

Decision No. 70580

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of STAN KORTH and LUCILLE E. KORTH, husband and wife, dba Lucerne Water Company, for authority to extend water service to College Heights Estates, contiguous area.

Application No. 48135  
Filed December 21, 1965

Application of STAN KORTH and LUCILLE E. KORTH, husband and wife, dba Lucerne Water Company, for authority to extend water service to Lucerne Riviera Estates, contiguous area.

Application No. 48151  
Filed December 27, 1965

O P I N I O N

Stan Korth and Lucille E. Korth operate Lucerne Water Company. They are the sole suppliers of water in the community of Lucerne, Lake County. By these applications they seek authority to extend service to two subdivisions, College Heights Estates and Lucerne Riviera Estates, both of which are contiguous to applicants' existing water system facilities, College Heights on the north side of the existing service area and Lucerne Riviera on the south side. Copies of a report prepared by the Commission's staff, covering both applications, is made a part of the records of these applications as Exhibit No. 1 in each proceeding.

Lucerne is presently supplying water to about 640 customers in an area of approximately 750 acres. The present elevations vary from 1,350 to 1,500 feet above sea level. The elevation of Clear Lake itself is about 1,330 feet. Lucerne draws water from the lake, treats it, and pumps it through sand filters to a 21,000-gallon steel storage tank. From there it is pumped into the system with

the coverage going to 85,000- and 230,000-gallon elevated storage tanks located at the north and east edges of the present service area. The combined production and storage will supply up to 1,800 gallons per minute. The staff believes that this supply will be sufficient for present customers, the new subdivisions and normal growth for some years to come. This supply complies with the requirements of General Order No. 103.

College Heights covers approximately 80 acres, will be divided into about 200 lots and will require 5,800 feet of 6-inch transmission line. Elevations in this tract range from 1,850 to 2,060 feet; that is, from 350 to 560 feet above the highest present elevations on Lucerne Water Company. Thus the transmission line will lead to an elevated 30,000-gallon storage tank at about the 2,120-foot level.

Approximately 8,965 feet of distribution mains will be needed in College Heights. Pressures of 25 to 115 psi are anticipated. Because College Heights will be a separate pressure zone, applicants are aware that scheduled storage capacity may have to be increased in the future.

Lucerne Riviera Estates elevations also exceed those in the present service area but not by such a wide margin. They will vary from 1,375 to 1,650 feet.

The tract, approximately 76 acres in extent, will be divided into about 91 lots. Applicants propose to install two 7-1/2-hp pumps in an underground vault on the present system. They will discharge into a 30,000-gallon storage tank, which will be located on the south side of the subdivision at sufficient elevation to maintain minimum pressures at the higher elevations. This, in turn, will require pressure regulators at some of the lower services.

Both systems appear to meet the requirements of General Order No. 103 except that there are a few 2-inch pipe mains that exceed the length authorized by the General Order. Because these are convenience mains with no more than three or four services on each, the staff has recommended that a deviation be authorized.

There is a financial problem in connection with these applications. Advances for construction amount to 73.4 percent of utility plant less depreciation as of December 31, 1964. Applicants believe that financing under their main extension rule would not work a hardship on them. They expect growth to be slow and it would follow from that, that refunds would be small.

There is no guarantee, however, that main extension financing for the proposed extension would not impose a hardship on the utility. If the areas presently financed and proposed to be financed by advances were to develop rapidly, the financial stability of this utility and its ability to provide funds for advance refunds might be seriously jeopardized. Further, the applications contain no information with respect to applicants' ability to furnish additional capital to meet cash refunds on advances should they become material.

The developers have given the applicants statements in writing that they are willing to contribute plant if the Commission deems it necessary.

The tabulation which follows compares the percentage relationship between advances for construction and net plant as of December 31, 1964 and on a pro forma basis gives effect to the inclusion of the estimated cost for the water facilities in the extensions under the two methods of financing, by advances or contributions.

<u>Main Extension Rule</u>	<u>12-31-64</u>	<u>Pro Forma</u>
Net Plant	\$143,077	\$263,429
Advances for Construction	105,072	231,424
Percent Advances to Net Plant	73.4%	87.9%
<u>Contributions</u>		
Net Plant	\$143,077	\$263,429
Advances for Construction	105,072	105,072
Contributions in Aid of Construction	-	126,352
Percent Advances to Net Plant	73.4%	48.0%

The comparison presented in the above tabulation indicates that the contributions method of financing produces a more desirable ratio of advances to net plant, and will cause the least jeopardy to applicants' financial stability and ability to meet refunds on advances.

The Commission finds that:

1. Public convenience and necessity require that applicants be allowed to extend into contiguous territory as requested in these applications.

2. The supply, transmission, treatment and distribution facilities as proposed in the applications will adequately meet the needs of the consumers to be served and comply with General Order No. 103.

3. The new plant contemplated by the applications should be financed by contributions on the part of the developers.

The Commission concludes that the sought extensions should be authorized.

A public hearing is not necessary.

### ORDER

IT IS ORDERED that:

1. Authorization is hereby granted to Stan Korth and Lucille E. Korth, doing business as Lucerne Water Company, to

construct an extension and to operate public utility water system facilities to serve College Heights Estates as shown on Exhibit No. 3 attached to Application No. 48135.

2. Applicants are authorized and directed to deviate from their main extension rule to require the developers of College Heights Estates to contribute the cost of all water system facilities, excluding meters, installed to provide water service to that subdivision. Applicants shall record these costs in the appropriate plant accounts with a corresponding credit to Account 265, Contributions in Aid of Construction.

3. Authorization is hereby granted to Stan Korth and Lucille E. Korth, doing business as Lucerne Water Company, to construct an extension and to operate public utility water system facilities to serve Lucerne Riviera Estates as shown on Exhibit No. 1 attached to Application No. 48151.

4. Applicants are authorized and directed to deviate from their main extension rule to require the developers of Lucerne Riviera Estates to contribute the cost of all water system facilities, excluding meters, installed to provide water service to that subdivision. Applicants shall record these costs in the appropriate plant accounts with a corresponding credit to Account 265, Contributions in Aid of Construction.

5. After the effective date of this order, applicants are authorized to file revised tariff sheets, including tariff service area maps to provide for the application of their present tariff schedules to the areas certificated herein. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing. The authority granted herein shall expire unless the designated

tariff sheets are filed within one year after the effective date of this order.

6. Within ten days after service is first furnished to the public under each authority granted herein, applicants shall file in this proceeding written notice thereof.

7. Applicants shall prepare and keep current the system map required by paragraph I.10.a of General Order No. 103. Within thirty days after the water system extensions are placed in operation under the authorities granted herein, applicants shall file with the Commission two copies of the map.

8. Applicants are authorized to deviate from the Commission's General Order No. 103 insofar as the proposed lengths of 2-inch diameter main in Lucerne Riviera Estates subdivision are concerned.

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

Dated at San Francisco, California, this 19<sup>th</sup> day of APRIL, 1966.

President

George T. Hoover  
William Van Beuntd  
Avogadro

Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.