

ORIGINALDecision No. 55802

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of James W. Grier for)
 certificate of convenience and) Application No. 39275
 necessity for operation of a water)
 system at Camp Nelson, California.)

Guy Knupp, Jr., for applicant.
W. B. Stradley, for the Commission staff.

O P I N I O N

By the above-entitled application filed July 25, 1957, James W. Grier requests a certificate of public convenience and necessity for the construction and operation of a domestic water system to serve a subdivision at Camp Nelson situated at an elevation of about 4,650 feet in the Sierra Nevada mountains and approximately 34 miles east of the City of Porterville in Tulare County. Applicant also seeks authority to charge a flat rate of \$30 per year for such service.

Public Hearing

Public hearing in the matter was held before Examiner E. Ronald Foster at Porterville on September 18, 1957, at which time applicant produced affidavits to show that posting of notices and newspaper publicity had been effected as required. No person appeared to oppose granting of applicant's requests. After evidence both oral and documentary had been presented, the matter was submitted upon the receipt of several late-filed exhibits on September 30, 1957, and is now ready for decision.

The Applicant and Service Area

Applicant owns a resort known as Camp Nelson, where he proposes to develop an area of approximately 12 acres as a residential subdivision, being a portion of the S.E. 1/4 of Section 33, T.20 S., R.31 E., M.D.B.& M., known as Tract No. 255 consisting of 18 lots. The lots are wooded and vary in shape and size from over 8,000 to about 20,000 square feet in area and will be offered for sale for single family residential purposes, primarily for occupancy as summer homes from about June 1 to September 15. The tract slopes some 130 feet in elevation toward the nearby Tule River, as shown on the contour map filed as Exhibit No. 6 herein. There is no public utility water service available in this vicinity at present. However, the Camp Nelson Water Company, reported to be a mutual organization, supplies water to a few hundred residences and other buildings in the resort area, including some of applicant's properties.

To serve the subdivision, applicant proposes to own and operate the public utility water system as an individual under the name of Grier Water Company.

Description of System

The source of water supply is a natural spring, in which applicant owns an undivided one-half interest, as evidenced by grant deeds of which certified photostatic copies were filed herein as Exhibits Nos. 3 and 3A. The spring is located across the county road nearly one-quarter mile from the area proposed to be served and has been improved by the installation of two covered redwood receiving boxes from which the water is transmitted through 340 feet of 3-inch diameter pipe to a 5-horsepower electrically operated

pump which boosts the water into a 1,000-gallon hydropneumatic tank with controls now set to maintain pressure therein between 40 and 60 pounds per square inch.

From the pressure tank, water is delivered to the 16 lots of the tract through approximately 900 feet of 3-inch and about 1,635 feet of 2-inch pipe, arranged to form a circulatory system as shown on maps of the subdivision filed herein as Exhibits Nos. 4A and 6. All of the transmission line is 3-inch steel pipe protected on the outside by red-lead paint, that portion from the spring to the pumping plant being laid on top of the ground over rights of way or on applicant's property, while the portion from the pressure tank to the subdivision is buried approximately 30 inches below ground surface and laid on applicant's property. The 2-inch distribution lines are all unprotected black iron pipe laid about three feet below ground in subdivision roads dedicated to the public. Freezing of the pipelines will be avoided by bleeding from the lowest point in the system. All services are of 3/4-inch galvanized steel pipe and include globe valves. The installation of meters is not contemplated for the immediate future. There are four wharf head type fire hydrants, with 2-inch risers, located within the tract.

Plant Cost and Financing

The reported cost of construction of the water system as already installed is as follows:

Two redwood receivers	\$1,100.00
Three-inch pipe	1,320.00
Pump unit and pressure tank	2,180.00
Two-inch pipe, with services and fire hydrants.	2,043.48
Total	<u>\$6,643.48</u>

It may be noted that the above total includes no amounts for land nor organization costs. Applicant proposes to finance the cost and operations from his personal funds. He still owes \$2,600 which he promises to pay in two equal installments on November 1, 1957 and November 1, 1958. A balance sheet filed herein as Exhibit No. 1 shows the financial status as of May 31, 1957, of James W. Grier doing business as Camp Nelson Resort.

Proposed Rates and Potential Revenue

Applicant has asked for authorization of his proposed flat rate of \$30.00 per year per service. When service is rendered to all 18 lots, the total potential revenue would be \$540.00 per year. No extension of service to other or contiguous areas is contemplated.

In order to discourage possible waste and careless use of water, applicant asked that the following schedule of rates for metered service, as indicated by Exhibit No. 5 filed herein, also be authorized:

Monthly Quantity Rates:		<u>Per Meter per Month</u>
First	800 cu.ft. or less	\$ 2.50
Next	800 cu.ft., per 100 cu.ft.35
Next	800 cu.ft., per 100 cu.ft.30
Over	2,400 cu.ft., per 100 cu.ft.25

Annual Minimum Charge:		<u>Per Meter</u>
For	5/8 x 3/4-inch meter	\$ 30.00
For	3/4-inch meter	40.00
For	1-inch meter	60.00
For	1-1/2-inch meter	90.00
For	2-inch meter	120.00

Estimated Expense of Operation

Applicant estimated the annual cost of operating his water system as follows:

Operation of Booster Pump	\$ 50.00
Maintenance and Operation of System	100.00
Depreciation Expense: Pump Unit	50.00
Other Improvements	150.00
Total Expense	<u>\$350.00</u>

As compared with the total potential revenue of \$540.00, there would be left only \$190.00 as a return on the investment in the system. Furthermore, until the subdivision is completely developed, the net return would be correspondingly less. Applicant acknowledged his awareness of this probability and stated that he anticipated there would be about 10 houses built within the subdivision within three years and full development of 18 houses within five years.

Water Supply and Facilities

Considerable testimony concerned the question of the adequacy of the water supply and the facilities as now constructed. Applicant's engineer testified that the total output of the spring, measured by him the forenoon of the day of the hearing, September 18, 1957, was 170 gallons per minute, of which applicant's one-half interest would entitle him to 85 g.p.m. He considered this to be the minimum flow of the spring at the end of a summer following four relatively dry years. An earlier measurement of 225 g.p.m. was reported to have been made by another engineer in June of 1956, one-half of which would be 112 g.p.m. Applicant's engineer's testimony, supported by late-filed Exhibit No. 8, was to the effect that, although he had not designed the installed facilities, he considered them entirely adequate for the character of usage

expected in the tract in this resort area. He assumed 50 gallons per day per person, with an average occupancy of five persons per lot for the 18 lots in this subdivision, as the amount of consumptive use to be expected. He also used 2 g.p.m. per lot as average demand during the coincident period of peak demand for the entire tract.

When asked if he had any other source of water supply, applicant stated that under his operations as Camp Nelson, he had riparian rights in Belknap Creek of which 15 miner's inches, equivalent to 135 g.p.m., might possibly be made available to the subdivision, should such become necessary.

The Commission's staff engineer, in his memorandum filed as Exhibit No. 7, stated that in certain instances the construction does not meet the requirements of this Commission's General Order No. 103, Rules Governing Water Service Including Minimum Standards for Design and Construction, which became effective on July 1, 1956. He pointed particularly to the deviation in construction from the requirement of Paragraph III 2a of the said order, which sets forth the maximum length of a circulating 2-inch diameter main as 500 feet. To test the adequacy of the present distribution system containing approximately 900 feet of 3-inch main and 1,700 feet of 2-inch pipe, he testified to calculations based upon the setting of the booster pump controls between 25 and 45 p.s.i., and an estimated peak demand of 125 g.p.m. for the tract. He came to the conclusion that friction losses in the 2,600 feet of piping would be great enough to cause water pressure at the service connections in the tract to be inadequate. He further concluded that if the existing mains are to be used, this pressure problem could be solved by increasing the pressure setting of the controls at the booster pump to a range

between about 55 and 70 pounds per square inch. The staff engineer strongly recommended the elimination of the bottleneck consisting of the existing section of 2-inch pipe, approximately 135 feet in length, as shown on Exhibit No. 4A, extending from near the lower end of the present 3-inch pipeline to the junction with the two branches of 2-inch piping in the tract. Applicant's engineer concurred in this recommendation and applicant signified his willingness to replace this section of 2-inch pipe with 3-inch pipe.

Both applicant and his engineer confessed to lack of knowledge prior to August of this year of the existence of the Commission's General Order No. 103. Applicant testified that the water system was planned in May, 1956, at which time the receivers at the spring, the booster pump and pressure tank unit, and the 3-inch pipe between these facilities were all installed, but that the piping within the tract was not installed until June of 1957, nearly a year after the effective date of General Order No. 103.

At the hearing applicant's attorney formally requested authority for his client to deviate from the pertinent portions of General Order No. 103, so far as such deviations exist in the construction of the water system already completed.

Findings and Conclusions

From a comparison of the minimum standards for design and construction as contained in General Order No. 103 and the design and construction of the water system as revealed by the evidence in this proceeding, we find the following important deviations therefrom:

1. Chart 2 of the general order shows the range of maximum requirements of 250 g.p.m. and minimum requirements of 125 g.p.m. as a water

supply for 18 customers of a flat rate system, while applicant's presently available supply is his entitlement to one-half of the flow from the spring, which was measured and found to be 85 g.p.m. To provide for the resulting deficiency over a 2-hour period would require from 5,000 to 20,000 gallons of storage to be installed unless a supplemental or additional source of supply is acquired and dedicated to the public use.

2. With present pressure settings, the existing transmission and distribution piping is such that when delivering the water requirements set forth above, friction losses therein will be so great that the resulting pressures in the tract will not meet the requirements of Paragraph II 3a of the general order.
3. The maximum length of 2-inch nominal size of pipeline permitted by Paragraph III 2a of the general order is 500 feet for the circulatory system, while applicant's loop of such pipe is 1,500 feet long, from which 17 customers are intended to be served.
4. Paragraph IV 4a of the general order specifies that 1-inch services should be installed for flat rate service to residential lots over 10,000 square feet in area; the large majority of the lots proposed to be served by applicant are over that size and he has provided services of only 3/4-inch nominal size.
5. Applicant has not provided for proper segmentation of the distribution mains as required by Paragraph IV 3c of the general order.
6. The transmission and distribution pipes installed in applicant's system are not protected against physical deterioration as required by Paragraph III 5 of the general order.

Such deviations are so numerous and of such a serious nature that it would not be in the public interest to authorize applicant to put his system in operation while they exist, and it will not be authorized.

We further find that applicant's proposed meter rate schedule is inconsistent within itself and is incompatible when compared with his proposed flat rate; furthermore, the total

potential revenue obtainable from such rates is found to be insufficient to enable applicant to operate the system and provide for its proper maintenance, and at the same time render any reasonable return on his investment. In our opinion the financial aspects of applicant's prospective operations are inadequate.

When an applicant, as herein, seeks the privilege of operating as a public utility he thereby dedicates his service to the public and covenants with the State that he will perform his public duties as a utility. As such he is expected to provide adequate facilities under conditions which will enable him to continue to furnish service to the public at reasonable and sufficient rates.

Section 1001 of the Public Utilities Code contemplates that a certificate of public convenience and necessity will be obtained before construction of a public utility's facilities is begun. It is unfortunate that applicant herein reversed this procedure and, in doing so, deviated from the requirements theretofore established by the Commission in its promulgation of General Order No. 103.

Nevertheless, the public interest is paramount and we find it necessary to protect such interest in this instance by a denial of the applicant's requests. When and if he corrects the deficiencies hereinabove found to exist by augmenting his existing system so that it substantially meets the requirements of the Commission's General Order No. 103, he may again seek the desired certificate by making a new or supplemental application therefor.

The evidence does not justify a finding that public convenience and necessity requires the operation sought to be authorized. The application will be denied without prejudice.

O R D E R

Public hearing having been held, the matter having been submitted and the Commission basing its order upon the findings and conclusions contained in the foregoing opinion,

IT IS ORDERED that the application of James W. Grier, filed herein as Application No. 39275, be and it is hereby denied without prejudice.

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

Dated at San Francisco, California, this 12th day of November, 1957.

[Signature]
President

[Signature]

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Commissioners