

ORIGINAL

Decision No. 71530

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ALEXANDER TIMBER CO., INC.,)
 Complainant,)
 vs.)
 REYNOLDS WATER COMPANY, INC.,)
 Defendant.)

Case No. 8404
(Filed May 4, 1966)

Sam Alexander, for complainant.
A. A. Pjalorsi, for defendant.

O P I N I O N

Complainant Alexander Timber Co., Inc. requests an order directing defendant Reynolds Water Co.,¹ Inc. (1) to enter into a main extension agreement with complainant, retroactive to January 1, 1962, (2) to replace a deteriorated water storage tank or otherwise insure adequate fire flows and reduce excessive pressures supplied to complainant's subdivision, and (3) to comply promptly with any and all requests of the California Division of Real Estate.

A public hearing was held before Examiner Catey at Eureka on September 13, 1966. Complainant's president testified in support of the relief requested. Testimony on behalf of defendant was presented by its president-manager and by the former owner of the utility. The matter was submitted on September 13, 1966.

1 Incorrectly designated in the complaint as "Reynolds Water Company, Inc."

Complainant and Defendant

Complainant is successor to Humboldt Hill Land Development Company (subdivider), developer of Parkwood Subdivision, about five miles south of Eureka, Humboldt County. Defendant is a public utility providing water service to Parkwood Subdivision and adjacent territory, and is successor to E. A. Reynolds (proprietor), an individual formerly doing business as Humboldt Hill Water Service.

Certificates

By Decision No. 48424, dated March 30, 1953, in Application No. 34039, proprietor was granted a certificate to construct a water system to serve an area known as Humboldt Hill Subdivision and certain specific property adjacent thereto. The order prohibited the utility from extending into contiguous territory without first having obtained authority for such extension from this Commission.

Complainant's president, who had also been president of subdivider, testified that in 1957 he had approached proprietor to arrange for extension of the utility's then existing water system to serve the nearby Parkwood Subdivision. He later learned of the restriction against extensions from proprietor's service area and requested proprietor to obtain the necessary authorization. When proprietor delayed requesting authority to extend service to Parkwood Subdivision, subdivider filed Application No. 43115, in which subdivider proposed to construct and operate its own water system in the Parkwood Subdivision. Proprietor then filed Application No. 43327, in which he requested a certificate covering areas including Parkwood Subdivision.

Applications Nos. 43115 and 43327 were consolidated for hearing with other related matters. Decision No. 62707, dated October 20, 1961, in the consolidated proceedings granted the

certificate requested by proprietor, subject to certain conditions. The decision denied subdivider's application, stating that the proposed water system, by itself, would be an uneconomical unit serving a limited area with a water supply whose quality and quantity had not been definitely established.

During proprietor's ownership of the system, he did not meet the requirements upon which Decision No. 62707 conditioned the certificate covering Parkwood Subdivision. Transfer of the system to defendant was authorized by Decision No. 64263, dated September 19, 1962, in Application No. 44769. Within a few months the new owner had completed the installation of a 420,000-gallon tank, which was larger than the minimum size prescribed in Decision No. 62707. The certificate was made effective by Decision No. 64700, dated December 21, 1962.

Installation of Facilities

Complainant's president testified that, to avoid costly delay in developing the various phases of the Parkwood Subdivision, subdivider commenced the construction of water mains, services and a storage tank. He felt that he had at least the tacit approval of proprietor but the parties did not enter into a written agreement regarding the extension of proprietor's system.

For several years, primarily during the period when proprietor was prohibited from extending his system to serve new areas, subdivider continued to install facilities to serve various units of Parkwood Subdivision and to connect the extensions physically to proprietor's mains. Complainant alleges that the total investment in such installations is about \$61,710. Exhibit No. 1 shows that the Commission staff's determination of the probable investment in mains, services and hydrants is \$42,659. With certain qualifications, both complainant and defendant stipulated that the staff

estimate would provide a reasonable basis for entering belatedly into a main extension agreement.

Subdivider's installation of facilities without having the design and construction supervised by the utility has resulted in a system which defendant considers substandard in many respects. The storage tank installed by developer already has collapsed, leaks have occurred in some of the mains, corporation cocks normally installed at the point of connection of a service pipe to a main have been omitted, and the system is in general not constructed in the manner defendant would have specified.

Storage Tank

When the storage tank collapsed, defendant installed a small pressure regulator to supply the Parkwood Subdivision distribution system from storage at a higher elevation in defendant's system. Although this provides reasonable service under normal conditions, it restricts the peak flows available. There is also the possibility of excessive pressure in the system during the night when there is practically no consumption, because defendant did not install a pressure relief valve to bleed off the trickle of water which could leak past the regulator.

Complainant and defendant agree that a tank at the site of the collapsed tank is desirable. Each feels, however, that the other should pay for it. Inasmuch as defendant's main extension rule in effect at the time of the installation of the tank did not normally require the subdivider to advance the cost of storage facilities, and inasmuch as subdivider contributed the tank site to the utility, we find that it is defendant's responsibility to provide storage facilities for the Parkwood Subdivision.

It is apparent that, with defendant's large storage capacity in its upper system, a relatively small tank or standpipe for the Parkwood Subdivision would be adequate if it were filled automatically by float valve or altitude valve from the upper system and had a manually operated bypass for use during emergencies.

Mains, Services and Hydrants

Defendant suggests that it would be appropriate for it to compute refunds payable to complainant retroactive to January 1, 1963, provided such refunds are reduced by the cost of any abnormal maintenance and repairs incurred due to substandard design. From the examples of repairs already made to the system, as discussed in detail at the hearing, such a provision would lead to endless future controversy. In many instances it would not be possible to distinguish between normal and abnormal repairs.

Although defendant's suggestion is not feasible, some consideration of the somewhat substandard design is appropriate. Inasmuch as it cannot be determined, at this date, what facilities would have been installed by proprietor if he had constructed the system pursuant to standard design and his filed main extension rule, and inasmuch as the extension has produced and is producing additional revenues for defendant, we find that it is reasonable for defendant to enter into a main extension agreement with complainant (1) covering the portions of Parkwood Subdivision for which mains have been installed; (2) providing for refund on a percentage-of-revenue basis of \$42,659 of construction costs applicable to the mains, services and hydrants already installed; and (3) providing for no retroactive refunds.

Had subdivider and proprietor rigidly followed proprietor's filed tariffs, the present controversy between complainant and

defendant would not have arisen. The parties are admonished to observe those tariffs in future dealings.

Real Estate Commission

As part of the interdepartmental liaison between this Commission and the Division of Real Estate, public water supply questionnaires have been formulated to assist the Division of Real Estate in informing the public concerning the availability of water in new real estate developments. Complainant alleges that defendant has delayed the return of such questionnaires in the past. The delays were apparently due, at least in part, to the uncertain status of ownership of the Parkwood Subdivision distribution system. The main extension contract authorized herein should eliminate that problem because it will clearly establish defendant's title to the facilities.

Findings and Conclusions

In addition to the detailed findings in the foregoing discussion of issues, the Commission finds that:

1. The main extension rule and main extension contract forms included in defendant's tariffs are appropriate to use for the main extensions already installed by complainant and its predecessor in Parkwood Subdivision.
2. The present 2-inch pressure regulator supplying Parkwood Subdivision does not provide for adequate peak flows nor insure against excessive pressures.
3. The resolution of the long-standing dispute between complainant and defendant, as provided in the order which follows, will clarify the status of water service to Parkwood Subdivision and provide a basis for defendant's prompt completion of water supply questionnaires and data requests of the Division of Real Estate.

The Commission concludes that defendant should prepare a main extension agreement, make certain system improvements and furnish certain data to real estate authorities, all as provided in the order which follows.

O R D E R

IT IS ORDERED that:

1. Within ten days after the effective date of this order, defendant Reynolds Water Co., Inc. shall prepare and present to complainant Alexander Timber Co., Inc. a water main extension contract covering the mains, services and hydrants already installed in the various units of Parkwood Subdivision, Humboldt County, by complainant and its predecessors. The contract shall:

- a. Be in the form prescribed by defendant's tariffs.
- b. Provide for no advance of cash to defendant.
- c. Provide that the portion of the cost of the installed facilities to be treated as an advance subject to refund shall be \$42,659.
- d. Become effective upon the date it is signed by a responsible officer of complainant.
- e. Not provide for retroactive refunds.

2. Within ninety days after the effective date of this order defendant, at its own expense, shall construct and place in operation and file in this proceeding written notification of completion of one of the following three installations to serve Parkwood Subdivision:

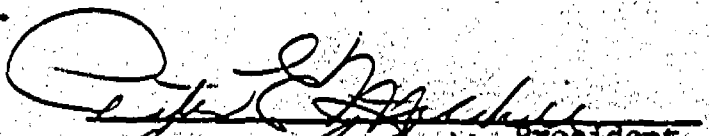
- a. A storage tank of at least 30,000-gallon capacity, together with automatic float valve or altitude valve of at least 1-1/2-inch diameter, to replace the present 2-inch pressure reducing valve.

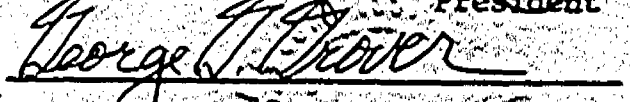
- b. A standpipe of at least 5,000-gallon capacity, together with automatic float valve of at least 2-1/2-inch diameter and manual bypass valve of at least 4-inch diameter, to replace or supplement the present 2-inch pressure reducing valve.
- c. An automatic pressure reducing valve of at least 4-inch diameter, together with a downstream safety pressure relief valve of at least 1-1/2-inch diameter, to replace the present 2-inch pressure reducing valve.

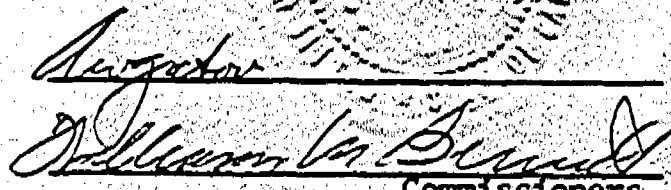
3. After entering into the main extension contract pursuant to paragraph 1 of this order, and upon request by the California Division of Real Estate, defendant shall furnish promptly to that agency up-to-date information regarding the water supply to Parkwood Subdivision.

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

Dated at San Francisco, California, this 9th day of NOVEMBER, 1966.



President


Frederick B. Hallock


Commissioners