

Decision No. 20598

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
KENNETT WATER COMPANY, a corporation,
for leave to discontinue service to
the City of Kennett,

Applicant.

ORIGINAL

Application No. 15026.

Charles W. Slack and Edgar T. Zook,
by Edgar T. Zook, for Applicant.

J.E. McGinness and E.E. Schoonover, Trustees,
for the City of Kennett.

BY THE COMMISSION:

O P I N I O N

This is an application for authority to discontinue service filed by Kennett Water Company, a public service corporation engaged in the business of supplying water for domestic and other purposes to consumers in and in the vicinity of the City of Kennett, Shasta County. The application alleges in effect that the company has suffered a considerable financial loss during the past several years due to the great decrease in the population caused by the closing down of the large copper mine and smelter formerly operated by the United States Smelting, Refining and Mining Exploration Company, upon whose activities the City of Kennett was almost wholly dependent; that there are no farming lands or other industries in the vicinity to which water could be sold and there is no present prospect of any improvement in the condition of the city with the result that con-

tinued operation will involve the applicant in additional expense for which there is no possibility of reimbursement. Wherefore, applicant asks for an order granting permission to discontinue its water service.

A public hearing in the matter was held by Examiner Satterwhite at Kennett.

This water works was installed originally in 1887 by Charles Butters, the present owner of the corporation. In 1905, the system was enlarged to supply the plant of the United States Smelting, Refining and Mining Exploration Company. The water supply is diverted from Big Backbone Creek, a tributary of the Sacramento River, and carried by flume and ditches a distance of four miles to a forebay, from which water is delivered by pipe line to a water-wheel operating a pump delivering the water into a 500,000-gallon reservoir, from which distribution is made by gravity to consumers in Kennett. At one time, a section of community known as "Little Italy" was supplied by gravity from Galinsky Springs, a source of supply no longer used the intake works and transmission facilities were washed destroyed some years ago by flood conditions. The and distribution system includes over 20,000 feet ranging from eight inches to three-quarters of an inch. The evidence shows that the estimated original works is \$68,641. as of October 1, 1928. The schedule of rates now in effect, as of October 1, 1928, is \$8.00 per month, in connection with Commission July 18, 1917, and is in part dated August 2, 1917, and is in part

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The schedule of rates now in effect was filed with this Commission July 18, 1917, in connection with Decision No. 4509, dated August 2, 1917, and is in part as follows:

<u>RATES</u>	<u>Per Month</u>
Dwellings-----	\$ 1.50
Lodging Houses-----	5.00
Private Boarding Houses or Restaurants-----	3.00
Stores, Shops or Offices-----	2.00
Water Closets and Bathtubs, private, each-----	.50
Water for City Fire Hydrants, not to exceed twenty-seven in number-----	50.00
Water for Irrigation, two hours per day, May 1st to November 1st, or when used-----	1.00

According to the evidence, this water system was enlarged solely to supply the large smelting industry and its employees, practically all of whom lived in Kennett. In 1919, the smelter closed down and the water company immediately began to lose revenue through the loss of its principal water user and many of the smelter employees. Operation of the smelter was resumed in 1924-25 and conditions thereafter improved until the fall of 1925, at which time the plant finally closed down and is now being dismantled. The revenues have steadily decreased from \$15,232. in 1918 to \$2,553. in 1927, and the number of consumers has decreased from a maximum of 311 to 45 at the present time.

The following table compiled from the Annual Reports of this utility as filed with the Commission show the results of operation from 1919 to the date the management was assumed by the City of Kennett:

: Year :	: Revenues :	: Maintenance : :and Operation: : Expenses :	: (Exclusive of : : Depreciation) :	: Operating : Profit :	: Operating : Loss :
1919	\$ 9,760.03	\$ 6,296.74		\$3,463.29	\$ -
1920	5,678.65	6,970.19		-	1,291.54
1921	5,344.58	6,108.72		-	764.14
1922	5,161.68	5,578.86		-	416.98
1923	5,644.94	5,527.25		117.69	-
1924	9,677.86	7,378.01		2,299.85	-
1925	8,320.54	6,289.94		2,090.60	-
1926	3,808.01	5,015.31		-	1,207.30
1927*	2,552.60*	2,724.65		-	172.05
9 Yrs.	\$56,008.89	\$51,839.47		\$4,119.42	

*Leased to City of Kennett October 1, 1927,
at rental of \$50.00 per month.

On September 13, 1927, the Kennett Water Company filed a formal application asking for authority to discontinue further public utility service. Subsequently, however, the company entered into an agreement to lease its system to the City of Kennett from year to year for a consideration of \$50.00 per month, an amount covering approximately the company's taxes, and the said application accordingly was dismissed. Commencing October 1, 1927, the city operated the system for a period of twelve months, during which time the gross revenues amounted to \$2,440. and operating expenses amounted to \$3,395., a deficit of \$955. which does not include an item of \$433., the estimated cost of repairing one of the pumps and also for unpaid city taxes. It further appears that the City of Kennett at the present time has less than \$100. in its treasury, has levied no taxes for the current fiscal year and intends to disincorporate, as a result of which it has now surrendered its lease and returned the water system to the company.

The difficulty with this system now is that for the present demands the plant is larger than necessary. The former demands for a very large volume of water for the smelter necessitated the long ditch and canal system located in territory with no protecting vegetation with the resultant excessive maintenance and operating costs which the present consumers can not afford to support in water charges. The system has not been properly maintained in recent years and will require the expenditure of a considerable sum of money to place its in proper operating condition. The evidence clearly shows that the present source of supply is too expensive to maintain and operate under existing circumstances but that with the expenditure ranging from \$1,500. to \$2,800. an adequate water supply from Galinsky Springs can be developed which will provide gravity service and eliminate

the present pumping expense.

E.R. Foster, one of the Commission's engineers, presented a report in which he estimated that under present conditions the continued operation of the plant would create an annual deficit of approximately \$300., leaving no return available upon the investment, but that under the Galinsky Springs plan the existing rates could reasonably be expected to yield operating expenses, including depreciation, and leave available approximately one-half of one per cent upon the then used and useful investment estimated to be \$22,000. This arrangement would involve the abandonment of the existing source of supply, transmission canals and pumping plant.

The company, however, has declined to spend the necessary money to develop the Galinsky Springs, claiming that present conditions show no opportunity for increasing the number of consumers but, on the contrary, indicate a very grave possibility of further decrease in water users. Admittedly, the outlook for the future is discouraging and the prospect of the present number of consumers continuing to take water is so uncertain that the Commission does not feel warranted in directing applicant to expend the money required to change the source of supply to Galinsky Springs. There is no other source of supply available to the remaining consumers except through the drilling of individual wells or by the installation of a community pumping plant along the bank of the Sacramento River which flows past the city. In the case of discontinuance of public utility service, we feel that the present owner, Mr. Butters, can have no further use for the distribution system and could realize little or nothing through its salvage. Similarly, there is no use being made of Galinsky Springs. We, therefore, suggest that

the present consumers enter into negotiations with Mr. Butters to the end that the springs and pipe line be turned over to them and that arrangements be made by the consumers to install the necessary diversion works and connecting pipe line from Galinsky Springs, the system thereafter to be administered by the users themselves under suitable organization.

There is the further possible solution that the consumers raise the funds necessary to change the source of supply to Galinsky Springs, in which event suitable arrangements very probably could be made with applicant to continue the operation of the system. The Commission would be willing at any time to lend its good offices in working out the details of any such plan or proposition acceptable to the consumers and applicant. We will therefore allow the discontinuance of the public utility service of applicant only after providing sufficient time for the consumers to enter into the aforementioned negotiations and/or to develop a water supply from other sources.

O R D E R

Application as entitled above having been made by Kennett Water Company, a corporation, to discontinue public utility service, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED that Kennett Water Company, a corporation, be and it is hereby authorized to discontinue, on and after the first day of June, 1929, the service of water to its consumers in and in the vicinity of the City of Kennett, County of Shasta, and thereupon and thereafter stand relieved of all public utility obligations and liabilities heretofore

incurred in connection with said service; provided, however, that, in the event that arrangements satisfactory to this Commission are consummated whereby the consumers of said Kennett Water Company are assured a continuance of service by other than this utility's operations, the Commission will, by supplemental order, shorten the time herein fixed for final discontinuance thereof.

The right to discontinue service as herein authorized is also subject to the following terms and conditions and not otherwise:

1. Within thirty (30) days from the date of this order, said Kennett Water Company shall notify in writing each and every consumer affected by this order of its intention to discontinue the service of water on the first day of June, 1929, and said company shall file with this Commission, within thirty (30) days from the date of this order, a certified statement that such notice has been duly given.
2. Within ten (10) days from the date of this order, Kennett Water Company shall cause to be posted in a conspicuous place, in the building in which the United States Post Office is located at Kennett, a true copy of the Opinion and Order herein, said Opinion and Order to remain so posted for a period of not less than thirty (30) consecutive days.

For all other purposes, the effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 14th day of December, 1928.

C. C. Seawey

Edmund J. ...

John D. ...

Commissioners.