

Decision No. 44544**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
P. J. DIVIZICH for an Order Authorizing  
Discontinuance of Domestic Water Service  
in the Town of Ducor, County of Tulare,  
State of California.

Application No. 30983

Robert E. Mook, for Applicant.O P I N I O N

Peter J. Divizich, by this application, requests authority to discontinue domestic water service as a public utility at Ducor, Tulare County.<sup>1/</sup> The application was submitted at a public hearing held at Ducor on May 16, 1950, before Examiner Gregory. The record shows that applicant mailed notice of the hearing to the consumers, most of whom were present at the hearing.

As related in the 1949 decision (No. 43045), when the well formerly supplying water to the town dried up in the summer of 1947, applicant commenced and has continued to supply water from a well owned by the Divizich Corporation and designed for use in its farming and packing operations. Revenue from this service has not been sufficient to cover costs of operation as shown by applicant's exhibits summarized below:

RESULTS OF OPERATION - 1949

|                      |          |
|----------------------|----------|
| Gross revenue        | \$953.50 |
| Operating expense    | 1,137.35 |
| Depreciation expense | 331.78   |
| Net revenue          | (515.63) |

(Red Figure)

<sup>1/</sup> Divizich acquired the water system, serving about 40 consumers, from Ducor Land Company in 1947. He was later found to be operating the system as a public utility and was ordered to file rates. (Dec. No. 42042, Oct. 14, 1948; Case No. 4884; Dec. No. 43045, June 28, 1949, Cases Nos. 4884, 5002.) Reference is made to the earlier proceedings for discussion of the historical facts.

A Commission engineer estimated the historical cost of the system as of December 31, 1949, exclusive of the corporation well, at \$9,154.62, with accumulated depreciation at \$3,030, or a depreciated cost of \$6,124.62. He also estimated results of operation on the basis of additional capital investment of approximately \$13,000 for a new well, pump, piping and meters, and the substitution of metered rates in place of the present scale of individual flat rates which vary from \$1.75 to \$5 per month, depending on the type of service. Of the present 40 customers, 34 pay from \$1.75 to \$2 per month while six pay from \$3 to \$5 per month.

The Commission's engineer estimated that in order to provide a 5½% return on a depreciated rate base of \$19,000, an annual net revenue of \$1,045 would be needed. With expenses estimated by the engineer at \$1,900, a gross revenue of \$2,945 would be required as compared to probable revenue of \$1,040 available under present rates. The basic metered rate required to produce the estimated necessary revenue would be \$4 per month, or an increase of approximately 100% over the rates now paid by 34 (85%) of the 40 consumers. The three consumers who testified, stated they would be willing to pay such a rate if it were authorized by the Commission. Applicant, however, testified that it would be difficult for him to finance the improvements recommended by the Commission's engineer.

The record in the 1949 proceeding, incorporated herein so far as pertinent, together with that made at the recent hearing, indicates that applicant has made continuous efforts to have the water system taken over by either a mutual association or a public water district, and that plans for such organizations have progressed to the point of incorporation of a mutual association and discussions concerning the boundaries and financing of a public water district. There appears to be a division of conviction among the consumers as to the probability of successful operation of either type of organization.

Those who are against such proposals base their position largely on the belief that applicant would not be disposed to assume his share of the burden of public or mutual operation.

Applicant has plainly indicated on the record, however, that he is willing to do his part in contributing to the support of a public water district. He considers that type of organization more feasible than a mutual association, since a district would have a broader base upon which to secure the necessary financing. In addition, he has offered to transfer, without charge, all existing facilities of the water system, except the corporation well, to any organization that may be formed to supply water in the Town of Ducor; to transfer to such successor, without charge, eight lots in the center of the town for use as a well site; to continue operating for a period of 120 days in order to permit the organization of a successor, and to furnish water to such successor for another 120 days after its formation on the basis of pumping costs alone.

In Decision No. 43045, issued after the hearing held in April, 1949, we said:

"Should the plans now envisaged for a different type of organization be slow in maturing, and the revenues collected during that period be noncompensatory, Divizich may file an application for an increase in rates."

Applicant does not desire an increase in rates, but wants to be relieved of public utility obligations. At the same time, he indicated that he wanted to do all he could to help provide an adequate water supply for the town. He testified that he stood to lose about \$3,000 this year as a result of not having sufficient water to irrigate 40 acres of potatoes, due to the necessity of having to supply water to the town from his well. In the early part of this year his pump broke down and had to be replaced. For eight days he hauled water by truck to supply the town, at a total cost of approximately \$200. The record makes plain that applicant has suffered continual and substantial

loss from this operation since its inception in 1947, and that the system cannot be successfully operated without major rehabilitation, including a new source of supply.

The magnitude of the job required to provide an adequate supply of water in this locality suggests that a more promising solution might be developed by a public water district, or other organization, capable of securing the necessary finances and set up so as to permit continued growth of the community. We believe that, under the peculiar facts of this case, applicant and the other water users in Ducor would be well advised to continue as rapidly as possible with their plans for formation of a public water district or other suitable organization. If such organization is not in a position to operate the water system by February 1, 1951, the Commission will reconsider applicant's request to be relieved of public utility obligations. In the meantime, while plans are maturing, applicant should be required to provide water service as at present, but he should also be given some relief by way of a temporary increase in rates. The following estimates, based upon the Commission engineer's report, will serve to indicate what we think will be a reasonable basis for operating this system pending its acquisition by some other form of organization:

|  |         |
|--|---------|
| Gross revenue                          | \$2,180 |
| Operating expenses                     | 1,530   |
| Depreciation (straight line)           | 330     |
| Net revenue                            | 320     |
| Rate base (undeprciated)               | 9,150   |
| Rate base (depreciated to end of 1950) | 5,870   |
| Return (depreciated rate base)         | 5.45%   |

In order to produce the foregoing rate of return, it will be necessary to double the present flat rates, which, as stated above, are now developing about \$1,040 per annum in revenues. We find that such an increase is justified on the present record.

We also find that the water system, in its present condition, has reached the limit of its capacity to supply water, and that no new

or additional customers can be added without injuriously affecting those now being served.

O R D E R

Public hearing having been held herein, the matter having been submitted, the Commission being fully advised and basing its order upon the findings and conclusions contained in the foregoing opinion,

IT IS ORDERED:

1. That P. J. Divizich be and he is hereby authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity with General Order No. 96, an amendment to his present schedule of rates and charges for water service rendered in and about the unincorporated Town of Ducor, Tulare County, so as to increase each of said present rates and charges by 100%, said amended rates and charges to continue in effect until further order of the Commission.
2. P. J. Divizich, pending further order of the Commission, is hereby directed to continue to render domestic water service to the customers now being served by said water system, and is hereby further directed not to serve any new or additional consumers unless prior authorization therefor be secured from the Commission.
3. Applicant's request to discontinue service is hereby denied without prejudice, and this proceeding will be kept open for such further action as the Commission may deem appropriate in the circumstances.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 18<sup>th</sup> day of

July, 1950.

R. Z. Inman  
Justice J. Gallier  
Walter H. Sweet  
Harold Hula  
Kenneth Lott  
Commissioners