

65424

Decision No. _____

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CATHERINE P. BELLINGER SPELMAN, STANLEY)
 L. KENNEDY, LLOYD C. KENNEDY, FRANCES K.)
 WILLIAMS, ZELDA M. LUCAS, LAMBERT G.)
 SEWELL, GARY M. SEWELL, and CATHERINE)
 D. SEWELL, dba KNIGHTS FERRY WATER)
 COMPANY, for authority to abandon)
 public utility water system at Knights)
 Ferry, Stanislaus County.)

Application No. 45170
 (Filed February 11, 1963)

Wade H. Coffill, for applicants.
Mortimer B. Walker, for consumers of
 Knights Ferry Water Company,
 interested parties.
George Doran, for the Commission staff.

O P I N I O N

Applicants, who are heirs of the former owners of a public utility water system serving 24 customers in the unincorporated community of Knights Ferry, Stanislaus County, request authority to discontinue service and abandon the system. The application was heard and submitted, after due notice, at Knights Ferry on March 14, 1963, before Examiner Gregory.

The system has served water in the community of Knights Ferry since about 1856. It consists of a 308,000-gallon uncovered reservoir, constructed about 1859, and unknown lengths of distribution pipe of varying diameter and material. The reservoir is filled with water from the Stanislaus River by means of various facilities owned and maintained by the Oakdale Irrigation District. The district charges the utility \$80 annually for this service. The evidence reveals that the raw river water is considered by county health authorities to be unfit for human consumption. It is used primarily for other domestic purposes and for irrigation.

The community gets its potable water from three sources: (1) a school spring which supplies pupils and one residence; (2) the Kennedy Spring, owned by the Kennedy family (co-owners of the utility), to which 11 residences, over the years, have been connected by tap lines with permission of the Kennedy family; (3) a hose bib on the Kennedy Spring line supplying the General Store, from which water may be drawn by persons whose residences are not connected to the Kennedy Spring system. No charge is made for water from the Kennedy Spring, which is not connected to the utility system.

The utility was subjected to regulation shortly after it had come to the attention of the Commission, on December 17, 1917, that C. T. Kennedy, an ancestor of some of the present owners, was operating the system without having on file the rates, rules and regulations required by then-existing statutes.¹

Rates filed May 10, 1918, and still in effect indicate a variance of from free use of water, reserved by deed, to flat rates up to \$20 annually. Annual reports to the Commission for the last five years (no report was filed for 1960) indicate net revenues ranging from \$262.85 (1959) to \$116.71 (1961). Except for the \$135 cost of cleaning the reservoir in 1958, the largest item of expense shown is the \$80 annual service charge paid to Oakdale Irrigation District.

¹ Present ownership of the utility appears to be divided between the Kennedy heirs (60%) and the Bellinger heirs (40%). The record indicates that the Bellingers acquired the system in 1897 from the Schell family, the original owners, and sold an interest to the Kennedys sometime prior to 1917.

A report of the Stanislaus County Surveyor in 1956, which makes reference to a sanitary survey report of the State Department of Public Health issued the same year, indicates that at that time it would have cost about \$30,725 to refurbish the system for adequate domestic, irrigation and fire protection purposes. The County Surveyor's report (Exhibit 1) concludes with the recommendation that a county water district be formed to acquire the present system and commence a program of gradual improvement.

The Commission's engineer, in his report on the system (Exhibit 4), estimated that it would cost about \$16,000 to cover the large reservoir and completely treat the water distributed therefrom. The present owners, however, are unwilling to advance such an amount. Moreover, the record shows that any such expenditure, assuming a 6% return on the investment, would justify a rate of more than triple the present rate.

The Stanislaus County Health Officer, in a letter to the utility's attorney in 1961 (Exhibit 3), referred to the fact that the company does not have a permit because of the quality of water served to the public, but that his office would cooperate with improvements along the lines recommended by the County Surveyor's report, in order that the water service in Knights Ferry might eventually qualify for issuance of a permit.

The record shows that county officials, the utility's attorney and the water users have met to discuss possible solutions for the community's water problems should the Commission authorize discontinuance of service as requested in this application. It appears, however, that no concrete proposals have thus far been agreed upon.

It is clear, on this record, and we find as a fact, that a highly unsatisfactory condition has long existed in the water supply available to residents of Knights Ferry. It is equally clear, and we further find, that neither the cost of complete rehabilitation of the system, indicated in 1956 as about \$30,725, nor even the estimated cost of \$16,000 for covering the main reservoir and treating the water delivered therefrom, can be met, without great hardship, from present sources of capital funds.

We conclude, therefore, that the utility should be permitted to discontinue its service in the community of Knights Ferry, subject to the adoption by residents of the area of an appropriate form of organization for providing an adequate supply of potable water, as set forth in the following order.

O R D E R

IT IS ORDERED that:

1. Applicants herein, doing business as Knights Ferry Water Company, may discontinue water service to the town of Knights Ferry and to customers of the utility located therein and may thereafter abandon or otherwise dispose of the operative properties of said utility, subject to the following condition:

That applicants, by supplemental application herein to be filed not later than December 31, 1964, make a showing satisfactory to the Commission that there is in existence in the town of Knights Ferry an appropriate public or mutual organization that is able and willing to provide the community with an adequate supply of water for domestic and other necessary uses and that the Commission, upon consideration of said supplemental application, shall first have issued an appropriate order thereon.

2. Except as conditionally granted herein, the application otherwise is denied.

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

Dated at San Francisco, California, this 21st day of MAY, 1963.

Herbert H. Grover
 President

W. S. Fitchell

Frederick B. Holoboff

William W. Bennett

 Commissioners

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