

Decision No. 62190**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MCGEE IRRIGATION COMPANY for authority)
 to abandon the McGee Irrigation)
 Company, a water utility.)

Application No. 43088

Styler O. Chamberlain and Mrs. Leila Chamberlain,
 for applicant.
Frank M. Reitz, Leon L. Clarke, Mrs. Alvia S.
Hermann and James N. Gardner, in their own
 behalves, interested parties.
Alfred V. Day, for the Commission staff.

O P I N I O NRequest to Abandon

McGee Irrigation Company, a corporation, filed this application January 20, 1961, requesting that the Commission grant it authority to abandon its operations as a public utility.

Public hearing on the application was held before Examiner James F. Haley at Applegate on May 4, 1961; evidence was adduced, and the matter was taken under submission.

Reasons for Abandonment

Applicant advances the following reasons as justification for the proposed abandonment:

1. Inadequacy and unreliability of the system resulting from improper installation and subsequent deterioration of supply lines and tanks.
2. Inability to borrow funds to rehabilitate the system because expenses of operation exceed revenues.
3. Nonpotability of the water served from the system.

4. Poor health and age of the owner-operator.

5. Inability to dispose of water system, either through sale or as a gift.

Description of System

The water system was established by one C. H. McGee, who in 1945 commenced selling water to certain residents of a subdivision then being developed by him in an unincorporated area in Placer County one mile southwest of Applegate. As a result of a complaint filed by his water customers, the Commission found McGee to be operating a public utility.^{1/} The operations were incorporated in 1949 under the name of McGee Irrigation Company. In 1954, Styles O. Chamberlain and Leila Chamberlain, man and wife, who are now president and secretary, respectively, of the corporation, purchased all of the outstanding stock of the utility for \$1,000.

All water for the system is purchased from Pacific Gas and Electric Company (Pacific). Water is diverted by gravity from Pacific's Boardman Canal into the system. Elevated storage is provided by four small open steel tanks, aggregating 8,200 gallons in capacity. The system's customers, who total 17 in number, are served from either the gravity line or from the storage tanks. According to applicant, the tanks and mains are in poor condition due to deterioration, and the system is so poorly designed that it would be uneconomical for applicant to undertake the extensive modifications and repairs required to raise the service to an adequate level.

Prior Application to Abandon

In 1959, the utility filed Application No. 40797, requesting authority to abandon its facilities and discontinue water service to

^{1/} Decision No. 42436, dated January 18, 1949, in Case No. 4973.

the public. The application for abandonment was consolidated for hearing and decision with Application No. 40215, a then pending rate increase request which the utility had previously filed. By Decision No. 58271, dated April 14, 1959, applicant's request to abandon was denied without prejudice. Instead, the Commission authorized a general rate increase intended to offset the operating losses which applicant was incurring.

Summary of Evidence

Applicant is operating its system at a loss. The utility's annual report to the Commission for the year 1960 shows that revenues amounted to \$747.00 and expenses to \$935.52. The amount reported for expenses does not include any compensation for the considerable time devoted by the owners to the operation of the system.

The water service provided is not satisfactory for domestic purposes. The water is nonpotable and must be boiled to be rendered fit for human consumption. As a result, most of the customers regularly purchase bottled spring water for drinking and cooking purposes. One witness testified that in addition to his bill from the utility, the bottled water for his household costs about \$5.00 per month.

A number of customers are so situated in elevation that the gravity flow of the system provides service at very low pressures, and that often no flow whatsoever is obtained. Maximum static pressure for some customers is only about five pounds per square inch. To serve applicant's customers adequately would require almost complete replacement of existing facilities. An engineering feasibility report on the system, prepared by a firm of consulting engineers and introduced as Exhibit No. 1, shows that it would cost

in excess of \$33,000 to revise the system so as to provide the service area with potable water in adequate quantity and at satisfactory pressures.

In the event of abandonment, some of the system's customers could obtain water through individual diversions from the Boardman Canal. The filed tariffs for the Placer Water System of Pacific offer such service on a general metered basis at canalside. It does not appear feasible, however, for all of applicant's customers to obtain their water from the canal by individual service connections. Nor does it appear that dug wells would meet the requirements of those customers not so situated as to obtain water advantageously from Pacific's canal.

In 1959, applicant's customers, as a step preparatory to the formation of a county water district, engaged the firm of consulting engineers who made the water supply feasibility study referred to above as Exhibit No. 1. This study shows that the low assessed valuation of the area precludes financing such a system by means of general obligation bonds. However, it was determined that the system could be financed through creation of a special assessment district, and the feasibility report and an overlay map for boundary approval were submitted to the County of Placer. According to the testimony of applicant's customers, the district needs only the approval of the County Boundary Commission and approval of the County Board of Supervisors to be formed. As yet, these County agencies have not taken action on the proposed district, which appears from the record herein to be the only practical solution for meeting the water requirements of the area.

Findings and Conclusions

The Commission finds that the increase in rates necessary to fairly compensate the owners for their time and to provide a reasonable return upon the total investment in plant required to render adequate service would result in rate levels so high as to force customers to install private systems if a county district is not formed. The Commission further finds that, under existing conditions, applicant cannot continue to provide public utility water service except by donation of the owners' time and at an out-of-pocket financial loss, and to demand that it be required to so continue would be unreasonable.

While these circumstances make it necessary for the Commission to authorize applicant to discontinue water service and abandon its system, the order herein will allow sufficient time for applicant's customers to obtain water from another source, or sources, either individually or collectively.

O R D E R

McGee Irrigation Company having applied to this Commission for permission to abandon its 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 applicant be and it is hereby authorized to abandon its facilities devoted to the supply, distribution and service of water and to discontinue such service of water to its customers on and after the first day of January 1962; provided,

however, that the Commission by supplemental order may shorten the time herein fixed for final discontinuance of water service by applicant, in the event that all of its 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 applicant.

IT IS FURTHER ORDERED that:

1. Within ten days after the date of this order, said applicant shall cause to be posted in a conspicuous place in the Community Club House, Applegate, 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, applicant 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, applicant shall notify in writing each and every customer affected by this order of its intention to discontinue the service of water on the first day of January 1962, and applicant 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, applicant 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, applicant 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, applicant 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 27th day of JUNE, 1961.

Charles W. Page
President
George E. Sawyer
George E. Sawyer
Frederick B. Holbrook
Commissioners