

ORIGINALDecision No. 65286

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 con-)	Application No. 43450
venience and necessity to)	As Amended
operate a water system in West)	
San Martin and for authority to)	
increase the rates for service.)	

Norris Udell, for applicants.
Arthur C. Fegan, for the Commission staff.

OPINION AND ORDER

This application was filed May 29, 1961. Since that date, three days of public hearing have been held, two interim decisions have been issued¹ and written reports, together with plans and specifications, have been filed in response to orders of the Commission. The matter is submitted and is now ready for decision.

Prior decisions in this proceeding have (1) found the Carpignanos to be operating as a public utility, (2) authorized a partial rate increase, (3) directed that major improvements in service be provided, and (4) withheld certification and the establishment of permanent rates pending completion of system improvements. At a public hearing held before Examiner Emerson on February 26, 1963, at Gilroy, the receipt of evidence respecting all of these matters was brought to a conclusion and amendments to the application were accepted in order to establish a rate for fire-hydrant rental service and to authorize applicants to exercise the

¹ Decision No. 62887, issued December 5, 1961, and Decision No. 63981, issued July 24, 1962.

rights and privileges of a franchise granted by the County of Santa Clara.

Applicants have substantially rebuilt their water system. A new well and pumping plant have been installed and the old well and plant have been rehabilitated. All but one relatively short section of main has been replaced with new and larger pipe. The system is now in full compliance with this Commission's General Order No. 103 and is fully adequate to meet the water needs of its customers.

In bringing the system up to standard, applicants have made cash expenditures of over \$43,057. Such amount includes approximately \$3,758 expended for facilities not presently needed but prudently installed during the over-all rebuilding project. Applicants are not seeking to include this latter amount in rate base at the present time.

The evidence shows that applicants have a gross utility plant of \$49,721. Deducting \$3,758 as the amount of the overbuild and a depreciation reserve of \$2,620 and adding thereto nominal amounts of \$350 for working cash and \$200 for materials and supplies, produces a depreciated rate base of \$43,893, which rate base the Commission finds to be fair and reasonable for the year 1963.

Under the interim rates presently effective, applicants will receive annual revenues of \$3,600. Reasonable operating expenses, including provision for depreciation and taxes, will approximate \$4,100 on an annual basis. It follows, that applicants will operate at a loss if existing water rates are continued. Under the water rates which applicants have requested, including the proposed charges for fire-hydrant rentals, annual revenues will approximate \$4,600 and operating expenses will total \$4,210, thus producing a net revenue of \$390. Such net revenue will provide a rate

of return of less than one percent on the rate base hereinabove found to be reasonable.

Applicants have been granted a franchise by Ordinance No. NS 4.28 of the County of Santa Clara. The franchise has a term of 50 years and requires an annual payment to the County of two percent of gross receipts starting with the calendar year 1968. The ordinance became effective on February 6, 1963.

In view of the evidence, the Commission finds that:

1. Public convenience and necessity require that applicants be granted authority to operate their water system in the area requested and to exercise the rights and privileges of the franchise granted by the County of Santa Clara.

2. Applicants are in need of and entitled to increased revenues.

3. The increases in rates and charges authorized herein are justified and present rates and charges, insofar as they differ from those authorized herein, are for the future unjust and unreasonable.

4. Existing restrictions respecting the taking on of new or additional customers, as heretofore ordered by Decision No. 63981, should now be lifted.

The certificates issued herein are subject to the following provisions of law:

1. That the Commission shall have no power to authorize the capitalization of the certificates of public convenience and necessity granted herein or the right to own, operate, or enjoy such certificates of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or a political subdivision thereof as the consideration of such certificates of public convenience and necessity or right.

2. That the franchise involved herein shall never be given any value before any court or other public authority in any proceeding of any character in excess of the cost to the grantee of the necessary publication and any other sum paid by it to the county therefor at the time of the application thereof.

Based upon the evidence and the foregoing findings,

IT IS ORDERED as follows:

1. A certificate of public convenience and necessity is hereby granted to James and Theresa Carpignano to construct and operate a public utility water system for the production, storage, distribution and sale of water within that area delineated on Exhibit A attached to the application herein and lying westerly of State Highway No. 101.
2. A certificate of public convenience and necessity is hereby granted to James and Theresa Carpignano to exercise the rights and privileges granted by the County of Santa Clara by Ordinance No. NS 4.23 adopted January 7, 1963.
3. The restriction respecting service to new or additional customers set forth in ordering paragraph 3 of Decision No. 63981, issued July 24, 1962, is hereby set aside and is of no further effect.
4. Applicants are authorized to file in quadruplicate with the Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A, the schedules of rates and charges set forth in Appendix A attached to this order and, on not less than five days' notice to this Commission and to the public, to make said rate schedules effective for service rendered on and after June 1, 1963.
5. Applicants shall file with this Commission, within sixty days after the effective date of this order, four copies of a

comprehensive map, drawn to an indicated scale of approximately 100 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicants.

6. Beginning with the year 1963, applicants shall determine depreciation accruals by multiplying depreciable utility plant by a rate of 2.8 percent. This rate shall be used until review indicates that it should be revised. Applicants shall review the depreciation rate, using the straight-line remaining life method, whenever substantial changes in utility plant composition occur and at intervals of not more than five years and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

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

Dated at San Francisco, California, this 1st day of MAY, 1963.

George H. Thover
President

[Signature]
[Signature]

William W. Bennett

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

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

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

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 600 cu.ft. or less	\$ 3.25
Next 1,900 cu.ft., per 100 cu.ft.50
Over 2,500 cu.ft., per 100 cu.ft.40
 Minimum Charge:	
For 5/8 x 3/4-inch meter	3.25
For 3/4-inch meter	4.50
For 1-inch meter	7.50
For 1 1/2-inch meter	16.00
For 2-inch meter	24.00

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

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State.

TERRITORY

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

RATE

Per Month

For each hydrant \$3.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.