

Decision No. 14021

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

W. H. Norman,

Complainant.

Walter J. Lean,

Complainant.

Fred L. Fehren,

Complainant,

vs.

San Jose Water Works,

Defendant.

ORIGINAL

CASE NO. 2030.

W. H. Norman, Walter J. Lean and
Fred L. Fehren, in propria persona.
Lieb and Lieb, by
R. C. Lieb, for defendant.

WHITTIESEY, Commissioner.

O P I N I O N.

In this proceeding the Commission is asked to require San Jose Water Works to extend its mains from the intersection of First and Mission Streets a distance of approximately 675 feet and to render service to four houses recently constructed by complainants on Second Street, in Vendome Park Tract, City of San Jose.

A public hearing in this proceeding was held at San Jose, at which evidence was introduced by both complainants and defendant, and the matter is now ready for decision.

The evidence shows that San Jose Water Works has a four-inch main on First Street from which an extension can be made to run east on Mission Street and thence north on Second Street, a total distance of approximately 675 feet. This is the shortest and least expensive extension which can be made to render the service desired by complainants who are willing to advance the cost of 275 feet of pipe provided

defendant will install the remaining 400 feet at its own expense.

The position of defendant is that this extension should be made of four-inch pipe and that the material used should be cast iron on account of unfavorable soil conditions which cause steel pipe to deteriorate very rapidly. The cost of the complete installation is estimated at \$1152 and the revenue which can be expected from the sales of water to occupants of the four houses now constructed is computed as \$62.40 per annum at the company's present rates. It is claimed that this revenue will not justify the expenditure of the estimated cost of the extension and that complainants should advance the entire cost with provision for the return to the depositors of the amount advanced at such time as the sales of water from the extension produce sufficient revenue to make the extension compensatory.

Consideration of the evidence submitted indicates that a four-inch pipe should be installed on Mission Street between First and Second Streets and that, while a two-inch pipe on Second Street from Mission Street may for some time to come be of capacity sufficient to render adequate service, the paving of Second Street which will be undertaken in the near future makes it expedient to proceed at this time with the installation of a permanent type of construction of a size sufficient to care for all future demands.

It appears, therefore, that the extension proposed by defendant has been wisely planned and that the estimated cost thereof is a reasonable one for work of this character.

The Commission has found from experience in such matters that an extension of pipe lines to serve new consumers does not become compensatory until the revenue received from the sale of water therefrom, for twelve consecutive months, equals twenty-five percent of the cost of the extension and of the services and meters attached thereto. Such a rate of return is necessary to cover maintenance and operation expense, depreciation, a return upon the investment in

the extension with all appurtenant facilities, and also a proper amount of the cost of producing the water supply and conveying the same through the general system to the point where it enters the extension.

Under these conditions it is evident that the cost of the pipe lines and other facilities necessary to supply the property of complainants in this proceeding should be financed by the payment of \$250 by defendant and that the remainder of the cost should be advanced by complainants to defendant with provision that the amount so advanced shall be refunded to complainants at such time as the extension becomes compensatory.

The following form of order is submitted:

O R D E R

W. H. Norman, Walter J. Lean and Fred L. Fehren having made complaint against San Jose Water Works as entitled above, a public hearing having been held thereon, the matter having been submitted, and the Commission being now fully informed thereon,

IT IS HEREBY ORDERED, for the reasons set out in the preceding opinion, that San Jose Water Works, a corporation, be and the same is hereby authorized to make written demand upon the complainants herein that they deposit with said San Jose Water Works a sum of money equal to the estimated cost, less \$250, of a four-inch cast iron pipe on Mission Street, connecting with the company's present four-inch main on First Street, San Jose, and running in an easterly direction to Second Street, thence in a northerly direction on Second Street, a total distance of approximately 675 feet, together with the necessary services and meters, and upon the deposit by complainants herein of the amount so indicated that San Jose Water Works, a corporation, begin the work of installation of the pipe line described herein and shall thereafter proceed diligently with such work of installation

until the same is completed including the construction of the necessary service pipes and meters connecting with the new main and running to the curb line in front of the four dwelling houses recently constructed by complainants on the westerly side of Second Street between Mission and Rosa Streets.

IT IS HEREBY FURTHER ORDERED that San Jose Water Works, a corporation, shall refund to the complainants herein the amount of money advanced by them for the construction of the pipe line described herein when the revenue received from sales of water on the said pipe line shall equal twenty-five per cent of the total actual cost thereof including the cost of services and meters connected thereto.

The effective date of this order is hereby fixed as twenty (20) days from the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 8th day of September, 1924.

H. B. Dandridge

Egerton Shore

J. T. Whittsey
Commissioners