

ORIGINAL

Decision No. 28897

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SUBURBAN DEVELOPMENT CO., a corpora-
tion, for permission to discontinue
public service.

Application No. 19851.

Young, Hudson & Rabinowitz,
by E.S. Young and R.G. Hudson,
for applicant.

C.W. White, City Attorney, for
the City of Hayward and certain
consumers.

George Ingraham and Emrie B. Smith,
for consumers.

BY THE COMMISSION:

O P I N I O N

In this proceeding, Suburban Development Co., a corporation, owner of Hayward Heath Water System, furnishing water to the tract known as Hayward Highlands, makes application for authority to discontinue water service. Applicant alleges that service has been rendered at a loss for a period of years and that it is no longer able financially to continue operations.

Public hearings in this proceeding were held at Hayward on March 26 and April 22, 1935, before Examiner Johnson.

The evidence shows that this system was constructed about 1914 by one of applicant's predecessors in interest as an aid to the sale of lots, with the then purpose of organizing a mutual company among the lot owners, and that for some time it was maintained on a cost-to-consumer basis. In 1926 applicant

acquired this system, together with certain subdivided and undeveloped non-operative property, and operations were continued upon the same basis until January 14, 1930, when the Commission in Decision No. 22010, 34 C.R.C. 193, declared it to be a public utility.

The water supply is purchased from the municipal water works operated by the City of Hayward and boosted by applicant through a transmission line about one mile in length to the service area known as Hayward Highlands. Within the tract, a second pumping plant is operated, taking water from the distribution mains and serving a higher zone. The system consists of two pumping plants, four storage tanks aggregating 100,000 gallons capacity, about 33,600 feet of pipe ranging from six to three-quarter inches in diameter, together with land, rights of way, etc. All services are metered.

The rates charged were fixed by the Commission's Decision No. 24241, decided November 23, 1931, 36 C.R.C. 828, and are as follows:

Monthly Meter Rates

First 300 cubic feet, minimum monthly charge-----\$1.50
Over 300 cubic feet, per month, per 100 cubic feet----- .30

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The estimated historical cost of the property as of December 31, 1934, is \$20,573 and the annual depreciation, \$434.

The revenue, maintenance and operating expense, deficit, and number of active services for the years 1932 to 1934, inclusive, are set out below.

	<u>1932</u>	<u>1933</u>	<u>1934</u>
Operating Revenue	<u>\$1,650.85</u>	<u>\$1,632.55</u>	<u>\$1,830.70</u>
Water Purchased for Resale	488.94	546.72	693.18
Power Purchased	650.37	676.54	717.80
Transmission and Distribution Expense	58.46	20.75	60.00
Repairs to Transmission and Distribution System	58.45	46.10	95.72
Superintendence, Operation Collection and Promotion of Business	1,200.00	1,200.00	1,200.00
General Office Expense	70.00	66.15	66.15
Taxes	37.92	55.22	41.48
Depreciation Annuity	418.56	421.56	433.78
Total Maintenance and Operating Expense	<u>2,982.70</u>	<u>3,033.04</u>	<u>3,308.11</u>
Deficit -- Maintenance and Operating Expense Less Operating Revenue	1,331.85	1,400.49	1,477.41
Average Number of Active Services	70.4	73.5	77.6

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While the testimony indicates that some savings could be made by reducing the expenses for superintendence, it is also equally clear that the amount so realized, together with the increasing costs of adequate repairs, would fall far short of wiping out the operating deficit. The remaining expense items are held at the lowest minimum charge consistent with providing adequate service. The other major expenses are for purchased water and electric power for boosting and pressure regulation and cannot be avoided.

There is no adequate and reliable source of water supply

available to this area other than that furnished by the City of Hayward which already has most generously given this water plant a rate lower than charged to any other consumer receiving water outside of its corporate limits. There is no recourse other than to place a very heavy surcharge on existing tariffs if public utility service is to continue. The consumers are unwilling and in many cases unable to pay such an increase. The evidence also shows that the applicant is in such distressing financial straits that it is unable to continue operations.

Suburban Development Co. was controlled by Sol Koff, a large real estate operator. In 1932, the principal holdings of said company were transferred to Consolidated Realty Co., also controlled by said Koff. The latter company is now insolvent and wholly unable to stand further out-of-pocket losses.

The applicant is in a position to insure conveyance free and clear of all incumbrance with unclouded title and taxes paid to and including the installment of taxes which would have become delinquent as of April 20, 1935, and repeatedly has made offers to the consumers, the City of Hayward and/or to any responsible party to transfer this entire system, free of charge, to any of said parties or persons.

Unfortunate as this situation may be, it is beyond controversy that applicant has done the best it can under the most adverse conditions and can no longer reasonably be required to continue operations. Its proposals have been fair and sincere. By proper initiative and cooperation, the consumers readily can avail themselves of a continued water supply. As a matter of fact, said consumers already have held several meetings to this end.

Under existing conditions, applicant will be allowed to discontinue service from and after thirty (30) days from the date of this Order. Although continuance for another month will add not a little to applicant's increasing deficit, such a period is necessary, however, in order to permit the consumers sufficient time in which to make suitable arrangements for future service.

O R D E R

Suburban Development Co., a corporation, having made application to the Railroad Commission for authority to discontinue public utility water service to the tract known as Hayward Highlands, 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 Suburban Development Co., a corporation, be and it is hereby authorized to discontinue public utility service to its consumers on the tract known as Hayward Highlands, in the County of Alameda, thirty (30) days from and after the date of this Order.

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 3rd day of June, 1935.

Leon C. Sullivan
M. A. Lee
W. B. Harris
W. H. ...
Frank ...
Commissioners.