

Decision No. 78094

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Helen and Julius Rastica,  
Complainants,

vs.

Charles E. Cook, Charles E. Cook  
and Sons, a corporation, and  
TEHACHAPI MOUNTAIN WATER COMPANY,  
a corporation,

Defendants.

Case No. 9073  
(Filed June 3, 1970)

O P I N I O N

By the complaint herein the complainants request a finding that the defendants be determined to be a public utility water corporation. On June 29, 1970, the defendants Charles E. Cook, Charles E. Cook and Sons, a corporation, and Tehachapi Mountain Water Service (hereinafter Tehachapi) filed an answer in which they admit that they have installed a water system and are furnishing water as a public utility water corporation and request that a certificate of public convenience and necessity, as such, be granted to Tehachapi and that it be authorized to establish rates.

An investigation of the service was made by the staff of this Commission. The staff determined the following:

Tehachapi was on September 16, 1970, serving 22 customers, of which 6 were domestic customers, 13 combined domestic and irrigation, 2 irrigation, and one a 2-1/2-acre gravel pit. Tehachapi and the other defendants have not been declared to be public utilities.

Tehachapi's service area is located south of State Highway 202 approximately five miles west of Tehachapi, Kern County. The service area is a 162.5-acre portion of a 320-acre farm originally owned by Charles E. Cook in which a water system has been installed to serve subdivision lots or large parcels. It varies in elevation from approximately 4,320 feet to approximately 4,480 feet. The service area comprises Tracts Nos. 2359 R/S and 2439 R/S containing 85 acres subdivided into 38 lots, and seven adjacent parcels with an area of 77.5 acres. At the time of the field investigation there were approximately 40 acres of orchards located in Tehachapi's service area.

Tracts Nos. 2359 R/S and 2439 R/S consist of  $1\frac{1}{2}$ - to 5-acre ranch type lots. Some of Tehachapi's customers have constructed permanent residences on their properties.

Charles E. Cook stated that an affiliate, Tehachapi Land and Orchard Company, sold five parcels containing 60 acres located in the service area west of Tracts Nos. 2359 R/S and 2439 R/S. He committed Tehachapi to provide domestic water service to these parcels. He further mentioned that Tehachapi's only customer in the five parcels has established a 10-acre orchard based upon an understanding with him that Tehachapi would provide surplus water for irrigation. A home has been built and occupied on each of two other parcels also located in the service area and owned by Charles E. Cook. These parcels are at the highest elevation in the service area and are located east of the tracts. There is no orchard irrigation usage on Mr. Cook's two parcels containing 17.5 acres.

Tehachapi also provides domestic water service through a 4-inch pipe to one customer located approximately 1/4-mile northeast of its distribution system. This customer extended his own 4-inch service line to a 1½-inch meter located within Tract No. 2439 R/S.

Ownership and Affiliated Interests

In 1961 Cook and Sons, a California corporation controlled by Charles E. Cook, subdivided Tracts Nos. 2359 R/S and 2439 R/S. Subsequently the assets of Cook and Sons were transferred to Tehachapi Mountain Land and Orchard Company (Tehachapi Land), a California corporation owned by Charles E. Cook, his wife and his sister-in-law Alice Berton. The lot owners paid \$100 per acre to Cook and Sons for formation of a mutual water company to supply water to Tracts Nos. 2359 R/S and 2439 R/S. Tehachapi Land holds title to most of the water distribution system, wells, well sites, and water rights used in serving Tracts Nos. 2359 R/S and 2439 R/S and vicinity. Charles E. Cook owns the balance of the utility plant which he proposes to convey to Tehachapi.

Charles E. Cook stated that he would search records available to him for invoices and checks relating to materials used in construction of the water distribution system. He has no record of labor or equipment costs for the system installation. Tehachapi Land proposes to engage a consulting engineer to appraise the water system and to transfer title to the well sites and the water system to Tehachapi at the appraised cost.

Tehachapi has managed and maintained the water system for several years. Tehachapi's articles of incorporation authorize it to issue 20,000 shares at a par value of \$10 per share. As of September 16, 1970, no stock has been issued. Tehachapi proposes to issue its capital stock to Tehachapi Land and to the landowners who advanced funds for forming a mutual water company. The landowners would receive stock with a par value equal to the amounts they originally provided for formation of the mutual. Tehachapi Land would receive stock with a par value equal to the net appraised cost of the water system less the amounts issued to the landowners.

Tehachapi Land has recently sold five parcels of land, located outside of the service area, containing approximately 55 acres located east of Banducci Road, the east boundary of Tracts Nos. 2439 R/S and 2359 R/S. Mr. Charles Cook informed the buyers that Tehachapi would install a water system and provide domestic water service to them but would not provide water for orchard irrigation service.

Tehachapi Land also owns approximately 102.5 acres of land located adjacent to the service area. In the near future Tehachapi Land plans to develop a portion of this land into ranch type lots to be provided water service by Tehachapi. Charles E. Cook anticipates Tehachapi will eventually serve all 320 acres described above.

#### Water Distribution System

The water distribution system serving Tracts Nos. 2359 R/S and 2439 R/S and the seven parcels consists of approximately 1,900 feet of 6-inch and 2,000 feet of 4-inch double dipped and wrapped

steel pipe, and approximately 1,300 feet of 4-inch pipe. Approximately 700 feet of 2-inch main is part of a continuous non-circulating system. This length exceeds the 250-foot limitation contained in Section III.2.a. of General Order No. 103.

The 700 feet of 2-inch plastic pipe supplies a  $1\frac{1}{2}$  horse-power in-line booster pump located on one of the parcels. The booster delivers approximately 50 gallons per minute to an adjacent 300-gallon hydropneumatic tank which supplies water to the two dwellings owned by Mr. Cook. Mr. Cook proposes to transfer title to the booster pump site and equipment to Tehachapi. The plastic pipe is providing adequate service to the two customers. No additional services should be supplied from this plastic pipe.

Tehachapi has not provided valves in its distribution mains at reasonable intervals so that repairs could be effected by the utility with interruptions to the service of a minimum number of customers. Tehachapi proposes to install valves in the existing distribution system to meet the requirements of Section IV.3.c. of General Order No. 103 over a two-year period.

In May, 1970, a gravel plant operation was commenced within Tract No. 2439 R/S. This plant was initially served through a 2-inch service pipe and  $1\frac{1}{2}$ -inch meter connected to the main system and through an unmetered connection to Well No. 3. The gravel pit is operated from 7 a.m. to 3 p.m. on weekdays. In July, 1970, Tehachapi removed the connection to Well No. 3 and the  $1\frac{1}{2}$ -inch meter. The gravel pit is now being supplied through the 2-inch service.

No system map is available.

Water Supply and Demand

The source of supply consists of two 12-inch diameter and a 14-inch diameter (Well No. 3) steel cased wells which were drilled approximately 25 years ago for farm irrigation purposes. Well No. 1 is approximately 300 feet deep. It is equipped with a 5-horsepower electrically driven submersible type pump alleged to deliver approximately 35 gpm to an adjacent 5,000-gallon hydropneumatic tank. Well No. 2 is approximately 450 feet deep and is equipped with a 15-horsepower submersible type pump alleged to deliver approximately 200 gpm to an adjacent 1,000-gallon hydropneumatic tank. Pump test data and well logs for these wells were not available. Well No. 3 is approximately 500 feet deep. It is equipped with a 40-horsepower electrically driven deep well turbine pump. Well No. 3, located approximately 400 feet from Well No. 2, is not connected to the water system; however, it has been utilized in supplying the gravel pit. On July 7, 1970, the pump was breaking suction. Well No. 3 is alleged to be capable of producing 150 gpm. Tehachapi Land proposes to convey Well No. 3 to Tehachapi which proposes to re-equip the well with a new pump, to lower the pump bowls, and to connect the well to the system. It also proposes to expand the water service area and to install a distribution system including a storage tank with a capacity of approximately 60,000 gallons for meeting system peak demands when Tehachapi Land subdivides a portion of its adjacent land holdings.

The production from Wells Nos. 1 and 2 is sufficient to meet system peak domestic demands. On several occasions low pressure problems were caused by insufficient production capacity to meet the combined peak domestic, industrial, and irrigation demands.

If Well No. 3 can deliver 150 gallons per minute to the water system, the water supply from the three wells would be adequate for existing peak domestic, industrial, and irrigation usage. Tehachapi should connect Well No. 3 to the water system. The supply from the three wells would not be adequate for full development of the existing 162.5-acre service area. Therefore Tehachapi should be restricted from extending its service area. A utility should have information as to its sources of supply to enable it to periodically evaluate the adequacy of these supplies. Tehachapi should have each of its wells tested to show capacity, horsepower, efficiency, static and pumping water levels. Production should be measured as provided in Section II.4. of General Order No. 103.

Peak system demands occur on weekends and holidays. These peak system demands would be decreased if orchard irrigation usage was scheduled during off-peak periods. Tehachapi should continue to provide combined residential and irrigation service only to customers now receiving such service. Tehachapi could enforce a restriction as to delivery times for irrigation usage without cutting off domestic usage if the irrigation supply was delivered through a separate service. Tehachapi should require separate irrigation and domestic service lines be utilized if a customer receiving combined service did not voluntarily follow its schedule for irrigation usage.

Tehachapi has not obtained a water supply permit for the water system.

Ernest Veinstra, an engineer employed by the Tehachapi-Cummings County Water District, is making studies of extractions and demands in the Brite, Cummings and Tehachapi ground water basins. He is the coordinator between District and the State Department of Water Resources as to an adjudication of the three ground water basins. The adjudication proceedings are expected to be completed in 1970 based upon 1950 to 1966 extractions. Mr. Veinstra states that:

- a. The above-mentioned three wells are located in the Brite Water Basin.
- b. There is overpumping in all three basins.
- c. There is an inter-basin flow from the Brite Basin to the Tehachapi and Cummings Basins.
- d. The inter-basin flow will not increase due to overpumping in the Cummings and Tehachapi Basins.
- e. In dry years the ground water level in the Brite Basin has dropped by approximately 40 feet. Due to heavy rainfalls the basin has been recharged.
- f. Mr. Charles E. Cook's prior farming operations established a right to extract approximately 235 acre-feet per year from the Brite Basin. Mr. Cook transferred the land and water rights to Tehachapi Land.

The staff engineer estimates that Tehachapi's present operations require approximately 150 acre-feet per year. Tehachapi Land should transfer its water rights to Tehachapi. There should be no depletion of the water supply if the Brite Basin is adjudicated and extractions do not exceed adjudicated water rights. Water rights in the amount of 235 acre-feet per year would be insufficient for ultimate development of the existing 162.5 acre service area.



Tehachapi-Cummings County Water District is presently negotiating with the Department of Water Resources for the purchase of Feather River water. Tehachapi could request the District to provide it with Feather River water connection. Feather River water would be available in this area in 1972.

Rates and Revenues

Tehachapi provides service through 1-inch meters for lots less than 2½ acres and through 1½-inch meters for larger lots.

Its present metered service rates are as follows:

	<u>Per Meter Per Month</u>
Monthly Quantity Rates:	
First 4,000 gallons or less .....	\$4.00
Over 4,000 gallons per 1,000 gallons .....	0.25

The owner of the gravel pit is being billed at a flat rate of \$8.60 per eight-hour shift. A continuous flow of 80 gallons per minute for eight hours would total 38,400 gallons. If this was billed at the \$0.25 per 1,000-gallon rate, the billing would be \$9.60 per shift.

Charles E. Cook informed the staff engineer that the revenues generated from the utility's operations are barely sufficient to pay for property taxes and operating expenses, excluding any payroll expense. Records on revenues were not made available to the staff. Information is lacking to justify an adjustment of rates. The metered rates should be continued in force but filed metered rates should be expressed in units of cubic feet rather than gallons in order to provide comparability

with other water utilities under the Commission's jurisdiction. The revenues derived from the rates shown in Appendix A hereto would be substantially the same as present revenues.

Service

At the time of field investigations customers were interviewed and pressures checked. Complainant Rastica and most of the customers interviewed complained of a service breakdown in the summer of 1969 and lack of pressure during peak hours. Pressures at the time of the staff field investigations ranged from 55 psi to 80 psi. Tehachapi's low pressure problems have been caused by production capacity insufficient to meet peak demands.

The customers also complained that after repairing leaks in the water mains, Tehachapi left open trenches. The trenches discussed in the complaint were located southwest of Well No. 2. These trenches were backfilled and compacted prior to the staff engineer's field investigation. Tehachapi is aware that its past maintenance practices have been deficient and that trenches were left open for several days after the leaks in water mains had been repaired. In the future Tehachapi intends to take all necessary steps which might be required to provide adequate water service to its customers.

Some customers complained that after Tehachapi does repair work on its water mains, a rusty color appears in the water. Flushing of water mains after repairs could alleviate this problem.

Tehachapi informed the staff engineer that last summer a three-day interruption of service was caused by pump failures. At that time the pump shaft on Well No. 1 was sheared off and the

burned-out electric motor on Well No. 2 required new windings. During this period Tehachapi hauled water from a neighbor's farm well in a water wagon owned by Charles E. Cook. The wagon was brought to complainants' lot. Water was discharged from the wagon by gravity into the water system. Approximately two or three customers whose homes are located at higher elevations in the service area hauled water taken from the wagon.

On August 18, 1970, in order to connect a new service in Tract No. 2439 R/S, Tehachapi had to shut down its water supply from 9:30 a.m. to 3:30 p.m. This system-wide interruption could have been avoided if Tehachapi had sufficient valves in its water system. This outage should have been of shorter duration or avoided through "hot tapping" of the service.

Certificate of Public Convenience and Necessity

The answer to the complaint requested that the Commission authorize submission of an application by Tehachapi for a certificate of public convenience and necessity and to establish rates pursuant to the rules of the Commission.

Loss Reimbursement Fund

If Tehachapi extended the water system there might be an out-of-pocket cash drain resulting from such extension, which would be a burden on its existing customers. A loss reimbursement fund to provide for potential out-of-pocket losses by the subdivider might be necessary. The fund would be to pay for out-of-pocket expense such as power, employee operating and maintenance labor, property taxes, and other expenses exclusive of management salaries

resulting from the extension. The staff engineer was unable to determine the amount of cash drain which would result from an extension of Tehachapi's system due to the unavailability and/or lack of Tehachapi's records and the absence of firm development plans.

Easements

In order to eliminate possible future problems involving maintenance and/or replacement of utility plant and the availability of a water supply, there should be recorded easements or recorded transfers of title of the three wells, the land used as sites for Tehachapi's plant and for transmission and distribution lines, and of water rights. A copy of the recorded easements or recorded transfers of title to Tehachapi should be filed with the Commission.

A copy of the staff's report, from which the foregoing information is extracted, has been filed herein as Exhibit No. 1 and was served on all respondents including Tehachapi. The Commission has been advised that none of the defendants nor complainants has any objection to the staff's recommendations. Accordingly, a public hearing is not necessary.

Upon the pleadings and the staff's report we find that:

1. Tehachapi Mountain Water Service, hereinafter Tehachapi, is a public utility water corporation providing water service to approximately 22 customers in a portion of the unincorporated area of Kern County, California, approximately five miles west of the City of Tehachapi. The complaint as related to Charles E. Cook, Charles E. Cook II, Charles E. Cook, III, George Cook, Arthur Cook, and Charles E. Cook and Sons should be dismissed.

2. The utility plant, easements, and water rights utilized by Tehachapi in providing public utility water service are owned by Tehachapi Mountain Land and Orchard Company and Charles E. Cook. These parties propose to transfer the utility properties to Tehachapi.

3. The properties used and useful in providing water service should be inventoried and an appraisal prepared based upon original cost or historical cost if the original cost is not known. A depreciation reserve requirement should be determined. A study of depreciation accruals based upon the straight-line remaining life method should be prepared. These studies should be filed with the Commission by Tehachapi. After these studies have been reviewed and accepted by the Commission, Tehachapi would have a basis for filing an application for authority to issue stock.

4. Tehachapi should be restricted from extending its service area without further order of the Commission because its potential water supply and Brite Basin water rights are insufficient for ultimate development of its service area. The system wells should be tested to evaluate the adequacy of the supply. The Brite ground water basin is presently in the process of being adjudicated. There should be no depletion in the ground water supply if the extractions in the basin do not exceed the adjudicated water rights. The company should apply for a water supply permit.

5. Outages in 1969 were caused by pumping equipment failures. Low pressure problems in Tehachapi's service area were caused by insufficient sources of water supply to meet the peak domestic and irrigation demands. Tehachapi should re-equip and connect Well No. 3 to the water system, and restrict irrigation usage during periods of peak demand.

6. Tehachapi's construction practices have been deficient. Work should be expeditiously commenced and completed. Appropriate flushing and disinfection procedures should be followed to minimize dirty water problems.

7. Some of the system-wide service interruptions in water were caused by lack of valves in Tehachapi's distribution system. Tehachapi should be required to install additional valves as required by Section IV.3.c. of General Order No. 103.

8. No additional services should be supplied from the under-sized 2-inch plastic pipe which is approximately 700 feet long.

9. Tehachapi should prepare a service area map meeting the requirements of Section I.10.a. of General Order No. 103.

10. The existing level of metered rates should be continued. Billings should be on a cubic foot basis.

11. New customers should be served from separate irrigation and domestic service connections.

12. Tehachapi should not extend its service area without demonstrating its financial ability to do so.

13. Tehachapi should maintain its accounting records in conformance with the Commission's Uniform System of Accounts for Class D Water Utilities.

On the above findings the Commission concluded that the complaint should be dismissed as to Charles E. Cook, Charles E. Cook II, Charles E. Cook III, George Cook, Arthur Cook and Charles E. Cook and Sons, a California corporation, and that the Tehachapi Mountain Water Service, a California corporation, should be required to furnish water service as a public utility water corporation under the terms and conditions set forth in the order herein.

O R D E R

IT IS ORDERED that:

1. Tehachapi Mountain Water Service, a California corporation, is a public utility water corporation subject to the regulatory jurisdiction of this Commission and the applicable provisions of law.

2. The complaint as related to Charles E. Cook, Charles E. Cook II, Charles E. Cook III, George Cook, Arthur Cook, and Charles E. Cook and Sons, a California corporation, is dismissed.

3. Within ten days after the effective date of this order, Tehachapi Mountain Water Service shall file the schedule of rates set forth in Appendix A attached to this order, a tariff service area map clearly indicating the area actually being served, appropriate general rules, and copies of printed forms to be used in dealing with customers. The service area map should include Tracts Nos. 2359 R/S and 2439 R/S and seven adjacent parcels. The filing shall comply with General Order No. 96-A.

4. Tehachapi Mountain Water Service shall continue supplying domestic water service to the customer whose property is located approximately 1/4-mile northeast of its distribution system.

5. Tehachapi Mountain Water Service shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103, Rules Governing Water Service Including Minimum Standards for Design and Construction. Within ninety days after the effective date of this order it shall file with the Commission two copies of the map.

6. Within sixty days after the effective date of this order, Tehachapi Mountain Water Service shall file in this proceeding a copy of a water supply permit issued by the appropriate Department of Public Health, or if the permit shall not yet have been issued, a copy of an application which it shall have filed for such permit.

7. Within one hundred eighty days after the effective date of this order, Tehachapi Mountain Water Service shall file in this proceeding a report setting forth in detail a determination of the original cost, estimated if not known (historical cost appraisal), of the properties used and useful in providing water service and also the depreciation reserve requirement applicable to such properties. The report shall designate which items are supported by vouchers or other like documentary evidence and which items are estimated, and shall show the basis upon which any such estimates were made.

8. Tehachapi Mountain Water Service shall determine the depreciation rate 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 plant; and (3) dividing the quotient by the original cost of plant. Tehachapi Mountain Water Service shall review the depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. The results of each review shall be submitted promptly to the Commission.

9. Tehachapi Mountain Water Service shall not extend its mains to serve additional customers without further order of this Commission nor shall it serve additional customers off the existing 2-inch plastic pipe which is approximately 700 feet long.



10. Within thirty days after the effective date of this order, Tehachapi Mountain Water Service shall file with the Commission a copy of recorded conveyances of titles of the utility plant, water rights, and easements for pipeline rights of way of the system serving Tracts Nos. 2359 R/S and 2439 R/S and vicinity, in Kern County, from Tehachapi Land and Orchard Company and Charles E. Cook to Tehachapi Mountain Water Service.

11. Within ninety days after the effective date of this order, Tehachapi Mountain Water Service shall file the following items with the Commission:

- a. A pump test of its three wells showing capacity in gallons per minute, static and pumping levels, discharge pressures, pump efficiencies, and a description of the equipment.
- b. A letter advising that Well No. 3 had been connected to the system.
- c. A program for installing valves in the distribution system to meet the minimum requirements of General Order No. 103.

The effective date of this order shall be twenty days after the date of personal service of a copy of this decision on the Tehachapi Mountain Water Service.

Dated at San Francisco, California, this 15<sup>th</sup> day of DECEMBER, 1970.

[Signature] Chairman  
[Signature]  
William J. [Signature]  
[Signature]  
Yvonne L. Sturgeon Commissioners

## APPENDIX A

## Schedule No. 1

METERED SERVICEAPPLICABILITY

Applicable to all metered water service, including that for irrigation service.

TERRITORY

Tracts Nos. 2359 R/S and 2439 R/S, and vicinity, located five miles west of Tehachapi, Kern County.

RATES

	<u>Per Meter Per Month</u>
Quantity Rates:	
First 535 cu.ft. or less .....	\$4.00
Over 535 cu.ft., per 100 cu.ft. ....	.19
Minimum Charge:	
For 1-inch and 1½-inch meters .....	\$4.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

SPECIAL CONDITIONS

1. Combination residential and irrigation service through a single meter is available only to those customers receiving such service as of January 1, 1971.
2. Combination residential and irrigation service may be terminated in the event that irrigation service is not curtailed upon request of the utility. In that event a separate service shall be utilized to provide domestic and irrigation usage.
3. The utility may schedule irrigation usage.