

ORIGINALDecision No. 6400S

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LAWRENCE ROMEO VANONI,
 dba "COAST SPRINGS WATER COMPANY,"
 for an Order, under Section 454 of
 the Public Utilities Code, authorizing
 an increase in water rates.

Application No. 44224
 (Filed February 28, 1962;
 Amended June 7, 1962)

John E. Callouette, for applicant.
Gibbs E. Lawson, protestant.
J. Hedgepeth, interested party.
J. D. Reader, for the Commission staff.

O P I N I O N

Public hearing in this matter was held before Examiner F. Everett Emerson on June 7, 1962, at Dillon Beach, Marin County. Approximately 47 persons attended the hearing. Applicant serves 130 customers.

Applicant seeks authority to increase his water rates, as illustrated in the following comparative tabulation showing basic charges:

<u>Item</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
Residential Metered Service:		
Annual Service Charge	\$36.00	\$43.15
Monthly Quantity Charge	.40 per ccf	.53 per ccf
Dillon Beach Resort:		
Annual Service Charge	\$65.00	\$822.50
Monthly Quantity Charge:		
First 5,000 cf	.40 per ccf	.53 per ccf
Over 5,000 cf	.30 per ccf	.53 per ccf
Pacific Marine Station:		
Annual Service Charge	\$50.00	\$178.55
Monthly Quantity Charge:		
First 5,000 cf	.40 per ccf	.53 per ccf
Over 5,000 cf	.30 per ccf	.53 per ccf
Monthly Fire Hydrant Rental	.50 per hydrant	4.00 per hy- drant

Evidence respecting applicant's earnings was presented by applicant, by his engineering consultant and by an engineer of the Commission's staff. For the year 1961, applicant has recorded his results of operations as follows:

Year 1961, Recorded

Operating Revenues	\$ 6,738.89
Operating Expenses	6,620.30
Net Revenue	118.59
Rate Base	30,427.81
Rate of Return	.039%

With respect to estimated results of operations for the year 1962, assuming applicant's requested rates were in effect, a comparison of the presentations of applicant and the Commission staff is illustrated by the following tabulation:

Estimated Year 1962 at Requested Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 9,878.40	\$ 9,910.00
Operating Expenses	7,296.25	6,360.00
Net Revenue	2,582.15	3,550.00
Rate Base	29,905.51	31,970.00
Rate of Return	8.6%	11.1%

In addition to his water utility operations, applicant is engaged in agricultural pursuits. His ranch home, vehicles, tools and other items used at the ranch are also sometimes used in connection with his water utility operations. As a result, his claimed utility expenses include charges for such usages. Specifically, he claims an annual charge of \$480 as rental for the room in his home in which he keeps utility records and conducts utility affairs. He also claims \$400 as an annual charge for the use of a 1949 flat-bed, unequipped, truck. He claims \$2,400 per year as his own salary and \$600 per year for the billing, collecting and minor bookkeeping activities of his wife. In addition, he

devotes substantially all of approximately \$1,320 of annual depreciation charges to his personal account. His monetary return from the utility would thus total approximately \$5,200 annually, after payment of all other expenses and a return on his investment, if his claims were fully accepted as being justified. In view of the size of the system, the number of customers and the evidence in this proceeding respecting the nature of his utility operations, such claims appear to be unjustified. ✓

Applicant supplies his customers with water which at times carries an offensive odor and is darkly clouded with sediment. The evidence indicates that the turbidity of the water frequently is such as to make it unusable for cooking and drinking purposes. Customers commonly must use water from other sources for such purposes. It is believed that the discoloration and sediment arises from a heavy concentration of iron in one of applicant's sources of supply but to date applicant has made no effort to isolate the source of the difficulty. The difficulty is not of recent origin. It was the subject of numerous customer complaints even before applicant's last rate increase was authorized in 1959. Customer complaints brought to the attention of the Commission during the course of the present proceeding are even more numerous and more forceful than those previously expressed. The water samples displayed at the hearing and the testimony respecting the same, create grave doubts as to the present value of the service being rendered. Charging higher rates for such poor quality of water is not justifiable.

The law does not guarantee a utility a profit; but grants only the privilege of an opportunity to earn one. The evidence is

convincing that during the year 1962, under existing rates for water service, applicant's operations should produce earnings as follows:

<u>Earnings at Present Rates</u> <u>Year 1962 Estimated</u>	
Operating Revenues	\$6,860.00
Operating Expenses:	
Before Taxes and Depreciation	3,735.00
Depreciation	1,220.00
Taxes	<u>657.00</u>
Total Operating Expenses	\$5,612.00
Net Revenue	1,248.00
Rate Base	29,905.00
Rate of Return	4.2%

While an indicated rate of return of 4.2 percent is not normally considered as being adequate, in view of the evidence in this proceeding this Commission finds and concludes that no greater return is now warranted nor will be warranted until such time as applicant may demonstrate to the Commission that the value of the service rendered to applicant's customers has been substantially increased. In this latter respect, applicant has testified that he has made arrangements to have an investigation made of the source of his poor quality water and will take appropriate steps to rectify the situation. Applicant will be required to inform the Commission with respect to the results of such investigation and a suitable program of improvement.

The Commission finds that applicant has failed to establish by clear and convincing evidence that he is either in need of or entitled to increased revenues and concludes that his application should be denied.

ORDER

Based upon the evidence and the findings contained in the foregoing opinion,

IT IS ORDERED that the application of Lawrence Romeo Vanoni for increased water rates be and it is hereby denied.

IT IS FURTHER ORDERED that said Vanoni shall forthwith undertake an investigation by which he shall determine the cause and source of the poor quality water discussed in the foregoing opinion and, by not later than October 31, 1962, shall inform this Commission, in writing, of the results of such investigation and, further, shall concurrently advise this Commission of a reasonable program for the alleviation or elimination of such poor quality water.

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

Dated at San Francisco, California, this 24th day of JULY, 1962.

George G. Grover
President
Richard P. Mitchell
James Fox
Robert L. ...

Commissioners

Commissioner Fredorick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.