

ORIGINAL

93305

JUL 22 1981

Decision

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Ray & Stacia Mahanes, doing business as Stewart Water Co., request authority to abandon the Stewart Water System in Tulare County.

Application 60184 (Filed January 13, 1981)

O P I N I O N

By this application Ray and Stacia Mahanes (applicants), doing business as Stewart Water Service, request authority pursuant to Public Utilities (PU) Code Section 851 to abandon their public utility water system located in Visalia, Tulare County. Applicants were authorized to purchase the system by Decision (D.) 82290, dated January 3, 1974, as modified by D.82892, dated May 21, 1974 in Application (A.) 54449.

Applicants wish to dispose of their system because business expenses far exceed revenues. It is alleged in the application that the business is near bankruptcy and that the owners are supporting the business with personal funds.

Applicants suggest that with approval of the abandonment their customers will have the following options:

- 1. Form a mutual water company with applicants' system;
2. Connect with California Water Service Company;
3. Activate their own wells.

Applicants' system consists of the following property and equipment:

Land - Approximately one-quarter acre.
Wells - One, eight inches in diameter,
150 feet in depth.
Pumping
Equipment - One pump, 10 horsepower.
Water
Mains - Between 1,500 and 2,000 feet,
4 inches in diameter.
Reservoirs
and Tanks - One, 2,000 gallon capacity.
Customers - 16
Meters - None
Fire
Hydrants - Two
Buildings,
Office Furniture
and Equipment,
Meters - None.

Information contained in applicants' 1980 annual report shows original cost of property and plant as \$9,935 and a depreciation reserve on December 31, 1980, of \$5,432, resulting in a net book value of \$4,503. The report indicates 1980 annual operating revenues of \$1,644 and operating expenses before taxes of \$1,831.

Applicants warrant that (1) there are no customer deposits to establish credit, (2) there are no main extension advances, and (3) the condition of the system is good.

Applicants state they would turn over the system, all rights and easements (less real estate and well) to another water system, California Water Service Company (CWS) which surrounds the area, at no cost.

CWS has informed the Commission by letters dated April 16 and 23, 1981 that it is prepared to make the necessary installations and hook-ups to provide service in applicants' service area. CWS has recently contacted all of applicants' customers in order to determine how many would prefer to purchase water from CWS. According to the CWS survey, 11 of the customers have signed applications for CWS service, five customers are undecided whether to provide their own service with privately owned wells, and one presently inactive customer will definitely use his own well. CWS maintains that any of the last six customers may obtain water from CWS at a later date, if they desire. The CWS letters of April 16 and 23 are received into evidence in this proceeding as Exhibits 1 and 2, respectively.

CWS has furnished a map of the area showing the nearest CWS main and the proposed extension of 1,020 feet of 8-inch main which would be made at its expense. CWS estimates it will spend \$18,750 for the main extension, \$1,970 for installation of a fire hydrant and either \$245 for each short service or \$285 for each long service it installs.

CWS asserts there are three customers, presently undecided whether they will avail themselves of CWS' service, who will have no water main utility frontage. If two of these customers decide to take CWS water at the time we authorize the abandonment, CWS will continue to provide service through an existing 2-inch line at the rear of their property. If these two elect not to take CWS' service, the 2-inch line will be abandoned. If they decide at some later date to use CWS water, and assuming no main has been installed at such later date, these customers would be required to advance the cost of a main extension as provided by CWS' main extension tariff rule.

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The third undecided customer who will have no main utility frontage has been advised that his private line will have to be extended along the west side of his property to the south if service from CWS is desired. This is because an existing 2-inch line serving this customer's property would be abandoned by CWS. CWS advises that the rest of applicants' customers can be served by CWS with existing facilities or with only a change in customer piping and service connections.

Public Utilities (PU)
Code Section 1001

The end result of the abandonment by applicants and the acquisition proposed by CWS will be a transfer of most of the service presently performed by applicants to CWS. CWS is not a party to the application. PU Code Section 1001 provides that a water corporation shall not begin construction of an extension of its system until it obtains from the Commission a certificate that present or future public convenience and necessity require or will require such construction. However, the second paragraph of Section 1001 allows a water corporation to extend its system into contiguous territory, if necessary in the ordinary course of its business, without first obtaining a certificate.

Rates

Applicants' rates to its customers are on a flat rate basis. CWS' rates are on a flat rate basis for lots up to 25,000 square feet, and on a metered basis for larger lots. An examination of the map furnished by CWS shows that some of the lots involved are under, and some over 25,000 square feet in area. A comparison of rates and charges contained in applicants' and CWS' tariffs is shown in Table I below.

Comparison of Applicants' and CWS'
Water Rates in Visalia

A. Applicants - Stewart Water ServiceRATES^{1/}

Per Service Connection
Per Month

For a single-family residence including premises not exceeding 10,500 sq.ft. in area	\$10.00
For each 100 sq. ft. of area in excess of 10,500 sq. ft.....	.06

^{1/} Stewart Water Service Schedule No. 2R,
Cal PUC Sheet No. 75-W.

B. CWS - Rates Applicable to Flat Rate Residential Water ServiceRATES^{2/}

Per Service Connection
Per Month

For a single-family residential unit, including premises having the following areas:

6,000 sq. ft., or less	\$ 6.50
6,001 to 10,000 sq. ft.	8.65
10,001 to 16,000 sq. ft.	10.60
16,001 to 25,000 sq. ft.	13.30

^{2/} CWS Schedule No. VS - 2R, Cal PUC Sheet No. 2617-W.

C. CWS Metered-ServiceRATES^{3/}

Service Charge:

	<u>Per Meter Per Month</u>
For 5/8 x 3/4-inch meter	\$ 2.80
For 3/4-inch meter	3.80
For 1-inch meter	5.30
For 1 1/2-inch meter	7.45
For 2-inch meter	9.60
For 3-inch meter	18.00
For 4-inch meter	24.00
For 6-inch meter	40.00
For 8-inch meter	60.00
For 10-inch meter	75.00

Quantity Rates:

For the first 300 cu. ft., per 100 cu.ft. ..	.167
For all over 300 cu.ft., per 100 cu.ft.211

^{3/} CWS Schedule VS-1, Cal PUC Sheet No. 2616-W.

A comparison of flat monthly charges under applicants' and CWS' tariffs to premises up to 25,000 square feet can be made from the information contained in Parts A and B of Table I. A comparison of tariff charges to premises in excess of 25,000 square feet, where CWS' rates apply on a metered basis, can be made by using the information shown in Part A for applicants and imputing an assumed use in connection with CWS' rates shown in Part C. For example, assuming premises of 30,000 square feet are to be served, and employing an assumed use of 2,500 cubic feet of water, the following charges accrue:

Applicants' Monthly Flat Charge, 30,000 sq. ft.

First 10,500 sq. ft.	\$10.00
.06¢ x 19,500 sq. ft.	<u>11.70</u>
	\$21.70

CWS' Monthly Metered Rate Charge For 2,500 cu. ft., 1-inch meter

Service Charge, 1-inch meter	\$ 5.30
.167¢ x 300 cu. ft.	.50
.211 x 2,200 cu. ft.	<u>4.64</u>
	\$10.44

It will be noted that the monthly metered charge applicable in the above example under CWS' tariff schedule is considerably less than that presently applicable under applicants' tariff. A similar result occurs when a much higher cubic foot factor, such as 4,000, is used.

Applicants have notified their customers of their intended abandonment and of CWS' proposed acquisition of the system. No protest to the application has been received.

Applicants desire to extricate themselves from an unprofitable enterprise. CWS is willing to expend a considerable sum of money in order to absorb applicants' customers into its own public utility water system. We will take official notice of CWS' 1980 annual report and of its appropriate tariff schedules as evidence of its ability and financial responsibility to adequately serve the customers in the Visalia area at fair and reasonable rates. The application to abandon will be granted. A public hearing is not necessary.

Findings of Fact

1. Applicants operate a public utility water system in Visalia pursuant to authority granted by D.82290 and 82892 in A.54449.
2. Applicants' annual report for 1980 shows that it operated at a loss during that year.
3. CWS is a water corporation, as defined in PU Code Section 241, operating a water system in the same territory in Visalia presently served by applicants.
4. CWS has informed the Commission by letters dated April 16 and 23, 1981 that it is prepared to make necessary installations and hook-ups in order to provide service in applicants' service area at such time as the abandonment may be authorized.
5. CWS may extend its service into the area served by applicants under the provisions of PU Code Section 1001 without first securing a certificate of public convenience and necessity authorizing such extension.
6. CWS possesses the ability and financial responsibility necessary to provide adequate water service to the customers involved in this application.

7. The rates shown in CWS' tariff schedules applicable in the Visalia territory will be reasonable in connection with service provided to customers presently served by applicants.

8. Service to applicants' customers will not be jeopardized as a result of the abandonment authorized.

Conclusion of Law

The application for abandonment should be granted, coincidental with commencement of delivery of water by CWS to those customers of applicants who indicate to CWS that they desire its service.

O R D E R


IT IS ORDERED that upon (1) commencement of service by California Water Service Company (CWS) to those customers of Ray and Stacia Mahanes who may wish to avail themselves of CWS' service, and (2) filing by CWS with the Commission of revised service area maps in accordance with General Order Series 96 reflecting this new service, Ray and Stacia Mahanes are authorized to abandon the


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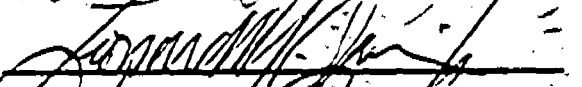
public utility water system operated by them in Visalia, Tulare
County.

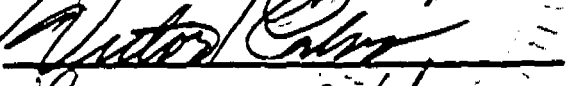
This order becomes effective 30 days from today.


Dated III 22 1981 , at San Francisco, California.



President







Commissioners