

Decision No. 51389**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

STELLA P. HARRIS, et al.,
Complainants,

v.

PINE FLAT WATER COMPANY,
Defendant.

Case No. 5584

In the matter of the applica-
tion of PINE FLAT WATER COMPANY
for an order authorizing issue
of stock.Application No. 32493
(First Supplemental)Edwin P. Jacobsen, for complainants
C. J. Kroells, for Pine Flat Water Company
John F. Donovan and John D. Reader, for the
Commission staffO P I N I O NNature of Proceeding

Stella P. Harris and 27 other consumers of Pine Flat Water Company, by a complaint filed October 22, 1954, allege that the company's facilities and service are inadequate, that water has been distributed unequally and excessively, that unauthorized charges have been made and that the company has improperly accounted for stock monies. The company, by its First Supplemental Application, requests authority to apply an unused balance of \$1,968, remaining in a stock fund, to the purchase and installation of a larger water main and construction of a steel or concrete storage reservoir. (1)

(1) The Commission previously had authorized the company to issue and sell not exceeding 400 shares of its common stock, of the par value of \$10 each, for the purpose of financing the cost of certain additions and improvements to the system. Applicant reported that it had not been found necessary to use all the proceeds from the stock for the specified purposes and requested authority to apply the balance to other purposes. See Decision No. 45900, June 29, 1951, Application No. 32493.

Public Hearing

The two proceedings were heard and submitted on a consolidated record at California Hot Springs on January 18, 1955, before Examiner John M. Gregory.

Description of Water System

The water system, formerly operated by owners of Pine Flat Subdivision but incorporated in 1947 and certificated in 1949 (Dec. 42920, Appl. 29957), supplies water for domestic use to about 100 summer and week-end residents and a few permanent consumers in the resort community of Pine Flat, located about two miles southeasterly from California Hot Springs in the southerly part of Tulare County. Many of the consumers hold stock in the company and thus have a special interest in its operation.

Water is gathered from several springs on Sequoia National Forest land through approximately 13,000 feet of standard screw galvanized pipe varying in size from 1½ to 2 inches in diameter. The main water supply is obtained from a spring, known as Cold Spring, and is piped about 800 feet to a 25,000-gallon reservoir, and distributed to consumers through approximately 17,000 feet of galvanized pipe varying from ¾ to 2 inches in diameter. (2)

The company's service area is described in its tariff schedules as follows:

"Pine Flat Subdivision and adjoining territory, being a part of a summer resort area in Sequoia National Forest and located two miles southeast of California Hot Springs, Tulare County."

The subdivision lies in a portion of Sections 4 and 5, Township 24 South, Range 31 East, and a portion of Section 32, Township 23 South, Range 31 East, M.D.B. & M., as per map recorded in 1922 in

(2) A detailed report and appraisal of the system is included in the record of Application No. 29957 as Exhibit No. 14. Rates authorized by Decision No. 42920 in that proceeding were estimated to produce revenue, in 1949, of about \$2000 from an average of 106 consumers.

Book 17, Page 14 of Maps of Tulare County. The record indicates that additional homes are gradually being added to the subdivision.

Evidence Relating to Allegations of Complaint

(1) On September 6, 1954, the flow of Cold Spring, the main source of water for the system, either diminished greatly or ceased, although the reservoir was full that day and water was running into it. Company officials later dug a shallow collecting basin at Cold Spring and ran a stub of a 6-inch line from it to within about 800 feet of the reservoir, but did not connect the 6-inch line to the rest of the system due, it appears, to an adverse report on the quality of the water. During this time, and occasionally at times of peak usage during the summer, water pressures were low at some points of the system. On July 1, 1954, the water was shut off to permit repairs to be made to a pump.

(2) The record shows, with respect to the allegations of excessive use of water by one consumer and of use outside the subdivision, that H. H. Morse, an organizer and first president of the company, used an average of about 600 gallons per day for his Rainbow Ranch between July 4 and September 7, 1954. Morse's arrangements with the company provided that he would use not in excess of 300 gallons per day, to be paid for on a monthly flat rate basis. The record also indicates that Morse and others may be interested in securing water to supply future residential properties east of Oakwood Road, adjoining the southeast portion of the system.

Concerning allegations that the company purchased some 6-inch steel pipe which did not conform to Board of Health specifications, that no productive standby well has been developed, and that there has been an improper accounting of stock monies, the record shows that the company purchased 2000 feet of uncoated steel pipe from Republic Supply Company in August, 1954. A stub of this pipe, about 160 feet in length, was laid in the creek bed running from Cold Spring toward

the reservoir. The balance of the pipe is on hand and about 800 feet of it could be used to complete an enlarged pipeline from the spring to the reservoir. The pipe had not been paid for at the time of the hearing, but any unused portion would be returnable to the supplier. The life of such pipe, according to the testimony of the supplier's representative, would depend upon soil conditions or elements in the water flowing through it. It could and should be coated or otherwise protected against corrosion to comply with statutory public health requirements.

The company spent \$919.94 about three years ago in an unsuccessful attempt to develop a new well. Complainants urge that the money so expended should be returned to the stock fund instead of carrying the well on the company's books as an asset. (3) Also, complainants insist that an inventory balance of \$397.28 shown by the company as a portion of \$2,031.64 debit against the \$4,000 stock fund, should be credited to the fund. The item includes approximately 170 feet of 4-inch pipe which was used to replace 2-inch pipe.

The complaint does not indicate the nature of the unauthorized charges alleged to have been levied by the company. The evidence shows, however, that some five recently-connected consumers each paid \$10 as a "connection charge", for which no authority is found in the company's filed tariff schedules. The record shows that the company has refunded such charges.

Staff Recommendations

An engineer of the Commission's Hydraulic Section, who made an investigation of the system and introduced a report in the record, recommended installation of certain improvements designed to provide

(3) The Commission's Uniform System of Accounts for water utilities (Class D) now provides (Account 315) that the cost of digging wells which prove to be unproductive or which produce water which cannot be utilized in the system shall be charged to operating expense unless otherwise authorized by the Commission in writing.

a more dependable supply of water at more constant pressures. The two most important suggestions made were: (a) connection of the 6-inch stub at the new collecting well at Cold Spring with the present 25,000-gallon reservoir, through installation of about 800 feet of 6-inch pipe, protected inside and out. Such installation should eliminate the need for the present pump and there is no need, in his opinion, for installing the remaining 6-inch pipe on the system; (b) construction of another 25,000-gallon reservoir near, but about 20 feet lower than, the present 3,000-gallon tank; elimination of the tank and connection of the new reservoir and the 2-inch line at Wildwood Trail with about 400 feet of 4-inch pipe. Such installation, augmented if required by future growth, by replacement with 3-inch pipe of a few hundred feet of the present 2-inch transmission pipeline from the existing reservoir, should result in maintenance of more constant pressures throughout the system. This plan, however, would not provide the high pressure to the residences of complainants Harris and Richardson, or to other homes at or above the new reservoir elevation, which they experience when the booster pump is operating and the existing reservoir is full. To provide such pressure would require almost continuous operation of a booster pump and construction of the proposed reservoir at a higher elevation, with consequent added cost for pump control switches, wiring and pipeline.

Summary and Conclusions

Certain facts emerge from a consideration of the evidence in this case. The first is that the system, originally constructed more than 25 years ago to serve owners or lessees of property in Pine Flat Subdivision, without charge, is now inadequate to render reasonably efficient water service, as a public utility, to present or prospective users in the tract, or to prospective consumers in adjoining territory in which development may be expected to occur.

The second fact that stands out is that whatever improvements may be required to place this system in a more adequate operating condition must not be so extensive as to be beyond the financial means of the company. ⁽⁴⁾ The company alleged, in its First Supplemental Application, that the sum of \$1,968.36 remains unused and available to it out of the proceeds of the sale of stock, amounting to \$4,000, authorized in 1951 by the Commission in Decision No. 49500. In addition, the company, on October 15, 1954, had \$1,908.81 cash on hand from operations of the system. The two sums total \$3,877.17.

Officials of the company have expressed the opinion that the proposed 25,000-gallon reservoir and some of the 6-inch pipeline could be installed with existing funds, using labor from the community as has been done in times past. Obviously, we cannot approximate the total cost of improvements under such conditions, nor is there anything else in the record that would help us to arrive at an estimate. The consumers of this system, however, are entitled to reasonably efficient service in return for the rates they pay and the obligation rests upon the company to provide that quality of service by whatever legitimate means may be available to it, including the procurement of additional finances, if necessary, by the issuance and sale of stock, or otherwise.

We find that the recommendations of the Commission's engineer respecting installation of the 6-inch pipe connection between the existing stub at Cold Spring and the present 25,000-gallon reservoir, and the construction of an additional 25,000-gallon reservoir, as embodied in his report (Exhibit 7), are reasonable. The company will be directed to make those installations and to connect them to its system. So far as use of the balance remaining in the

(4) The company's last annual report on file with the Commission, for 1954, shows gross revenues of \$2,263 and net revenues of \$1,114 before depreciation and of \$963 after depreciation but before interest or dividends, and gross investment in part at \$19,479.

stock fund may be required for such installations, we find that the expenditure thereof is reasonably required by Pine Flat Water Company and is not, in whole or in part, reasonably chargeable to operating expenses or to income.

The company should also, at an early date, revise its tariff service area map to show the territory within which it offers water service. The map now on file does not show the service area clearly, though we recognize that such a map, if filed, will not be finally determinative of the area in which the company is obligated to render service. The territory to be shown should extend at least 150 feet eastward and northward from Oakwood Road but within the area indicated as area served on the presently filed tariff service area map. At least three consumers presently receive service in the area east of Oakwood Road.

O R D E R

Public hearing having been held in the above-entitled and numbered consolidated proceedings, evidence having been received, the matter having been submitted for decision, the Commission now being fully advised and basing its opinion upon the findings and conclusions contained in the foregoing opinion,

IT IS HEREBY ORDERED that:

1. The order in Decision No. 45900, dated June 29, 1951, be and it is hereby amended so as to permit Pine Flat Water Company to use \$1,968.36 of proceeds from the issue and sale of its shares of common stock, authorized by said decision, for the purposes indicated in the foregoing opinion.
2. Pine Flat Water Company, within 120 days after the effective date of this decision, shall: (a) complete the installation of approximately 800 feet of 6-inch pipeline, protected inside and out

to conform to applicable public health standards, between the termination of the present 6-inch stub of pipe leading from Cold Spring and the existing 25,000-gallon reservoir; (b) construct a new 25,000-gallon reservoir east of Oakwood Road, at the approximate location shown on the map of Pine Flat Water Company's distribution system (Exhibit 4), in accordance with the recommendation contained in the engineer's report, Exhibit 7 herein, and connect said reservoir to the system by a pipeline no less than 4 inches inside diameter. The company is directed to file monthly reports of the progress of such installations not later than the 10th day of each month, commencing June 1, 1955.

3. Pine Flat Water Company, within 60 days after the effective date of this decision, shall file with the Commission a revised tariff service area map, acceptable to this Commission, delineating thereon, by appropriate markings, the area within which water service is offered to the public in Pine Flat Subdivision and adjoining territory, which shall include an area extending at least 150 feet eastward and northward from Oakwood Road, but lying within the presently designated service area and shall also include all premises now being served within said area.

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

Dated at San Francisco, California, this 21st day of April, 1955.

[Signature]

President
[Signature]

[Signature]

Commissioners