

**ORIGINAL**Decision No. 60575

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Julian L. de Haaff,  
dba Ranchito Water Company for  
authority to raise rates.

Application No. 42289

In the Matter of the Application of  
San Gabriel Valley Water Company for  
a Certificate of Public Convenience  
and Necessity to furnish water service  
in Territory in the City of Pico  
Rivera, to purchase certain distribu-  
tion facilities from Julian L. de  
Haaff, doing business as Ranchito  
Water Company,

Application No. 42369  
(Amended)

and

Julian L. de Haaff, doing business as  
Ranchito Water Company, to sell said  
facilities and abandon service.

O P I N I O N

By Application No. 42289, filed on May 23, 1960, Julian L. de Haaff, an individual, doing business as Ranchito Water Company,<sup>1/</sup> seeks authority to increase rates for water service throughout the utility's service area comprising Tract No. 9533 in the City of Pico Rivera, Los Angeles County. Following the filing of this application, the Commission received communications from officials of the City of Pico Rivera and approximately 80 customers of Ranchito Water Company protesting the existence of deficient service conditions such as lack of pressure and supply for fire protection, inadequate pressure for operation of residential sanitary facilities, and a complete failure of water service at some residential locations.

<sup>1/</sup> Hereinafter referred to as Ranchito.

On June 14, 1960, Application No. 42369 was filed by San Gabriel Valley Water Company<sup>2/</sup> and Ranchito in which San Gabriel requests a certificate of public convenience and necessity and permission to acquire certain distribution facilities from Ranchito, and Ranchito requests authority to sell facilities and abandon service. Ranchito also requests dismissal of Application No. 42289 for authority to increase rates.

The first amendment to Application No. 42369 was filed on June 29, 1960, and sets forth in greater detail the methods and conditions whereby the agreement between said utilities can be consummated if and when Commission authorization is granted. The amendment also sets forth the future estimated investment per customer in the Ranchito area as compared with the investment per customer in San Gabriel's present Whittier Division.

General

San Gabriel is a corporation owning and operating public utility water systems in certain areas of Los Angeles and San Bernardino Counties. By Application No. 42369, San Gabriel would consolidate the Ranchito operation with its other operations in its Whittier Division and would apply presently effective Whittier Division rates and tariffs to the area now served by Ranchito.

San Gabriel was providing water service to approximately 11,500 customers in its Whittier Division on May 31, 1960. Ranchito was supplying water service on a flat rate basis to 203 customers on June 30, 1960.

A field investigation in connection with these applications was made during July 1960 by staff representatives of the Commission's

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<sup>2/</sup> Hereinafter referred to as San Gabriel.

Finance and Accounts Division and Hydraulic Branch of the Utilities Division. Results of these investigations are outlined in two memoranda dated July 15, 1960, Exhibits Nos. 1 and 2, respectively, in this proceeding.

Concurrent with the staff's field investigation of applicants' operations and records, a letter was sent by San Gabriel to each of Ranchito's customers on June 29, 1960. This letter provided the customers with information concerning the filing of the application in which Ranchito requests permission to sell and transfer its water system to San Gabriel and the latter to assume the obligation of furnishing water service in the area now served by Ranchito. The letter also advised each customer that, if approved, San Gabriel plans to install meters immediately and seeks authority to apply its present Whittier Division rates to the subject area, which would result in an increase as compared with the presently effective Ranchito rates.

Of the 203 letters sent to Ranchito customers, two answers were received in which an objection to the installation of meters was expressed.

#### Ranchito Service Area

Ranchito provides water service to Tract No. 9533 pursuant to authority granted by Decision No. 25328, dated November 7, 1932, in Application No. 18328. The Ranchito service area, comprised of Tract No. 9533 as delineated on Exhibit C of Application No. 42369, is located south of Whittier Narrows Dam and west of Rosemead Boulevard and comprises approximately 50 acres which are entirely within the City of Pico Rivera where water service is provided to 203 customers.

Exhibit E of the first amendment to the application shows that the existing Whittier Division system of San Gabriel entirely surrounds the Ranchito area.

Description of Water System

The source of water supply for the Ranchito system is a single well equipped with a 15 horsepower pumping unit. Water is pumped through a 2,000-gallon pressure tank into the distribution system which is principally composed of 2-inch steel pipe with some 4-inch steel pipe. Pressure controls on the pump limit maximum working pressure at the well to 36 pounds per square inch so that a safe limit for the pressure tank will not be exceeded. Capacity of the pump has declined over a period of several years to a rate of production which is not sufficient to provide adequate service at times of peak demand. Service pressure at several residential locations is substantially below the minimum requirements of the Commission's General Order No. 103. All water service is provided by Ranchito on a flat rate basis.

Upon acquisition, San Gabriel proposes to connect the Ranchito system to a portion of the Whittier Division system serving 2,147 customers supplied from sources having a capacity of 5,100 gallons per minute. Reservoir storage capacity of 2,350,000 gallons in this portion of the Whittier Division provides an additional 4,000 gallons per minute available from storage to meet peak service demands. San Gabriel maintains a minimum 70 pounds per square inch working pressure in mains to which the Ranchito system may be connected.

Proposed Improvements and Financial Information

Exhibit E attached to the first amendment to Application No. 42369 shows the locations of the ~~four~~ connections to be made

between the San Gabriel and Ranchito systems and sets forth an estimate of \$8,298 as the cost of plant necessary for such inter-connection.

San Gabriel also proposes to install meters for all of the existing Ranchito flat rate services and has estimated a cost of \$9,744 for this metering program.

It should be noted that the financial statements of each of the parties hereto is contained in Exhibits A and B of the first amendment to the subject application. Exhibit A indicates San Gabriel to be in a sound financial position to make necessary improvements for betterment of service to present Ranchito customers. Although Exhibit B indicates the utility plant of Ranchito as \$14,957 and a depreciation reserve of \$7,956, Exhibit No. 1, the Commission's accounting staff exhibit, shows that the books of Ranchito indicate historical cost of the properties being transferred as \$7,665 at December 31, 1959, with a related depreciation reserve for these properties of \$7,665 as of this same date. As set forth in the application, San Gabriel will purchase the Ranchito system for the sum of \$3,500 in cash.

An analysis of the average net utility plant investment in distribution facilities has been prepared by San Gabriel and indicates that the present Whittier Division averages approximately \$102 per customer and that Ranchito will average about \$106 per customer when the proposed improvements have been installed. Said proposed improvements consist of supply and distribution mains and installation of meters. There appears to be no reason that the cost of maintaining and operating the system in the Ranchito area will be any less per customer than in the rest of San Gabriel's Whittier Division.

It is apparent that service lives for depreciable plant have been used by Ranchito which are not reasonable, resulting in a book accrual for utility plant as fully depreciated at December 31, 1959, although the mains and services are currently in useful operation and will be used in the continuing operation by San Gabriel. Such discrepancies between the depreciation accrual and actual plant life indicate the need for a reserve requirement study and the application of realistic remaining life values for depreciable utility plant. The order which follows will direct San Gabriel to make and submit such a study.

Ranchito records do not indicate any consumers' advances for construction as of July 1, 1960.

Rates, Present and Proposed

The following tabulation is a summary of present rates of Ranchito for residential flat rate service, which rates became effective December 1, 1932 by authority of Decision No. 25328, dated November 7, 1932, in Application No. 18328:

Residential Flat Rate Service

For each residence including:	<u>Per Month</u>
1. Lot not to exceed 6,600 square feet .....	\$1.50
(a) For each additional house on one lot .....	1.00

Staff investigation has developed information indicating that all customers of Ranchito are being billed under the flat rate schedule with a preponderance of the bills being rendered for the basic \$1.50 per month charge. By Application No. 42369, San Gabriel proposes the installation of meters for all Ranchito customers and the rendering of future bills in accordance with the presently effective tariff schedule WH-1 for the Whittier Division. Although

Ranchito has installed no meters, it does have on file a tariff for metered service and in the following tabulation is a comparison of the presently filed and effective tariffs for metered service of each utility:

GENERAL METERED SERVICE

Quantity Rates:	<u>Per Meter Per Month</u>	
	<u>Ranchito</u>	<u>San Gabriel</u>
First 300 cu.ft. or less .....	\$1.00	\$2.00
Next 1,200 cu.ft., per 100 cu.ft. ....	.10	.15
Next 3,000 cu.ft., per 100 cu.ft. ....	.10	.12
Next 5,000 cu.ft., per 100 cu.ft. ....	.10	.09
Over 10,000 cu.ft., per 100 cu.ft. ....	.05	.09

San Gabriel proposes to begin immediately a program of metering all of the existing flat rate services of Ranchito and thus proposes to furnish water service at its existing Whittier Division meter rates. The Commission staff engineer's investigation disclosed that the metering program may extend over several months but should be completed within one year. In order to provide an equitable charge during the period in which meters are being installed, a temporary limited flat rate is required. San Gabriel's presently authorized Whittier Division Schedule WH-2L is a limited schedule, providing for a monthly flat rate of \$2.40 applicable to such service in the Whittier area and, in the order which follows, San Gabriel will be authorized to file a similar schedule making the same flat rate charge of \$2.40 per month applicable for a limited time to the portion of its service area taken over from Ranchito. This will allow a maximum time of about one year for the metering of all services in the present Ranchito service area.

Findings and Conclusions

Dismissal of the application of Ranchito for authority to raise rates for water service having been requested, Application No. 42239 will be dismissed.

As to the application of Ranchito to sell and San Gabriel to purchase the distribution facilities, it is evident that this action is overwhelmingly desired by the customers of Ranchito, and the Commission further finds that such action is an appropriate solution to the problem of providing reasonable water service in the Ranchito area and is not adverse to the public interest.

Based on the investigation by the Commission's staff, (informally amplified by communications from the City of Pico Rivera), the Commission finds that an emergency condition exists with respect to water service being furnished by Ranchito; therefore, in order to relieve such emergency, the effective date of the order which follows will be the date thereof. This will permit the proposed interconnections of the San Gabriel supply sources with the Ranchito service area to be made expeditiously.

It is hereby found as a fact that the increases in rates and charges authorized herein are justified and that present rates, insofar as they differ from those herein prescribed, for the future are unjust and unreasonable.

The action taken herein shall not be construed to be a finding of the value of the properties hereinafter authorized to be transferred.

O R D E R

The Commission having considered the above-entitled applications and being of the opinion that a public hearing is not necessary; therefore,

IT IS HEREBY ORDERED that Application No. 42289 of Julian L. de Haaff, doing business as Ranchito Water Company, for authority to raise rates for water service, be and it is dismissed without prejudice.



IT IS HEREBY FURTHER ORDERED as follows:

1. Julian L. de Haaff may, on or after the effective date hereof, and on or before February 28, 1961, sell and transfer the public utility property described in the opinion part of this decision to San Gabriel Valley Water Company pursuant to the agreement of sale and purchase embodied in Application No. 42369, as amended.

2. San Gabriel Valley Water Company, on and after the date of actual transfer, is authorized and directed to charge in the territory acquired under the authorization herein granted the schedules of rates attached hereto as Appendix A, and to apply in said territory its own rules, and its presently filed rate schedules applicable to private fire protection, private fire hydrant service, and construction service, which filed rules and rate schedules are effective for the entire system; and further to apply in the said territory its rate schedule for public fire hydrant service applicable to its Whittier and certain other tariff areas.

3. San Gabriel Valley Water Company, if it acquires the hereinabove described properties, shall, within thirty days thereafter, file the rates authorized herein and shall revise its presently effective tariff schedules to provide for the application of its rules and said rates in the service area being acquired herein, together with a revised tariff service area map, all in accordance with the procedure prescribed by General Order No. 96. Such rates and revised tariff sheets shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

4. On or before the date of actual transfer, Julian L. de Haaff shall refund all deposits which customers are entitled to have

refunded; and that any unrefunded deposits shall be transferred to and become the obligation for refund of San Gabriel Valley Water Company.

5. On or before the date of actual transfer, Julian L. de Haaff shall transfer and deliver to San Gabriel Valley Water Company, and the latter shall receive and preserve, all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred.

6. If the authority herein granted is exercised, Julian L. de Haaff shall, within thirty days thereafter, notify this Commission, in writing, of the date of such completion of the property transfer herein authorized and of his compliance with the conditions hereof.

7. Upon due compliance with all the conditions of this order, Julian L. de Haaff, doing business as Ranchito Water Company shall stand relieved of all further public utility obligations and liabilities in connection with the water system from which the distribution facilities are herein authorized to be transferred.

8. San Gabriel Valley Water Company shall file, within sixty days after the system is placed in operation under the rates and rules authorized herein, four copies of a comprehensive map drawn to an indicated scale not smaller than 600 feet to the inch delineating by appropriate markings the 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 as shown on the map (Exhibit E) attached to the first amendment to the application.

9. San Gabriel Valley Water Company shall submit to this Commission, in writing, within 180 days of the acquisition of the utility properties hereinabove authorized, a study of the historical cost, remaining lives and related reserve requirement of such properties.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 16th day of August, 1960.

*Robert A. Pava*  
President  
*Michael J. Pava*  
*E. J. Pava*  
*Theodore J. Pava*  
Commissioners

APPENDIX A  
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Schedule No. WE-1

Whittier Division

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the Cities of Whittier and Pico Rivera, and vicinity,  
Los Angeles County.

RATES

Per Meter  
Per Month

Quantity Rates:

First 800 cu.ft. or less .....	\$ 2.00
Next 1,200 cu.ft., per 100 cu.ft. ....	.15
Next 3,000 cu.ft., per 100 cu.ft. ....	.12
Over 5,000 cu.ft., per 100 cu.ft. ....	.09

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 2.00
For 3/4-inch meter .....	2.50
For 1-inch meter .....	4.00
For 1½-inch meter .....	6.50
For 2-inch meter .....	9.50
For 3-inch meter .....	17.00
For 4-inch meter .....	30.00
For 6-inch meter .....	50.00

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

APPENDIX A  
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Schedule No. WH-2LX

Whittier Division

LIMITED TEMPORARY FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished on a limited temporary flat rate basis.

TERRITORY

A portion of the City of Pico Rivera, Los Angeles County.

RATE

	<u>Per Month</u>
For each 3/4-inch service connection .....	\$2.40

SPECIAL CONDITIONS

1. Service under this schedule will be continued to any customer formerly served by Ranchito Water Company until such time as a meter is installed.
2. This schedule will be effective only to and including August 31, 1961, and will thereafter be withdrawn.