

ORIGINALDecision No. 57221

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 JOHN SCIARRA (Del Rio Water Co. and)
 Camp Rose Water Company) for an)
 order authorizing increases in)
 water rates.)

Application No. 37103

James R. Mazzone, Jr., of law offices of
Francis M. Passalacqua, for applicant.
Serge V. Spiridonoff, for State Department
 of Public Health, interested party.
Clyde F. Norris, for the Commission staff.

OPINION ON FURTHER HEARING

The Commission, on March 25, 1958, reopened this application for further hearing to determine whether improvements to the Sciarra Water Company's two connected systems, near Healdsburg, had been carried out as contemplated by Decision No. 52903, dated April 17, 1956, which granted an increase in rates. Further hearing was held on May 15 and 16, 1958, at Healdsburg, before Examiner John M. Gregory.

The record shows that, subsequent to the 1956 rate increase and during 1956 and 1957, Sciarra acquired or installed additions to plant, consisting of a well, pumps, reservoirs, transmission and distribution mains, services, meters and some office equipment, costing approximately \$7,600. His original rehabilitation program, outlined in his application to increase rates filed in 1955, was estimated to cost \$17,282.82, which he proposed to spread over a period of five years.

The authorization to increase rates in 1956 was based in part on development of a depreciated rate base of \$29,221, which included the sum of \$13,500 for net additions to plant in the immediate future. The rates authorized were designed to produce net revenue of \$1,900 and a rate of return of 6.5 percent for a future year.

Experience of the company in 1957, however, as indicated by a staff study (Exhibit 14) placed in the record of the further hearing this year, indicates the following results:

Item	Year 1957	
	Company Recorded	Staff Adjusted
Operating Revenues	\$ 9,739.86	\$ 9,739.86
Operating Expenses	6,125.35	8,122.09
Taxes	475.81	483.80
Depreciation	<u>3,000.68</u>	<u>952.67</u>
Total Expenses	<u>\$ 9,601.84</u>	<u>\$ 9,558.56</u>
Net Revenue	\$ 138.02	\$ 181.30
Avg. Depr. Rate Base	\$24,758.00	\$16,773.00
Rate of Return	0.56%	1.08%

The difference in the recorded and adjusted rate bases in the above tabulation results from deduction by the staff of accumulated depreciation on the two systems prior to their acquisition by the present owner in 1955. The adjusted depreciation expense of \$952.67 results from application of the depreciation rate of 3.7 percent to depreciable fixed capital, as directed by Decision No. 52903.

Sciarra, by the time of the further hearing held in May of this year, had virtually completed installation of the improvements

planned in the 1955 rate increase application, except for replacement of some 2,700 feet of smaller pipe with 3-inch pipe on Redwood Drive and in Subdivision 3, in the Del Rio system, about 400 feet of pipe along Madrone Avenue, in the Camp Rose system, and purchase and installation of the balance of 45 of the 100 meters originally planned for two systems.

In lieu of the pipeline replacements in the Del Rio area, mentioned above, Sciarra installed two booster pumps at Blocks A and C on that portion of the system. On the Camp Rose system, a new well has been drilled in the Russian River and placed in operation, a new 10,000-gallon storage tank has been installed on Madrone Avenue, and most of the larger pipe replacements have been completed along that avenue. The two systems are now interconnected. Pump tests of the pump at the Schwartz's lease well, in the Del Rio system, and the new well in the Russian River at the foot of Ford Street, in the Camp Rose system, submitted after the close of the hearings, indicate that approximately 56 gpm is produced by these plants, under normal operating conditions, in augmentation of the main source of supply from springs.

Several consumers complained of low pressures and failure of supply, especially during weekends and at other periods of peak use. Sciarra conceded that progressive replacement of old, two-inch pipeline with pipe of larger diameter, when financially feasible, would alleviate this problem.

Heavy rainfall in the area this year should have increased the supply of spring water, which, together with improved supply from wells and the additional storage and pumping facilities, should place the utility in position to render better service during periods of peak demand.

A representative of a consumer's group urged that the Commission adopt a formula based on the ratio of plant to revenue in fixing rates for the Sciarra Water Company, as more truly representing the correct financial results of the utility's operations. He also offered other objections to the staff's treatment of several items of capital and expense in the rate base.

Analysis of the showing offered by this witness indicates that it is essentially of the same character as that advanced by him at the original hearings. It appears to be based, however, on a conception of rate fixing which is not currently in use by this Commission.

Review of the record at the further hearing, in light of applicant's original plans and subsequent performance leads to the conclusion that Sciarra has initiated and carried through substantial improvements to the combined water systems, but that further pipe replacement, especially in low pressure areas, is essential to adequate service.

A staff exhibit indicated that after adjustment of applicant's records, the 1957 operating results have fallen short of estimates. Applicant, however, made no affirmative showing at the further hearing on earnings or rate of return. In view of applicant's lack of showing, the presently authorized rate structure will not be disturbed in this order.

A representative from the State Department of Public Health testified relative to certain improvements which should be made to improve the quality of water. The applicant indicated that he would initiate such improvements and make application for a water supply permit.

The applicant will be required by the order herein to make application for such a permit and to advise this Commission of his progress in this respect. Applicant also will be directed to

initiate a progressive program of pipe replacements for low pressure areas, and to submit regular reports until the work has been completed.

O R D E R

Further public hearing having been held herein, the matter having been submitted and the Commission now being fully advised,

IT IS HEREBY ORDERED that:

1. Decision No. 52903, issued herein on April 17, 1956, is reaffirmed.

2. John Sciarra shall prepare, or have prepared, and shall submit to the Commission, within thirty days after the date of issuance of this decision, a detailed report acceptable to the *added* Commission indicating the portions of the transmission and distribution pipelines in both the Del Rio and Camp Rose areas of his system to be replaced by pipe of 4-inch diameter or larger size, in order to alleviate present pressure deficiencies, together with an itemized estimate of the cost of installation of such replacements and a schedule for completion thereof by June 1, 1959. Applicant shall forthwith commence and thereafter complete the installations, *added* and shall advise the Commission, in writing, on or before October 10, 1958 and every two months thereafter, of the progress of said installations, until the project has been fully completed.

3. John Sciarra shall forthwith make application to the State Department of Public Health for a water supply permit and shall advise the Commission, in writing, on or before October 10, 1958 and every two months thereafter, of the progress in obtaining such permit, until such permit has been obtained.

4. Good cause appearing, IT IS ORDERED that the effective date of this decision be shortened so that said decision will become effective ten days after the date hereof.

Dated at San Francisco, California, this 19th day of August, 1958.

E. L. Fox
President
W. E. ...
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...
Commissioners

Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.