

Decision No. 13647.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of )  
EL DORADO WATER CORPORATION )  
for an order to modify and change ) Application No. 9814.  
its rates for furnishing water. )

R. W. Brown for applicant.

W. S. Bates for certain consumers.

WHITTLESEY, Commissioner:

O P I N I O N

El Dorado Water Corporation, a public utility engaged in the business of supplying water for domestic, mining, industrial and irrigation purposes in the vicinity of Placerville, El Dorado County, makes application for an adjustment and increase in rates.

The application alleges in effect that the present rate schedule was established by Decision No. 10166, rendered by this Commission March 7, 1922, in Application No. 7515 of the El Dorado Water Company, the former owner of this water system; that subsequent thereto a transfer of the property was made to the El Dorado Water Corporation, the applicant herein, in connection with a reorganization of the former company with the same ownership and management, for the purpose of refinancing; that subsequent to the rendition of this decision, applicant has largely increased its

capital investment by the construction of the Webber Creek dam and canal, which provides an additional source of supply, and by certain additions and betterments to the main system; and that the present rates are non-compensatory and do not produce sufficient revenue to meet the necessary maintenance and operation expenses, depreciation annuity, and in addition allow for an adequate and proper interest return on the increased value of its property. Therefore, the request is made for an order of the Commission authorizing a schedule of increased rates.

A public hearing in this proceeding was held at Placerville following the usual notification given to all consumers inviting them to be present and be heard in the matter.

The present operative system consists of some 63 miles of main ditch and laterals, diverting from the Western States Gas and Electric Company's main canal at a point about 14 miles above Placerville, together with pipe distribution mains which provide service for the industrial and domestic users outside the City of Placerville. On the ditch system are 8 small regulating reservoirs formed by earthen dams having a total storage of 239 acre feet. The water supply is obtained by purchase from the canal of the Western States Gas and Electric Company in accordance with a schedule of measured rates agreed upon at the time the ditch system was acquired in 1919. The quantity of water that may be so purchased is limited to a maximum of 304,200 miner's inch days in any year, with a maximum flow of 1600 miner's inches per day.

The Webber Creek project, which has been under construction the past two years, consists of a triple arch concrete dam erected on the North Fork of Webber Creek to a present height of 90 feet, and some 8 miles of canal to connect with the main system. Upon the completion of the latter canal about June 1st, this

project, with about 2000 acre feet storage supplied from 12 square miles of drainage area, will become operative. In the future it is the intention to raise this dam to 110 feet in height and thus provide about 500 acre feet additional storage capacity.

This utility is owned and controlled by the El Dorado Water Users' Association, a corporation which holds the capital stock and whose members constitute approximately 50 per cent. of the present consumers on the system, with a combined irrigation use of over 70 per cent. of the total quantity of water delivered.

The present rates for water used for irrigation and mining purposes are as follows:

SCHEDULE 1 - DEMAND RATE

Covering use of water upon demand by consumer -  
 per miner's inch day of 24 hours . . . . . \$0.30

SCHEDULE 2 - SEASONAL RATE

Covering use of water by continuous flow, or its equivalent in pre-arranged periods, during the irrigation season of 122 days extending from May 25th to September 24th, inclusive -  
 Per miner's inch per season. . . . . \$30.00  
 Payable at the rate of \$6.00 per inch at the time of filing of application for water, on or before May 15th of each year, the remainder to be payable at the rate of \$6.00 per inch per month beginning June 30th.

For water delivered prior to May 25th or subsequent to September 24th -  
 Per miner's inch day of 24 hours . . . . . \$0.24

The rate base allowed by this Commission in the above mentioned Decision No. 10166, which established the rate schedule at present in effect, was \$56,266, representing the actual capital investment of this utility as of January 1st, 1922.

H. A. Noble, one of the Commission's hydraulic engineers, made a field investigation of the system and an examination of the capital expenditures and maintenance and operation expenses. The results of this investigation were compiled and

included in a report, which was submitted in evidence at the hearing and accepted by applicant without protest. This report shows a total of \$195,475 properly chargeable to additions and betterments to plant made subsequent to January 1, 1922. The evidence shows that additional expenditures estimated at \$30,000 will be required to complete the ditch and pipe lines so as to bring the Webber Creek project into use. Funds for the purpose have been raised by an issue of 7 per cent. preferred stock recently authorized by the Commission. This work will be completed in time to make an additional water supply available for the present irrigation season.

Summarizing the foregoing items there is obtained a total of \$281,741 which may be used as a reasonable rate base for the purpose of the present proceeding.

In determining the rate base set out above, consideration was given the financial statement submitted by applicant showing a total of \$349,432 as the fixed capital installed as of January 1, 1923. An analysis of the details of the various items comprising this total shows that the difference is largely accounted for by the substitution by the utility of the estimated historical cost less depreciation of the various items of property, for the original purchase price of \$25,000 paid in 1919 to Western States Gas and Electric Company for the ditch system.

The depreciation annuity allowed by the Commission in the prior rate proceeding was \$881, and was computed by the 6 per cent. sinking fund method. Adding to this sum the amount submitted by the Commission's engineer for additions and betterments installed subsequently, and obtained by similar computations, with the further addition of a reasonable allowance for the Webber Creek project, now under construction, the resulting total depreciation annuity is found to be \$1,080.

The maintenance and operation expenses, exclusive of the charge for depreciation, totalled \$24,969.84 for the year 1922 and \$25,046.86 for 1923. The details submitted of these expenditures have been examined and found to be properly charged and reasonable as compared with other utilities of similar character and size. After taking into consideration operating conditions which will obtain in the future and the requirements for rendering proper and efficient service to consumers, it appears that a reasonable allowance for future maintenance and operation expenses of this system will be \$25,600.

The rates at present in effect produced a total revenue during the year 1923 of \$39,164.49. Deducting therefrom the amounts indicated above as reasonable allowances for depreciation and for maintenance and operation expenses, which total \$26,680, we obtain the remainder \$12,484 available for return. This latter sum is equivalent to approximately 4.4 per cent. return upon the rate base of \$281,741, set out above. Under the circumstances applicant is entitled to an increase in rates.

The following tabulation gives the total quantity of water delivered annually for the past four years, segregated to the different uses, and showing that use under the irrigation rate has approximated 70 per cent. of the total:

Use of Water	Miner's Inch Days			
	1920	1921	1922	1923
Irrigation and Mining	84956	82108	106405	111757
Domestic and Manufacturing	34224	47857	13733	13602
City of Placerville-Municipal	11408	13177	27808	26937
Total delivered	130588	143142	147946	152296
Acres irrigated (approx.)	4000	4200	5000	5000

Analysis of the 1923 irrigation use as submitted shows that there was delivered under the demand rate 26,303 miner's inch days to 150 consumers, mainly small users, and under the seasonal rate 85,464 miner's inch days to 115 consumers. The evidence shows that, due to such a large proportion of the consumers requiring delivery of water on the demand basis, the utility has encountered difficulties in making deliveries and in rendering proper and efficient service, as demand water is largely called for during short periods in mid-summer when irrigation is at the peak, rather than spreading the use over the irrigation season.

In order to induce the consumer of small quantities of water to spread his demands over the entire irrigation season and thereby relieve this situation, it is recommended that there be included in the rate schedule a special seasonal rate under which the quantity applied for may be cumulated monthly for deliveries at certain fixed periods each month as required and as arranged for.

After an analysis of the details of the 1923 water use, together with a consideration of all the facts submitted, the rate schedule set out in the accompanying order has been computed and designed to yield the necessary annual charges of the system, including what under the circumstances is a reasonable interest return on the investment in the property.

The following form of order is submitted:

#### O R D E R

El Dorado Water Corporation having made application to the Commission for authority to increase the rates charged for water delivered for irrigation and mining purposes, a public hearing having been held thereon, and the matter having been submitted,

It Is Hereby Found as a Fact that the rates now charged by El Dorado Water Corporation, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged for water delivered to consumers.

And basing the order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that the El Dorado Water Corporation be and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order, the following schedule of rates to be charged for water delivered to consumers for irrigation and mining uses and effective for all water delivered subsequent to July 1, 1924.

IRRIGATION AND MINING RATES

SCHEDULE 1 - DEMAND RATE

For use of water delivered during the period from May 25th to September 24th, inclusive, upon demand made by consumer, per miner's inch day of 24 hours . . . . . \$0.45

SCHEDULE 2 - SEASONAL RATE

- (a) For use of water delivered by a continuous flow during the irrigation season, extending from May 25th to September 24th, inclusive, per miner's inch per season. . . . . \$34.00
- (b) For use of water applied for as a continuous flow during the irrigation season, extending from May 25th to September 24th, inclusive, to be delivered on a 30-day cumulative flow basis at certain pre-arranged periods or runs each month, per miner's inch per season . . . . . \$38.00
- (c) For use of water delivered prior to May 25th or subsequent to September 24th, per miner's inch day of 24 hours . . . . . \$0.28

The rates at present in effect for service of water for all other purposes and uses shall remain unchanged.

IT IS HEREBY FURTHER ORDERED that payments for water to

be delivered under the foregoing schedules of irrigation and mining rates shall be made as follows:

1. Under the demand rate, Schedule 1, payment shall be made as provided for and specified in the utility's rules and regulations.
2. Under the seasonal rate, Schedule 2 (a) and 2 (b), payments shall be made in three equal annual instalments, becoming due and payable on May 15th, July 1st and October 1st, respectively.
3. For water delivered under Schedule 2 (c), payments shall be made as provided and specified in the utility's rules and regulations.
4. During the irrigation season of 1924 water supplied prior to July 1, 1924, shall be charged for in accordance with the schedule of rates established by this Commission in Decision No. 10166, dated March 7, 1922. Water supplied subsequent to June 30, 1924, shall be charged for in accordance with the schedule set out in this order.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days from the date of this order, El Dorado Water Corporation shall file with this Commission, for approval, such amendments to and changes in its rules and regulations governing deliveries of water and method of payments of the rates as are necessary to conform with the rate schedule herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 3rd day of June, 1924.

C. L. Seaver

Dwight Martin

J. T. Whittier  
Commissioners.