

Decision No. 89961 FEB 14 1979**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of)
 PONDEROSA WATER CO., INC.)
 A California Corporation)
 For Authorization to Issue 750)
 Shares of its Common Stock)
 at Par.)

Application No. 58294
 (Filed August 14, 1978)

O P I N I O N

Ponderosa Water Company, Inc. (Ponderosa) seeks authority to issue 750 shares of its \$100 par value common stock.

Ponderosa is a California corporation operating a public utility water system which provides service to about 190 customers in the vicinity of Ponderosa Hills in Tuolumne County. For the calendar year 1977 Ponderosa reported operating revenues of \$15,061, a net loss of \$9,677, and depreciation expense of \$7,538. Net utility plant totalled \$226,412 at the end of 1977.

Ponderosa proposes to issue 750 shares of its common stock to Ponderosa Hills Land Company, Inc., as payment for certain property and related rights to the waters of Turnback Creek. The property consists of 25 acres of land, a developed reservoir with a capacity of approximately six acre-feet, and one-half mile of stream. The reservoir has two independent sources of supply, and there are adequate water rights attached to the stream and land area appertaining to the reservoir. Ponderosa wishes to acquire the property and amenities in order to establish a second source of supply for water, in compliance with General Order No. 103.

The applicant believes that the purchase price of \$75,000 is reasonable, and notes that surrounding lots of 2 to 5 acres are selling for between \$5,000 and \$10,000 per acre. Parcels larger than five acres and stream property are not otherwise available in the area.

All persons concerned in the stock transaction are the principal officers in both corporations, so there will be no new

stockholders in the utility.

The Hydraulic Branch of the Utilities Division has investigated this matter and, based on some recent land sales in the applicant's vicinity, believes that the value of \$3,000 per acre to be assigned to the new property is not unreasonable. Further, use of this new source of water may become mandatory as a result of a more restrictive policy by the Pacific Gas and Electric Company regarding the availability of ditch water from that company. Based on the foregoing, the Finance Division and the Utilities Division concur that Ponderosa's request is reasonable and should be granted; however, the engineer's investigation revealed that the parcel as described in the application has not yet been recorded and the Commission will require this to be done.

After consideration the Commission finds that:

1. The proposed stock issue is for a proper purpose.
2. The money, property, or labor to be procured or paid for by the issue of stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

There is no known opposition to the application and there is no reason to delay granting the authority requested. On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

The action taken herein shall not be construed as a finding of the value of the properties to be transferred. In issuing this decision we place Ponderosa Water Company, Inc. 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 it should be allowed to earn on its investment in plant, and that this authorization is not to be construed as a finding of the value of the company's stock or property nor as indicative of amounts

to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Ponderosa Water Company, Inc., on or after the effective date hereof, may issue and sell not exceeding 750 shares of its \$100 par value common stock for the purpose of acquiring the land and related water rights referred to in the application.

2. Ponderosa Water Company, Inc. shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

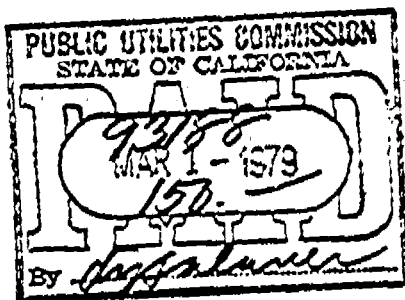
3. Ponderosa Water Company, Inc. shall record the transfer of the 25 acres of land and the related rights to the waters of Turnback Creek in the Official Records of the County of Tuolumne and shall file a copy of such recording with the Commission.

4. This order shall become effective when Ponderosa Water Company, Inc. has complied with the conditions of the preceding ordering paragraph and has paid the fee prescribed by Section 1904.2 of the Public Utilities Code, which fee is \$150.

Dated at San Francisco, California, this 14th day of FEBRUARY, 1979.

Commissioner Leonard M. Grimes, Jr.,
being necessarily absent, did not
participate.

Commissioner Richard D. Gravelle, being
necessarily absent, did not participate
in the disposition of this proceeding.



John E. Rogers
President
Vernon L. Sturgeon
Philip T. Delaney

Commissioners