

ORIGINAL

Decision No. DR 60

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
ELLA L. KNOWLES for authority to dis-  
continue public utility water service  
in Raymond, Madera County.

Application No. 17437.

BY THE COMMISSION:

O P I N I O N

In this application Ella L. Knowles, who owns and operates a public utility water system in the unincorporated town of Raymond in the County of Madera, alleges that due to a lowering of the water level in that locality, she has been unable to realize a profit on her investment and, furthermore, has lost money in her endeavors to meet the obligation of supplying water to her consumers. It is also alleged that applicant is not financially able either to continue operation or to develop the necessary additional waters. The Commission therefore is asked to authorize applicant to discontinue operation of the water works.

A public hearing in this proceeding was held before Examiner Satterwhite at Raymond.

The water supply for this utility is obtained from shallow wells located on property belonging to applicant and situated adjacent to the town of Raymond. The water works were originally constructed about twenty-eight years ago by applicant's husband, N.C. Knowles, now deceased. Water is pumped from wells into two elevated storage tanks with a combined storage capacity of 28,000

gallons. Distribution therefrom is by gravity through approximately twenty thousand feet of transmission and distribution mains, two inches and smaller in diameter. At one time the system supplied in excess of thirty consumers but at present serves an average of twenty active water users on a flat rate basis widely scattered over a sparsely-settled area, resulting in a distribution system considerably overbuilt for all present consumer demands. The rates now in effect were filed with the Railroad Commission in 1915 and provide for a monthly minimum payment for both flat and metered service of three dollars and a metered quantity rate of one dollar per one thousand gallons. Applicant furnishes water to the main section of the town of Raymond, comprising homes, stores, business establishments and the public school. There is also another small water system owned by one E.L. McCapes supplying fourteen consumers in that portion of the town of Raymond lying easterly of the Southern Pacific Company's railroad right of way and charging similarly a minimum flat rate of three dollars per month.

Applicant's son, R.L. Knowles, who looks after the operation of the water plant during his spare time, testified that a sum in excess of twelve thousand dollars (\$12,000) had been invested in the water works; that the operating expenses during the past twelve months had amounted to four hundred and thirty dollars (\$430) exclusive of taxes and depreciation; and that an additional sum of four hundred dollars (\$400) had been expended this summer in an unsuccessful effort to increase the yield of the wells. R.E. Savage, one of the Commission's engineers, estimated the original cost of the water properties to be \$8,863 and the corresponding depreciation annuity \$176, computed by the sinking fund method at five per cent. The revenues receivable were given at \$720 per annum on a

basis of an average of twenty consumers per year and taxes properly allocable to public utility property were estimated to amount to \$40 per annum.

The testimony shows that the underground formation throughout this territory is a deep and continuous granite bed-rock overlain with a very shallow overburden of permeable but non-water retaining soils. Obtaining water in appreciable quantities from dug wells or pits under such conditions is practically impossible. The past several years of drought have completely dried up two of applicant's wells and reduced the remaining two wells to a daily yield of less than one thousand gallons. This meager water supply served upon a non-metered basis has given rise to considerable complaint and dissatisfaction on the part of the water users. Efforts on the part of applicant to develop additional water have proved unavailing although approximately four hundred dollars were expended for this purpose during the past summer. During the last six years a large number of former consumers have dug their own wells which in most instances, however, have provided hardly sufficient water for individual household needs. The water system owned by E.L. McCapes serving some fourteen consumers in the section of Raymond lying easterly from the Southern Pacific Company's right of way not only has no surplus waters available but likewise has experienced a similar severe shortage of water for several years last past. Water from other sources except at practically prohibitive cost is out of the question except by united community effort and admittedly would not be economically feasible for applicant.

In this proceeding the evidence presented relative to operating and maintenance costs was based practically entirely upon

estimates and opinion as no records or accounts of actual expenditures have ever been kept. The following expenses were presented in behalf of applicant.

AVERAGE MONTHLY OPERATION COSTS

Power-----	\$ 6.92
General Repairs-----	9.33
Maintenance - Labor-----	<u>20.00</u>
Total-----	\$36.25

A reasonable allowance for taxes and depreciation appears from the evidence to total \$216 per year. However, analysis of the testimony indicates that with a yearly power bill averaging but \$72 the other operation charges are exorbitantly high and on their face unreasonable for the normal yearly costs of serving not to exceed twenty consumers. This system is looked after and maintained by applicant's son during his spare time. For proper operating and maintenance charges to supply such a small number of consumers it is wholly unfair and unreasonable to estimate the costs of supervision and repairs upon the similar charges for larger water works which warrant and require the employment of full-time employees. Upon the figures presented by applicant, together with allowances for taxes and depreciation, the operations of this system for the last year have resulted in a net return of \$69 and with the reduction of the estimates of expenses to a more fair and reasonable figure the net return should approximate three per cent upon the investment of \$8,863, which appears not to be unreasonable under the conditions existing on this system.

The testimony presented by and in behalf of applicant reveals the fact that she desires, if possible, to devote the water on her properties to other and private purposes and to accomplish

this end has even expressed her willingness to sell the distribution mains to any one for the sum of one thousand dollars. In view of the fact that this water supply has been devoted to the public use for a period of twenty-eight years more or less and that there is no other water available to the present consumers, such a reason alone and unsupported by other and more compelling facts does not commend itself to this Commission as proper grounds for the discontinuance of public utility water service. While the past four or five years of drought conditions have seriously reduced the yield of applicant's well sources, the consumers have expressed their willingness to overlook this handicap in the prospect that the anticipated and hoped-for return of normal rainfall will undoubtedly replenish the underground water. After a careful and thorough review of the record in this proceeding, it is clear that the net revenues received in the conduct of the affairs of this utility do not amount to a confiscation of property without due process of the law and we therefore are convinced that insufficient evidence has been presented by applicant to warrant or justify at this time the authorization of discontinuance of water service as requested.

O R D E R

Application as entitled above having been filed with this Commission, a public hearing having been held thereon, the matter having been duly submitted and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED that the above entitled application be and the same is hereby denied.

Dated at San Francisco, California, this 7th day of March, 1932.

C. J. [Signature]  
L. [Signature]  
W. B. [Signature]  
W. B. [Signature]  
J. G. [Signature]  
Commissioners.