

ORIGINALDecision No. 61725

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
KLAUBER WANGENHEIM CO. for an Order
Authorizing the Sale of Utility
Properties.

Application No. 41951
Amended

Glenn & Wright, by Fred W. Jacobs, Jr., and
Howard Gardner, for the applicant.
LeRoy J. LaFrentz, for Descanso Park Water
Company, joint applicant.
Thomas J. Burk, in propria persona, protestant.
John A. Cunningham, interested party.
Donald B. Steger, for the Commission staff.

O P I N I O N

Klauber Wangenheim Co.,^{1/} a wholesale grocery corporation,
by the above-entitled application filed February 16, 1960, as
amended, September 8, 1960, seeks authority to sell its utility
properties known as Descanso Park Terrace Water System to LeRoy J.
LaFrentz, an individual, doing business as Descanso Park Water
Company.^{2/}

A public hearing was held before Commissioner C. Lyn Fox
and Examiner Stewart C. Warner on January 27, 1961, at San Diego.
A customer of the applicant protested the proposed sale insofar as
it involved the granting to Descanso of authority to apply its
presently filed tariffs to the K.W. water system customers, of which
he was one. This customer moved that that portion of the application

^{1/} Hereinafter referred to as K.W.

^{2/} Hereinafter referred to as Descanso.

not be granted until K.W. customers had been heard. The matter was submitted and is now ready for decision.

K. W. acquired a water system about 1913 from Mountain Commercial Company, which had subdivided an unincorporated portion of San Diego County about 35 miles east of San Diego, in the early part of the century. It thereby claims that it became a public utility under the so-called "grandfather" provisions of the Public Utilities Code, but has never filed its tariffs or otherwise complied with any of the Commission's General Orders or kept its books in accord with the uniform system of accounts for water utilities prescribed by this Commission. It furnishes water service to about 33 metered and 37 unmetered customers, and its service area is adjacent and contiguous on the west thereof, and in one portion overlaps, the certificated area of Descanso. K. W. furnishes water service to 6 customers in Descanso's certificated area.

Descanso was granted a certificate of public convenience and necessity by Decision No. 42678, dated April 5, 1949, in Application No. 29708 and its present rates for water service became effective June 1, 1957, pursuant to Decision No. 54951 in Application No. 38491.

Exhibit A is a map showing K.W.'s service area which includes approximately 260 subdivided lots, together with several unsubdivided parcels which would provide an ultimate potential of approximately 400 lots if developed uniformly. Exhibit B describes K.W.'s water system which consists of three wells located adjacent to the Sweetwater River. Well No. 1, with a maximum production capacity of 15 gallons per minute, is K.W.'s principal source of

supply for the reason that it is the only well equipped with a pump capable of delivering water into K.W.'s reservoir, which has an effective storage capacity of 30,000 gallons. K.W.'s water is chlorinated by an electrically powered hypo-chlorinator which is manually operated.

A Commission staff accounting witness testified that, after certain adjustments to recorded plant accounts, total undepreciated water properties of K.W. at August 31, 1960, amounted to \$22,575.32, and that the recorded depreciation reserve balance at February 28, 1960, was \$8,225.27. Exhibit F shows a net loss for the fiscal years ended February 28, 1955, of \$6,963.46; February 29, 1956, of \$877.80; February 28, 1957, of \$546.66; February 28, 1958, of \$3,217.40; and February 28, 1959, of \$1,292.53.

K.W.'s distribution system at June 30, 1960, consisted of 1,500 feet of 4-inch steel pipe, 3,700 feet of 2-inch steel pipe, 250 feet of 1½-inch steel pipe, 2,550 feet of 1-inch steel pipe, and 2,450 feet of ¾-inch steel pipe. A Commission staff engineer testified that several customers described extended periods of low pressure and the necessity of informal arrangements with neighbors whereby one customer at a time would use water from a particular main due to the inability of the system to deliver sufficient water. A typical example was cited in an area where three customers are served by a ¾-inch pipe, 480 feet long, connected to 300 feet of 1-inch pipe connected to the 4-inch pipe between Well No. 1 and the storage reservoir. The general deficiencies of the K.W. system are that the pipe sizes are too small, ditch cover is insufficient, valves are not provided for segmentation of the mains, and the pipes do not have protective coatings.

The applicant, K. W., seeks authority to sell its water system to Descanso for \$2,000.

Descanso's certificated area comprises approximately 125 acres in which there are approximately 200 subdivided lots. Water service is furnished by Descanso to about 39 metered and 19 unmetered customers. Its source of water supply comprises two wells located in Agua Azul Creek, and their combined production capacity is 150 gallons a minute.

Descanso's financial statement dated December 31, 1959, attached to the amendment to the application, shows a total loss for the calendar year 1959 of \$2,777.49. The balance sheet shows total fixed assets undepreciated of \$64,018.74, including organization expense, land, and water system plant and equipment. The related depreciation reserve as of that date was \$13,907. Long-term debt in the form of a note payable was \$623.88, with no other outstanding liabilities.

The witness LaFrentz testified that he would be willing and intended to rehabilitate K. W.'s system to the extent of the addition of between \$8,000 and \$10,000 of fixed capital, including the installation of a 6-inch pipeline to connect the two water systems.

The record shows that the application of Descanso's rates to K. W.'s customers would result in substantial rate increases for these customers. K. W.'s present rates for flat rate service are \$39 per calendar year per service connection, paid in advance, or \$3.30 per month as a minimum charge for service for a period less than one year. Its rates for general metered service are \$3.30 per

meter per month for the first 300 cubic feet or less, and \$.38 per 100 cubic feet for all over 300 cubic feet. K.W. has charged its customers a meter installation charge of \$60; an "on and off" charge of \$7 at resumption of service; and a \$10 deposit from renters.

Descanso's present rates for annual flat rate service are \$6 per service connection per month for each single family residence or church; \$3 for each additional single family residential unit, including trailers or tent with inside water facilities and \$1.50 with outside water facilities; and \$6 per service connection per month for each animal watering trough. Its rates for general metered service are \$6 per meter per month for the first 600 cubic feet or less; \$.35 per 100 cubic feet for the next 1,400 cubic feet; \$.275 per 100 cubic feet for the next 3,000 cubic feet; and \$.20 per 100 cubic feet for all over 5,000 cubic feet. Descanso also has on file a seasonal general metered service rate for any eight consecutive months beginning and ending in the same calendar year or any portion thereof, the charge for a 5/8-inch X 3/4-inch meter being \$60 per meter per season with a quantity allowance per month for the seasonal minimum charge of 600 cubic feet. Other charges and allowances apply to larger sized meters.

The application of Descanso rates for the K.W. system would result in the following average increases for K.W. customers: Flat rate single family residence - an increase of \$2.70 per month; and annual meter minimum - an increase of \$33 per year.

After a careful review of the record, the Commission finds as a fact and concludes that the proposed sale by Klauber Wangenheim Co. of its water system to LeRoy J. LaFrentz, doing business as

Descanso Park Water Company, a public utility, for the sum of \$2,000, pursuant to the terms of the escrow instructions in Escrow No. 347539 JY, dated June 21, 1960, of the San Diego office of Security Title Insurance Company, attached to the application as amended, would not be adverse to the public interest, and the order hereinafter will provide for the granting of the authority to K.W. to sell, and to Descanso to acquire, K.W.'s water system properties.

It is further found as a fact and concluded, however, that it would be adverse to the public interest to authorize Descanso to apply its presently filed tariffs to K.W.'s customers without a showing of justification before the Commission in a rate proceeding, which showing has not been made in the instant proceeding. The order which follows will provide that that portion of the application be denied.

Exhibit No. 1 contains recommendations by a Commission staff engineer that Descanso be directed to submit a schedule of improvements and replacements for the K. W. system in 1961 and following years, and that Descanso submit details of the method by which the schedule of said water system improvements will be financed. This engineering witness concluded that, in order to materially improve service for the K. W. customers, extensive main replacements will be necessary in addition to the interconnection between the systems; and that, unless a second deep well source of supply is provided, the proposed interconnection might deteriorate the present service by Descanso to its customers as the number of such customers approached the ultimate development of the K. W. and Descanso areas.

We find the recommendations and conclusions of the staff engineer to be reasonable and the Order which follows will provide for the carrying out of his recommendations by Descanso, and will further provide that when the number of Descanso's customers, under the combined operations, exceeds 250, Descanso should develop a second deep well source of water supply of sufficient capacity to meet peak day of peak month and peak hour of peak day demands of that number of customers and of the number of customers anticipated in the foreseeable future.

O R D E R

Application as above-entitled, as amended, having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That Klauber Wangenheim Co., a corporation, be and it is authorized to sell its water system to LeRoy J. LaFrentz, an individual pursuant to the escrow instructions in Escrow No. 347539 JY, dated June 21, 1960, of the San Diego Office of Security Title Insurance Company, attached to the application as amended, and shall, within ten days thereafter, report in writing to the Commission when such transfer has been effected.

2. That if the authorization herein granted is exercised, LeRoy J. LaFrentz is authorized and directed to file in quadruplicate with the Commission after the effective date of this order, in conformity with General Order No. 96 and in a form acceptable to the

Commission, revised tariff schedules, including table of contents, preliminary statement and tariff service area maps, together with the schedules of rates shown in Appendix A attached hereto, to provide for the application of said tariff schedules and rates to the area formerly served by Klauber Wangenheim Co. Such revised tariff sheets and schedules of rates shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. That if the authorization herein granted is exercised, LeRoy J. LaFrentz shall, within sixty days thereafter, submit a schedule of improvements and replacements for the Klauber Wangenheim Co. system in 1961 and following years, and shall submit details of the method by which the schedule of said water system improvements will be financed.

4. That when the number of customers to be served by the water system of LeRoy J. LaFrentz shall exceed 250, he shall develop and provide a deep well source of supply of sufficient capacity to meet the demands of that number of customers and of the number of customers anticipated in the foreseeable future.

5. That the authority herein granted to Klauber Wangenheim Co. to sell, and to LeRoy J. LaFrentz to buy, shall expire if not exercised prior to December 31, 1961.

6. That the application of LeRoy J. LaFrentz to apply his presently filed tariffs to the customers of Klauber Wangenheim Co. be and it is denied, and that in all other respects, except as hereinabove provided, the application as originally filed and as amended 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 28th day of MARCH, 1961.

David M. Rame
President
E. J. Rame
E. J. Rame
Fredrick B. Holbrook
Commissioners

APPENDIX A
Page 1 of 3

Schedule No. 1 LKW

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Limited to the unincorporated area formerly served by Klauber Wangenheim Co. (Descanso Park Terrace Water System), Descanso and vicinity, San Diego County.

RATES

Per Meter
Per Month

Quantity Rates:

First 300 cu. ft. or less	\$ 3.30
Over 300 cu. ft., per 100 cu. ft.38

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.30
For 3/4-inch meter	5.00
For 1-inch meter	7.00
For 1 1/2-inch meter	10.00
For 2-inch meter	15.00

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

APPENDIX A
Page 2 of 3

Schedule No. 2 LKW

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

Limited to the unincorporated area formerly served by Klauber Wangenheim Co. (Descanso Park Terrace Water System), Descanso and vicinity, San Diego County.

RATE

	Per Service Connection Per Month
For a single family residence	\$3.30

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. A meter may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1 LKW, General Metered Service. When a meter is installed at option of customer, metered service must be continued for at least 12 months before service will again be furnished at flat rates.

APPENDIX A
Page 3 of 3

Schedule No. 2 LKWA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential water service furnished on an annual flat rate basis.

TERRITORY

Limited to the unincorporated area formerly served by Klauber Wangenheim Co. (Descanso Park Terrace Water System), Descanso and vicinity, San Diego County.

RATE

Per Service Connection
Per Year

For a single family residence \$39.00

SPECIAL CONDITIONS

1. The annual charge is due in advance, and is for the calendar year.
2. The above residential flat rate charges apply to service connections not larger than one inch in diameter.
3. All service not covered by the above classification will be furnished only on a metered basis.
4. A meter may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1 LKW, General Metered Service. When a meter is installed at option of customer, metered service must be continued for at least 12 months before service will again be furnished at flat rates.