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Decision No. _____

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 JAMES and THERESA CARPIGNANO, dba)
 WEST SAN MARTIN WATER WORKS for a)
 certificate of public convenience)
 and necessity to operate a water)
 system in West San Martin and for)
 authority to increase the rates)
 for service.)

Application No. 43450
 (Filed May 29, 1961)

John C. Luthin, for applicants.

L. L. Thornd and Arthur C. Fegan, for the
 Commission staff.

INTERIM OPINION AND ORDER

By this application, James and Theresa Carpignano (West San Martin Water Works) seek (1) a certificate of public convenience and necessity for a water system which they have owned and operated for approximately 26 years and (2) authority to increase rates for water service so as to produce a gross annual revenue of approximately \$4,270, an increase of 47 percent.

Public hearing in the matter was held before Examiner F. Everett Emerson on August 24, 1961, at San Martin. Eighteen of applicants' customers attended the hearing and seven testified respecting service conditions and system ownership and commented upon applicants' rate request.

Applicants have been engaged in agriculture in the vicinity of San Martin since about 1919. In 1935 they purchased property which included two lots, a house, a garage and a water system composed of a well, a pump, an elevated tank, and certain pipelines

extending therefrom which provided water to about 25 customers for both domestic and minor irrigation service. Since applicants' original acquisition an additional lot has been purchased for use of the water system, a well drilled thereon, a new pump installed and a pressure tank put into service. Applicants presently supply water to 57 customers. No water supply permit has been required by the County Sanitarian but regular testing of the water has been performed under the direction of such official. Applicants claim to have an emergency connection to a neighbor's well as a standby source of supply; however, no known tests of such well are available and neither its quality nor its safety for public use is known.

Applicants' system of water mains is composed of 2-inch galvanized pipe, located in streets and on private property, and is almost fully depreciated. It is deficient in numerous respects when viewed in the light of this Commission's General Order No. 103. In addition there are connected to it about 3,000 feet of 2-inch pipe and 20 metered service connections which apparently are neither owned nor maintained by applicants. Users complain of dirty water, lack of system maintenance and low pressures. Applicants make no attempt to flush the mains of accumulated rust or sediment. They keep no records of complaints.

Applicants' charges for water service were \$1.50 per month in 1935. Sometime about the year 1950 applicants, without authorization so to do, increased such charges to a minimum of \$2.25 per month for 600 cubic feet of water and additional charges of 35¢ per 100 cubic feet for the next 1,900 cubic feet and 30¢ per 100 cubic feet for all usage over 2,500 cubic feet of water. They are now seeking authority to increase such rates by about 47 percent.

Applicants state that they are looking forward to retirement and desire to put their affairs in order prior thereto. They believe that the obtaining of a certificate for the system is necessary to such prospective winding up of their affairs.

Certificates of public convenience and necessity for public utility water systems are not issued by this Commission except upon a proper showing that the physical plant involved and the services to be rendered thereby at least meet the minimum standards of design and construction and operating requirements of the Commission's General Order No. 103, adopted June 12, 1956. Prior to adoption of said General Order, certificates were not issued unless the system involved would provide reasonably adequate service to the public. Applicants' system meets neither of these criteria. In view of the evidence, the Commission finds as a fact that applicants' water system is inadequate for the rendering of proper public utility service. Action on applicants' request for a certificate will be deferred at this time. The evidence is conclusive, however, that applicants are now and for some years have been operating as a public utility, albeit without the authorizations required by law, and the Commission finds the fact so to be.

Applicants had an historical cost appraisal of the system made as of June 30, 1960, and such appraisal shows a total original utility plant cost of \$10,219 to which were added \$636 in assumed overhead charges. Ownership of certain mains and service connections is uncertain, however, and said appraisal may or may not reflect a reasonable historical cost for the system. Of greater value, and probably of better accuracy, in determining utility plant

costs is the estimated cost of \$8,983 developed by the staff of the Commission. Such basic amount, together with allowances of \$350 for working cash and \$100 for materials and supplies and a deduction of \$4,690 as an appropriate depreciation reserve, yields a depreciated rate base of \$4,750 for the year 1961.

Applicants claim to be operating their system at a loss and their figures for the year 1960 indicate a deficit of \$731. However, computations made by the staff of the Commission indicate that a net revenue of \$120 was realized. The staff estimates for the year 1961 indicate that applicants might have realized a net revenue of \$1,150 if applicants' proposed rates could have been in effect throughout the year. The indicated result would be a rate of return of more than 24 percent.

Applicants' customers are entitled to receive a better service than that now furnished and applicants are entitled to have an opportunity to realize reasonable earnings. It appears that the best solution to the utility's and the customers' problems is for applicants to undertake a program of general system improvements looking towards an end result of bringing the system into full accord with the provisions of General Order No. 103. The entire distribution system is composed of under-sized pipes of unsatisfactory material. The system has no satisfactory auxiliary source of supply. About 3,000 feet of mains and 20 services connected thereto are not owned by applicants and should be replaced with applicants' own facilities of proper design and construction and located either in public streets or in easements dedicated to public utility purposes. An adequate engineering study is necessary.

In view of the evidence, the Commission finds that it is fair and reasonable and that it is in the public interest to

(1) set aside submission and reopen this matter for further hearing, (2) accord applicants interim rate relief pending final disposition, (3) require applicants to prepare a detailed written program for system improvement, (4) restrict applicants' service to those customers presently served pending final disposition and (5) withhold certification until system improvements are accomplished.

To the extent authorized herein, the Commission finds that increased rates and charges for water service are justified and that existing rates and charges, insofar as they differ from those contained in Appendix A to this order, are for the future unjust and unreasonable.

Based upon the evidence and the foregoing findings,

IT IS ORDERED that:

1. Applicants are authorized and directed to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedule of rates attached to this order as Appendix A and, on not less than five days' notice to the public and to this Commission, to make said rates effective for all water service rendered on and after January 1, 1962.

2. Applicants are directed to file in quadruplicate with this Commission by not later than December 22, 1961, and in conformity with General Order No. 96 and in a form acceptable to the Commission, rules governing service to customers, a tariff service area map and sample copies of forms normally used in connection with customer services, said rules, map and forms to become effective on January 1, 1962.

3. By not later than April 1, 1962, applicants shall file with this Commission a written report from a registered civil

engineer which shall set forth specific recommendations for such reconstruction or improvements to applicants' water system as may be necessary to ensure that said system (1) will meet the requirements of this Commission's General Order No. 103 and (2) will be owned and maintained by applicants. Further, said report shall be accompanied by a written and detailed program by applicants for accomplishing the same.

4. Until further order of this Commission applicants shall not establish a new service connection to any customer or to any parcel of land not served by applicants' water system on or before December 31, 1961.

5. Submission of this matter is hereby set aside and the matter reopened for further hearing to be held before such Commissioner or Examiner and at such time and place as may hereafter be designated.

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

Dated at Los Angeles, California, this 5th day of December, 1961.

[Signature]
President

[Signature]

Friedrich B. Helberhoff

Commissioners

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

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The western portion of the community of San Martin, Santa Clara County.

RATES

Per Meter
Per Month

Quantity Rates:

First 600 cu.ft. or less	\$ 2.85
Next 1,900 cu.ft., per 100 cu.ft.40
Over 2,500 cu.ft., per 100 cu.ft.35

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.85
For 3/4-inch meter	4.00
For 1-inch meter	7.00
For 1 1/2-inch meter	13.00
For 2-inch meter	20.00

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