

Decision No. 42642

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
TAHOE SIERRA WATER COMPANY, Bijou
Park, Eldorado County, California
for a Public Utility and Certificates
of Public Convenience and Necessity

Application No. 29831

McGilvray and McGilvray
by Kenneth G. McGilvray,
for applicant.

O P I N I O N

Tahoe-Sierra Water Company, by the above-entitled application, requests a certificate of public convenience and necessity authorizing it to construct, operate, and maintain a public utility water system to serve Tracts Nos. 1, 2, and 3 of Tahoe-Sierra Subdivision located in Tahoe Valley, El Dorado County, California. These tracts encompass 1,419 lots; but at the present time there are only 91 customers, of which only 32 are year-round users. The majority of the customers are seasonal, and, therefore, applicant is requesting that both seasonal and all-year water rates be established. Applicant is also requesting permission to issue 451 shares of no par capital stock.

A public hearing in this proceeding was held before Examiner Edwards in Tahoe Valley on February 24, 1949.

Mr. Thomas H. Armstrong, president of the Tahoe-Sierra Water Company, appeared at the hearing as applicant's principal witness. He is the owner and subdivider of said tracts. In order to help sell the lots, he organized the Tahoe-Sierra Water Company as a mutual water company on October 9, 1945, and proceeded to install a water system. Mr. Armstrong advanced all the money necessary to install the system;

and when a lot in Tract No. 1 was sold and fully paid for, he would issue to the owner of the lot one share of stock of the water company. To date, 107 shares of stock have been issued to purchasers of lots. He still owns 344 shares, representing the remaining unsold lots in Tract No. 1 of Tahoe-Sierra Subdivision.

The expenses of operating and maintaining the mutual system were to be shared equally among the users by assessments on the stock. However, after the first three or four months he encountered difficulty in collecting from the shareholders the costs of operating the system. The costs remained fairly steady month to month, but the customers only wanted to pay the bills when they were there to use the water. Bills were sent out, but collections were so poor that for nearly three years now Mr. Armstrong has borne all of the operating and maintenance expenses, and the stockholders have received free water.

Mr. Armstrong figured that by converting the mutual water company to a public utility, regular rates could be established and sufficient money collected in advance to cover the expenses without the danger of some abnormally high assessments. On August 29, 1948, at a meeting of the Board of Directors and shareholders of the Tahoe-Sierra Water Company, the articles of incorporation were amended to authorize the corporation to operate as a public utility water company; and a resolution was drawn for the purpose of applying to the Public Utilities Commission of the State of California for a certificate of public convenience and necessity for consent to act as a public utility and for authority to exchange shares of stock in Tahoe-Sierra Water Company, a mutual water company, for shares of stock of no par value in Tahoe-Sierra Water Company, a public utility, on a share-for-share basis. Shareholders representing 84%, or 379 shares out of 451 shares, adopted the resolution.

Mr. J. D. Reader, an engineer on the Commission's Hydraulic Division staff, made a study of the operations of this system and

found that Tract No. 1 was piped late in 1945 with 1,500 feet of six-inch and 14,660 feet of four-inch, slip-joint, 12-gauge, dipped pipe; Tract No. 3, northwest portion, was piped with 1,000 feet of six-inch and 13,360 feet of four-inch, 12-gauge, dipped, slip-joint pipe and approximately 1,500 feet of used three- and 2½-inch black pipe. A 14-inch well was drilled on Lot 15 of Block 9 in Tract No. 1 in 1946 to a depth of 150 feet, with a concrete seal on the bottom to prevent excessive sand from entering the well. At present, Tract No. 2 has not been piped, and part of Tract No. 3 remains to be piped.

The present total fixed capital and annual depreciation, as computed by the 5% sinking fund method, were found to be \$40,568 and \$517, respectively.

Mr. Reader made an analysis of the expenses, including such items as power, repairs, labor, insurance, bookkeeping, taxes, and depreciation; and arrived at the conclusion that they will average over \$30 per customer per year. This figure includes only a part-time maintenance man; however, until the water system grows considerably, a large portion of this maintenance man's salary must be borne by the real estate development. Inasmuch as most expenses continue month to month, whether the consumer is there or not, Mr. Reader concludes that seasonal users should be required to pay their fair portion of the annual average cost per customer.

Applicant is requesting flat rates on 3/4-inch service of \$25 for summer season and \$45 for all-year service, plus a summer irrigation charge of \$2.50 per 1,000 square feet, and optional meter rates as follows:

REQUESTED METER RATES

<u>Minimum Charges:</u> <u>Meter Size</u>	<u>5 Mos. Season</u>	<u>All- Year</u>	<u>Minimum Mthly. Allowance</u>
5/8 x 3/4-inch meter	\$25	\$ 42	800 cu. ft.
3/4-inch meter	30	55	1,000 cu. ft.
1-inch meter	50	96	1,500 cu. ft.
1 1/2-inch meter	75	168	2,500 cu. ft.

<u>Monthly Quantity Charges:</u>	<u>Per Meter Per Month</u>
First 800 cu. ft. - included in minimum charge	
Next 1,200 cu. ft., per 100 cu. ft. . . .	\$0.35
Next 3,000 cu. ft., per 100 cu. ft. . . .	.25
Next 5,000 cu. ft., per 100 cu. ft. . . .	.20
Next 10,000 cu. ft., per 100 cu. ft. . . .	.15
All over 20,000 cu. ft., per 100 cu. ft. . . .	.10

Applicant's proposed seasonal flat rate is somewhat below the estimated average annual cost of \$30, and the all-year rate is considerably above; but the high unit costs of keeping the system operating in the winter justify this spread. The cost figure does not include any return on the investment. Mr. Armstrong testified that he is not concerned with a return during the developmental stage of the tracts, but he desires to recover out-of-pocket costs. In the event the rates established herein do not prove adequate after the service area has passed the development stage, applicant may apply to this Commission for revision thereof. Similarly, the rates will be subject to revision downward should actual experience indicate that the yield of these rates is unreasonably high.

On February 28, 1949, a test of the water from the well in Tract No. 1 was made by Affleck Laboratories, Sacramento, which found it to be safe for human consumption as of that date.

Applicant has located the mains in the streets in and surrounding the tracts; and, under date of March 9, 1949, obtained a resolution of the County Board of Supervisors granting permission to occupy such streets. Mr. Armstrong testified that no other utility is rendering public utility water service in this area.

The costs incurred by applicant in obtaining a certificate are reported at \$300, of which \$50 represents the payment of the

filing fee under Section 57½ of the Public Utilities Act. Applicant has stipulated that it, its successors or assigns will never claim before the Commission, or before any court or public body, any value for this certificate in excess of the actual cost thereof.

No one protested the granting of a certificate of public convenience and necessity to applicant. One customer, Mrs. G. H. Thomas, protested the level of the proposed residential rate, stating that it is too high. When questioned as to her reason, she could give no specific answer other than to compare it with Sacramento city water rates. The rates charged by applicant should be related to its cost of operation and not to those that may be charged by a large city, like Sacramento, where unit costs should be lower and service conditions wholly dissimilar. Rates must necessarily reflect cost differences if the higher-cost utility is to survive and keep solvent. Applicant's proposed flat rates do not appear unreasonable, based on estimated future costs of service; but some revision of applicant's proposed meter rates appears necessary to maintain proper balance between the two types of service.

Not only has applicant advanced the cost of the water system material, but has paid the cost of labor of installation, and now states that there are no loans outstanding against the system. The evidence indicates that the applicant will operate and maintain the system in such condition as to furnish satisfactory water service during the developmental stage of these tracts and thereafter. The Commission finds that public convenience and necessity require the issuance of this certificate.

The certificate of public convenience and necessity hereinafter granted is subject to the following provisions of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity, 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 of public convenience and necessity or right.

The order herein will authorize applicant to issue 451 shares of its no par value capital stock and exchange the same on a share-for-share basis for 451 shares of mutual stock now outstanding. The Commission's order does not require the holders of the company's outstanding stock to exchange their shares.

O R D E R

Public hearing having been held on the above-entitled application, the matter having been submitted, and the Commission being fully advised, and it being of the opinion that the money, property or labor to be procured or paid for by the issuance of the 451 shares of stock herein authorized is reasonably required by the Tahoe-Sierra Water Company for the purposes herein stated, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted Tahoe-Sierra Water Company to construct, operate, and maintain a public utility system for the production, distribution, and sale of water within Tracts Nos. 1, 2, and 3 of Tahoe-Sierra Subdivision, Tahoe Valley, El Dorado County, subject, however, to the following conditions:

1. Applicant shall file in quadruplicate with this Commission within twenty (20) days after the effective date of this order, in conformity with General Order No. 96, the schedules of rates shown in Exhibit A attached hereto, to be charged for all water service rendered to consumers after said effective date.

2. Applicant shall, within twenty (20) days after the effective date of this order, file with the Commission four sets of rules and regulations governing relations with its customers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of the present service area and the location thereof with respect to the immediate surrounding territory; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.
3. Applicant shall, within thirty (30) days after the effective date of this order, file four copies of a comprehensive map, drawn to an indicated scale of not less than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and to be served and the location of the various properties nearby of the applicant.
4. Applicant shall, within thirty (30) days after the completion of the system for which this certificate is granted, notify this Commission in writing of such completion.

IT IS HEREBY FURTHER ORDERED that Tahoe-Sierra Water Company may, after the effective date hereof, issue not exceeding 451 shares of no par value capital stock, in exchange on a share-for-share basis for 451 shares of its mutual stock now outstanding.

IT IS HEREBY FURTHER ORDERED that Tahoe-Sierra Water Company shall file within five (5) days following six (6) months after the effective date hereof, a statement showing the number of shares of stock issued under the authority herein granted, the names of the persons to whom said shares were issued and the number of shares of outstanding stock surrendered by each of said persons.

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said statement shall also show the stated value assigned to each share of stock issued.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 22nd day of March, 1949..

R. Z. [Signature]
Justice J. [Signature]
[Signature]
[Signature]

Commissioners.

Schedule No. 1

FLAT RATES

APPLICABILITY

Applicable to all water service rendered on a flat rate basis.

TERRITORY

In Tahoe-Sierra Subdivisions Nos. 1, 2, and 3 lying between the unincorporated communities of Bijou and Tahoe Valley in El Dorado County.

RATES

For a 3/4-inch service for a five-month summer season (May, June, July, August, and September)	\$ 25.00
For service in addition to the above summer months for April or October, per month	5.00
For a 3/4-inch service for all-year service.	45.00
For irrigation of gardens, an addition charge per 1,000 square feet of garden for the five summer months period.	2.50
For motels or apartments:	
First two units for five-month summer season.	35.00
First two units for all-year service.	65.00
Additional units for five-month summer season	15.00
Additional units for all-year service	28.00

SPECIAL CONDITIONS

For commercial or large users, the rate to be determined by water use as measured by meter or estimated and applied to the meter rates set forth under Schedules Nos. 2 and 3.

Annual and seasonal flat rate charges are payable in advance on or before April 1 of each year.

Schedule No. 2

SEASONAL METER RATES

APPLICABILITY

Applicable to all measured water service during the five summer months, May, June, July, August, and September.

TERRITORY

In Tahoe-Sierra Subdivisions Nos. 1, 2, and 3 lying between the unincorporated communities of Bijou and Tahoe Valley in El Dorado County.

RATES

Minimum Charges:	<u>Seasonal Minimum Charge</u>
For 5/8 x 3/4-inch meter	\$25.00
For 3/4-inch meter	30.00
For 1-inch meter	50.00
For 1 1/2-inch meter	75.00

Monthly Quantity Rates:	<u>Per Meter Per Month</u>
First 800 cubic feet, per 100 cubic feet	\$ 0.625
Next 200 cubic feet, per 100 cubic feet . . . . .	.50
Next 1,000 cubic feet, per 100 cubic feet . . . . .	.40
Next 3,000 cubic feet, per 100 cubic feet . . . . .	.25
Next 5,000 cubic feet, per 100 cubic feet . . . . .	.15
All Over 10,000 cubic feet, per 100 cubic feet . . . . .	.10

The seasonal minimum charge will entitle the consumer each month to that quantity of water which one-fifth of the seasonal minimum charge will purchase at the Monthly Quantity Rates.

Schedule No. 3

ALL YEAR METER RATES

APPLICABILITY

Applicable to measured all-year service.

TERRITORY

In Tahoe-Sierra Subdivisions Nos. 1 and 3 lying between the unincorporated communities of Bijou and Tahoe Valley in El Dorado County.

RATES

Minimum Charges:	<u>Annual Minimum Charge</u>
For 5/8 x 3/4-inch meter	\$ 42.00
For 3/4-inch meter	54.00
For 1-inch meter	96.00
For 1 1/2-inch meter	168.00
	<u>Per Meter Per Month</u>

Monthly Quantity Rates:

First 700 cubic feet, per 100 cubic feet.	\$ 0.50
Next 1,300 cubic feet, per 100 cubic feet. . . . .	.33
Next 3,000 cubic feet, per 100 cubic feet. . . . .	.20
Next 5,000 cubic feet, per 100 cubic feet. . . . .	.15
All Over 10,000 cubic feet, per 100 cubic feet. . . . .	.10

The annual minimum charge will entitle the consumer each month to that quantity of water which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.