

Decision No. 42244**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ELI H. WIEL operating under the
fictitious firm name of San Martin
Water Works, for authority to
establish rates for water service.

Application No. 29450

Mr. Eli H. Wiel, for himself;
Mr. M. C. Barrow, for the water users.

O P I N I O N

In this application Eli H. Wiel, doing business under the fictitious firm name of San Martin Water Works and rendering water service for domestic and other purposes in the portion of the unincorporated town of San Martin, Santa Clara County, lying east of the Southern Pacific Railroad right of way, asks the Commission for authority to increase the rates to be charged for water service rendered to his customers. Applicant alleges that in compliance with the Commission's order in Decision No. 40177, dated April 15, 1947, in Case No. 4859, the utility has acquired land, drilled a well, and installed a pumping plant and appurtenant facilities thereon, to provide an adequate water supply and furnish proper water service to its consumers, requiring the expenditure of much additional capital. It is further alleged that to render a return on the present total capital investment and to provide for greater annual costs due to the operation of the pumping equipment, an increase in the present schedule of rates is required. Therefore, applicant requests the establishment of a monthly minimum charge of \$3.50 for the first 600 cubic feet of water used and an additional charge of

25 cents per 100 cubic feet for all water used in excess of 600 cubic feet per month. The presently effective rate is \$1.50 per month for 5,000 gallons (668 cubic feet) and 25 cents per 1,000 gallons (134 cubic feet) for all usage in excess of 5,000 gallons per month.

A public hearing in this matter was held in San Martin before Examiner Foster.

The water system was acquired by applicant, Eli H. Wiel, as authorized in Decision No. 41632, dated May 25, 1948, in Application No. 28316, from Elsa R. Wiel, his wife, who had previously secured title to the water system from the Ramelli Ranch Company by authority of the Commission's Decision No. 38849, dated April 9, 1946, in Application No. 27390. The water for the system originally was supplied entirely from a spring located on the Ramelli Ranch, the flow of which was diverted into a 19,000-gallon concrete reservoir located on the ranch property at an elevation approximately 212 feet above the town of San Martin. From the reservoir the water was transmitted through approximately 12,000 feet of two-inch pipe to the west boundary line of the ranch and thence westerly along San Martin Avenue to the town where it connects with the distribution system consisting of approximately 16,600 feet of mains varying in diameter from two to 1-1/4 inches, most of which piping was installed some 54 years ago. There are presently 71 consumers who are receiving service on a metered basis.

On November 13, 1946, some 25 consumers of the utility filed a formal complaint with the Commission (Case No. 4859), alleging poor service, low pressures, and lack of water during the warm summer weather, which conditions were determined to be largely due to the long old two-inch transmission pipeline. To provide adequate water service, the development of a well supply was decided upon as more advantageous and less expensive than to

replace the 12,000 feet of main between the reservoir and the town. After some delay was experienced in acquiring a suitable well site, applicant drilled a well on a parcel of land located near the center of the town, installed an automatically-controlled, electrically-driven pumping unit, and the new well supply was put into operation early in the summer of 1948. Consumers present at the hearing in this proceeding testified that since the new well and pump have been in operation, water service has been considerably improved and generally satisfactory.

At the present time there are five consumers whose homes are located along the old two-inch main on San Martin Avenue who might not receive sufficient water from the well supply during peak demand hours, should the spring supply be discontinued. In order to improve the supply to these five consumers and also to provide standby service to the entire service area, Mr. Wiel expressed his willingness to maintain service from the spring supply and reservoir located on his ranch.

Testimony pertaining to the capital investment and to the cost of operating the system was presented by applicant, Eli H. Wiel, and by D. L. Duncan, one of the Commission's engineers. The figures as developed in the record for the 12 months ending May 31, 1948 are set forth in the following tabulation:

		D. L. Duncan	
		At Present	At Proposed
	Eli H. Wiel	Rates	Rates
Revenues		\$ 1,698	\$ 3,599
<u>Expenses</u>			
Water purchased for resale	\$.60	.300	-
Maintenance and operation	1,920	1,036	1,418
Taxes	50	81	463
Depreciation	500	128	128
Total Expenses	2,530	1,545	2,009
Net Operating Revenues		153	1,590
Total Fixed Capital	14,344	12,857	12,857
Rate of Return		1.19%	12.37%

Applicant presented no figures for revenues to be derived from the proposed rates, but he stated that he had estimated that they would render a return on his capital investment of about 6%, after deducting all expenses of operation as shown above. At the hearing applicant protested the amount for fixed capital as shown in the report submitted by the Commission's engineer and he also asked that the estimate of expenses be revised to include an annual amount of \$60 to cover the cost of water to be purchased from the spring supply on the ranch. The latter request appears proper in the light of the anticipated method of operating the system to provide satisfactory service to the consumers served by the two-inch pipe line on San Martin Avenue. Taxes, as included by Mr. Duncan at the proposed rates, are \$382 more than at present rates, which difference is attributable to taxes imposed on the greater income. The engineer's estimate of depreciation was computed by the sinking fund method at 5%, and therefore is considerably less than the amount estimated by applicant on a straight line basis.

A careful review of the detailed appraisal included in the report prepared and submitted by the Commission's staff indicates that the estimated cost of the older portions of the system is somewhat too low. Therefore, for the purpose of establishing rates in this proceeding, a rate base of \$13,500 appears reasonable and will be used.

From the above it may be concluded that the present rates are insufficient to yield a reasonable return on the increased investment under the new operating conditions. On the other hand, the rates proposed by applicant would increase the revenues more than necessary. Accordingly, the order herein will authorize a schedule of rates designed to increase the gross revenue by about \$1,052 per year, which total revenue of around \$2,750 has been computed to yield a rate of return of approximately 6% after deducting all maintenance and operating

expenses including applicable taxes and an allowance for depreciation. Also, in accordance with applicant's request, because his meters record quantities of water in cubic feet, the rate schedule which will be established in the following order will be in 100 cubic-foot units instead of 1,000-gallon units used in former rate schedules.

O R D E R

Application as entitled above having been filed with the Public Utilities Commission of the State of California, a public hearing having been held thereon, the matter having been duly submitted, and the Commission now being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the increased rates established herein to be charged by Eli H. Wiel, doing business under the fictitious firm name of San Martin Water Works, for water delivered to his customers in the unincorporated town of San Martin, Santa Clara County, are justified and should be authorized; therefore,

IT IS HEREBY ORDERED as follows:

1. That Eli H. Wiel, doing business under the fictitious firm name of San Martin Water Works, be and he is hereby authorized to file in quadruplicate with this Commission, in conformity with the Commission's General Order No. 96, within twenty (20) days from the effective date of this order, the schedule of rates shown in Exhibit A appended hereto, such rates to be charged for all water service currently billed on and after January 1, 1949.
2. That Eli H. Wiel, doing business under the fictitious firm name of San Martin Water Works, within thirty (30) days from the effective date of this order, shall file with this Commission for its approval four sets of rules and regulations governing relations with his consumers; each set of which shall contain a suitable map or sketch, 8½ x 11-inches in size, drawn to an indicated scale, delineating thereupon in distinctive markings the boundaries of his present service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.
3. That Eli H. Wiel, doing business under the fictitious firm name of San Martin Water Works, within sixty (60) days from

the effective date of this order, shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory presently to be served. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

The effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 16th day of November, 1948.

James L. Kucce

Harold P. Hula

Samuel H. Foster

Commissioners

EXHIBIT A

Schedule No. 1

METER RATES

APPLICABILITY

Applicable to all domestic and commercial use of water.

TERRITORY

In and adjacent to that portion of the unincorporated town of San Martin, Santa Clara County, lying east of the Southern Pacific Railroad right of way.

RATES

Minimum Charges:	Per Meter <u>Per Month</u>
For 5/8 x 3/4-inch meter	\$2.25
For 3/4-inch meter	3.00
For 1-inch meter	4.00
For 1 1/2-inch meter	5.00
For 2-inch meter	6.00

The Minimum Charge will entitle the consumer to the quantity of water that the monthly minimum charge will purchase at the Quantity Rates.

Quantity Rates:

First 600 cu.ft. or less	\$2.25
Next 1,400 cu.ft., per 100 cu.ft.35
Over 2,000 cu.ft., per 100 cu. ft.30