

Decision No. 60163

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Sierra-Nevada Water Co., a corporation, for a certificate of public convenience and necessity for the construction, operation and maintenance of a water system and plant on the northwest shore of Lake Tahoe, in Placer County; and for a permit to issue stock.

Application No. 41934

J. Calvert Snyder, for applicant.
T. E. Finger, for Lake Forest Water Co., interested party.
W. B. Stradley and Sidney J. Webb, for the Commission staff.

O P I N I O N

Applicant's Request

By this application, filed February 8, 1960, Sierra-Nevada Water Co., a California corporation, seeks authority to construct, operate and maintain a public utility water system in Dollar Point Subdivision which is located on the northerly shore of Lake Tahoe at Carnelian Bay in Placer County, and to issue not to exceed \$75,000 par value of its capital stock to finance the cost of the first stage or unit of construction.

Public Hearing

After due notice, public hearing was held on this application before Examiner William W. Dunlop on April 21, 1960 at Tahoe City. Applicant presented exhibits and testimony through two witnesses in support of the application.

A representative of the Lake Forest Water Co. and a representative of the Commission staff cross-examined applicant's witnesses. No party expressed any opposition to the granting of the application. The matter now is ready for decision.

Proposed Service Area

The area for which a certificate of public convenience and necessity is sought contains approximately 200 acres as shown on Exhibit D of the application and is presently under subdivision development by Sierra-Nevada Land Co., applicant's parent corporation. The area presently has no water system but is not far distant from three water-serving public utilities, Highlands Water System, Lake Forest Water Company, and Fulton Water Company. Each of these three utilities was notified of the hearing herein but offered no objection at the hearing to the granting of a certificate to the applicant herein.

Applicant's proposed service area includes all of the Dollar Point Subdivision, with a probable ultimate total of some 535 service connections. The initial immediate construction in stage 1, however, for which applicant seeks authorization to issue stock, contemplates approximately 159 service connections along Edgewater Drive and the southerly portion of Toiyabe Drive.

Water Supply

The testimony shows that the property involved in the Dollar Point Subdivision has riparian rights to water in Lake Tahoe. Applicant represents that water under such riparian rights is sufficient for the operations contemplated by this application. Applicant also has pending before the State Water Rights Board of California an application for appropriative water rights in addition to the riparian rights.

Proposed System

The water system applicant proposes initially to install includes an 8-inch, 10-gauge steel-pipe suction line some 850 feet in length and extending into Lake Tahoe; two 25-horsepower pumps, rated at 195 gallons per minute each; a welded steel pipe distribution

system, varying in size from 4 inches up to 8 inches; a 50,000-gallon steel storage tank located at elevation 250 feet above the surface of Lake Tahoe; a chlorinator; fire hydrants; and necessary valves and services. It is proposed that water be pumped into the storage tank from Lake Tahoe and then fed by gravity into the distribution system. Water pressure at the customers' services varying between a minimum of 25 psi during periods of peak demand and a maximum of 80 psi is anticipated.

The ultimate system contemplates the installation of an additional storage tank of 75,000-gallon capacity at a higher elevation than the initial storage tank.

Estimated Cost of System and Financing

Applicant's estimate of the cost of the initial system is \$73,443 as detailed in Exhibit F of the application. Applicant requests an additional amount of \$1,557 for working capital. The sum of these two items is the amount of \$75,000, for which applicant desires to issue 750 shares of its \$100 par value common stock to its parent corporation, Sierra-Nevada Land Co. The boards of directors and the officers of applicant and of its parent corporation are identical. Applicant's parent corporation proposes to advance all the costs of construction in exchange for applicant's stock on a dollar-for-dollar basis. According to the testimony no overhead costs of the parent corporation will be added to the actual costs of construction. Likewise, all quantity discounts will be reflected in costs to the water company.

The ultimate system is estimated by applicant to cost some \$369,060, which, according to the testimony, is anticipated to be financed through the issue of additional common stock to the parent corporation upon future applications to and approval by this Commission.

Proposed Rates

Applicant proposes a basic annual flat rate of \$78 for residential service with a corresponding meter-rate schedule for commercial establishments. Seasonal service also is proposed at a basic charge of \$45 for a six-month summer season and of \$35 for the winter season. In the opinion of the Commission such charges are reasonable for the initial development. However, applicant will be required to file rates for fire hydrant service since it proposes to provide such service. Also applicant will be required to file necessary rules governing customer relations.

Findings and Conclusions

The Commission finds as a fact that public convenience and necessity require and will require that applicant be authorized to serve the Dollar Point Subdivision, as requested. The certificate 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.

Further, the Commission is of the opinion and finds that the money, property or labor to be procured or paid for by the issuance of 750 shares of capital stock, having a par value of \$100 per share for cash in the amount of \$75,000, is reasonably required by applicant for the purposes hereinabove stated and as specifically enumerated in Exhibit E and Exhibit F, Stage I, Immediate Construction, attached to the application, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the approval herein given is not to be construed to be a finding of the value of applicant's stock or properties nor as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

Applicant is placed on notice that its relationship with its parent corporation or any other associated companies will be closely scrutinized by this Commission. Moreover, the rates herein authorized may be subject to review at any time and particularly as further development of the subdivision occurs.

O R D E R

The above-entitled application having been considered, public hearing having been held, the Commission being fully informed and having found that public convenience and necessity require the proposed water system; therefore,

IT IS ORDERED as follows:

1. A certificate of public convenience and necessity is hereby granted to Sierra-Nevada Water Co. to construct and operate a public utility water system for the production, distribution and sale of water within the Dollar Point Subdivision as said subdivision area is delineated in Exhibit D attached to the application herein.
2. Sierra-Nevada Water Co. shall not extend service outside of the territory certificated to it without authority first having been obtained from this Commission.
3. Applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity

with the provisions of General Order No. 96, the schedules of rates and charges attached to this order as Appendix A, and, with tariff service area map and rules governing customer relations acceptable to the Commission, and to make said rates, map and rules effective on or before the date water service is first made available to the public in the Dollar Point Subdivision. Such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

4. Within sixty days after the completion of the water system for Stage 1, Immediate Construction, applicant shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage, transmission and distribution facilities, and the location of the various water system properties of applicant.

5. Applicant, on and after the effective date hereof and on or before December 31, 1961, may issue and sell not to exceed 750 shares of its common stock at not less than \$100 a share for the purposes hereinabove set forth.

6. Applicant shall file with the Commission a report or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of the order herein.

7. Applicant shall notify this Commission in writing of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.

8. Applicant shall determine accruals for depreciation by dividing the original cost of the utility plant, less estimated

future net salvage, less depreciation reserve, by the estimated remaining life of the plant. Applicant shall review the accruals as of January 1 of the year following the date service is first rendered to the public under the rates and rules authorized herein and thereafter when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

9. Prior to the date service is first rendered to the public under the rates and rules authorized herein, applicant shall apply to the public health authority having jurisdiction for a water supply permit for its proposed water system, and within ten days thereafter shall report to the Commission in writing that such application has been filed.

The certificate and authorizations hereinabove granted will expire if not exercised prior to January 1, 1962.

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

Dated at San Francisco, California, this 24th day of May, 1960.

[Signature]
 President

[Signature]

[Signature]

[Signature]
 Commissioners

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

APPENDIX A
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Schedule No. 1

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated area known as Dollar Point Subdivision, and vicinity, located adjacent to State Highway 28, approximately 2 miles east of the community of Tahoe City, Placer County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:	
First 800 cu.ft. or less	\$ 6.50
Next 1,200 cu.ft., per 100 cu.ft.30
Next 3,000 cu.ft., per 100 cu.ft.25
Over 5,000 cu.ft., per 100 cu.ft.20
Annual Minimum Charge:	
	<u>Per Meter</u> <u>Per Year</u>
For 5/8 x 3/4-inch meter	\$ 78.00
For 3/4-inch meter	88.00
For 1-inch meter	120.00
For 1 1/2-inch meter	187.00
For 2-inch meter	256.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance.

(Continued)

Schedule No. 1

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS (Contd.)

2. The charge for water used in excess of the quantity allowed each month for the annual minimum charge may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative monthly consumption basis.

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Schedule No. 1S

SEASONAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a seasonal basis.

TERRITORY

The unincorporated area known as Dollar Point Subdivision, and vicinity, located adjacent to State Highway 28, approximately 2 miles east of the community of Tahoe City, Placer County.

RATES

Per Meter
Per Month

Monthly Quantity Rates:

First	800 cu.ft. or less, included in Seasonal Minimum Charge	
Next	1,200 cu.ft., per 100 cu.ft.	\$0.30
Next	3,000 cu.ft., per 100 cu.ft.25
Over	5,000 cu.ft., per 100 cu.ft.20

Seasonal Minimum Charge:

		<u>Per Meter Per Season</u>	<u>Quantity Allowed:</u>
		Summer Season: Winter Season	: Per Month for :
		: May 1 through: Nov. 1 through:	Seasonal Min. :
		: October 31 : April 30 :	Charge :

For	5/8 x 3/4-inch meter	\$ 45.00	\$ 35.00	800 cu.ft.
For	3/4-inch meter	53.00	43.00	1,200
For	1-inch meter	69.00	59.00	2,000
For	1 1/2-inch meter	102.00	92.00	4,000
For	2-inch meter	137.00	127.00	6,400

SPECIAL CONDITIONS

1. Service may be taken under this schedule for either or both seasons.
2. The seasonal minimum charge is payable in advance on or before the initial day of the season and entitles the customer to the quantity of water

(Continued)

Schedule No. 1S

SEASONAL GENERAL METERED SERVICE

SPECIAL CONDITIONS (Contd.)

each month on a noncumulative basis that corresponds to the seasonal minimum charge as shown above.

3. The charge for water used in excess of the quantity allowed each month for the seasonal minimum charge may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative monthly consumption basis.

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Schedule No. 2R

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all annual residential water service furnished on a flat rate basis.

TERRITORY

The unincorporated area known as Dollar Point Subdivision, and vicinity, located adjacent to State Highway 28, approximately 2 miles east of the community of Tahoe City, Placer County.

RATE

Per Service Connection
Per Year

For a single family residence, including premises	\$78.00
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SPECIAL CONDITIONS

1. The above residential flat rate charge applies to service connections not larger than one inch in diameter.
2. All annual residential service not covered by the above classification will be furnished only on a metered basis.
3. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, Annual General Metered Service, or Schedule No. 1S, Seasonal General Metered Service.
4. The annual flat rate charge is payable in advance on or before January 1 of each year.

Schedule No. 2RS

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all seasonal residential water service furnished on a flat rate basis.

TERRITORY

The unincorporated area known as Dollar Point Subdivision, and vicinity, located adjacent to State Highway 28, approximately 2 miles east of the community of Tahoe City, Placer County.

RATES

Per Service Connection
Per Season

Summer Season: Winter Season :
May 1 through: Nov. 1 through:
October 31 : April 30 :

For a single family residence, including premises \$45.00 \$35.00

SPECIAL CONDITIONS

1. The above residential flat rate charge applies to service connections not larger than one inch in diameter.
2. All seasonal residential service not covered by the above classification will be furnished only on a metered basis.
3. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, Annual General Metered Service, or Schedule No. 1S, Seasonal General Metered Service.
4. Service may be taken under this schedule for either or both seasons.
5. The seasonal flat rate charge is payable in advance on or before the initial day of the season.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated area known as Dollar Point Subdivision, and vicinity, located adjacent to State Highway 28, approximately 2 miles east of the community of Tahoe City, Placer County.

RATE

Per Month

For each hydrant

\$3.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, Annual General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.