

**ORIGINAL**Decision No. 71313

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 TAHOE SOUTHSIDE WATER UTILITY, a )  
 California corporation, for a )  
 certificate of public convenience )  
 and necessity to extend its water )  
 system. )

Application No. 48503  
 (Filed May 25, 1966)

O P I N I O NGeneral

By this application, Tahoe Southside Water Utility, a California corporation, requests a certificate of public convenience and necessity to construct an extension of its facilities in El Dorado County.

Applicant, whose capital stock is solely owned by Mr. Frank Globin, was serving 189 metered and 1,232 flat rate services at the end of 1965. All but about a dozen customers are within the newly incorporated city of South Lake Tahoe. The utility's undepreciated utility plant at the end of the year amounted to \$996,951, and its 1965 gross revenues were \$199,652. There is no direct relationship between applicant and the Hofmann Company of Concord, California, developers of Pioneer Village.

Requested Service Area

Approximately two-thirds of the area for which a certificate is requested is known as Pioneer Village. It is outside the city of South Lake Tahoe and is not contiguous to any portion of the utility's existing serving area. The boundaries of the area are: proposed Al Tahoe Boulevard; Highway 50 freeway; a roadway

known as Pioneer Trail; and the city boundary. The Pioneer Village development contains approximately 95 acres ultimately to be subdivided into approximately 444 residential lots. Only the first portion, Pioneer Village Unit No. 1, containing 101 lots is presently under development. The one-third area not in the Pioneer Village development subdivision is not yet being developed.

Tahoe Sierra Water Company, a public utility, also furnishes service in the same general area. Its nearest serving area is within the city and contiguous to applicant's requested area. By letter received July 25, 1966, and hereby made a part of the record, the president of Tahoe Sierra Water Company informed the Commission that his utility has no objection to Tahoe Southside Water Utility's application.

#### Production Facilities

Applicant has two sources of water. One is Cold Creek located about 2 miles south of the city, with a claimed right to over 1,900 gpm. Associated with this source is 8,000,000 gallons of reservoir capacity. The other source is a well of 1,200 gpm capacity in its serving area. Applicant is in the process of completing construction of its 19-inch transmission main along Pioneer Trail from the impounding reservoir to a 3,500,000-gallon concrete lined reservoir near State Line. This main is designed to be the backbone of the water system. When this main and associated booster pumps are in full operation, the use of the utility's well will be diminished to possibly a standby basis.

#### Facilities for Extension

Water is to be delivered to the planned subdivision directly from the 19-inch transmission main. Distribution facilities for Unit 1 are to consist of approximately 2,800 feet of

12-inch and 4,200 feet of 6-inch dipped and wrapped 10-gauge welded steel pipe. The 12-inch main is to serve Unit 1 as a transmission main as well as all of the other units in the development. Single and double service pipes will be installed to lot lines. The double services are planned to be 1 inch in diameter branching to two 3/4-inch service connections to serve individual lots. The single services will be 3/4-inch in diameter. Six standard-type fire hydrants are to be installed throughout the tract. The water system designed to serve Unit 1 appears capable of furnishing adequate service and conforms with this Commission's General Order No. 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction".

#### Estimated Plant Costs

As of June 1966, final bids had not been received for the construction of the Unit 1 portion of the system. Applicant's engineer estimates the cost of the distribution facilities to be \$41,300. Applicant has estimated an additional cost of \$3,700 to cover tying into the transmission main, valves, underground vaults and other miscellaneous items. Allocation of a portion of the cost of the 12-inch main to Unit 1 would result in a cost of in-tract facilities of less than \$300 per customer, a reasonable amount in the Tahoe area.

The entire \$45,000 estimated cost of the facilities, exclusive of the 19-inch transmission mains, will be advanced by the developer of Pioneer Village, with refunds to be made in accordance with Section C.2. of applicant's main extension rule.

#### Effects of Proposed Financing for Main Extension

The tabulation which follows compares the percentage relationship between advances for construction and net plant on a recorded and pro forma basis as of December 31, 1965, should

the Commission authorize applicant to serve Pioneer Village  
No. 1:

	<u>Recorded</u> <u>12/31/65</u>	<u>Pro Forma</u> <u>With</u> <u>Pioneer Village</u>
Net Plant	\$774,451	\$819,451
Advances for Construction	238,922	283,922
Percent Advances to Net Plant	30.8%	34.6%

As can be observed in the foregoing tabulation, the ratio of advances to net plant on a pro forma basis reflecting the extension to serve Pioneer Village Unit No. 1 is well below the 50 percent limitation set forth in Section A.2.a of applicant's main extension rule. Refunds on present and proposed advance contracts should pose no financial problem for this utility.

A review of applicant's income statement as shown in the 1965 annual report shows that cash funds generated from operations amounted to \$59,996, providing more than ample coverage for the \$12,654 of refunds on applicant's outstanding advance contracts during 1965.

#### Financial Stability

Applicant's capital structure as of December 31, 1965 as shown in the 1965 annual report is as follows:

<u>Debt</u>	<u>Amount</u>	<u>Percent</u>
Short-Term Note Payable - Due 10/25/66	\$100,000	26.6%
<u>Equity Capital</u>		
Common Capital Stock	119,867	
Capital Surplus	398	
Earned Surplus	156,360	
Total Equity Capital	<u>276,625</u>	<u>73.4</u>
Total Capitalization 12/31/65	<u>\$376,625</u>	<u>100.0%</u>

The balance in the earned surplus account indicates that the utility's operations have been profitable. Also, the debt-

equity ratio shown in the above tabulation indicates considerable additional borrowing capacity should the need arise for plant expansion.

Rates, Revenues and Expenses

Applicant has requested that its rates presently on file be made applicable to the area for which certification is requested herein. The average annual revenue and expense per customer in the requested area is expected to be comparable with that now being experienced in applicant's present service area. Service is planned to be furnished primarily on a flat rate basis.

After the application was filed, the Commission's staff made an investigation. A copy of the staff report, dated August 15, 1966, is hereby incorporated in this record as Exhibit No. 3.

The Commission finds that:

1. Public convenience and necessity require that applicant construct and operate the proposed system.
2. Applicant possesses the financial resources to construct and operate the proposed system.
3. Applicant's proposed water production facilities and distribution system, on the basis of the design outlined in Exhibit No. 3, should provide adequate water service.
4. Applicant's presently effective tariff schedules are fair and reasonable for the services to be rendered in the areas certificated herein.

The Commission concludes that:

1. The application should be granted as set forth in the ensuing order.
2. Applicant should file rules, standard forms and other tariff sheets as needed to define the conditions of rendering public utility service.

The certificate hereinafter granted shall be subject to the following provision of law:

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.

A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Tahoe Southside Water Utility authorizing it to construct an extension of its public utility water system facilities to serve Pioneer Village, containing about 95 acres, together with the area lying between Pioneer Village and the original city boundary to the northeast and the area between Pioneer Village and the Pioneer Trail to the east, as shown on Exhibits 1 and 2 attached to the application.

2. After the effective date of this order applicant may file revised tariff sheets including revised tariff service area maps to provide for the application of its present tariff schedules to the area certificated herein. Such filing shall comply with General Order No. 95-A and the revised tariff sheets shall become effective the fourth day after the date of filing. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

3. Within ten days after service is first furnished to the public under the authority granted herein, applicant shall file in this proceeding written notice thereof.

4. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within thirty days after the water system extension is placed in operation under the authority granted herein, applicant shall file with the Commission two copies of the map.

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

Dated at San Francisco, California, this 27<sup>th</sup> day of SEPTEMBER, 1966.

*Edward E. Mitchell* President  
*George E. Hoover*  
*Fredrick B. Holloff*  
*Rugator*  
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 Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.