

Decision No. 23836

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 SIERRA PACIFIC POWER COMPANY, a cor-
 poration, and CHARLES J. RUPLEY, for
 an order authorizing Sierra Pacific
 Power Company to sell to said Charles
 J. Rupley the Georgetown Divide Water
 System and other property and author-
 izing said Charles J. Rupley to pur-
 chase and operate said system and
 property.

ORIGINAL

Application No. 17369

In the Matter of the Application of
 GEORGETOWN DIVIDE WATER CO., LTD., a
 corporation, and CHARLES J. RUPLEY
 for an order authorizing Charles J.
 Rupley to sell to Georgetown Divide
 Water Co., Ltd., the Georgetown
 Divide Water System and other property,
 and authorizing said Georgetown Divide
 Water Co., Ltd., to purchase and oper-
 ate said system and property, and for
 an order authorizing said Georgetown
 Divide Water Co., Ltd., to issue to
 said Charles J. Rupley 3,000 shares of
 the capital stock of said Georgetown
 Divide Water Co., Ltd.

Application No. 17415

Orrick, Palmer & Dahlquist, by Robert L. Hall, Jr.,
 for Sierra Pacific Power Company.
 T. L. Chamberlain for Charles J. Rupley and
 Georgetown Divide Water Co., Ltd.

BY THE COMMISSION:

O P I N I O N

In Application No. 17369 Sierra Pacific Power Company
 asks permission to sell and transfer to Charles J. Rupley for
 \$11,250.00, certain public utility water properties known as the
 Georgetown Divide Water System. In Application No. 17415 Charles J.

Rupley asks permission to sell and transfer such properties for the same consideration to Georgetown Divide Water Co., Ltd., a California corporation, which he has caused to be organized for the purpose of owning and operating said properties. The new corporation asks permission to issue and sell 3,000 shares of its common capital stock for the sum of \$15,000.00 to pay for the properties and to provide working capital of \$3,750.00.

A public hearing in these two matters was held before Examiner Williams at Placerville on June 26, 1931 at which time they were consolidated for the purpose of receiving evidence and for decision. At the hearing the matters were amended so as to contain a request for permission to transfer the properties directly from Sierra Pacific Power Company to Georgetown Divide Water Co., Ltd.

It appears that Sierra Pacific Power Company is a corporation organized and existing under and by virtue of the laws of the State of Maine and engaged primarily in the business of generating and distributing electric energy in and about the City of Reno, Nevada, although it does some electric business within the State of California. In addition, it owns and operates a public utility water system used to supply water chiefly for irrigation and domestic purposes in and about the Town of Georgetown, El Dorado County. It appears that the company desires to divest itself of the public utility water system and to that end has entered into an agreement dated April 24, 1931 with Charles J. Rupley providing for the sale of the following properties:

(a) That certain dam and the reservoir created thereby located on Gerle Creek and commonly called Loon Lake Reservoir, with all the lands comprising said reservoir up to an elevation twenty-eight (28) feet above a bench

mark hereafter to be established by the parties hereto on native granite near the north abutment of said dam, which said bench mark when so established shall be used in determining the capacity in acre feet of said reservoir; the twenty-eight (28) foot level above such bench mark, being the water level of the reservoir when filled to present capacity and being the flood line of said reservoir hereunder. No lands or interest in lands above said elevation twenty-eight (28) feet above said bench mark are included herein.

(b) The right to impound waters of Gerle Creek and its tributaries above Loon Lake in said Loon Lake Reservoir up to the water level hereinabove specified, and the right to maintain the said waters at said level at all times from the waters of said Gerle Creek; also the right to release from said lake said water so impounded therein for diversion and use through the so-called Georgetown Divide Water System; with all the rights of Sierra Pacific to use the natural channels of Gerle Creek and Pilot Creek for conducting said waters from said lake to the points of diversion on said water system.

(c) Those certain diversion dams and aqueducts diverting water from Gerle Creek, Little South Fork of Rubicon River, Onion Creek and Pilot Creek all below said Loon Lake Dam, together with water rights appurtenant to said aqueducts and adequate rights of way over lands owned and used in connection therewith, and also including the following described properties, to-wit:

East half ($E\frac{1}{2}$) of southeast quarter ($SE\frac{1}{4}$) of northeast quarter ($NE\frac{1}{4}$) of Section 1, Township 12 north, Range 11 East; south half ($S\frac{1}{2}$) of Southeast quarter ($SE\frac{1}{4}$), Section 31, Township 13 North, Range 10 East; fractional southwest quarter ($SW\frac{1}{4}$), Section 2, Township 12 North, Range 10 East; Lot 1, Block 10, of Georgetown; fractional northwest quarter ($NW\frac{1}{4}$), Section 11, Township 12 North, Range 10 East; Lot 2, Block 1, of Georgetown; Lots 1 and 2, Block 7, Lot 9, Block 3, of Georgetown.

(d) The so-called Georgetown Divide Water System below the upper diversion on Pilot Creek including, without limiting the general nature of the foregoing, the ditches, pipe lines, flumes, regulating reservoirs and water rights connected with said system and appurtenant structures and rights used and useful in distributing water through said system for irrigation, mining and domestic uses, including the buildings in El Dorado County, California, owned and used by Sierra Pacific in connection with said service of water,

(e) All tools, automotive equipment and miscellaneous appliances used in the operation of said water system.

In entering into this agreement Sierra Pacific Power Company reserves to itself the right to enlarge or alter Loon Lake Dam, or to construct another dam, and to operate such dam to any extent as it, its successors and assigns may see fit for the development and generation of hydro-electric energy and also to store, impound, divert and use as it may see fit any and all water, in addition to that which Charles J. Rupley is entitled to use, which have their source in Gerle Creek and/or Little South Fork of Rubicon River and/or Rubicon River and/or other sources, such storage and diversion to be subject to the rights of Rupley, his successors or assigns. It also reserves the right to use the water provided in the agreement to be sold to Rupley for any purposes it may see fit, provided such water is returned to Gerle Creek above the point of diversion. The properties retained are set forth fully in the agreement of April 24th, which is filed as an exhibit in these matters. It appears from the testimony that such retention by the Sierra Pacific Power Company should not in any way interfere with the operation of the Georgetown Divide Water System as a public utility.

No valuation of the properties to be conveyed was submitted in these proceedings. In a former application, however, it is recited that the cost of the properties was approximately \$322,000.00. (Decision No. 7385, dated April 8, 1920, Volume 18 Opinions and Orders of the Railroad Commission of California, page 37.) At the hearing held in these matters Mr. George Devore, assistant to the president of the selling corporation, testified that in his opinion the cost to replace the properties at this time is somewhat in excess of \$100,000.00. It appears that the system was originally installed beginning in 1852 for the purpose

of supplying water for mining purposes. Such use was discontinued and the properties in recent years have been used chiefly for irrigation purposes. This use is extremely limited, the revenues and expenses from the operation of the system for the last three years being reported as follows:

ITEM	1928	1929	1930
<u>Operating Revenue:</u>			
Commercial earnings.....	\$ 4,807.45	\$ 5,091.80	\$ 5,737.60
Irrigation sales.....	10,355.15	10,161.45	11,149.25
Miscellaneous.....	17.00	20.00	16.00
Total.....	<u>\$15,179.60</u>	<u>\$15,273.25</u>	<u>\$16,902.85</u>
<u>Operating Expenses:</u>			
Transmission and dis- tribution.....	\$10,550.25	\$11,925.60	\$14,265.91
Commercial.....	17.25	4.41	10.47
General.....	3,839.06	3,782.77	4,031.30
Total.....	<u>\$14,406.56</u>	<u>\$15,712.78</u>	<u>\$18,307.68</u>
<u>Net Operating Loss:</u>	<u>\$ 773.04*</u>	<u>\$ 439.53</u>	<u>\$ 1,404.83</u>

* Profit in 1928

It is of record that it has been the practice of the selling company to include in the operating expenses of the water company a certain amount representing overheads and expenses of the company's Reno office, which during 1930 is said to have amounted to approximately \$3,000.00. Had this sum been excluded, the water system, during 1930, would have shown a net operating profit of about \$1,600.00.

Sierra Pacific Power Company now desires to sell the properties for \$11,250.00. It reports that it desires to dispose of its water operations for the reason that its interest is chiefly the generation and sale of electric energy and that it has no other properties near the system which is the subject of these proceedings. Charles J. Rupley, with whom the agreement of sale was made and who

will purchase the stock which Georgetown Divide Water Co., Ltd. proposes to issue, is a former resident of Georgetown and is now a resident of Placerville, about sixteen miles from the location of the distributing system and will be in active charge of the management of the new corporation's affairs. It appears from the testimony that he is able to finance the cost of acquiring the properties and also to make such repairs as may be needed, although in this connection it appears that at the present time the properties are in good operating condition and there is no need for any large expenditures of moneys for replacement or improvements. It therefore seems to us that the transactions as herein proposed are in the public interest and should be granted. An order accordingly will be entered.

ORDER

Application having been made to the Railroad Commission for an order authorizing Sierra Pacific Power Company to transfer the public utility water properties referred to in the foregoing opinion and in these applications to Georgetown Divide Water Co., Ltd. and authorizing Georgetown Divide Water Co., Ltd. to issue 3,000 shares of its common capital stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of stock is reasonably required for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED that Sierra Pacific Power Company

be, and it hereby is, authorized to sell and transfer, on or before September 1, 1931, to Georgetown Divide Water Co., Ltd., for \$11,250.00, the public utility water properties referred to in the foregoing opinion and more particularly described in Exhibit "A" filed in Application No. 17369, and Georgetown Divide Water Co., Ltd. be, and it hereby is, authorized to purchase and acquire such properties and to issue and sell, on or before September 1, 1931, 3,000 shares of its common capital stock for the price of \$5.00 a share for the purpose of financing the purchase price of said properties amounting to \$11,250.00 and of providing working capital of \$3,750.00.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the following conditions:

1. The consideration for which the aforesaid properties are being sold and transferred shall not be urged before this Commission as determining the value of said properties for the purpose of fixing rates, or for any purpose other than the transfer herein authorized.

2. Within sixty (60) days after the transfer of the properties, Georgetown Divide Water Co., Ltd. shall file with the Commission a copy of the deed or other instrument of conveyance by which it receives and holds title to such properties and also a statement showing the exact date upon which it acquired and commenced operating the properties.

3. Georgetown Divide Water Co., Ltd. shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds, as will enable it to file, on or before the 25th day of each month, a verified report as required

