

Decision No. 60942**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
QUAIL LAKE WATER COMPANY, a corpora-
tion, for an order authorizing the
issuance of stock, for a certificate
of public convenience and necessity
to acquire and maintain a water sys-
tem, and for an order fixing water
rates.

Application No. 42433
(As amended)

Reeser, Farrow, Barton & Barton, by Robert R. Barton,
for applicant.
Kronick, Moskovitz & Vanderlaan, by Adolph Moskovitz,
for Lake Tahoe Gold Mining Company, protestant.
F. A. Kilner, for McKinney Shores (a joint venture),
interested party.
W. E. Stradley and Sidney J. Webb, for the Commission
staff.

O P I N I O N

By this application, filed July 1, 1960 and as amended August 18, 1960, Quail Lake Water Company, a California corporation, (1) seeks a certificate of public convenience and necessity to construct a public utility water system in the vicinity of Chambers Lodge and Homewood, Lake Tahoe, (2) requests authority to issue stock in the amount of \$240,000 and (3) seeks authority to establish rates and charges for the service to be rendered by said water system.

Public hearing in the matter was held before Examiner F. Everett Emerson on August 18, 1960 at Tahoe City. The matter is submitted and ready for decision.

The resort area known as Chambers Lodge at Lake Tahoe is presently owned by applicant's Vice President and Treasurer, Mr. E. N. Kettenhofen. For approximately the past forty years the area

has received its water from Quail Lake, lying to the west of the Lodge, which lake has been used as a storage reservoir for water obtained from the natural watershed and by diversion of 25 miner's inches of water from Ellis Creek (also known as Homewood Creek). Since Mr. E. N. Kettenhofen acquired an interest in the properties in 1956, the water supply line from the lake and those pipes around the Lodge, as well as the Lodge itself, have been "winterized" so as to permit year-round water usage without interruption due to freezing.

The lands at the lower elevations, generally to the west of Chambers Lodge and generally paralleling the shore line of Lake Tahoe, are being subdivided into approximately 570 homesites. Applicant corporation was formed primarily to provide water service to these homesites plus the Lodge and about 60 residential units on or adjacent to the grounds of the Lodge. The subdivision development has progressed to the point where 150 lots have been subdivided and a water distribution system is in place to provide water service to 88 of them. It is anticipated that the over-all development will be completed about two years hence. The water supply is sufficient to meet the needs of the over-all development. Applicant's distribution system meets the requirements of this Commission's General Order No. 103, except in one relatively minor instance which applicant will be directed to correct. Applicant has applied for the permit required by this State's Department of Public Health.

Utility plant costs for the initial system (88 lots plus Lodge and its 60 units) total \$118,393.82. The plant costs for the over-all system are estimated to be about \$242,000 upon completion. Applicant proposes initially to issue 1,200 shares of its \$100 par value per share stock to Mr. E. N. Kettenhofen in payment for the

initial plant costs and \$1,606.18 in cash to be used as working capital. It also proposes to issue not to exceed 1,200 additional shares to the same person, on an actual cost basis, for the remainder of the distribution system to be constructed during the next two years. This plan results in a two-year lag before the uniform main extension rule applicable to other water utilities becomes effective. Applicant is placed on notice that the customer density in portions of the area served by extensions made during this two-year period may be given consideration in future rate proceedings, inasmuch as the customers will not have the protection, which is normally provided by the utility's filed main extension rule, from possible speculative and uneconomical aspects of extension of service to that additional territory. This is particularly important in a resort area such as will be served by the proposed extensions, due to the large percentage of vacant lots often experienced in such developments.

Applicant proposes to charge flat rates of \$36 per 6-month season for residential service. The charges for lodges and motels would consist of the residential rate for the first unit plus one half of such rate for each additional unit. Applicant also requests that a metered rate schedule be established but intends that its use be reserved for the control of excessive or wasteful usage. A nominal charge for fire hydrant rental is also proposed.

Applicant's operating expenses will exceed revenues for the first few years and applicant cannot expect a return on its investment during such period. Employees of the Lodge will operate and maintain the water system until such time as revenues may support system operations.

Lake Tahoe Gold Mining Company, as a protestant in this matter, in essence claims that applicant does not have a supply of water available to it adequate to serve the area for which applicant seeks to be certificated. Protestant's position is that applicant is relying on water rights established by court decree in 1923 and that protestant's subsequent filings for appropriative rights may deny applicant additional water. This Commission is not the tribunal before which water rights may be adjudicated. However, the evidence in this proceeding is clear that the amount of water to which applicant has a right by virtue of the 1923 decree has been and will continue to be put to beneficial use and that this diverted water together with watershed runoff will be reasonably adequate for its intended public utility water operations.

In view of the evidence, the Commission finds as a fact that public convenience and necessity require and will require that applicant be granted the certificate requested. Such certificate is subject to the 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.

In view of the evidence, the Commission finds that the requests of applicant should be granted. Further, the Commission finds that the money, property or labor to be procured or paid for by the issue of stock is reasonably required for the purposes specified and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

O R D E R

Based upon the evidence and the findings contained in the foregoing opinion,

IT IS ORDERED as follows:

1. A certificate of public convenience and necessity is hereby granted to Quail Lake Water Company, a California corporation, to operate as a water corporation within the area delineated by "Boundary of Certified Area" on Exhibit C attached to the application herein.

2. Applicant is authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96, the schedules of rates attached to this order as Appendix A and, on not less than five days' notice to the public and to this Commission, to make said rates effective for service rendered on and after January 1, 1961. Concurrently, applicant shall similarly file a tariff service area map and rules governing customer relationships, acceptable to the Commission, which tariff sheets shall become effective upon five days' notice to the public and to this Commission after such filing.

3. If applicant exercises the authorization hereinabove granted, it shall file with this Commission, not later than February 1, 1961, 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; the water production, storage, transmission and distribution facilities, and the location of the various water system properties of applicant.

4. Applicant, on or after the effective date of this order and on or before December 31, 1963, may issue and sell not to exceed

2,400 shares of its common stock at not less than \$100 per share for the purposes set forth in Amended Exhibit E attached to the application herein. Applicant shall file with this Commission a report or reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. Applicant shall acquire title to Quail Lake plus a ten-foot strip of land adjacent to the high water perimeter thereof and to the twenty-foot strip of land in which the ditch is located, from the diversion point on Ellis Creek to Quail Lake, as said lake and lands are delineated on Exhibit No. 3 in this proceeding. A certified copy of the instrument of title shall be filed with this Commission within ten days of said acquisition.

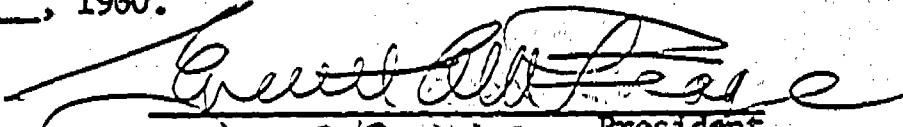
6. Applicant shall not serve more than six lots from that portion of its distribution system on Lark Drive, in Chamberlands, Unit A, within 950 feet of Chamberlands Drive until the water main in Lark Drive is reinforced (by paralleling or replacement) in such manner as will assure compliance with the requirements of this Commission's General Order No. 103. Within ten days of the date on which service to more than said six lots are served, applicant shall inform this Commission, in writing, of that fact and of the corrective measures taken in order to permit of such additional service.

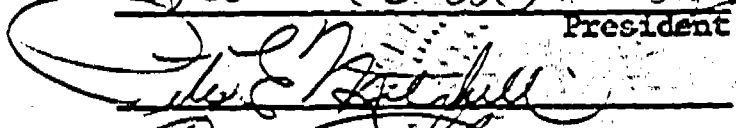
7. Applicant shall make accruals for depreciation by dividing the original cost of depreciable plant, less estimated net salvage less depreciation reserve, by the estimated remaining life of the plant. Applicant shall review said accruals by accounts as of January 1, 1962, and thereafter whenever major changes in plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

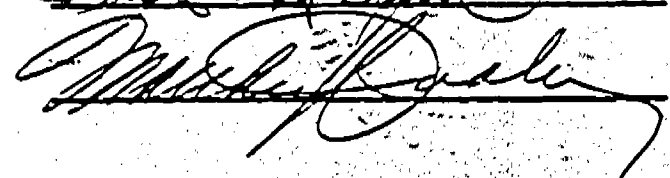
8. The certificate and authorizations hereinabove granted will expire if not exercised prior to January 1, 1963.

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

Dated at San Francisco, California, this 25th
day of OCTOBER, 1960.



President




Commissioners

Theodore H. Jenner
Commissioner & C. Lyn Fox being
necessarily absent, did not participate
in the disposition of this proceeding.

APPENDIX A
Page 1 of 6

Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including Chamberlands Subdivision, and Chambers Lodge resort, and vicinity, located adjacent to State Highway 89, approximately 8 miles south of Tahoe City, Placer County.

RATES

		Per Meter Per Month
Monthly Quantity Rates:		
First	800 cu.ft. or less	\$ 6.00
Next	1,200 cu.ft., per 100 cu.ft.40
Next	3,000 cu.ft., per 100 cu.ft.35
Next	5,000 cu.ft., per 100 cu.ft.30
Over	10,000 cu.ft., per 100 cu.ft.25
		Per Meter Per Year
Annual Minimum Charge:		
For	5/8 x 3/4-inch meter	\$ 72.00
For	3/4-inch meter	84.00
For	1-inch meter	120.00
For	1 1/2-inch meter	180.00
For	2-inch meter	300.00

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.
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.

APPENDIX A
Page 2 of 6

Schedule No. 1S

SEASONAL GENERAL METERED SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated area including Chamberlands Subdivision, and Chambers Lodge resort, and vicinity, located adjacent to State Highway 89, approximately 8 miles south of Tahoe City, Placer County.

RATES

Per Meter
Per Month

Monthly Quantity Rates:

First	800 cu.ft. or less	\$ 6.00
Next	1,200 cu.ft., per 100 cu.ft.40
Next	3,000 cu.ft., per 100 cu.ft.35
Next	5,000 cu.ft., per 100 cu.ft.30
Over	10,000 cu.ft., per 100 cu.ft.25

Per Meter
Per Season

Seasonal Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 36.00
For	3/4-inch meter	42.00
For	1-inch meter	60.00
For	1 1/2-inch meter	90.00
For	2-inch meter	150.00

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

(Continued)

APPENDIX A
Page 3 of 6

Schedule No. 1S (Contd.)

SEASONAL GENERAL METERED SERVICE

SPECIAL CONDITIONS

1. Service may be taken under this schedule for either the Summer Season, May 1 through October 31, or the Winter Season, November 1 through April 30, or both seasons.
2. The seasonal minimum charge is payable in advance on or before the initial day of the season.
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.

APPENDIX A
Page 4 of 6

Schedule No. 2

ANNUAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including Chamberlands Subdivision, and Chambers Lodge resort, and vicinity, located adjacent to State Highway 89, approximately 8 miles south of Tahoe City, Placer County.

RATES

	<u>Per Service Connection Per Year</u>
For a single family residence, or first unit of a hotel or motel, including premises	\$72.00
For each additional residence, or hotel, or motel unit on the same premises and served from the same service connection	\$36.00

SPECIAL CONDITIONS

1. All service not covered by the above classification will be furnished only on a metered basis.
2. 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.

APPENDIX A
Page 5 of 6

Schedule No. 2S

SEASONAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including Chamberlands Subdivision, and Chambers Lodge resort, and vicinity, located adjacent to State Highway 89, approximately 8 miles south of Tahoe City, Placer County.

RATES

	<u>Per Service Connection Per Season</u>
For a single family residence, or first unit of a hotel or motel, including premises	\$36.00
For each additional residence, or hotel, or motel unit on the same premises and served from the same service connection	\$18.00

SPECIAL CONDITIONS

1. Service may be taken under this schedule for either the Summer Season, May 1 through October 31, or the Winter Season, November 1 through April 30, or both seasons.
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. The seasonal flat rate charge is payable in advance on or before the initial day of the season.

APPENDIX A
Page 6 of 6

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 including Chamberlands Subdivision, and Chambers Lodge resort, and vicinity, located adjacent to State Highway 89, approximately 8 miles south of Tahoe City, Placer County.

RATE

	<u>Per Month</u>
For each hydrant	\$3.50

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.