

ORIGINAL

Decision No. 90975 NOV 6 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

RISING SUN MINE PROPERTY OWNERS)
ASSOCIATION, INC.,)

Complainant,)

vs.)

PACIFIC GAS AND ELECTRIC COMPANY,)

Defendant.)

Case No. 10640
(Filed July 28, 1978)

Charles T. Smith, Attorney at Law, for complainant.
Joseph S. Englert, Jr., Attorney at Law, for defendant.

O P I N I O N

The complaint of Rising Sun Mine Property Owners Association, Inc. (Rising Sun) states that for the past 15 years, Rising Sun has operated a water purification system which treats water^{1/} from the Boardman Canal, which is owned by Pacific Gas and Electric Company (PG&E), and after treatment transports such treated water through its water mains to points where members of its association can make service connections. At present, there are 66 service connections, with the possibility of an additional 30 services being added as remaining parcels are developed within the service area. As each service connection has been made, PG&E has installed a water meter in the service line and thereafter has billed each individual water user for the amount of water used on its untreated water rate schedule.

^{1/} This is so-called untreated water.

Rising Sun's water mains and properties of members of its association are outside the designated treated water service area of PG&E, but are adjacent thereto.

PG&E's water lines serving the Colfax area are in close proximity to Rising Sun's water mains and the properties served therefrom. Although Rising Sun has requested PG&E to supply treated water from its Colfax plant to it and its members and has offered to pay the cost of extending such water service, PG&E has refused to do so, except upon condition that Rising Sun pay the sum of \$500,000. PG&E's demand for payment of \$500,000 was for the stated purpose of partially defraying the cost of replacing the intake line to PG&E's Colfax plant, which is more than 50 years old and for many years has been in a state of disrepair requiring replacement.

According to the complaint, PG&E has in the past provided and is presently providing water service to other properties which are not within its designated service area. Rising Sun claims such action is arbitrary and discriminatory in that PG&E is voluntarily providing service to other persons outside its designated service area, but refuses to provide water service to Rising Sun.

Rising Sun requests an order be made requiring PG&E to provide treated water service to it and its members.

In its answer, PG&E admitted inter alia that it has installed a water meter in the service line of each individual water user and thereafter billed each customer for the amount of water used. This arrangement, done apparently for local convenience, does not accord with its standard practice. PG&E has attempted to remedy this nonstandard arrangement by offering to transfer to Rising Sun ownership of the meters. This transfer has not yet taken place. According to PG&E, it should be made clear that its billing to each of Rising Sun's customers is for untreated water under PG&E's Water Schedule No. 11. Rising Sun, according to PG&E, bills each of its customers for the treatment of the untreated water purchased from PG&E. PG&E claims that in no way does it sell treated

water to Rising Sun's customers. PG&E states that Rising Sun purchases untreated water from PG&E and treats the water before delivery to Rising Sun's customers.

PG&E admits that Rising Sun's water system and properties of its members are outside of its designated treated water service area. PG&E denies that the mains and properties are adjacent or in close proximity to PG&E's treated water service area or mains. PG&E admits that the mains and properties are adjacent or in close proximity to its untreated water ditch system.

PG&E denied that it required a payment of \$500,000 before it would supply treated water to Rising Sun. PG&E has offered to provide treated water service to Rising Sun on the condition that it advance a sum of money sufficient to pay for the cost of making capacity available from PG&E's treated water distribution system, including capacity to meet General Order No. 103 fire flow requirements, plus an additional payment on a present worth basis sufficient to pay ownership and operating costs on the additional investment.

PG&E admitted that in certain past instances treated water service has been provided to properties not within its Colfax water service area. However, each of these past situations was considered on an individual basis, and in 1970 it issued a directive prohibiting new water connections to be made outside of the treated water service area. Most importantly, PG&E claims, it has no treated water resale schedule on the Colfax system and has not in the past sold resale treated water to any party, within or without the Colfax treated water service area. PG&E denied that any such prior action is or has been of an arbitrary and discriminatory nature in regard to Rising Sun.

As a separate and distinct defense, PG&E alleged that Rising Sun failed to state a cause of action in that all of PG&E's actions about which Rising Sun complains have been taken in a manner consistent with PG&E's rights and obligations as established by its Placer Water System Service Tariffs (sic).

On September 11, 1978, Wayne J. Summers petitioned to intervene. On October 23, 1978, the County of Placer petitioned to intervene. The petitions were denied by Commission decision on the basis such intervention would unduly broaden the issues presented by Rising Sun.

After due notice, a hearing was held at Colfax on February 6, 1979 before Administrative Law Judge Gillanders. Testimony was received from the President of the Board of Directors of Rising Sun, and Supervisor Henry on behalf of Rising Sun. PG&E presented three witnesses. Closing argument was made and the matter submitted.

Discussion

The division manager of PG&E's Drum Division testified that his job responsibilities include overall responsibility for the operation of the Placer Water System. He has had discussions with the developer of Rising Sun Mine Estate Subdivision as well as others regarding the water system supply to Rising Sun. He introduced a series of letters^{2/} which showed inter alia that PG&E advised the State Division of Real Estate that untreated water service was available from the Boardman Canal and that the distribution and meeting of health requirements would be handled by the developer and that for customer convenience PG&E would individually meter and bill the respective accounts. He testified that neither he nor the man who wrote the 1962 and 1963 letters could verify how it came about that PG&E set its meters at the point of customer service.

We have taken official notice of PG&E's tariff applicable to water service in its Placer Water System. Rule and Regulation No. 16 states in part:

^{2/} Dating from 1962.

"POINTS OF DELIVERY AND CUSTOMER'S FACILITIES

"A. Points of Delivery

"Water deliveries to customers from the Ditch System will be made at the Company's conduits, and measurements will be made as near thereto as practicable. Where one or more customers own and/or control a conduit and appurtenant works used for receiving and conveying water from point of delivery at Company's conduit to places of use, measurement of water will normally be made by a single meter or measuring device at said point of delivery. Company will not undertake, or be responsible for, the apportionment of water between customers receiving water by means of such privately-owned conduit.

"In cases where customer owned or controlled distribution facilities serve as a common distributary and such facilities are maintained in good operating condition, as to which the Company shall be the sole judge, the Company may place its measuring device at the point of take-off or diversion to each customer's premises, and use the meter reading thereof for billing purposes.

"In cases where such customer owned or controlled facilities are not properly maintained, as to which the Company shall be the sole judge, the Company will install, own, and maintain a master meter at the junction of its canal and the customer owned facility, and apportion for billing purposes the total delivery recorded thereon, in the ratio of each individual consumption to the total of all individual consumptions. The complete initial cost of installation of such master meter shall be paid to the Company by the customer or customers owning such distribution facility, in whatever manner mutually agreed upon."

Rule and Regulation No. 16 was filed on December 23, 1954 and became effective on January 1, 1955.

Apparently no one who appeared or testified in this proceeding ever read Rule and Regulation No. 16 for if they had, the answer to the question "Why does PG&E meter at each individual service connection?" would be obvious. PG&E was just following its tariff by delivering its water to its customers at each customer's premise.

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Although it is true that the Commission cannot regulate a utility which has not dedicated its service to the public or compel a utility to extend its service to prospective customers who reside outside of the area to which the water of the utility has been dedicated (AT&SF Ry. Co. v CRC (1916) 173 Cal 577; California Water and Tel. Co. v PUC (1959) 51 Cal 2d 478) the California Supreme Court has held that dedication's restraining power should not be extended further than logic and precedent require. (Greyhound Lines, Inc. v CPUC (1968) 68 Cal 2d 406.) Dedication can be found by implication based on the conduct of a utility, such as when the utility holds itself out to supply the public or a class of the public on equal terms to all who apply. (Yucaipa Water Company No. 1 v PUC (1960) 54 Cal 2d 823; California Water and Tel. Co. v PUC, supra; Lukrawka v Spring Valley Water Company (1915) 169 Cal 318; Parker v Apple Valley Water Company (1977) 82 CPUC 623, writ of review denied.)

There can be no question that PG&E, by placing its meters in accordance with the provisions of its Rule and Regulation No. 16 extended its water system and dedicated its water to supply the Rising Sun property.^{3/} By this conduct PG&E undertook to furnish

^{3/} The ownership of the physical distribution plant does not matter.

domestic water service, albeit untreated, and that is the critical fact we rely on in reaching our determination that PG&E has dedicated itself to provide public utility service to the area in question. The fact PG&E used some facilities other than its own, or relied on another entity to treat the water it furnished the domestic consumers, does not detract from the result that PG&E furnished and billed for water to domestic users in this particular area.

According to PG&E, it never intended to supply potable water to Rising Sun. However, while the potability and purity level of a utility's water supply are in the first instance within the jurisdiction of appropriate health authorities (Van Fleet v Pierson (1965) 65 CPUC 1, 6), in this instance the County Health Department, this Commission shares a responsibility under the law^{4/} to see that PG&E safely operates its water utility. Since PG&E dedicated itself to provide domestic water service to customers in the Rising Sun area it has assumed the public utility burden of providing them with potable water.

^{4/} Section 761 of the Public Utilities Code provides in part that:

"Whenever the commission, after a hearing, finds that the rules, practices, equipment, appliances, facilities, or service of any public utility, or the methods of manufacture, distribution, transmission, storage, or supply employed by it, are unjust, unreasonable, unsafe, improper, inadequate, or insufficient, the commission shall determine and, by order or rule, fix the rules, practices, equipment, appliances, facilities, service, or methods to be observed, furnished, constructed, enforced, or employed..." (Emphasis added.)

The record shows that county health officials stated the water system supplying Rising Sun is presently inadequate to meet State standards for drinking water. The health officials recommended changes be made in the treatment plant in order to upgrade the plant so that it would meet State standards. The recommendation to install a settling basin has been complied with. The recommendations for additional filter capacity and better flocculation of the water have not been complied with due to lack of available capital on the part of Rising Sun.^{5/}

If PG&E were to supply Rising Sun from its Colfax treated water system, a rough estimate given by a PG&E engineer was that it would cost Rising Sun \$182,600 for facilities plus a cost of ownership payment of \$298,200 or a total payment required of \$480,800.

PG&E's claim that Rising Sun purchases untreated water from PG&E and treats^{6/} such water before delivery to Rising Sun's customers was denied by Rising Sun. PG&E presented no proof of its claim. We must assume that if PG&E did in fact sell water to Rising Sun as claimed, it would have produced evidence of the fact in the form of a signed agreement or at least copies of billings for such water sales. Lacking such evidence, we must conclude that PG&E does not sell water to Rising Sun.

PG&E's defense that the actions taken by it were taken in a manner consistent with its rights and obligations as established by its Placer Water System Service Tariffs (sic) is without merit. Instead, the record reveals that PG&E's attitude towards its tariff can only be described as cavalier.

^{5/} A rough estimate was given by Rising Sun of \$50,000 to \$75,000 for the remaining recommended installations.

^{6/} There is no question that Rising Sun operates a treatment plant.

During the period involved in establishing service to Rising Sun's members, PG&E had on file with this Commission tariff sheets providing for main extensions from the town systems as well as the ditch system. Rule and Regulation No. T-15^{7/} entitled Main Extensions (Revised Cal. P.U.C. Sheet No. 543-W) was filed on December 23, 1954 and became effective on January 1, 1955. It provided for extensions to individuals and for extensions to subdivisions. On February 26, 1963, PG&E filed Revised Cal. P.U.C. Sheet No. 891-W which became effective on March 2, 1963. This sheet, also entitled Rule No. T-15 Main Extensions, specifically stated:

"A. General Provisions and Definitions

"1. Applicability

- "a. All extensions of distribution mains, from the utility's basic production and transmission system or existing distribution system, to serve new customers, except for those specifically excluded below, shall be made under the provisions of this rule unless specific authority is first obtained from the Commission to deviate therefrom. A main extension contract shall be executed by the utility and the applicant or applicants for the main extension before the utility commences construction work on said extensions or, if constructed by applicant or applicants before the facilities comprising the main extension are transferred to the utility.
- "b. Extensions solely for fire hydrant, private fire protection, resale, temporary, standby, or supplemental service shall not be made under this rule."

Revised Cal. P.U.C. Sheet No. 570-W entitled Rule and Regulation No. 15^{8/} Extension of Water Distribution Facilities was filed on December 23, 1954 and became effective on January 1, 1955 and is the currently effective tariff sheet. It states:

^{7/} T-15 was for the town systems.

^{8/} Rule and Regulation No. 15 applied to the ditch system.

"RULE AND REGULATION NO. 15

"EXTENSION OF WATER DISTRIBUTION FACILITIES

"A. General Extensions

- "1. The Company will, without charge, construct an extension to that portion of its ditch system which is supplied with water that has passed through Wise Power Plant, if water is available therefor, and the annual dependable revenue from water service from said extension is one-third (1/3) the Company's total cost of constructing said extension.
- "2. If the construction cost is in excess of three (3) times the annual dependable revenue, the applicant, or applicants for service will be required to advance the difference between the estimated total cost and three (3) times the annual dependable revenue. Adjustment of any difference between the estimated and reasonable actual costs will be made after completion of construction. When two or more applicants request the Company to construct such an extension, the portion each is to advance, unless otherwise mutually agreed upon among them, will be based on the ratio that the dependable annual revenue from each bears to the total dependable annual revenue."

* * *

"C. Exceptional Cases

"In unusual circumstances when the application of the provisions of this rule appears impracticable or unjust to either party, the Company and applicant may agreed upon terms mutually satisfactory, and in case of failure to reach such agreement, either the Company or the applicant may refer the matter to the Public Utilities Commission for special ruling.

"Applications for service that require enlargement of any existing Company ditch system facilities will be subject to special negotiations between applicant and Company and approval by the Public Utilities Commission."

The record shows that PG&E by letter dated April 15, 1977 (Exhibit 5) told Rising Sun that PG&E was clearly deviating from its filed tariff schedules in that it should not be metering at each individual lot but rather should be serving Rising Sun water under resale Rate Schedule No. R-1 and under the provisions of its standard form contract for all resale customers (Exhibit 9)^{9/} and that the letter was Rising Sun's notice of PG&E's intent to discontinue the nonstandard metering and billing arrangement. We have pointed out that under Rule 16, PG&E's tariff provides for metering at the customer's point of takeoff. The record reveals that PG&E ignored all of the other various tariff schedules under which it could have served Rising Sun. It chose to individually meter, which is provided for in its tariff.

Further proof of PG&E's lax attitude towards application of its tariff is shown by the fact - stipulated to by both parties - that during the past 30 years, 67 customers outside of the treated water service area have been connected to the treated water system without benefit of a main extension contract. To compound the lack of adherence to its Tariff Schedule Rule No. T-15, eight of the connections were made subsequent to notification^{10/} to the division manager by PG&E's Department of Commercial Operations that such extensions were in conflict with the provisions of Main Extension Rule No. T-15 (Exhibit 10).

Given the history of PG&E's less than vigorous application of its tariff, we can reasonably hold that instead of "local convenience" being the reason for its metering of treated water of an untreated schedule, PG&E permitted Rising Sun to treat PG&E's

^{9/} The resale schedule and standard form contract were part of PG&E's tariff schedule during the period of establishment of service to Rising Sun.

^{10/} December 21, 1970.

water in lieu of obtaining a main extension contract under Rule No. T-15 for its own convenience. A main extension contract would have made PG&E the owner and operator of all the facilities installed to provide treated water to Rising Sun, a situation it avoided while at the same time assuring Rising Sun's members a supply of treated water. The arrangement worked well for 15 years. However, with the imposition of stricter standards for water quality, PG&E wants to change a situation which has been sanctified by the passage of time. PG&E has dedicated its water system to provide treated water service to the property owned by the individual members of Rising Sun.

In the light of the decision herein, PG&E should give consideration to contracting with Rising Sun to provide the additional treatment facilities; or acquiring those facilities, which would appear to be less expensive than serving the customers here involved treated water directly from its Colfax treated water system. However, the implementation of the ensuing order is a PG&E management decision, the prudence of which will be subject to review in subsequent rate proceedings.

Findings of Fact

1. Rising Sun, for the past 15 years, has operated a water purification system which treats water supplied from PG&E's Boardman Canal and transports the treated water through its mains to points where individual members of Rising Sun take service.
2. PG&E does not bill Rising Sun for the water which Rising Sun treats although PG&E has a filed resale Rate Schedule No. R-1.
3. PG&E sets meters at each individual service of the members of Rising Sun.
4. Such meter setting is authorized under PG&E's Tariff Rule and Regulation No. 16.
5. PG&E bills each individually metered service on its Tariff Schedule No. 11 - General Metered Service - untreated water.
6. Rising Sun's treatment plant and distribution mains lie outside of PG&E's filed treated water service area map.

7. PG&E's meters lie outside of its filed treated water service area map.

8. The County Health Department has ordered improvements in the treatment applied to PG&E's ditch water which passes through Rising Sun's treatment plant.

9. PG&E has provided treated water to 67 connections which lie outside of its filed treated water service area map.

10. Eight of the 67 connections were made subsequent to notification that such connections were in conflict with the provisions of its filed Main Extension Rule No. T-15.

11. PG&E during and subsequent to the establishment of service to the individual members of Rising Sun had on file with this Commission Main Extension Rules and Regulations for extensions from its treated water system and its ditch system a resale schedule for untreated water, and Rule and Regulation No. 16.

12. By providing individual meters to the members of Rising Sun at each individual lot for a period of approximately 15 years, with the knowledge that the water so delivered was treated water, PG&E dedicated its water service to provide treated water service to the property owned by each individual member of Rising Sun.

Conclusions of Law

1. PG&E has dedicated its water to supply treated water to the property of the individual members of Rising Sun.

2. PG&E is required to bring its treated water supplied to the individual members of Rising Sun up to the standards required by the Placer County Health Department.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) supply treated water to the property of individual members of Rising Sun Mine Property Owners Association, Inc. of sufficient quality to meet the standards required by the Placer County Health Department.

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2. Within sixty days after the effective date of this order, PG&E shall file a revised service territory map to reflect the inclusion in its service territory the area to be served in compliance with the above ordering paragraph.

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

Dated NOV 6 1979, at San Francisco, California.

John E. Byron
President
William L. ...
Robert A. ...
Alvin ...
Samuel ...
Commissioners