of Cross testified that Cross will enter into an agreement with Vallecito for the sale to Vallecito of Cross' facilities in the portion of Tract No. 1343 east of Sixth Avenue, but that it will not sell any facilities to San Gabriel. The company is, he said, ready, able and willing to serve the entire Tract No. 1343 but is of the opinion that Vallecito can more economically serve the area. Cross' directors, he said, have never adopted a resolution not to sell any portion of the system to any company other than Vallecito, but due to the fact that San Gabriel has made two attempts to secure authority to serve the area there is ill-feeling between the Cross members and San Gabriel.

Findings and Conclusions

We have carefully reviewed the record herein, including all evidence presented by each applicant and the protestant, and are of the opinion that Vallecito's application should be granted, San Gabriel's application denied, and the Cross complaint dismissed.

San Gabriel's application was filed first and its proposed rates are lower. On the other hand, the territory sought by San Gabriel is now served by Cross, a mutual water company, which desires to continue to serve a large portion of the territory and its desire has heretofore been honored by this Commission (Decision No. 33350, supra). This company is willing to permit Vallecito to serve a portion of its area in the interests of more economical service, but its officers object to San Gabriel serving any portion of the area and will have Cross continue to serve the area rather than have San Gabriel serve therein. Three members of Cross, owners of large tracts of land in the portion of Tract No. 1343 proposed to be served by San Gabriel but not by Vallecito, have filed written objections to San Gabriel serving their property. It further appears that the proposed service area is to a large extent zoned for industrial purposes and is to be so developed. From the record it appears that lower fire protection rates are granted by insurance companies when there is a supply of water in a reservoir at an adequate elevation than when the sole supply of water is secured through booster pumps. Vallecito's system has and will have water supplied both by gravity flow from high level storage and through pumps, while San Gabriel has no high-level storage. Each applicant has the ability to secure adequate financing and each has an adequate water supply.

We are of the opinion and find that public convenience and necessity require the granting of a certificate of public convenience and necessity to Vallecito as requested, and that its proposed rates are just and reasonable. The certificate herein granted is subject to the following provision of law:

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.

San Gabriel's application will be denied. Inasmuch as San Gabriel is being denied authority to serve any portion of Tract No. 1343, except that portion heretofore served pursuant to Decision No. 33350, supra, the Cross complaint will be dismissed.

O R D E R

Applications having been filed by San Gabriel Valley Water Company and Vallecito Water Company and a complaint having been filed by Cross Water Company against San Gabriel Valley Water Company, the matters having been consolidated for hearing and public hearings having been held thereon, the matters having been submitted and now being ready for decision, and the Commission having made the foregoing findings, and based upon said findings,

IT IS ORDERED as follows:

1. That Case No. 5833 be, and it hereby is, dismissed.
2. That Application No. 38065 of the San Gabriel Valley Water Company be, and the same hereby is, denied.
3. That Vallecito Water Company, a corporation, be, and it is, granted a certificate of public convenience and necessity to construct and operate a public utility water system in the area hereinabove described.



4. That Vallecito Water Company be, and it is, authorized to revise, after the effective date of this order, its presently filed tariff schedules, including tariff service area maps, in conformity with the provisions of General Order No. 96, to provide for the application of said tariff schedules for water service in the area being certificated by this order; such revised tariff sheets to be effective on or before service is first rendered to the public in said area. Said revised tariff sheets shall become effective on five days' notice to the Commission and to the public after filing as herein provided.

5. That Vallecito Water Company 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 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 Vallecito's various properties.

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

Dated at San Francisco, California,  
this 11th day of February, 1957.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]

Commissioners