

Decision No. 21173

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
Marin Lumber and Supply Company for
permission to abandon and discontinue
the operation of a water supply sys-
tem in, and adjacent to, the village
of Duncans Mills, Sonoma County,
California.

ORIGINAL

Application No. 14917.

Wallace L. Ware, by George W. Murphy,
for applicant.
Geary, Geary and C.J. Tauzer, by Donald Geary,
for protestants.

BY THE COMMISSION:

O P I N I O N

This is an application by Marin Lumber and Supply Com-
pany for permission to abandon and discontinue the operation of
its public utility water system in and in the vicinity of Duncans
Mills, Sonoma County. The application alleges in effect that the
company has complied with the Order of the Commission in its De-
cision No. 18944, dated October 25, 1927, directing the installa-
tion of certain repairs and improvements to the system; that the
present income from the sale of water is insufficient to meet
the bare operating expenses of the system with no provision for
depreciation requirements and return upon the investment. It is
further alleged that the present consumers can all obtain water
by drilling private wells on their own premises. For these
reasons, the Commission is asked to authorize the discontinuance
of further public utility service by applicant.

Public hearings in this matter were held by Examiner

Williams at Duncans Mills and Santa Rosa.

This water works has been in existence for over forty years and was originally installed by the Duncans Mills Land and Lumber Company to supply water to its sawmill and to the townsite of Duncans Mills. A more complete and detailed history and description of this plant is set forth in Decision No. 18944 (30 C.R.C. 496). The water supply at present is obtained by diversion from a stream at a point approximately three miles north of Duncans Mills, to which place it is transmitted by gravity and stored in a new 10,000-gallon tank installed in 1928. From the tank the water is delivered to the nine present consumers through 2,700 feet of pipe lines ranging from 2 inches to 3/4 of an inch in diameter. All service connections are metered although the charges are made at flat rates because no meter schedule has ever been established.

Applicant estimated the depreciated present value of the physical properties of the system, exclusive of lands and without allowance for overheads, to be \$2,000. as of January 1, 1928, and that, subsequent thereto and as a result of the above Decision No. 18944, the company has spent \$1,332. in the rehabilitation of the distribution system, making a total value of \$3,332 as of July 1, 1928. D.H. Harroun, one of the Commission's hydraulic engineers, estimated the historical cost of the system, including lands and rights-of-way, to be \$5,103. as of October 1, 1928.

Until the latter part of the year 1927, there was a total of twenty-two regular consumers receiving water service on this system. Thirteen of these water users formerly resided in houses belonging to applicant company, but, as these houses and buildings have all recently been torn down, there remain at the present time but nine consumers.

The company contended that the annual expenses for the operation of this system will amount to \$1,259., including a depreciation annuity of \$167. The major portion of these expenses, however, is due to the large overhead charges assigned to this plant, based upon a percentage of the overhead costs of the entire Marin Lumber and Supply Company in its private non-utility business. It is wholly unreasonable to burden the present nine consumers with so large a portion of the current business and industrial expenses of the lumber company merely because of the fact that this company is now the owner of the water works. Applicant conducts no local business at Duncans Mills other than the operation of the water plant and analysis of the evidence indicates that the continued operation of the plant by applicant will require the expenditure of approximately \$430. per year, including a reasonable allowance for depreciation. The major portion of the three-mile transmission pipe line from the intake at the creek to Duncans Mills is practically entirely worn-out and should be replaced without delay to insure uninterrupted service. It is the cost of the repair and maintenance of this transmission line that adds so materially to the cost of upkeep of the system under existing conditions and applicant is unwilling at this time to spend the money necessary to replace it, which, according to the evidence, has been estimated to be not less than two thousand dollars.

The present rates now produce a total gross revenue of \$360., a sum less than the operating expenses. Although the consumers very probably could afford to pay somewhat higher rates than now charged rather than lose the present service, yet the increase necessary to pay a reasonable return upon the total investment over and above fixed charges would result in rates so

high that the consumers would be forced to install private water systems. The fact that the thirteen consumers who formerly were tenants of the company are no longer consumers throws an additional burden on those left. Had these tenants still remained as water users, it might have been possible to so adjust the existing rate schedule as to produce a proper return without a burdensome rate.

The evidence shows that, under existing conditions, applicant cannot continue to supply water to the present consumers except at a financial loss and to insist that this be done is clearly unreasonable. Efforts have been made for some time by the Commission through informal negotiations with the consumers and the company to arrange for the purchase of the water properties by the water users. These negotiations, however, have been unsuccessful, primarily by reason of the refusal of the company to sell with the system the water rights which it has devoted to this service. It is indeed unfortunate that the utility has taken this attitude regarding the water supply. The Commission believes that, if further efforts are made to settle the present disagreement, such efforts should result in a solution satisfactory to both parties. Although it appears that the conditions make it necessary for the Commission to authorize the discontinuance of the public utility service by this company, sufficient time will be allowed to permit the consumers to make a further attempt to acquire the water system and the water rights, or to obtain a water supply from another source, or sources.

O R D E R

Application as entitled above having been made by Marin Lumber and Supply Company to discontinue public utility service,

public hearings having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED that Marin Lumber and Supply Company be and it is hereby authorized to discontinue, on and after the first day of September, 1929, the service of water to its consumers in and in the vicinity of Duncans Mills, Sonoma County, 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 Marin Lumber and Supply Company are assured a continuance of service by other than this utility's operations, the Commission will shorten by Supplemental Order 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 Marin Lumber and Supply 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 September, 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, Marin Lumber and Supply Company shall cause to be posted in a conspicuous place, in the building in which the United States Post Office is located at Duncans Mills, 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 31st day of May, 1929.

Thos. L. Howard

P. C. Seaver

Leon Seibert

M. J. Cunn
Commissioners.