

**ORIGINAL**Decision No. 45188

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, and J. E. McLAUGHLIN and C. L. GRANDBOIS, a partnership doing business under the name of the JACKSON WATER WORKS, for an order of the Public Utilities Commission of the State of California authorizing the former to sell to the latter the water distribution system herein described, and authorizing Jackson Water Works to make effective in the territory involved its filed water rules and regulations and its applicable water rates and charges.

Application No. 31738

R. W. DuVal and John A. Sproul, by John A. Sproul for applicants; Angelo J. DePaoli and A. Caminetti, Jr., for Martell users and property owners, protestants.

O P I N I O N

In this application, filed September 11, 1950, Pacific Gas and Electric Company,<sup>1/</sup> a corporation, requests authorization to sell its public utility water system in Martell, Amador County, to J. E. McLaughlin and C. L. Grandbois, a partnership doing business as the Jackson Water Works,<sup>2/</sup> owners and operators of a neighboring public utility water system in and in the vicinity of the City of Jackson, Amador County. Jackson Water Works asks authority to place its presently filed rates, rules and regulations in effect on the system to be acquired concurrently with the property transfer.

Public hearings were held before Examiner Emerson on November 16 and December 6, 1950, in Jackson, and the matter was submitted on the latter date.

<sup>1/</sup> Hereinafter sometimes referred to as Pacific.

<sup>2/</sup> Hereinafter sometimes referred to as Jackson.

Pacific serves water to approximately 48 flat-rate customers in the unincorporated area of Martell, such area being about two miles northwest of the City of Jackson. Pacific's water is obtained from open ditches running long distances from storage reservoirs in the mountains. It is raw, untreated water, and no protection against pollution is afforded nor is foreign matter excluded from it. Pacific's Commercial Department Manager testified that the company has received complaints about the unsatisfactory condition of the water over a period of several years and that recently the situation has become serious, since the water is at times considered unhealthful for human consumption.

Jackson Water Works serves approximately 950 metered customers in and about the City of Jackson. Its water is purchased from Pacific and is obtained from Pacific's open ditch system. The ditch water, however, is stored in a large reservoir where suspended matter may settle. Before it enters the distribution system, the water passes through a chlorination plant where it is treated.

Pacific, in seeking a solution to the raw water problems, determined that a chlorination plant could be installed at the point where its ditch water enters its distribution system. The estimated costs of installation and the operating expenses for such a plant, as prepared by company engineers and presented as an exhibit in this proceeding indicated that the Martell system would thereafter operate at a loss. A second possible solution appeared to be the purchase of treated water from the Jackson system. In either case, Pacific concluded that it could not afford to sell treated water on a flat-rate basis and that it would, therefore, find it necessary to install meters and seek a rate increase. In the course of its investigation, Pacific found that one of its distribution mains was located within approximately 902 feet of a main of the Jackson system and that, therefore,

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the two systems might conveniently be connected. Pacific thereupon entered into negotiations with Jackson, and the parties reached an agreement respecting the transfer of the property to Jackson. The application before us, therefore, is a joint application seeking permission to consummate the agreement for transfer of the utility property. Such transfer obviously would make Pacific's Martell customers subject to the rates, rules and regulations of Jackson Water Works.

A copy of the contract by which the sale is to be made is attached to the application as Exhibit "A" thereof. Among other things, it provides that Jackson will pay Pacific \$5,000 plus the actual cost of any additions and betterments installed by Pacific between August 1, 1950, and the date of conveyance of the system. As of November 1, 1950, the historical cost, depreciated, of the Martell system was \$6,922.

Certain customers of the Martell system appeared with counsel in opposition to the proposed transfer and six of their witnesses were heard. In the main, they testified that there is now no wastage of water in Martell and that, contrary to applicants' experience that a metered delivery results in a lesser water consumption than an unmetered delivery, none of them could curtail their present usage and that they would, therefore, be faced with greatly increased water bills. Several witnesses testified that the availability of flat rates in Martell was the principal reason for their having selected that area for their businesses. One protesting witness, who pays a flat rate of \$2 per month, stated that in addition to domestic water service and other farm uses on a 600-acre ranch, 40 to 100 head of cattle are watered throughout the year. Another witness who receives water for \$1.50 per month operates a drive-in type of restaurant and claimed that patrons would not be attracted to his place

of business if any curtailment in water usage for lawns and shrubs was made. An owner of a 5-acre plot on which two residences, a hotel, a bar, and a vegetable garden are located, and who now pays a flat rate of \$2 per month, also opposed the proposed transfer. Several opposing witnesses stated, under cross-examination, that they have been concerned about their liability in serving untreated water to their guests or patrons and that they would be willing to pay a reasonable increase in rates for safe water.

Considerable testimony was offered, by applicants and protestants alike, relative to a comparison of water bills and usage in Martell and Jackson. The evidence before us indicates that the average monthly bill on Pacific's Martell system is \$2.11, while the average monthly bill for all purposes on the Jackson Water Works system is \$3.26. A Commission engineer testified that the average water bill for domestic service only on the Jackson system was \$3 per month for the calendar year 1949. It is apparent that some increases in water charges may be expected when the Martell system is merged with the Jackson system. For treated water, such increase in charges appears entirely reasonable.

We are of the opinion that the proposed transfer of public utility property will not be adverse to the public interest and that applicants' requests should be granted.

The action taken herein shall not be construed to be a finding of the value of the property herein authorized to be transferred.

#### O R D E R

The above-entitled application having been filed with this Commission, a public hearing having been held, the matter having been submitted and it appearing to the Commission that the proposed transfer will not be adverse to the public interest; therefore,

IT IS HEREBY FOUND AS A FACT that the rates and charges authorized herein are justified, and

IT IS HEREBY ORDERED that Pacific Gas and Electric Company may, on or after the effective date hereof, and on or before March 31, 1951, sell and transfer the public utility water distribution system described in the application to J. E. McLaughlin and C. L. Grandbois, a partnership doing business as the Jackson Water Works, pursuant to the agreement of sale and purchase filed as Exhibit "A" in this proceeding.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company shall file with this Commission, within thirty (30) days after the effective date of sale authorized herein, a certified copy of the bill of sale and deed by which the property is transferred, and also a written statement indicating the date upon which control and possession of said Martell system were relinquished.

IT IS HEREBY FURTHER ORDERED that upon completion of said property transfer and assumption of control of the Martell system, J. E. McLaughlin and C. L. Grandbois shall place in effect on said system the rates, rules, and regulations presently on file with this Commission as the rates, rules, and regulations of the Jackson Water Works.

IT IS HEREBY FURTHER ORDERED that on or before the date of actual transfer, Pacific Gas and Electric Company shall refund all deposits, if any, which customers are entitled to have refunded; and

that any unrefunded deposits shall be transferred to and become the obligation for refund of J. E. McLaughlin and C. L. Grandbois.

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

Dated at San Francisco, California, this 27<sup>th</sup> day of December, 1950.

R. Z. Dwyer  
James F. Gassen  
Dean H. Lowell

Margaret Patten  
Commissioners