

Decision No. 53159**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Donner Lake Utility Co., a )  
 California corporation, for extension of )  
 Certificate of Public Convenience and ) Application No. 37477  
 Necessity. ) (Amended)  
 )

John M. Welsh for applicant.  
W. Ben Stradley for Commission staff.  
J. Percy Stearns for himself an interested party.

O P I N I O NThe Application

Donner Lake Utility Co., a California corporation, by application filed November 10, 1955, as amended November 17, 1955, requests an order granting it a certificate of public convenience and necessity to operate a water system in an area adjacent to the territory it presently serves pursuant to the authority granted by Decision No. 50545, dated September 14, 1954, in Application No. 35585.

Most of the area now sought to be served consists of land subdivided by Donner Lake Development Company. This company will transfer this system to applicant for \$131,298.33 par value of its common stock, and will also lend applicant a minimum of \$14,712.50 required for acquisition and installation of new pipe and other facilities to serve a subdivision to be known as the Weeks Tract, and \$2,500.00 to construct new vermin proof redwood collection boxes and to install conical roofs to the two 30,000 gallon storage tanks now in operation. No authority is sought for the incurring of any indebtedness.

The Hearing

Public hearing was held March 20, 1956, in Donner Village before Examiner Rowe, at which time evidence, both oral and documentary, was adduced and the matter was duly submitted. A copy of this application was sent to the county officials of Nevada County and of Placer County, the area to be served being partly in each county. Also, notice of the application and of the hearing was given to the consumers as well as to Truckee Public Utility District.

The Project as Proposed

The water service to about 240 homes and cabins which is now being rendered free, will be continued by applicant under rates and charges the same as are now applicable to the water service rendered by applicant in the area certificated by said Decision No. 50545. The new construction plans include laying pipes to and in the "Weeks Tract" and also installing fire hydrants throughout the entire service area.

The water supply for the service area now sought to be certificated is obtained from springs located on an 11.527-acre parcel within this area. Two 30,000-gallon redwood storage tanks are now in place. This system at present is entirely independent of the system which serves the area certificated by Decision No. 50545. The transmission and distribution system consists of 6,880 feet of 6" steel pipe, 4,700 feet of 4" pipe, 11,320 feet of 2" galvanized pipe in place as well as 1,788 feet of 1" galvanized pipe and 4,087 feet of 3/4" galvanized pipe used as service connections.

The system also includes an auxiliary pumping plant which can draw water from the lake in amounts sufficient to supply the entire area. The water from the springs is very pure and clear having only a slight mineral content. A pressure of ninety to one hundred pounds is maintained in the system.

The Feasibility and Need for the System

The water system having been in operation for several years has demonstrated its feasibility. Because free water service to the present users is to be discontinued by Donner Lake Development Company it becomes necessary that the system be operated by applicant as a public utility. Applicant testified that the property to be acquired is presently worth \$131,298.33, the amount for which applicant proposes to issue its stock. The new construction has been shown to be needed and the amounts to be paid therefor are found to be reasonable. No competition with any other public utility water system exists or is contemplated.

Plant Investment

The record in this proceeding shows that the water system properties include 11.527 acres of land which, with springs and water rights, are claimed by applicant to have a value of \$55,000... "based on a fair appraisal valuation." However, no evidence was introduced to establish that this amount was the original or estimated historical cost of such land, springs and water rights, and accordingly the stock issue authorized herein excludes the amount of \$55,000 alleged to be the value of such properties.

Applicant's statement of the original cost of mains, pumps and other facilities does not include the amount of the depreciation reserve requirement.

Under the circumstances, the Commission can make no finding as to the cost of land, springs and water rights to be entered in applicant's capital accounts or to be used for rate making purposes. Further, no finding is made as to the depreciation reserve requirement applicable to the cost of pumping, storage and water distribution facilities. The order which follows will require applicant to submit an appraisal of land, springs and water rights based on original cost, if known, or estimated historical cost. Also applicant will

be required to submit a depreciation reserve requirement study applicable to pumping, storage and water distribution facilities. At such time as a proper appraisal of the water production facilities and depreciation reserve requirement study are filed with the Commission as hereinafter ordered, applicant may by supplemental application herein petition the Commission for authority to issue additional stock.

Rates as Proposed

The rates proposed by applicant according to testimony and counsel's statement at the hearing, are the same as those on file for the area served pursuant to Decision No. 50545 and appear to be reasonable for the area to be certificated herein. No estimates of operating revenues or expenses were submitted. The operation will be carried on by the same management now performing the service to patrons in the area to the north and east of the lake. The rates proposed by applicant will be adopted in the order which follows.

Conclusion

No other public utility water system renders service in or contiguous to the proposed service area and no objections have been made to the granting of a certificate to applicant as herein requested. Under the circumstances, it appears and we find that public convenience and necessity require and will require that applicant be granted authority as requested to serve as a public utility water corporation in this area.

The certificate of public convenience and necessity issued herein is subject to the following provision 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 action taken herein shall not be construed to be a finding of the value of the property to be acquired with the proceeds of the capital stock herein authorized to be issued.

The following order will authorize the issuance of 76,300 shares of \$1 par value of its capital stock. Applicant will take notice that the proceeds of any stock issued shall not be expended for purposes properly chargeable to operating expenses or to income.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the acquisition, construction and operation of a public utility water system by applicant at Donner Lake, Nevada and Placer Counties, in the area as set forth and definitely defined on the map received in evidence and marked Exhibit No. 2 in this proceeding; therefore,

IT IS HEREBY ORDERED:

(1) That a certificate of public convenience and necessity is granted to Donner Lake Utility Co., a corporation, to acquire, construct and operate a public utility water system for the distribution and sale of water within the territory hereinbefore described.

(2) That applicant is authorized to revise, after the effective date of this order, its presently filed tariff schedules, including tariff service area map, in accordance with the procedure prescribed by General Order No. 96, to provide for the application of said tariff schedules for water service in the area being certificated by this order, such revised tariff sheets to be effective on or before service is first rendered to the public under the authority herein granted. Such revised tariff sheets shall become effective upon five

days' notice to the Commission and to the public after filing as hereinabove provided.

(3) That applicant shall:

- a. File within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and to be served, the principal water production, storage and distribution facilities, and the location of the various water system properties of applicant being certificated herein.
- b. Base the accruals to depreciation upon spreading the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property. Applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

(4) That applicant shall file, after the effective date of this order and on or before October 15, 1956, a suitable document acceptable to the Commission showing the results of an appraisal of all land, springs and water rights used for public utility purposes, such appraisal to be based on the original cost, if known, or estimated historical cost; together with the results of an appropriate depreciation requirement study applicable to pumping, storage and water distribution facilities presently installed to furnish water service within the area herein certificated.

(5) That applicant after the effective date hereof and on or before October 15, 1956, may issue and sell, at not less than \$1 per share, 76,300 shares of its capital stock for the purposes set forth in the foregoing opinion, it being hereby found that the money, property or labor to be procured or paid for by the issuance of such stock is reasonably required by Donner Lake Utility Co. for the purposes herein stated, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

(6) That applicant shall file with the Commission monthly reports as required by the Commission's General Order No. 24-A, which order in so far as applicable, is made a part of this order.

The authorization herein granted shall expire if not exercised within one year after the effective date hereof.

IT IS HEREBY FURTHER ORDERED that the application of Donner Lake Utility Co., as amended, except as specifically herein granted, be and it is denied without prejudice.

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

Dated at San Francisco, California, this 25<sup>th</sup> day of May, 1956.

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 President  
Justin F. Adams  
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Rosko Venturini  
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[Signature]  
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 Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.