

**ORIGINAL**

Decision No. 71256

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of ANDERS A. NYQUIST and NELLIE E. )  
NYQUIST, husband and wife, as )  
joint tenants, dba TIMBERLAND )  
WATER SERVICE, for a certificate )  
of public convenience and necessity )  
to construct and operate a public )  
utility water system within a )  
subdivided tract called TIMBERLAND )  
SUBDIVISION, Lake Tahoe, Placer )  
County, California, and to )  
increase and establish rates for )  
the service to be rendered. )

Application No. 47920  
(Filed September 24, 1965)  
(Amended March 4, 1966)

William Stava, for applicants.  
John T. Sidener, in propria persona and  
for Users Along Tahoe Lane; James P.  
Scribner, for Placer County Health  
Dept.; Douglas B. McDonald, for Douglas  
B. and Phyllis S. McDonald, interested  
parties.  
Edward J. Prando and John D. Reader, for the  
Commission staff.

O P I N I O N

Applicants, in 1963, purchased from Bertel A. Anderson and his wife the Timberland Water System and some unsold lots in the Timberland Tract, near Tahoe City. They have since been improving the system, portions of which were originally constructed about 1912 and which heretofore has not been subjected to regulation as a public utility. They now request a certificate of public convenience and necessity and authority to establish an annual rate of \$72 in lieu of much lower rates that have existed since 1948.

The application was submitted on April 21, 1966 after a hearing at Tahoe City before Examiner Gregory.

The record discloses that the Timberland property and the then existing spring-fed water system were purchased in 1932 by F. A. Kilner and his wife, who subdivided the lower 48-acre portion of the tract in 1934 and thereafter completed, with the financial assistance of property owners, the installation of small pipelines and a 20,000-gallon storage tank in addition to an existing 10,000-gallon tank in the upper 30-acre portion. Kilner also dug a well on Lot 2, Block 10, in the lower portion of the system. That well was insufficient to meet demands. He then drilled a 100-foot well on the same lot, which in connection with the spring source produced an adequate supply at that time. Kilner, not wishing to render service as a public utility, executed 17 water agreements with property owners providing for quantities that varied with lot sizes, but under which about 400 gallons per day were served to average lots. These agreements provide that upon three-months' notice the water system and an interest in the spring can be conveyed to the contract holder.

Kilner drilled a new well in 1948 and installed a pump and pressure tank in a concrete blockhouse at a total cost of \$2,400. These facilities, with the spring supply, provided continuous summer service. He raised the basic rate of \$12 per season to \$18, with the apparent consent of all but one of the users. The dissenting consumer has consistently asserted a claim to receive water at the original contract rate regardless of expenditures for system improvements.

In 1952 Kilner sold the remaining unsold lots (located chiefly in the upper section of the tract) and his interest in the water system to Bertel A. Anderson and his wife. The users did not object to the sale. Anderson replaced some of the small pipe with

3,900 feet of 2-inch plastic and steel pipe, installed several hundred feet of 4-inch pipe in the vicinity of Tanager and Chickadee Lanes, in the upper portion, and operated most of the system throughout the year on the basis of the \$18 seasonal rate. In 1963 the Andersons sold their interest in the system and the remaining unsold lots to applicants. This sale was also effected without objection by the users. During the Andersons' tenure a group of users located on Tahoe Lane, at the lower end of the system, jointly purchased and installed approximately 820 feet of 4-inch steel pipe, service lines to nine homes and two small fire hydrants at a cost of \$3,600, to obtain better service. Applicants are negotiating with these users for acquisition of those facilities. The staff has included \$2,535 in its future plant estimate for the depreciated cost of these facilities on the assumption that they will be acquired.

Applicants, on acquiring the system and unsold lots, decided to sell lots in the upper portion of the tract (which had been resubdivided in 1962), but in order to do so had to provide water service. The area, now more accessible as a result of improved highways, is undergoing year around residential and small business development. Consequently, to assure water service in the upper section, applicants drilled a 310-foot well near the two early storage tanks at the upper end of Sugar Pine Road (the main road that bisects the northern and southern portions of the tract), and installed a pumping plant and a high-level, 65,000-gallon steel reservoir, all of which, with a distribution system of 4,040 feet of 4-inch steel pipe, 380 feet of 2-inch steel pipe and four fire hydrants, is designed for service to the upper portion of the tract. Applicants have estimated the cost of this construction at about \$26,000.

Applicants, after acquiring the tract and water system, were notified by the Placer County Board of Health that the spring supplying the original system was not sufficiently protected and was susceptible to contamination. They then proceeded to deliver water to the lower tract, on an accommodation basis, from the well drilled for supplying the upper portion, and plan to follow that procedure until the spring source is restored to acceptable health standards and integrated with other sources of supply for the entire system.

Applicants, for the purpose of providing adequate all-year service to the lower tract, have proposed to install 1,600 feet of 6-inch and 8,050 feet of 4-inch pipe and replace the existing 1- and 2-inch pipelines, as well as to acquire the approximately 320 feet of 4-inch steel pipe installed by some of the users, mentioned above. The new mains will be buried at sufficient depths to provide winter service. Service pipes will be installed to each lot and fire hydrants will be connected to the mains at regular intervals. The only presently installed facilities of the earlier system that will be used as part of the improved facilities are the two redwood storage tanks at the upper end of Sugar Pine Road, the well, pumps, pressure tank and pump house on Lot 2, Block 10, and possibly some short runs of existing 2-inch pipe. Applicants have estimated the cost of that portion of the plant at \$3,420, which includes \$420 for land and have estimated the total cost, new, of presently installed and proposed facilities at \$85,220, undepreciated, and \$81,311, depreciated.

Applicants amended their pleading to request authority to deviate from the Commission's General Order No. 103 with reference to certain installations of 12-gauge, 4- and 6-inch unprotected

black steel pipe in the upper and lower portions of the tract. The record discloses that Bertel Anderson, in 1961 and 1963 had installed approximately 2,000 feet of 4-inch bare steel pipe in the upper portion of the tract, as mentioned earlier; that applicants, in 1964, completed the installation with about 2,040 feet of 4-inch bare steel pipe and that, during 1965, they also installed approximately 2,650 feet of 6-inch bare steel pipe (painted on the outside with a tar coating) in the lower section of the tract to replace small size pipelines. The evidence shows that the foregoing installations were not in accordance with the minimum protective standards for steel pipe required by General Order No. 103 and were made in ignorance of that order. The evidence further shows that operators of other water systems in the same general area have had sufficient experience with bare steel pipe to indicate that it should have a useful service life of at least 40 years. The staff has recommended that, in view of the relatively noncorrosive water and soil conditions existing in the locality and because larger and deeper mains are necessary for adequate year-around service, applicants should be permitted to retain these facilities in use. Applicants, however, will be expected to conform with General Order 103 on all installations other than those hereinabove specifically mentioned and they have indicated their intention of doing so.

The Commission's Hydraulic Branch and Division of Finance and Accounts presented a joint exhibit (Exhibit 13), based on a field investigation of the system and of available records. It was found that applicants had no formal records showing the cost of the water system and that their figures for installed plant (Exhibit 8) were merely estimates. The staff developed actual and estimated plant costs based on invoices, canceled checks and other information furnished by applicants.

The following tabulation shows the staff's determination of the original cost of plant, depreciation reserve and contributions in aid of construction as of December 31, 1965 and the staff's estimates of 1966 plant additions (Exhibit 13, p. 5):

:No.:	Item	:Plant Additions:		
		:1-1-63 <sup>a</sup> :	:12-31-65:	:Estimated:
				:Total:
306	Land	\$ 200	\$ 820	\$ 1,020
311	Structures	600	505	1,105
315	Wells	800	4,693	5,493
324	Pumping Equipment	500	3,973	4,473
342	Reservoirs and Tanks	850 <sup>b</sup>	4,450	5,300
343	Water Mains	6,840 <sup>c</sup>	14,968	21,808
345	Services	-	1,389	1,389
348	Hydrants	-	2,082	2,082
374	Other Equipment	-	176	176
	Total Plant 12-31-65	9,790	33,056	42,846
250	Reserve for Depreciation	(2,987)	(1,963)	(4,950)
265	Contributions in Aid of Constr.	(1,194)	-	(1,194)
	Net Plant Investment 12-31-65	5,609	31,093	36,702
	Estimated 1966 Plant Additions	-	-	36,825
	Net Plant Investment 12-31-65 and Estimated 1966 Plant Additions	-	-	73,527

(Red Figure)

- a. Except for mains (Ac.343), estimated by the staff, the staff has adopted applicants' estimates as representative of original cost for the purposes of this proceeding.
- b. Excludes estimated cost of 10,000-gallon redwood tank in amount of \$250, assumed to be owned by contract customers.
- c. Excludes cost of old, small mains for which there is no documentary support.

It is noted that the above tabulation shows contributions in aid of construction for plant additions prior to 1963 in the sum of \$1,194. That sum represents the staff's estimate of the total original cost, less depreciation, of the plant installed prior to 1963 in Accounts Nos. 306, 311, 315, 324 and 342. The record does not disclose information that would suggest an amount different from

the staff's estimate. Consequently, the sum of \$1,194 should be reflected on applicants' books of account as contributions in aid of construction. The staff did not question applicants' estimate of \$820 as the original cost of three small parcels of land, as indicated in the second column of the tabulation. The staff's examination also revealed that the installation of 3,040 feet of 4-inch main in 1961, at a cost of \$6,840 (Column 1 of tabulation), was financed by a prior owner of the Timberland properties. The costs of plant additions installed since 1963 and financed by the present owners were found to be fully supported by invoices and related documents.

Since the water system is not yet completely rebuilt and full development of the tract is not expected for some years, estimates of future operating results by applicants and the staff necessarily proceed from their respective assumptions related to plant and customer growth which are set forth in the pleadings, exhibits and testimony.

Applicants have estimated that the results shown in the following condensed tabulation (Application, pars. XIII, XIV, XV) may be anticipated for a future year, with 233 occupied premises in the presently subdivided tract, using proposed rates and fire hydrant charges:

Future Year - Applicants

<u>Item</u>	<u>Amount</u>
Operating Revenues	\$17,412
Deductions	
Operating Expenses	\$8,350
Taxes	2,943
Depreciation Accrual	2,532
Net Revenue	<u>13,825</u>
Estimated Utility Plant (Depreciated)	3,587
Return	81,811
	4.38%

The following condensed tabulation, taken from the staff's exhibit, indicates estimated results of operation for the year 1966 and for a future year, based on certain assumptions as to growth of plant and customer services and using, for the future year, applicants' proposed annual rates and the staff's recommended seasonal flat rate. Recorded and estimated results at present rates are not shown in the tabulation, since both applicants' and the staff's figures indicate operating losses at present rates.

Item	Year 1966	Future Year	
	Proposed Annual Rates	Proposed Annual Rates	Seasonal Flat Rates
Operating Revenues	\$ 4,650	\$15,400	\$10,800
<u>Operating Deductions</u>			
Operating Expenses	3,100	8,200	7,200
Taxes	400	2,210	1,375
Depreciation Expense	1,070	2,310	1,500
Total Deductions	<u>4,570</u>	<u>12,720</u>	<u>10,075</u>
Net Revenue	80	2,680	725
Rate Base	36,420 <sup>a</sup>	72,500 <sup>b</sup>	50,000 <sup>c</sup>
Rate of Return	0.2%	3.7%	1.5%

- a. Assuming no plant additions in 1966 and 65 actual customers, including about one-half of the 17 contract users, at end of year.
- b. Assuming completed replacement of distribution system in 1966, year-end 1966 rate base and 200 customers, including about one-half the 17 contract users.
- c. Assuming only minor plant additions in the near future, 100 summer and 100 winter customers, including about one-half of the 17 contract users, and a \$36 seasonal flat rate.

Applicants' water system is located approximately midway between two other public utility systems on the lake shore south of Tahoe City, and about three-quarters of a mile south of Ward Creek Mutual Water Company, the closest organized water system to that of applicants. The Tahoe Park Water System, about one mile to the north, is authorized to charge a five-month summer season



flat rate of \$30 and a winter season rate of \$42, for a total of \$72 for year-round service. The Tahoe Pines Water Company, approximately one mile south of the Timberland tract, charges a five-month summer season rate of \$27.50. Applicants' proposed rates, if authorized on a seasonal basis, would appear to be comparable, at least in total, to those charged by the two nearby public utility systems.

Applicants have requested authority to charge only annual metered and flat rates, payable in advance on January 1 of each year, except that the annual minimum charge would be prorated for initial service connected after July 1. The evidence, however, shows that until last winter only a few customers were able to obtain winter service and many still cannot do so because the old mains, now being replaced, were too close to the surface of the ground to prevent freezing. Also, several cabin owners have been unable to use their properties during winter months because their homes were not insulated and the roads were not cleared. While applicants have indicated that the county will keep roads cleared after installation of winter service mains, the record does not disclose what, if any, definite arrangements may have been made with county authorities for winter road maintenance. In these circumstances, it would appear reasonable to defer granting the requested authority to charge only annual rates until replacement of the system has been completed and experience reveals that customer usage and road conditions in wintertime are such that annual rates may be appropriate for the operation of this system.

We, therefore, under the conditions disclosed by this record and mentioned above, adopt the staff's recommendation for establishment of seasonal rates, without prejudice, however, to later consideration by this Commission, on a proper showing by the

owners of the system, of the propriety of authorizing rates to be charged on an annual basis. We also adopt the staff's recommendation that slightly lower minimum charges be authorized for seasonal metered service.

We expressly refrain from passing on whatever rights in the system, or to service at special rates, may be claimed by the 17 property owners who have individual contracts with applicants' predecessors. Once the water facilities of this system, as formerly existing or as constructed and enlarged by applicants and others, have been dedicated to the use of the general public it will be unlawful for applicants to render service at rates or under conditions other than those specified in their authorized tariff schedules filed with this Commission, unless prior authority has been granted by this Commission, on a proper showing, for deviation from such schedules, pursuant to Section X of the Commission's General Order No. 96-A.

The Commission finds that:

1. Public convenience and necessity require and will require the construction and operation by Anders A. Nyquist and Nellie E. Nyquist, his wife, of a public utility water system and the sale of water therefrom to the general public in an unincorporated area including Timberlands Subdivision and vicinity, located approximately three miles south of Tahoe City, Placer County, California, as said area is more particularly delineated on a map, Exhibit 3 attached to the application herein and in evidence.

2. Applicants' request, set forth in the amendment to the application filed herein on March 4, 1966, for authority to deviate from the requirements of General Order No. 103 with respect to the prior installation in said water system, by applicants and their

predecessor, Bertel A. Anderson, of certain lengths of steel pipe not protected in accordance with the minimum requirements of said general order, is reasonable.

3. The estimates, by the Commission's staff, of operating revenues, expenses, including taxes and depreciation, the rate base and rate of return for a future year, as set forth in paragraph 28 of Exhibit 13 herein, are reasonable for the purpose of prescribing rates herein initially.

4. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

The Commission, therefore, concludes that a certificate of public convenience and necessity should be granted, rates established and the requested deviation from General Order No. 103 authorized in accordance with and subject to the terms and conditions of the ensuing order.

The certificate of public convenience and necessity issued herein is subject to the provision of law that the Commission shall have no power to authorize the capitalization of or the right to own, operate or enjoy said certificate in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Anders A. Nyquist and Nellie E. Nyquist authorizing them to construct and operate a public utility water system to serve a

78-acre area including Timberland Subdivision, fronting on Lake Tahoe in Placer County about three miles south of Tahoe City and subdivided into 233 lots as said area is more particularly described in Exhibit No. 3 attached to the application herein.

2. Applicants are authorized to file, after the effective date of this order, the schedules of rates set forth in Appendix A to this order, tariff service area maps clearly indicating the boundaries of the certificated area, appropriate general rules and copies of printed forms used in dealing with customers. Such filing shall comply with General Order No. 96-A and the tariff schedules shall become effective on the fourth day after the date of filing.

3. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

4. Applicants shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within 120 days after the effective date of this order applicants shall file two copies of this map with the Commission.

5. For the year 1966 applicants shall apply a depreciation rate of three percent to the original cost of depreciable plant. Until review indicates otherwise, applicants shall continue to use this rate. Applicants shall review their depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant, (2) dividing the result by the estimated remaining life of the plant, and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to this Commission.

6. Applicants shall record in their utility plant, depreciation reserve, and contributions in aid of construction accounts, the balances for such accounts as of December 31, 1965 as developed by the staff and shown in the tabulation contained in paragraph 19 of the staff report, Exhibit 13.

7. Applicants are authorized to deviate from Commission's General Order No. 103 with respect to the protection of 4,040 feet of 4-inch and 2,650 feet of 6-inch unwrapped and uncoated steel mains installed since 1960.

8. To the extent that applicants' requests exceed or differ from the rates or authority granted above, they are denied.

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

Dated at San Francisco, California, this 6<sup>th</sup> day of SEPTEMBER, 1966.

[Signature]  
President  
George T. Hoover  
[Signature]  
[Signature]

\_\_\_\_\_  
Commissioners

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

APPENDIX A  
Page 1 of 5

Schedule No. 1S

SEASONAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including Timberland Subdivision, and vicinity, located about three miles south of Tahoe City, Placer County.

RATES

Monthly Quantity Rates:

	<u>Per Meter Per Month</u>
First 800 cu.ft. or less .....	\$5.75
Next 1,200 cu.ft., per 100 cu.ft. ....	.40
Next 2,000 cu.ft., per 100 cu.ft. ....	.30
Over 4,000 cu.ft., per 100 cu.ft. ....	.20

Seasonal Minimum Charge:

	<u>Per Meter Per Season</u>	
	<u>Summer Season</u>	<u>Winter Season</u>
	<u>May through</u>	<u>November through</u>
	<u>October</u>	<u>April</u>
For 5/8 x 3/4-inch meter .....	\$ 34.50	\$ 34.50
For 3/4-inch meter .....	42.00	42.00
For 1-inch meter .....	60.00	60.00
For 1 1/2-inch meter .....	90.00	90.00
For 2-inch meter .....	150.00	150.00

The Seasonal Minimum Charge will entitle the customer to the quantity of water each month which one-sixth of the seasonal minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

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 under the seasonal minimum charge may be billed monthly, bimonthly or quarterly at the option of the utility. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis.
4. The opening bill for metered service, except upon conversion from flat rate service, shall be the established seasonal minimum charge for the service. Where initial service is established after the first day of any season, the portion of such seasonal charge applicable to the current season shall be determined by multiplying the seasonal charge by one one-hundred-eightieth (1/180) of the number of days remaining in the season. The balance of the payment of the initial seasonal charge shall be credited against the charges for the succeeding seasonal period in which service is taken. If service is not continued for at least six months of the first year after the date of initial service, no refund of the initial seasonal charges shall be due the customer.

APPENDIX A  
Page 3 of 5

Schedule No. 2RS

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including Timberland Subdivision, and vicinity, located about three miles south of Tahoe City, Placer County.

RATES

	Per Service Connection	
	Per Season	
	Summer Season	Winter Season
	May through	November
	October	through April
For a single-family residential unit, including premises .....	\$36.00	\$36.00
For each additional single-family residential unit on the same premises and served from the same service connection .....	25.00	25.00

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classifications shall be furnished only on a metered basis.

(Continued)



Schedule No. 2RS

SEASONAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS—Contd.

3. For service covered by the above classifications, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1S, Seasonal General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.

4. Service may be taken under this schedule for either or both seasons.

5. The seasonal minimum charge is payable in advance on or before the initial day of the season.

6. The opening bill for flat rate service shall be the established seasonal flat rate charge for the service. Where initial service is established after the first day of any season, the portion of such seasonal charge applicable to the current season shall be determined by multiplying the seasonal charge by one one-hundred-eightieth ( $1/180$ ) of the number of days remaining in the season. The balance of the payment of the initial seasonal charge shall be credited against the charges for the succeeding seasonal period in which service is taken. If service is not continued for at least six months of the first year after the date of initial service, no refund of the initial seasonal charges shall be due the customer.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including Timberland Subdivision, and vicinity located about three miles south of Tahoe City, Placer County.

RATE

Per Month

For each hydrant connected to a 4-inch main .....	\$3.00
For each hydrant connected to a 6-inch main .....	4.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1S, General Metered Service.
2. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the size of hydrant and the specific location at which each is to be installed.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.