

Decision No. 59711

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
JESSE COSTA and ELIZABETH COSTA, dba
SNELLING WATER WORKS, for authority
to discontinue water service in
Snelling, Merced County.

Application No. 41530

Jesse Costa and Elizabeth Costa, in propria personae,
applicants.
James R. Barrett, for the Commission staff.

O P I N I O N

The above-entitled application was filed on September 29, 1959. A public hearing was held before Examiner E. Ronald Foster at Snelling on November 24, 1959, prior to which time notices of hearing were published, posted and mailed to each of applicants' consumers as required by the Commission. At the conclusion of the hearing the matter was submitted and is now ready for decision.

Applicants Jesse and Elizabeth Costa, doing business as Snelling Water Works, ask permission to abandon water service in the community of Snelling in Merced County. The reasons given are briefly as follows:

1. Ill health and mental stress.
2. Condition of mains, well and pressure system requires their replacement to adequately meet system demands increased by coolers, automatic washing machines and minnow ponds.
3. Cannot dispose of water works to any one.
4. Costs of operation so nearly equal revenues that no loan can be obtained for repairing or replacing facilities.
5. Less than one third of water users in Snelling patronize the utility - all others have their own systems.

This water system began operations sometime prior to 1911. The distribution system consists of about 3,200 feet of mains, varying in size from 3/4 inch to 3 inches in diameter, the major portion of which was installed around 1915 or 1916. After a fire in 1938 destroyed the elevated storage tank and building housing the pumping plant, a new and larger stone and concrete building was erected on the previous site, which is mostly occupied by an automotive repair garage and a tavern. The shallow, dug well is located directly below a window sales-display counter in the front part of the garage and the 5-horsepower pumping plant and 1,000-gallon hydropneumatic tank are located about six feet away in a stone and concrete lean-to integral with the main building. Therefore it may be observed that the water supply facilities are physically inseparable from the garage building. Beginning with the year 1950, the utility's annual reports to the Commission, of which we take official notice, have shown the investment in utility plant as \$2,035 without any change. The report for 1958 shows the depreciation reserve as \$1,019 as of December 31, 1958.

Transfer of the water system to the applicants herein was authorized by the Commission's Decision No. 45325 dated February 6, 1951, in Application No. 31860. The conditional sales contract involved certain real property, the automotive business and the utility water system. The agreed price of \$26,838 included an amount of \$1,877 for the water system. While the record in that proceeding shows that control of the water works was transferred to Jesse and Elizabeth Costa as of March 1, 1951, the sales contract provided that legal title to the property should not pass from the sellers to the buyers until all sums due under the contract, including interest, are fully paid. The record herein shows applicants

still owe about \$9,000 to the previous owners, of which \$1,003 is allocated to the water utility as of December 31, 1958, according to the 1958 annual report.

The present water rates have been in effect since March 1, 1951, as authorized by Decision No. 45326, dated February 6, 1951, in Application No. 31706. All water service is rendered at flat rates which are as follows:

<u>Rates:</u>	<u>Per Month</u>
For small residence without garden	\$1.50
For residence with garden area not exceeding 4,000 square feet	2.00
For residential garden area in excess of 4,000 square feet, per 100 sq. ft.05
For business establishments and fraternal halls	3.00
For fire hydrant service, per hydrant	2.50

Additional rates were established for certain county properties which are no longer applicable since the county has developed its own water supply. No revenue is received from fire hydrant service since the county fire district does not use the single fire hydrant for filling its tank trucks.

Both Mr. and Mrs. Costa testified concerning their water utility operations. Including service to their own properties, the utility is now supplying water to two small residences, twenty other residences and six businesses and fraternal halls, or a total of 28 active service connections. There are said to be 70 other locations in the community which are not supplied by applicants and two of the present customers are now putting in private wells. The following tabulation shows the revenues and expenses for the first eleven months of 1959 compared with those reported for the year 1958:

<u>Items</u>	<u>11 Mos. of 1959</u>	<u>Year 1958</u>
Operating Revenues	<u>\$671</u>	<u>\$742</u>
<u>Operating Expenses</u>		
Power and pumping expenses	227	237
Repairs and maintenance	54	6
Customer accounting (postage)	9	8
Bookkeeping and office expense	9	8
Taxes	26	26
Depreciation Expense	58	63
Labor (Jesse Costa)	<u>440</u>	<u>480</u>
Total Expenses	\$823	\$828
Net Income	\$ (152)	\$ (86)

(Red Figure)

Similar deficits have been reported for previous years. When questioned why relief was not sought by making application for an increase in rates, applicants felt that the available service does not warrant higher rates and that any such increase would induce more of the present customers to install their own wells. With the tank control pressure set at 50 pounds per square inch, the badly deteriorated mains were frequently failing and required much patching to stop the leaks. By reducing the pressure to 45 psi, considerably less leakage has been experienced. However, at the reduced pressure the service has become less satisfactory.

Mr. Costa expressed his opinion that to adequately supply the community with water would require complete replacement of the existing facilities. He quoted prices he had obtained for drilling and casing a deep well, installing a suitable pumping unit and new pressure tank, and replacing the present distribution mains with 2-inch piping which totalled over \$5,000. Applicants claim their inability to finance such reconstruction.

About twelve of applicants' customers attended the hearing. Some of them testified but none advanced any over-all solution of the

problem, except the possibility of forming some kind of water district. No one complained directly about the service but some admitted difficulty in obtaining sufficient water for their purposes at hours of peak demand. Existing private supplies in the community vary from "well-points" and dug wells to drilled wells 150 feet deep or more.

A sanitarian employed by the Merced County Health Department testified that the existing conditions of water supply in the community are precarious because of the prevalence of individual septic tanks and cesspools, there being no central sewage disposal system. Routine tests of water samples taken from applicants' well have shown generally good results but one sample, tested in April 1959, indicated some contamination. He recommended the use of a drilled and cased well at least 80 feet deep.

Mr. Charles A. Schwartzler, who with his wife formerly owned and operated the utility and who transferred the water works to the applicants herein, testified as to their interest in the utility. As parties to the conditional sales contract for the property, which includes the utility water system, they feel that they have a sort of joint ownership therein. Mr. Schwartzler took no position in regard to the proposed abandonment of the water system.

A staff engineer submitted in evidence a memorandum dated November 20, 1959, setting forth the results of his field investigation, and other data pertinent to this matter. The memorandum contains considerable detailed historical information. It concludes with the statement that applicants' currently effective rates are lower than might be expected for a utility operating under such circumstances and suggests that the utility consider requesting an increase in rates.

Findings and Conclusions

Although applicants' customers very probably could afford to pay somewhat higher rates than those now in effect rather than lose the present service, yet the increase necessary to pay a reasonable return upon the total investment required to render more adequate service would conceivably result in rates so high that the customers would choose to install additional private systems. The fact that some former customers have already done so throws an additional burden on those left. Had those customers still continued their patronage of applicants' system, it might have been possible to so adjust the existing rate schedule as to produce a proper return without imposing an unreasonable burden on the customers.

The Commission finds and concludes upon the present record that, under existing conditions, applicants cannot continue to supply water to the present and prospective number of customers except at a financial loss and to insist that this be done would be unreasonable. While it appears that these conditions make it necessary for the Commission to authorize the discontinuance of the public utility service by applicants, sufficient time will be allowed to permit the remaining customers to make arrangements to obtain a water supply from another source, or sources, either individually or collectively.

O R D E R

Jesse Costa and Elizsbeth Costa, doing business as Snelling Water Works, having applied to this Commission for permission to abandon their water system and discontinue service therefrom; a public hearing having been held and the matter having been submitted

for decision; and the Commission now being fully advised and basing its decision upon the findings and conclusions contained in the foregoing opinion,

IT IS ORDERED that applicants Jesse Costa and Elizabeth Costa be and they are hereby authorized to abandon their facilities devoted to the supply, distribution and service of water and to discontinue such service of water to their customers in the community of Snelling, Merced County, on and after the first day of March, 1961; provided, however, that the Commission by supplemental order will shorten the time herein fixed for final discontinuance of water service by applicants, in the event that all of their present customers shall have completed arrangements to obtain a water supply from some other source at an earlier date and the Commission is so informed in writing by applicants.

IT IS FURTHER ORDERED that:

1. Within ten days after the date of this order, said applicants shall cause to be posted in a conspicuous place in the Snelling post office a true copy of this decision, said document to remain so posted for a period of not less than thirty consecutive days. Within ten days thereafter, applicants shall file with this Commission a certified statement that such document was posted as required.

2. Within thirty days after the date of this order, applicants shall notify in writing each and every customer affected by this order of their intention to discontinue the service of water on the first day of March, 1961, and applicants shall file with this Commission a certified statement that such notice has been duly given, within ten days thereafter.

3. On or before the date of actual discontinuance, applicants shall refund all customers' deposits and advances for construction, if any, which are subject to refund, and within thirty days thereafter shall notify this Commission in writing of the date of completion of such refunding.

4. If the authority herein granted is exercised, applicants shall notify this Commission in writing of the date of actual discontinuance herein authorized, within thirty days thereafter.

5. Upon due compliance with all of the foregoing requirements of this order, Jesse Costa and Elizabeth Costa shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the public utility water system herein authorized to be abandoned and service therefrom discontinued.

For all other purposes, the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this
23rd day of February, 1960.

[Signature] President
[Signature]
[Signature]
[Signature]
Commissioners

Commissioner Everett C. McKenna, being necessarily absent, did not participate in the disposition of this proceeding.