

**ORIGINAL**Decision No. 62390

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Edwin S. Rouch,  
 Claude A. Rouch, Jr., Robert N.  
 Rouch and Marguerite R. Munson,  
 doing business as Sequoia Crest  
 Water Company for a certificate  
 of public convenience and neces-  
 sity to operate a public utility  
 system (water) in Tract No. 308,  
 Tulare County also known as Sequoia  
 Crest Subdivision; and to establish  
 rates for the service of water there-  
 from.

Application No. 43226  
 Filed March 13, 1961

Kimble & Hamlin, by Vernon E. Bjorklund,  
 for applicants.  
W. Ben Stradley, for the Commission staff.

O P I N I O N

This application was heard before Examiner E. Ronald Foster at Porterville on June 8, 1961, on which date it was submitted for decision. Copies of the application had been mailed to the Tulare County Board of Supervisors and to six water service organizations operating in the locality, as shown on the map attached to the application as Exhibit "B". Notices of the hearing had been given in accordance with the Commission's procedural rules. No protests regarding the application have been received by the Commission.

Applicant's Requests

The applicants, three brothers and a sister as equal partners, request the issuance of a certificate of public convenience and necessity to construct and operate a public utility water system under the name of Sequoia Crest Water Company in Tract No. 308, also known as Sequoia Crest Subdivision, located approximately 24 miles by highway northeast of the community of Springville, in Tulare County.

Applicants also request the Commission to authorize the seasonal rates for both flat rate and metered service proposed in the application. At the hearing applicants asked for the establishment of a rate for fire hydrants.

Proposed Service Area

Tract No. 308, the area sought to be certificated herein, contains about 23 acres of unincorporated territory and is located in the southwest quarter of Section 16, Township 20 South, Range 31 East, M.D.B. & M. The tract is in rugged terrain at an elevation over 6,000 feet and has been subdivided into 54 lots as shown on the map attached to the application as part of Exhibit "A". Applicants own all of said Section 16 and they have indicated that additional areas adjacent to Tract No. 308 will be developed in the near future. At the time of the hearing, the only dwellings in the subdivision were the four under construction for the applicants themselves. Restrictions limit construction to one residence per lot.

Description of the Water System

The primary source of water supply is a spring located about 2,000 feet east of Tract No. 308, which has been developed by horizontal drillings into the hillside and produces a minimum of about ten gallons per minute. The water from the spring is transmitted by gravity through a 3-inch pipeline to a 32,000-gallon, covered, steel storage tank, installed about 100 feet above the highest lot within the tract, and from which water is supplied to the distribution system through a 4-inch pipeline.

The transmission line from the spring and storage tank and the distribution system within the tract were installed in the fall of 1960 and consist of a total of some 6,500 feet of three- and four-inch Class 150 asbestos-cement pipe. Service connections are of 1-inch and 3/4-inch galvanized steel and there are seven wharf-type hydrants

connected to the distribution mains with 2-inch galvanized steel pipe. Static pressure at the various locations of the service connections will be between about 48 and 132 pounds per square inch. Individual pressure regulators on a few services may be necessary to keep operating pressures below the maximum set forth in General Order No. 103.

A second source of supply available to the system is a 36-inch well dug to a depth of about 40 feet and located about 1,200 feet southeast of the spring. The production capacity of the well was 8 gallons per minute, as measured in October, 1960. As more water is needed, applicants propose to connect this source to the transmission line from the spring, by means of a three-inch pipeline, through which the water will be delivered by a pump at the well.

Additional water for the general area is obtainable from the South Fork of Alder Creek and other nearby streams, which would require the installation of pumps and transmission pipelines. However, applicants do not intend to develop this source of supply until it may be required for additional subdivisions.

#### Cost of Facilities and Financing

The cost of the water system as already constructed and as proposed, including the second source of supply, is shown in Exhibit "D" of the application as follows, with \$500 for working cash excluded:


<u>Item</u>	<u>Cost</u>
Organizational Expense (Estimated)	\$1,000.00
Engineering Expense	2,000.00
Value of Water Rights (Estimated)	1,500.00
Land - Reserved for Tank, Springs, Wells, Rights-of-Way, etc. (Estimated)	1,500.00
Wells, Tank and Pipelines	27,175.35
Office and General Equipment	750.00
Total	\$33,925.35

When questioned about how the amount of \$1,500 for water rights was determined, applicants stated that that was the amount paid to another organization composed of themselves. This circumstance suggests the possibility that there may have been less than arm's length dealing. Applicants are put on notice that amounts entered in their utility plant accounts, such as organization and engineering expense and the value of water rights and land, should represent only the actual cost thereof to the applicants. At this time, it is unnecessary for the Commission to pass upon the amounts claimed by applicants.

Applicants have financed, and intend to continue to finance, the construction of the water system in cash with their personal funds. Although it is anticipated that the majority of the 54 lots in the tract will be sold within the next two years, applicants do not expect more than half of them to be built upon within that time, and probably not more than 90% of the lots will be built upon for a number of years thereafter. They are aware that until that time water service revenues may not exceed expenses of operation. Applicants declare that they have the requisite financial ability and are willing to carry on the operation of the water system during this interim period.

#### Proposed Rates

Applicants have proposed an eight-month summer season flat rate of \$40 and a four-month winter season flat rate of \$20. Similar amounts are proposed as minimum charges for the smallest size of meter for measured service, entitling the customer to 800 cubic feet of water per month, with higher charges for larger meters and three blocks of quantity rates terminating at 15 cents per 100 cubic feet for usage over 5,000 cubic feet per month.



Fire protection in the area now is afforded only through Tulare County facilities which consist of tanker trucks rather than pumpers. Although fire hydrants are installed on the system, their main use will be for line flushing and for convenience in recharging the fire truck tanks. Applicants have proposed a rate of \$2 per month for service rendered to each fire hydrant. Those now installed are two-inch wharf-type hydrants, one of which is connected to a four-inch main and the other six to three-inch mains. The order herein will authorize applicants to file a rate schedule for public fire hydrant service which takes into account the size of water main from which the hydrant is supplied.

#### Estimated Operations

Exhibit "C" of the application shows the following estimated results of operations of the system, with full revenues for both seasons from all 54 lots in the tract:

Total annual revenue		\$3,240
Operation and maintenance expenses	\$700	
Depreciation expense	884	
Taxes other than income	250	
Taxes on income	<u>285</u>	
Total expenses		<u>2,119</u>
Net estimated income		\$1,121
Return on Investment of \$33,925 *		3.3 percent

\* Amount revised to exclude \$500 for working cash, consistent with foregoing tabulation.

#### Commission Staff Participation

In addition to questioning the applicants' witnesses, a staff engineer introduced in evidence a memorandum (Exhibit No. 1) which covers the results of his field investigation on April 6, 1961. He found the statements contained in the application to be substantially correct.

Although the major portion of the distribution system as designed is of relatively small diameter pipe, this witness testified that it is adequate to furnish domestic service in this mountain resort type subdivision within the requirements of the Commission's General Order No. 103. He further testified that the total available water supply of 18 gallons per minute, together with the 32,000 gallons of storage, would be sufficient to furnish adequate water for the tract, based on full occupancy of the 54 lots in the tract and assuming a maximum daily use of about 500 gallons per day per customer.

The staff engineer recommended that, if granted, the requested certificate should be limited to Tract No. 308 and also that applicants be required, before furnishing water service to their 25th customer, to connect to the distribution system the proposed second source of supply or, in lieu thereof, some other source of supply adequate to provide water in quantities sufficient to meet the requirements of General Order No. 103.

#### Miscellaneous

The application states that Tulare County does not require a franchise or permit to operate a public utility water distribution system.

Applicants are making application to the Tulare County Health Department for a water supply permit as required by the rules of the State Board of Public Health.

#### Findings and Conclusions

Upon consideration of the evidence the Commission finds and concludes as follows:

1. Public convenience and necessity require that the application be granted as set forth in the ensuing order.
2. Applicants possess the financial resources to construct and operate the proposed water system.
3. The proposed flat rates are reasonable and should be authorized for service supplied to single-family residential premises; all other service should be rendered at meter rates. The proposed monthly quantity rates for metered service and the proposed minimum seasonal charges for 5/8 X 3/4 - inch meters are reasonable and should be authorized, but the proposed minimum seasonal charges for larger meters should be reduced to make them more nearly commensurate with the relative delivery capacities of the several sizes of meters. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.
4. Applicants' water supply and distribution facilities, when completed as now planned, will provide reasonable service for the proposed certificated area and will meet the minimum requirements of General Order No. 103; however, the single source of supply now connected to the system is insufficient for the total number of potential customers in the subdivision and the proposed second source of supply, or the equivalent thereof, should be connected to the distribution system before service is rendered to more than twenty-four customers. Furthermore, the certificate to be granted herein should be limited to Tract No. 308.

The certificate hereinafter granted shall be subject to the following provision of law:

That 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 if 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.

O R D E R

Public hearing having been held and based upon the evidence therein adduced,

IT IS ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Edwin S. Rouch, Claude A. Rouch, Jr., Robert N. Rouch, and Marguerite R. Munson, authorizing them to construct and operate a public utility water system, to be known as Sequoia Crest Water Company, for the distribution and sale of water within the unincorporated area designated as Tract No. 308 and known as Sequoia Crest Subdivision, located approximately 24 miles northeast of the community of Springville, in Tulare County, as delineated on the map attached to the application herein as Exhibit "A".

IT IS FURTHER ORDERED that:

1. Applicants are authorized to file, after the effective date of this order, the rates set forth in Appendix A attached to this order, to be effective on or before the date service is first rendered to the public under the authority herein granted, together with rules and a tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules, and tariff service area map shall become effective upon five days' notice to this Commission and to the public after filing as hereinabove provided.

2. Applicants shall notify this Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.

3. Applicants shall file, within thirty 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 100 feet to the inch, delineating by appropriate markings



the tract of land and territory served; the principal water production, storage, and distribution facilities; and the location of the various water system properties of applicants.

4. Applicants shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicants shall review the accruals as of January 1st of the year following the date service is first rendered to the public under the rates and rules authorized herein and thereafter when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

5. If the authorization herein granted is exercised, applicants shall dedicate to public utility purposes the land parcels or areas on which any spring, well, pump, tank, or related water facilities are or will be located and any easements or permits where water mains are or will be located, otherwise than in streets dedicated to public use, including the easements or rights of way for the transmission lines from the spring and well, past the reservoir, to the distribution system, and shall file with the Commission, not later than thirty days after the system is first placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing such dedication, easement, or permit.

6. Prior to the date service is first rendered to the public under the rates and rules authorized herein, applicants (a) shall apply to the public health authority having jurisdiction for a water supply permit for the proposed system, and (b) shall report to the Commission, in writing, within ten days thereafter that such application has been made or that the said permit has been obtained.

7. If the certificate herein granted is exercised, applicants shall notify the Commission, in writing, within ten days after more than twenty-four customers are served by the system, and shall proceed with their plans to connect to the distribution system the proposed second source of supply, including the necessary pumping facilities, or, in lieu thereof, some other source of supply adequate to provide water in quantities sufficient to meet the minimum requirements of this Commission's General Order No. 103 for service to no less than 54 customers. Within fifteen days after such secondary facilities have been installed and placed in operation, applicants shall file with the Commission a written report containing such details as the tested minimum production of water from the secondary source of supply, the quantity of any additional storage provided, the horsepower and pumping capacity of such well- and booster-units as may have been installed, and the length and size of the necessary transmission pipeline as actually constructed. Such additional water supply facilities shall have been placed in operation before applicants render water service to more than twenty-four customers within their certificated service area.

8. Applicants shall not extend service outside of Tract No. 308, certificated herein, without authority first having been obtained from this Commission.

The certificate herein granted and the authority to render service under the rates and rules authorized herein will expire if not exercised within one year after the effective date of this order.

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

Dated at San Francisco, California, this 8th day of August, 1961.

Ernest A. Rago  
President  
W. L. Mitchell  
C. J. Fox  
George E. Hoover  
Frederick B. Holbrook  
Commissioners

APPENDIX A  
Page 1 of 4

Schedule No. 1S  
SEASONAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a seasonable basis.

TERRITORY

The unincorporated area known as Tract No. 308, Sequoia Crest Subdivision, and vicinity, located approximately 24 miles northeast of the community of Springville, Tulare County.

RATES

## Monthly Quantity Rates:

First 800 cu. ft. or less.....	\$ 5.00
Next 1,200 cu. ft., per 100 cu. ft.....	.25
Next 3,000 cu. ft., per 100 cu. ft.....	.20
Over 5,000 cu. ft., per 100 cu. ft.....	.15

## Seasonal Minimum Charge:

	<u>Per Meter</u>	<u>Per Season</u>
	: Summer : Winter	
	: March : November	
	: through: through	
	: October: February	
For 5/8 X 3/4-inch meter.....	\$40.00	\$20.00
For 3/4-inch meter.....	50.00	25.00
For 1-inch meter.....	68.00	34.00
For 1 1/2-inch meter.....	104.00	52.00
For 2-inch meter.....	144.00	72.00

The Seasonal Minimum Charge will entitle the customer to the quantity of water each month which one-eighth of the summer seasonal minimum charge or one-fourth of the winter seasonal minimum charge will purchase at the Monthly Quantity Rates during the appropriate season.

(continued)

APPENDIX A  
Page 2 of 4

Schedule No. 1S

SEASONAL GENERAL METERED SERVICE

(continued)

SPECIAL CONDITIONS

1. Service may be taken under this schedule for either or both seasons.
2. The seasonal minimum charge is payable in advance on or before the initial day of the season.
3. The charge for water used in excess of the quantity allowed each month for the seasonal minimum charge may be billed monthly, bimonthly or seasonally at the option of the utility on a noncumulative monthly consumption basis.

APPENDIX A  
Page 3 of 4

## Schedule No. 2RS

SEASONAL RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated area known as Tract No. 308, Sequoia Crest Subdivision, and vicinity, located approximately 24 miles northeast of the community of Springville, Tulare County.

RATES

Per Service Connection	
Per Season	

Summer	:	Winter
March	:	November
through	:	through
October	:	February

For a single family residential unit, including premises.....	\$40.00	\$20.00
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SPECIAL CONDITIONS

1. The above residential flat rates apply to service connections not larger than one inch in diameter.
2. All seasonal service not covered by the above classification will be furnished only on a metered basis.
3. Meters 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. 1S, Seasonal General Metered Service.
4. Service may be taken under this schedule for either or both seasons.
5. The seasonal flat rate charge is payable in advance on or before the initial day of the season.

APPENDIX A  
Page 4 of 4

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts or other political subdivision of the State.

TERRITORY

The unincorporated area known as Tract No. 308, Sequoia Crest Subdivision, and vicinity, located approximately 24 miles northeast of the community of Springville, Tulare County.

RATES

Per Month

For each wharf-type hydrant.

Supplied from a 4-inch main.....	\$2.00
Supplied from a 3-inch main.....	1.50

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1S, Seasonal General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.