

**ORIGINAL**

Decision No. 71813

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ANGORA WATER CO., a corporation, for a certificate of public convenience and necessity authorizing it to extend its system, and to deviate from its main extension rule.

Application No. 48214  
(Filed January 31, 1966;  
Amended July 5, 1966;  
Amended August 25, 1966)

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 and to deviate from its main extension rule.

Application No. 48330  
(Filed March 23, 1966;  
Amended June 28, 1966)

Scott Elder, for Angora Water Co., applicant in Application No. 48214, protestant in Application No. 48330.

Sherman C. Wilke, for Tahoe Southside Water Utility, applicant in Application No. 48330, protestant in Application No. 48214.

Frank B. Ingersoll, Jr., for E. B. Standish Co. & David D. Bohannon Organization (Developers), interested party.

John J. Gibbons and John D. Reader, for the Commission staff.

O P I N I O N

General

On January 31, 1966, Angora Water Co. (Angora) filed Application No. 48214 for a certificate of public convenience and necessity to extend its service area to include Montgomery Estates Subdivision Units Nos. 4, 5 and 6 and to deviate from filed tariffs in connection with assessment bond financing of the water system. On March 23, 1966, Tahoe Southside Water Utility (Tahoe Southside) filed Application No. 48330, containing substantially the same

requests and the next day it filed a protest to the granting of a certificate to Angora. On June 28, 1966, Tahoe Southside filed an amendment to its application to show additional facilities and estimated costs necessary to serve these tracts. On July 5, 1966, Angora amended its application to eliminate some of the area originally requested and to revise the source of supply for this extension. On August 25, 1966, Angora further amended its application to provide for the future installation of a storage tank. The matters were consolidated and heard before Examiner Gillanders on September 14 and 15 at South Lake Tahoe, and on September 20, 1966, at San Francisco. The matters were submitted on the latter date.

Management and Affiliation

Angora is a corporation controlled and operated by the Martin Bros., a general partnership consisting of three brothers, Donald L. Martin, Gerald E. Martin and Stanley L. Martin, and their cousin Donald G. Strand. One of the directors of Angora is Mrs. Alma Hall, mother of the Martin brothers. The Martin brothers also own 50% of the outstanding stock of Gardner Mountain Water Company, which has facilities interconnected with Angora. The remainder of the stock of Gardner Mountain is owned by Mrs. Alma Hall. The same persons who control Angora Water Co. own the Martin Land Company together with a pipeline and road construction business and an equipment dealership. B. Lawrence Hall, step-father of the Martin brothers, participated in the development of many of the subdivisions for which Angora is providing water service. Martin Bros. installed most of the distribution facilities of Angora Water Co.

Tahoe Southside is a corporation whose shares of stock are solely owned by Mr. Frank Globin, its president and manager. All major construction work is performed by independent contractors.

The subdivision in the requested area is being developed by Montgomery Developers, a copartnership and David D. Bohannon Organization, a California corporation. Tiechart & Son, contractors, submitted the low bid to install the distribution facilities in Montgomery Estates, Unit No. 4.

Area to be Served

Montgomery Estates Units Nos. 4, 5 and 6 contain more than a quarter section of land to be subdivided into approximately 860 lots located about 4 miles south of Lake Tahoe and 3 miles east of the Lake Tahoe Airport in Tahoe Valley. Unit 4, the first of the three units to be developed, contains 79 acres to be subdivided into 262 lots approximately one-fourth of an acre in area. The California Division of Real Estate issued its final subdivision public report covering Unit 4 on April 8, 1966 and amended it on April 25, 1966.

Service Area of Angora

Angora's nearest service area and facilities are a little less than two miles southwest of Montgomery Estates Units 4, 5 and 6. There are approximately 1,500 subdivided lots in Angora's service areas. As of December 31, 1965 it was furnishing service to about 75 customers of which only 2 were metered services. The service area and facilities of Angora's affiliate, Gardner Mountain Water Company, are located approximately three miles west of Montgomery Estates Units 4, 5 and 6.

Service Area of Tahoe Southside

Tahoe Southside's service area nearest to Montgomery Estates Units 4, 5 and 6 is Montgomery Estates Units 1, 2 and 3 which are approximately 600 feet to the northwest across Cold Creek. Most of Tahoe Southside's services are within the newly incorporated City of South Lake Tahoe. The service area may contain more than 2,000 subdivided lots. As of December 31, 1965 Tahoe Southside was furnishing flat rate service to 1,232 customers and metered service to 189 customers.

Angora Production Facilities

Angora's nearest water production facilities are those now serving Rollingwood Heights, Country Club Heights and Country Club Estates. They consist of a 130,000-gallon elevated storage tank and a well tested at a rate of 1,100 gpm but presently equipped to produce only about 300 gpm.

If Angora can develop a well in or near the Montgomery Estates area which produces water of approximately the same quantity and quality as its existing wells, it would have an adequate water supply for the area it is requesting.

Tahoe Southside Production Facilities

Tahoe Southside's nearest water production facilities are a diversion of up to 1,900 gpm from Cold Creek which flows into a 500,000-gallon diversion reservoir. There are impounding reservoirs of 8,000,000 gallons capacity at a lower elevation to hold water for emergency purposes. Tahoe Southside also has a well which produced about 46% of the water delivered during 1965. This well is equipped with a pump which is powered either by an electric motor or a diesel engine. Well production varies from 1,200 to 1,600 gpm. Water from this well does not require chlorination. All of Tahoe Southside's distribution facilities are interconnected.

Tahoe Southside is now operating a booster station and a 100,000-gallon steel storage tank to serve the first three units of Montgomery Estates and the Lake Christopher Subdivision. There is also a small pressure system at the tank site to serve about 15 lots at highest elevation.

Tahoe Southside is now installing booster facilities to operate in conjunction with a 19-inch transmission main approximately 15,000 feet in length along Pioneer Trail. This main terminates near the state line in a smaller pipeline leading to a concrete lined 3,500,000-gallon reservoir. The transmission main will form the backbone of Tahoe Southside's entire water system. These facilities have been financed by Frank Globin. Water from Cold Creek is chlorinated, and filtration has been recommended by the State Health Department's Bureau of Sanitary Engineering. The stream source facilities are all located within about 500 feet of Montgomery Estates Unit 4 and separate Unit 4 from Units 2 and 3.

Tahoe Southside Water Utility has an adequate water supply for its existing customers and the proposed extension of its service area.

Facilities to Serve Montgomery Estates Units 4, 5 and 6

The water distribution system for Unit 4 of the Montgomery Estates Subdivision as proposed by both applicants includes 10,300 feet of 6-inch and 4,390 feet of 8-inch 10 gauge dipped and wrapped steel pipe. The 262 services will be 1-inch galvanized pipe branching to 2 lots where possible. Seventeen public fire hydrants are proposed within this unit. These facilities were installed for the subdivider by an independent contractor.

Angora's proposal was amended to eliminate the 11,566 feet of 12-inch transmission main through national forest land. Instead it proposes to drill a well about 400 feet from Lot 1 of Unit 4 of the Montgomery Estates Subdivision. A test well drilled at this location indicates good water-producing possibilities. Detailed results have not been made available. Angora proposes to install a 25-hp, 300-gpm pump and an underground pressure tank at this well site to provide service for Unit 4. Service to Units 5 and 6 would require the installation of elevated storage and eventually the installation of a large pump in this well.

Tahoe Southside proposes to install a booster pump on the upstream side of Pioneer Trail. This would require 600 feet of 8-inch pipe from the booster station to Unit 4. ~~The booster~~ facilities would initially include a pump rated at 200 gpm to be driven by an electric motor. The utility proposes the future installation of a pump rated at 900 gpm to be driven by an internal combustion engine. The larger pump would automatically vary its output based on system demand, and the output of both pumps would be regulated by automatically controlled valves.

The following tabulation compares the cost estimates of the two applicants to serve Unit 4 of the Montgomery Estates Subdivision. They exclude estimates relating to the cost of facilities for Units 5 and 6. All of these facilities are to be financed by means of assessment bonds.

<u>Item</u>	<u>Angora</u>	<u>Tahoe Southside</u>
Pumping equipment to serve Unit 4	\$	\$ 15,504.86
400 feet 12-inch main, well and pumping equipment to serve Unit 4	13,800.00	
In-tract facilities, Unit 4	<u>85,133.20</u>	<u>85,133.20</u>
Totals	\$98,933.20	\$100,638.06

### Financing Provisions

The final subdivision public report for Unit 4 includes the following statement:

ASSESSMENTS: Streets, drainage, water and sewer systems will be financed by an assessment district which is to be established. The Montgomery Estate Assessment District will be established under the provisions of the Improvement Act of 1913 and bonds will be issued pursuant to the Improvement Act of 1911. The authorized bonded indebtedness of the district will be \$759,800 bearing interest at the rate of 6% and payable over a term of 15 years. It is estimated that each lot or parcel will be assessed a maximum \$2,900 for these improvements, payable in semi-annual installments of 1/15th of the principal amount per year plus interest on the declining balance for a period of 15 years, according to the subdivider's engineers report. This assessment will be charged to the purchaser in addition to the sales price of the lot or parcel and will be a lien which may be foreclosed upon if the payments are in default.

Each applicant has requested authority to deviate from its filed main extension rules so as to permit assessment bond financing. At the hearing, both applicants agreed that facilities financed by assessment bonds should be considered as Contributions in Aid of Construction.

Angora has used assessment bond financing for over half of its water system. Tahoe Southside has used assessment bond financing for the water systems in only one or two developments.

### Financial Statements

Comparison of financial statements of Angora, Tahoe Southside and Gardner Mountain Water Co. prepared from their annual reports to the Commission are shown in Table No. 1. Gardner Mountain has been included because its system is physically interconnected with Angora's, there is a degree of common ownership and control, and the owners have indicated that a merger of the two utilities is under consideration. Tahoe Southside's income statement for 1965 shows gross revenues of \$199,652 and a net income of \$40,460. Angora's income statement for 1965 shows gross revenues of \$15,984 and a net income of \$7,591, without provision for depreciation or property taxes. If depreciation and property taxes had been included, Angora's 1965 income statement would have shown a substantial net loss for the year.

Table No. 1

Angora Water Co., Gardner Mountain Water Co. and Tahoe Southside Water Utility  
Balance Sheets 12-31-65

Item	Angora Water Co.:	Gardner Mountain Water Co.	Tahoe Southside Water Utility :
<u>Assets and Other Debits</u>			
Utility Plant	\$ -	\$222,253	\$996,951
Reserve for Depreciation of Utility Plant	-	(39,291)	(222,500)
Utility Plant Less Reserve	-	182,962	774,451
Other Investments	-	-	64,116
Current and Accrued Assets	12,218	23,075	77,264
Total Assets and Other Debits	\$12,218	\$206,037	\$915,831
<u>Liabilities and Other Credits</u>			
Common Capital Stock	\$ -	\$191,850	\$119,867
Capital Surplus	-	-	398
Earned Surplus	9,598	13,008	156,360
Total Capital Stock and Surplus	9,598	204,858	276,625
Current and Accrued Liabilities	2,620	1,179	181,747
Advances for Construction	-	-	238,922
Other Deferred Credits	-	-	44,835
Contributions in Aid of Construction	-	-	173,702
Total Liab. & Other Credits	\$12,218	\$206,037	\$915,831

Angora Water Co., Gardner Mountain Water Co. and Tahoe Southside Water Utility  
Income Statements Calendar Year 1965

Item	Angora Water Co.:	Gardner Mountain Water Co.	Tahoe Southside Water Utility :
Operating Revenues	\$15,984	\$32,070	\$199,652
<u>Operating Revenue Deductions</u>			
Operating Expenses	7,443	20,640	100,810
Depreciation	-	5,066	19,537
Taxes	613	4,390	39,798
Total Opr. Rev. Deductions	8,056	30,096	160,145
Net Operating Revenues	7,928	1,974	39,507
Other Income	-	100	2,810
Income Deductions	337	-	1,857
Net Income	\$ 7,591	\$ 2,074	\$ 40,460

(Red Figure)



Franchises and Permits

El Dorado County does not require a county franchise. The state health authorities issued a permanent water supply permit to Angora on July 23, 1965. This permit includes the water supply of Gardner Mountain Water Co. since these systems are integrated. Tahoe Southside obtained its permanent water supply permit on November 30, 1961 following the installation of chlorinating facilities for the creek water and the completion of other system and operating improvements.

Comparison of Rates and Charges

The following tabulation compares the authorized rates for flat rate water service for both applicants.

<u>Item</u>	<u>Angora</u>		<u>Tahoe Southside</u>	
	<u>Summer</u>	<u>Winter</u>	<u>Summer</u>	<u>Winter</u>
Seasonal Flat Rate				
3/4-inch service conn.	\$ 45	\$ 35	\$ 40	\$ 40
1-inch service conn.	45	35	75	75
Annual Flat Rate	\$72		-	-

Both applicants have metered only commercial or unusually large water customers. The following tabulation compares the metered service charge for several varying monthly consumptions.

<u>Monthly Consumption</u>	<u>Angora</u>	<u>Tahoe Southside</u>
800 cubic feet	\$ 6.00	\$ 6.67
1,000 cubic feet	6.60	6.67
2,000 cubic feet	9.60	10.67
10,000 cubic feet	27.10	37.67
50,000 cubic feet	107.10	117.67

Recommendations

According to the staff accounting witness, available information indicates that Tahoe Southside is in a better financial position than Angora to provide water service to the requested area under existing rate schedules. For this reason the staff witness

recommended that a certificate to serve the area be awarded to Tahoe Southside and that Angora's application for a certificate be denied.

The attorney for the developers stated that his clients prefer service from Angora and in fact would not have bought the property except for the representations of Angora. The attorney for Angora stressed the fact that the Martin brothers are willing and able to subsidize Angora's operations if necessary. The attorney for Tahoe Southside submitted on the record as developed.

#### Findings

Upon consideration of the evidence the Commission finds as follows:

1. Tahoe Southside possesses the financial resources to construct and operate the water system as constructed and proposed by it.
2. Angora does not possess the financial resources to construct and operate the water system as constructed and proposed by it.
3. Public convenience and necessity require that the application of Tahoe Southside Water Utility be granted as requested and the application of Angora Water Co. be denied.
4. The authorization herein granted is not to be construed as a finding of the value of the properties of applicant Tahoe Southside, nor as indicative of amounts to be included in any future rate base for determination of just and reasonable rates.
5. The existing rates of Tahoe Southside are fair and reasonable for the service to be rendered.

Based upon the above findings the Commission concludes that Tahoe Southside should be granted the requested authorization as set forth in the following order. 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.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Tahoe Southside Water Utility to construct an extension and to operate public utility water system facilities to serve Montgomery Estates Units 4, 5 and 6 in El Dorado County.

2. After the effective date of this order Tahoe Southside is authorized to file revised tariff sheets including 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. 96-A. The effective date of the revised tariff sheets shall be four days 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. Tahoe Southside is authorized to deviate from its filed Rule No. 15, Main Extensions, to accept contribution of water system facilities financed by means of assessment bonds for Montgomery Estates Units 4, 5 and 6.

4. When actual costs for the installation of both off-tract and in-tract water facilities in Montgomery Estates Units 4, 5 and 6 are ascertained, Tahoe Southside shall record these costs as charges to the appropriate plant accounts with a contra credit to Account 265, Contributions in Aid of Construction.

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

6. Tahoe Southside shall prepare and keep current the map or maps of all utility facilities required by paragraph I.10.a. of General Order No. 103, and shall file two copies of such map with this Commission within ninety days after service is first furnished under the authority granted herein.

7. Application No. 48214 is denied.

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

Dated at San Francisco, California, this 17<sup>th</sup> day of JANUARY, 1967.

[Signature]  
President

[Signature]  
[Signature]

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Commissioners