

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Investigation
upon the Commission's own motion
into the rates, charges, classifica-
tions, contracts, practices, rules,
regulations, schedules, and condi-
tions of service of the SUTTER BUTTE
CANAL COMPANY, a public utility.

ORIGINAL

Case No. 2,126.

Isaac Frohman, W. C. Carlin, Henry Ingram
and Devlin and Brookman, by Douglas
Brookman, for Sutter-Butte Canal Company.
A. B. Eddy, M. W. Armfield and J. D. Galloway,
for Sutter-Butte Water Users Association.
J. J. Deuel and L. S. Wing, for California
Farm Bureau Federation.
George F. Jones and Harry L. Huston, for
Butte County Water Users Association.

DECOTO, SEAVEY AND WHITSELL, COMMISSIONERS:

O P I N I O N

This proceeding was instituted on the Commission's own motion for the purpose of making a complete and new investigation of the rates, charges, classifications, contracts, rules, regulations and service of the Sutter Butte Canal Company, in view of the development of considerable protest and dissatisfaction following the fixing of rates on the Sutter Butte Canal Company system by this Commission in Decision No. 14,422 dated December 31, 1924.

Public hearings in this proceeding were held in Gridley on May 25 and on November 16, 17, 18 and 19, 1925. The matter was submitted, subject to the filing of briefs and supplemental auditor's report on behalf of Sutter Butte Water Users' Association. Briefs were filed by Sutter Butte Water Users' Association and by California Farm Bureau Federation. No brief was filed by the Sutter Butte Canal Company or any other party to this proceeding except those above mentioned.

This proceeding involves a complete reconsideration of the entire matter of rules, rates and service of the Sutter Butte Canal Company. Records in previous proceedings have been stipulated into this proceeding only as to specifically designated portions. Certain reports previously before the Commission were introduced herein and are before us. A large amount of evidence was presented by the Engineering Department of the Commission, by the Sutter Butte Canal Company, the Farm Bureau Federation and the Sutter Butte Water Users' Association, and a total of forty-three (43) exhibits was introduced and testimony covering seven hundred and forty-eight (748) pages of transcript was taken. It would appear from a consideration of the testimony and exhibits that the record is very complete and definite and all parties were given a full opportunity to be heard.

Preliminary to the general investigation and the presentation of evidence, an informal conference was held at Gridley July 9 and 10, 1925, by the Commission's engineers, representatives of the Sutter Butte Water Users' Association and the California Farm Bureau Federation with the consumers of the Sutter Butte Canal Company. This was held to give all who desired an opportunity to submit individually and informally their criticisms, complaints and suggestions regarding service conditions, rates, operating methods and practices of the company. A report summarizing the information obtained was introduced as an exhibit in the hearing and is before the Commission. Eighty-five (85) individuals were interviewed at this conference and more than 12,000 acres of land, generally distributed over the system of the company, were represented, 8,000 acres of which represent land having attached thereto the so-called continuous water right contracts. A study of the report on the preliminary conference and

the other evidence presented in this proceeding indicates certain sources of complaint and dissatisfaction which should be given special consideration.

Water Right contracts.

A large number of consumers holding what has heretofore been referred to as continuous water right contracts, appeared at the preliminary conference and objected to the continuation of these contracts. The Farm Bureau Federation and the Sutter Butte Water Users' Association contend that the present condition results in discrimination against these contract holders and that the contract should be abrogated or at least made inoperative as regards any obligation on the part of the consumers to pay for service to land which is not irrigated. The contracts have been the subject of long-standing controversy on this company's system, involving certain groups of consumers, and have been made important issues for adjustment by this Commission in regard to alleged discriminations. The circumstances of their origin were connected with the early development and construction of this system prior to the date on which this Commission first assumed jurisdiction of the Company's operations. At the present time, there are approximately 34,000 acres of land covered by such contracts as against a total of approximately 81,000 acres which have at some time in the past been irrigated by the system. These contracts are appertinent to the land, and provide among other things, that the rates for service and the charges under them if not paid become a lien on the land. In addition an initial payment for "water rights" was paid by contract holders varying in amount from \$4.00 to approximately \$10.00 per acre. The water rates set forth in these contracts have been changed from time to time by this Commission in connection with rate proceedings involving the company. Originally, this Commission established a differential in the rates between contract and non-contract holders. This was discontinued in accordance with the order in the last Decision No. 14,422, dated December 31, 1924, and the rates therein established which are now in effect are the same for service under the continuous contract and the

short term contract provided in that decision. The present rate provides for a service charge of \$1.25 per acre, under the short term contract basis, which is applicable for two years after active irrigation ceases. The Company has in addition applied this charge to the acreage of continuous contract lands not irrigated. The continuous contract holder finds himself, therefore, in a position of being obligated to pay this charge indefinitely whether he irrigates or not and with no apparent means of escape or cancellation, while the non-continuous contract holder can be freed of the obligation in two additional years after service has been taken.

Without reviewing the entire contract situation, it seems sufficient to state that we are convinced from the evidence that a discrimination exists at the present time. The enforcement of this continuous contract obligation is not only detrimental to the consumers as a whole and to the district but also to the Company as an operating utility as well. No district can progressively advance when continuously in turmoil over existing or believed inequities and discriminations. This chaotic condition should be eliminated. We are convinced that either all the land should be under continuous contracts, which would be somewhat similar to an irrigation district situation, or all land should be treated uniformly under non-continuous contracts. Operating as a public utility, it appears impracticable or impossible to make effective the former. The Company as a public utility will be required however to eliminate the discrimination and treat all consumers alike as to the obligation for service. In general a return to the prior form of rate schedule which provided for a differential in rates between contract and non-contract lands is not favored and does not solve the problem. As a matter of fact it appears clear to this Commission that the elapsed time and advantages flowing from previous decisions of this Commission have eliminated any reasons for the reinstating such a differential.

The question of this Commission's jurisdiction to abrogate these contracts has been raised. From the consumers' standpoint, it seems that little remains of these contracts except the alleged obligation in perpetuity to pay charges upon all of the land covered. From the Company's standpoint, as an operating utility, we see no apparent value in demanding the perpetuation of the contracts and, in fact, it would appear that the unrest in the district resulting from their continuation is a real detriment to the Company. The estimated additional receipts from the enforcement of these contracts on non-irrigated lands is relatively small, one estimate being that the total would be approximately \$5,000.00 per annum under the present form of rate with the service charge fully in effect. We believe in this proceeding that rates should be based upon a uniform contract, applicable to all consumers, and that any reduction in revenue which might occur from the waiving of charges under the continuous contracts be absorbed in such schedules.

It is the contention of all of the consumers' associations that such a procedure would be to the advantage of the Company and the public. Rates fixed herein will, therefore, be on the basis that all service be charged for under a uniform schedule of rates and under application forms which will exclude any consideration of the continuous contract and preclude the making of charges for unirrigated land under said contracts, as such.

Private Laterals.

A second cause of dissatisfaction arises in connection with the service of a large part of the land through privately owned laterals maintained by the land owners individually or as mutual concerns. The Company's rates are based on acreage irrigated (being largely flat rates) and no differential exists between rates for water delivered direct to consumers from its canals

and for water delivered through privately owned laterals. It is the opinion of consumers served from privately owned laterals that they are being discriminated against. The main complaints received were from land owners on three of the more extensive laterals serving mainly fruit growing areas where the unit holdings are relatively small. These laterals are known as Gridley Colony No. 1 Ditch Company, Manzanita Lateral and Biggs Ditch Company. The cost of maintaining these canals varies between \$1.00 to \$1.50 per acre irrigated. The cause of complaint is both as to alleged discrimination in rates and generally poorer service, and, it is suggested by the Farm Bureau Federation and the Sutter Butte Water Users' Association that the laterals to a greater extent than at present be taken over by the Sutter Butte Canal Company, the owners to be compensated and the extra cost be included in rates. Both appreciate the difficulties of the problem and that this solution is at present probably impossible. As an alternative the Farm Bureau and certain consumers suggest that a differential in rates be charged. The Sutter Butte Canal Company offers to take over the more important laterals provided they are decided free to it.

On the Sutter County Extension the Company extended its canals to make delivery to each 160 acres. The land owners, however, advanced much of the cost of the system. In Butte County and northern Sutter County there exist approximately 200 miles of privately owned laterals as compared with less than that mileage of Company canals in the same district. This is partly due to the existence of many small holdings and also to a policy of not extending as extensively into rice area as in Sutter County. The Company has, however, taken over a few private laterals in Butte County and is maintaining them. There is no question but that better service to the land owners on private laterals would result if these laterals were taken over and maintained by the Water Company. Difficul-

ties between those interested continually arise in the operation and maintenance of private laterals and poor service results.

The supplying of water for irrigation by public utility canal companies almost uniformly has been difficult. Many of these utilities have failed financially. They have failed to benefit by enhancement of the value of property served, and have no means of assessing charges against any land, except that irrigated; they have often been forced to failure, although the territory served has more or less prospered.

The problem in this case is especially complicated, as the land owners urge that they not be obligated to pay any charges except for water actually used. It is also strongly urged that the present rates are in excess of the value of the service and that they must be reduced. It would appear that to take over all of the laterals, even at no out of pocket capital cost, would materially increase the operating expenses of the Company and necessitate a further increase in the total charges to the public, which might run as high as \$1.00 to \$1.25 per acre per annum for the smaller holdings. Unless the Company can have a guarantee from each land owner affected of an annual payment in perpetuity for the maintenance of the canals and interest upon investment directly to serve the land, whether water is used or not, it does not appear that the Company should be required to invest additional funds or to obligate itself to maintain service on the extended system. The full solution of the lateral problem can only be adequately taken care of through the formation of an irrigation district through which the persons requiring the maintenance of canals also take over the obligation of definitely carrying the cost. We do not believe that the Company, at this time, should be required to take over the private laterals, except where mutual agreement between the Company and the land owners affected can be worked out.

Sutter County Extension.

The effect of the construction of the Sutter County extension by the Company on the rates of the Sutter Butte Canal Company has been the subject of much controversy. It has been the belief of many of the land owners in Butte County that this extension was entirely unjustified and that it has resulted in an extra and unreasonable burden on the water users in that county. Much testimony was introduced relative to this matter. It appears that in 1918 certain land owners of Sutter County negotiated with this Company for a supply of water. In 1919, an agreement was entered into for the service of 14,400 acres by the construction of distribution laterals and the utilization of the Live Oak Slough for the conveying of water to this general territory. The cost of the construction was to be paid in full by the land owners and later to be refunded on the basis of one-seventh of the annual revenue received. In 1920, it was found necessary to extend the main canal to this district and discontinue the use of the Live Oak Slough. A new contract was entered into whereby the land owners were required to advance \$20.00 per acre, while the Company agreed to complete the construction and install a pumping plant on Feather River. The total cost of the project was approximately \$835,000.00 and the Company's investment slightly over \$526,000.00. This work was done at the peak of prices and, in addition, was rushed so that without question the cost exceeded a reasonable cost under present conditions and some additional cost over normal construction occurred at the time of the development. In past decisions, the amount of the rate base for this extension has been the amount invested by the Company. During the general period of high prices, over \$400,000.00 was expended by the Company in additions on other parts of the system for the improvement of the service and to serve additional acreage. The Sutter County Extension stands

out alone as a large single expenditure and was opposed during its construction by Butte County water users. Without question, any excess cost due to unreasonable expense or rush work should be excluded in a permanent rate base. A portion of the advances by land owners must be considered as covering this cost, as it was for their benefit the work was rushed. A utility must make normal extensions in periods of high as well as low prices and to the extent that this is required it cannot be reasonably urged by consumers first served during periods of low prices that their rates should not be affected by the increased costs resulting from the fulfillment of this obligation.

It was urged that a check of the inventory and appraisal of Sutter County Extension be made. Check of the inventory was made by a joint committee of engineers which showed the Company's inventory reasonable. No complete check of reasonableness of the cost was made, but the consumers' representatives did not insist on the necessity after the inventory check was completed. It is urged that a much larger investment per acre has been made on the Sutter County Extension than in Butte area with the result that a greater burden has been placed on Butte County users under uniform rates than would have occurred if the extension had not been made. Without question the investment is higher per acre on the Sutter County Extension, however, on a basis of equal price levels the discrepancy is reduced though not completely wiped out. This appears partly due to the more extensive system installed on the extension than in other rice areas.

A study of Exhibit No. 109 of the Butte County Water Users' Association indicates quite clearly that as to rice area, the Company's laterals extend much further in the Sutter area than in the Butte area and to this extent a greater service has been and is being rendered in the one case than in the other.

It appears that in the Sutter area the Company's laterals extend to each 160 acres while in the Butte area much of the rice acreage has no company laterals within two or more miles of the land, and the land is served mainly through privately owned extensions maintained by the land owners. In addition, the Sutter extension required much longer main canal for the service, and also the installation of a pumping plant.

The Farm Bureau has urged that the amount to be included in the rate base should be determined as the capitalized estimated net return from this extension under proposed rates. This basis is not sound. This is attempting to determine value on basis of arbitrary fixing of rates. Possibly a lesser rate of return should be assumed on this investment than on the pre-war investment but we find no justification for reducing the previous amount allowed. We are convinced, however, that justice to all requires a greater proportion of the total charges per acre be assessed on the Sutter Extension area than the Butte area, mainly to cover the greater service rendered.

Rate Base.

The Commission, in fixing the rates now in effect, used as a rate base its findings in Decision No. 5227, dated March 25, 1918 (15 C.R.C. 425) plus additions and betterments since the date of the appraisal therein, less the advances by land owners in connection with the Sutter County Extension. An exhibit on this basis was presented in this proceeding by Mr. E. A. Noble, an assistant engineer of the Commission. The rate base for October 1, 1925, following the former decision was estimated at \$1,785,610.00. Two estimates were presented by the Sutter Butte Canal Company in this proceeding, one by Norton Ware, local manager, and one by J. T. Ryan, consulting engineer. The estimate of \$2,085,468.00 presented by Mr. Ware was on the basis of the historical investment and closely approximates the amount as set

forth above if the advances by land owners on the Sutter County Extension are deducted. An estimate of reproduction cost new totaling \$2,676,118.00 was presented through Mr. Ryan. This was based upon the appraisal by Mr. Ware, applying price ratios with a view to determining the probable reproduction cost new under 1924 price conditions. This appraisal was of a very general nature and the evidence indicates a failure on the part of Mr. Ryan to take into consideration changes in the art of construction and the use by him of other general assumptions which would tend to give a figure in excess of reasonable.

No estimate of rate base was presented at the hearing by either the Farm Bureau Federation or the Sutter Butte Water Users' Association. The main engineering exhibit presented by the Water Users' Association through Mr. J. D. Galloway, consulting engineer, sets forth discussion of the question of rate base, expenses, etc. but the main set-up is on the basis of an estimated future completed development. Mr. Galloway, in his report, makes an estimate of capital, revenue, and expenses, based upon a complete development of the territory with a total acreage irrigated almost twice that which reasonably may be expected to be placed under irrigation in the near future. It is suggested in the report and in the brief of the Water Users' Association that rates should be based largely on the completed development. The report is interesting and of value in indicating the ultimate trend of rates but is, of necessity, very approximate and, even though it might prove ultimately correct it is an estimate of conditions not of the present but of the distant future. It is of benefit in indicating that the tendency of rates with relation to a given standard cost should not continue to be upward. We do not find it of sufficient exactness to be used as a definite measure of rates to be fixed at this time.

The Farm Bureau urges that a deduction from the rate base be made of \$250,000.00 to cover donations in connection with the continuous water right contracts. The Water Users' Association also urges a deduction to cover these donations which its auditor reports at approximately \$375,000.00. It appears that the contracts provided for the advance of moneys, or their equivalent, for "water rights." Much of the money was advanced by real estate firms subdividing the lands to predecessors of the Satter Butte Canal Company. In certain instances, at least, these predecessors failed financially. In view of these facts, that these payments were made mainly to predecessor Companies during the early period of the development of the system and the territory, they cannot be considered as deductible from the rate base in this proceeding. Were a determination of water rights value or development cost before the Commission, these advances might be of importance.

Another deduction of \$27,697.00 is urged to cover advances made in aid of construction. This amount represents money advanced by landowners in connection with recent extensions. Pending the refund of these moneys on which no interest is paid they should be excluded or the lack of interest payment should be given weight in determining the rate of return. The \$27,697.00 will be deducted. There appears little additional capital needed in the near future and the rate base may be estimated at \$1,760,000.00.

Depreciation.

Three estimates of depreciation annuity were included. Mr. Noble's estimate based upon former allowances totalled \$19,709.00. Deductions were made from this amount by Mr. Wing, of the Farm Bureau, to cover allowance for property donated by consumers. Mr. Galloway has urged that a reduction should be made on account of a portion of the property being non-depreciable.

This contention that a large portion of the property is non-depreciable does not justify excluding allowance for this class of property, as it appears that part of such property, mainly canals, have been and may in the future be abandoned from time to time. To the extent that these properties are covered by advances from consumers no depreciation allowance will be necessary to cover abandonments unpaid for by the Company. Sound regulation must take account of reasonable allowances for depreciation. Too small allowances will only result to the detriment of the consumers. An allowance of \$19,000.00 would appear reasonable.

Probable Acreage Irrigated.

Much evidence was introduced relative to probable acreage of crops. The acreage for the past five years appears as follows:

Table 1.
Area Irrigated
From
Sutter Butte Canal System

| | <u>Rice</u> | <u>Other Crops</u> | <u>Total</u> |
|------|-------------|--------------------|--------------|
| 1921 | 28,750 | 17,957 | 46,707 |
| 1922 | 28,127 | 14,559 | 42,686 |
| 1923 | 20,738 | 11,044 | 31,782 |
| 1924 | 15,051 | 18,449 | 33,500 |
| 1925 | 16,696 | 19,097 | 35,793 |

During the first two years of this period approximately 14,000 acres of new rice land under three year contract was irrigated under the Sutter county extension thus resulting in a relatively large acreage in spite of a very low price for rice. During the entire period, with this one exception, the tendency was for a smaller acreage of rice to be irrigated. For the year 1926 a fairly large acreage of rice may be expected on account of the probability of a relatively high price for rice. Stability of rates is of importance and the amount of acreage should be estimated as near normal as possible.

Three estimates of probable average acreage of rice and other crops to be expected during the coming years are as follows:

Table #2.

Estimated Acreage of Crops
Irrigated
from
Sutter Butte Canal System.

| | <u>E.A. Julian Company</u> | <u>E.A. Noble Commission (corrected)</u> | <u>L.S. Wing Farm Bureau</u> |
|--|--------------------------------|--|----------------------------------|
| Rice. | 18,900 | 20,700 | 24,400 |
| Other Crops Fruit, Alfalfa, Pasture. | 18,500 | 18,500 | 20,000 |
| Acreage on which present service charge would be applicable | 60,000 | 64,000 | 71,000 |

Testimony of witness for the Water Users' Association and the Farm Bureau indicates the Company's estimate to be low. Mr. Noble's estimate would appear also low. On the other hand, the estimate submitted by Mr. Wing is somewhat optimistic as to rice irrigation. Past experiences have indicated the impossibility of accurately estimating acreage of crops either as to particular years or averages. For this proceeding it would appear that Mr. Julian's estimate may be taken as the minimum and Mr. Wing's as the maximum average acreage that may be expected during the coming three or four years.

Operating Expenses.

The normal average operating expenses applicable to the future was the subject of considerable testimony. The following table sets forth the average expense for the past several years:

Table 3.
Sutter Butte Canal Co.
Maintenance and Operation Expense

| <u>Items</u> | <u>1921</u> | <u>1922</u> | <u>1923</u> | <u>1924</u> | <u>1925 4 Months Estimated</u> |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|--|
| Pumping Expenses | \$22,370.31 | \$12,015.54 | \$7,965.00 | \$51,459.38 | \$6,299.47 |
| Transmission & Distribution | 61,147.99 | 61,757.81 | 50,833.49 | 49,281.60 | 55,983.24 |
| Commercial Expenses | 4,301.40 | 7,089.86 | 4,026.15 | 3,641.55 | 5,241.88 |
| General and Miscellaneous | 49,669.63 | 58,714.42 | 41,068.19 | 33,875.91 | 35,117.21 |
| Taxes | <u>13,796.67</u> | <u>15,226.40</u> | <u>19,236.51</u> | <u>28,778.56</u> | <u>28,800.00</u> |
| Totals | <u>\$151,285.00</u> | <u>\$154,804.03</u> | <u>\$123,129.34</u> | <u>\$167,037.00</u> | <u>\$131,441.80</u> |

Estimates were submitted as to the future operating expenses by Mr. Julian of the Sutter Butte Canal Company, Mr. Noble of the Engineering Department of the Commission, and Mr. Wing of the Farm Bureau Federation. Certain comments and analyses were submitted by Mr. Galloway, for the Water Users' Association. His studies covered an estimate of conditions under assumed complete development. As stated before, these estimates can only be used as indicating possible trends in the future and not as a basis for fixing the rates for immediate needs. Mr. Julian estimated the expenses at \$146,641.00; Mr. Noble's estimate was \$140,000.00, while Mr. Wing estimated \$130,050.00. The main difference in the estimates of expense, other than general expense, is involved in the question of maintenance and operation of the system. The Company has included in its estimate some \$15,000.00 to cover deferred maintenance and improvement of service. The maintenance expenses of the past five years have been relatively low, owing to the lesser acreage irrigated than may be considered normal and owing to the small return earned by the Company, which would tend to result in the deferring of maintenance.

The testimony of a number of consumers is to the effect that they have sustained considerable loss due to the poor service rendered. This condition is apparently brought about largely by failure of the Company adequately to maintain its canal system, as well as failure on the part of owners of private laterals adequately to maintain them. The testimony of one rice grower was that a loss of approximately 10 sacks of rice per acre resulted from inadequate service. Failure to allow sufficient amount for maintenance of system, without question, would be false economy. We are convinced that the maintenance allowances included by the Commission's engineers and the Farm Bureau are inadequate for the acreage contemplated to be irrigated and the service which the Company should render.

Considerable dispute has arisen relative to the allowance for general expense of the Company. Representatives of both the Farm Bureau and the Water Users' Association suggest a cut in the general supervisory expense and also a reduction in the legal and Railroad Commission hearing expense. There is no question that the conditions existing during the past several years of numerous proceedings before the Commission and antagonism between consumers and the Company have resulted in greater expense to the Company than would otherwise have been required. If the disputes between the parties can be eliminated and the Company and the consumers organization join together for the constructive and co-operative settlement of difficulties and the development of the territory, much effort can be diverted to a productive field and a reduction in general expense should result and, in addition, the public will receive better service than is possible under the past conditions of distrust. In this connection the Company should be impressed with the fact that considerable depends upon public relations on the ground and any loss sustained through failure on its part regarding personnel and management cannot be made up by increased rates.

It will be expected that as to the future both the Company and the consumers will co-operate to the mutual benefit of all. It would appear that, exclusive of depreciation, a reasonable allowance for operating expenses for the service of the acreage which may be reasonably expected would be approximately \$142,000.00. This is based upon elimination of further controversies and a co-operative spirit in the territory. A much higher standard of maintenance of system is to be expected than has occurred in the past.

Value of Service

It is strongly urged by consumers' representatives that the present rates are in excess of the value of the service. Extensive testimony was introduced relative to the cost of producing rice. A comprehensive report was presented by Mr. Wing of the Farm Bureau relative to the production of various crops, fruit, alfalfa and rice. The testimony indicated that the cost of water in connection with the production of fruit crops is relatively small, being less than 5% and, in certain cases, as low as 1½% of the total revenue from the crop produced. The evidence is very clear, as to fruit crops, either from the standard of competition of production of water by pumping, or from the economic value of the crops, that the rates now in effect are much below the value of the service. Relative to alfalfa production, the rate of \$3.25 per year on the general system and \$4.05 for pumped water does not exceed the value of service. The rate for rice irrigation is, of necessity, much higher per year owing to the higher class of service required and greater amount of water needed. Continuous and uninterrupted service for approximately 4 months per year is necessary for the assurance of a crop. The situation, as it affects rice production, is quite different than that relative to other crops. In general, it appears that rice is raised no oftener than once in two years and, in many cases, once in three years. During the past several years the

the price of rice has been low, with the result that the producing acreage has been reduced. Apparently, the main portion of the rice farming is done by tenants and not by the land owners themselves. The present renting basis is on a one-year period and the rent generally is one-quarter of the crop where the tenant pays the water bill and one-third of the crop where the land owner pays the water bill. It would appear that at a price of 2.75 cents or less per pound for rice the owner makes little or no return and in some cases a loss on his investment, although the tenant makes, in many cases, some profit and with an increase in price above 2.75 cents as now exists, rice growing is, to a large extent, profitable from the standpoint of the tenant. The testimony indicates, under the present price of rice, an increase in acreage should result. There appears little opportunity for much profit for the owner of land even with a reduction in the water rates or a higher price of rice unless a change in the renting ratio occurs. The present price of rice cannot be expected to continue indefinitely and rates cannot be fixed on the basis of the relative price of rice any more than taxes can be so determined. We are convinced, however, that if any relief in rates is possible at this time, it should be allotted to the rice producers. Such relief should, in the ultimate, tend somewhat to improve the rice situation and increase production, although it is apparent that under the present conditions the relief will not be directly reflected to the owner of rice land. Rates cannot be made to correct the present division of profits between owners and tenants.

Rates.

The problem of fixing rates for this utility is primarily the question of spreading certain charges between the different consumers affected, with a view to an equitable distribution of the

total charges that are found reasonable. It is to a certain extent a problem between consumers and not between the Company and the consumers. We are convinced, in this proceeding, that justice requires that the charge under the continuous water rate contracts be discontinued as such and that all users of water be placed upon the same basis and under the same rules with due consideration given to classification of services. It is urged by the consumers' representatives that the three-year form of contract be discontinued, that the service charge form of rate be eliminated and that the rate be fixed on the basis that only consumers using water pay and that no charge be applied to land where water is not used. The justice of the service charge is granted as to principle. The brief on behalf of the Water Users' Association reads, in part, as follows:

"The theory of the service charge is not to be criticised. Where it is practicable and can be uniformly applied and where all consumers are on the same basis with respect thereto, it is a practice to be commended. However, we do not feel that it can be applied in the case of a public water utility area, especially where there exists perpetual contracts as here, under which a large portion of the company's consumers are taking water."

A water system, such as the Sutter Butte Canal System is laid out to serve the entire territory to the limits of reasonable requirements. In general, the existence of the water system results in a material advantage to the owners of the property in that they have a right to apply for water when they desire. In most cases their land is benefited and is of greater value because of the existence of the system. It is a recognized fact in all irrigation districts that equity requires that a portion of the carrying charges be assessed to the land, though irrigation

is not carried on. Fairness between those irrigating and those not irrigating would dictate such a spread of charges. This is, however, not entirely practicable on a privately-owned public utility. On the other hand, it is a well recognized fact that the continuous users, where possible, should not be penalized for the expense of serving intermittent users. In the case of rice irrigation, there exist a considerable number of consumers who irrigate fairly regularly; on the other hand, there is an influx of irrigators anticipating or following an increase in the price of rice demanding service at a period of high prices and discontinuing as prices decline. This class of consumers, without question, should and can pay more for the one year or so that irrigation is carried on. Justice to all of the consumers, as we see it, demands that a form of rate be made effective which will tend to charge to the opportunist farmer more than to the farmer who continues steadily on the system. The rates heretofore fixed, providing for a three-year contract and a service charge, were planned with this in view. Although some opposition has developed, this is partly due, we are certain, to the continuance of the water right contracts and the application of the service charge thereto and to a misunderstanding of its real intent. The contract form of rate should be continued with the service charge of \$1.25 per acre. There appears justification, however, for a basis of discounts for prepayment of succeeding years' service charges to apply to applicants desiring service but one year. Provision will be made for a discount

228

for the prepayment of the second and third year. This will be equivalent to making a rate for one year's service which, for any crop, will be \$2.10 per acre more in cases in which service is not used continuously. Land owners, where this prepayment is made, should be entitled to the benefit of prepaid charges in case the land is irrigated for crop production before the expiration of the three-year period. On this basis a rice grower paying on a one-year basis will pay under the rates herein fixed \$10.60 per acre the first year. Should the land be irrigated the next year, the charge on the prepayment basis would be \$8.25. If land is rested one year, the charge would be \$9.35. If land is off two years, the charge would be \$10.60.

From a consideration of the entire matter before us, it appears that some reduction in the rates for rice irrigation on the general system should be made. We cannot agree that the rates proposed by the Water Users' Association or Farm Bureau, either as to total amount or as to general spread, are reasonable. The three-year contract now in effect should be continued, in general, but no charge made under the continuous contract ^{as such} for land not irrigated, water-right contract holders being obligated to pay for service under the same conditions as exist for non-continuous contract holders. From the standpoint of cost of service and extent of service rendered, a somewhat higher rate should be charged for irrigation on the Sutter County Extension. On the basis of the rates fixed herein, and with the elimination of the past antagonism and lack of co-operation between the public and the Company, both should be in a position to prosper.

In view of the fact that the date for applying for water for the 1926 season has passed and the majority of the water users have already applied for water under the existing rates, while the season for water use has not commenced, the rates herein fixed will be made effective for the 1926 season and the Company required to re-adjust the bills for the second installment of water, so that the charge for the year 1926 will equal that under the rates herein found reasonable. In addition, water users desiring to accept the discount for pre-payment of service charges under applications filed during the spring of 1926, should have the right to avail themselves of the discount provided in the schedules if payments are made prior to July 1, 1926.

We recommend the following form of order:

O R D E R

The Commission having, on its own motion, instituted an investigation into the reasonableness of the rates, charges, specifications, contracts, rules, regulations and service of the Sutter Butte Canal Company, public hearings having been held, the matter being submitted and ready for decision:

It is hereby found as a fact that the rates charged by the Sutter Butte Canal Company are unjust and unreasonable in so far as they differ from the rates hereinafter set forth, and basing its order upon the foregoing findings of fact and the findings of fact preceding this order,

IT IS HEREBY ORDERED that Sutter Butte Canal Company establish and make effective the rates for water service set forth in exhibit "A" attached hereto, said rates to apply for

service rendered commencing with 1926 irrigation season.

IT IS HEREBY FURTHER ORDERED:

1. That Sutter Butte Canal Company file the rates set forth in Exhibit "A" on or before March 30, 1926, and modify its rules and regulations to comply with the provisions herein prescribed.

2. Sutter Butte Canal Company adjust its bills for service due and payable under the rates on or before July 1, 1926, so that the total charges in each particular case shall be equal to amounts under schedules herein fixed.

3. Sutter Butte Canal Company modify its Rules Nos. 1, 2 and 3 to comply with the provisions of Rules Nos. 1, 2 and 3 set forth in Exhibit "B" attached hereto.

For all other purposes, the effective date of this order shall be twenty (20) days from and after the date hereof.

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 20th day of March, 1926.

H. B. Brundage

C. L. Seavey

Frank W. East

Leon Whittell

Commissioners.

231

EXHIBIT "A"

SCHEDULE OF RATES OF SUTTER BUTTE CANAL COMPANY

SCHEDULE NO. 1

FLAT RATE FOR RICE IRRIGATION:

Applicable to irrigation service for the production of rice.

TERRITORY:

This schedule is applicable to territory served north of the north line extended of Sections 34, 35 and 36, T. 16 N., R. 2 E., M.D.B. & M.

RATE:

Service charge of \$1.25 per acre per year for contract period, first yearly payment payable at time of application and subsequent payments payable on or before February 1st of succeeding years,

Plus

Irrigation charge where rice is irrigated of

\$3.25 per acre, plus \$.65 per acre where water is pumped, payable on or before February 1st; plus

\$4.00 per acre, plus \$.65 per acre where water is pumped, payable on or before July 1st.

CONTRACTS:

This rate schedule is applicable where water user signs three-year contract for service, which shall be renewed or extended with each seasonal application for water for rice irrigation.

SPECIAL CONDITIONS:

(a) Application for water for rice irrigation must be made on forms supplied by the Company, in accordance with rules of the Company.

(b) Water users are entitled, under the service charge payment on years where rice is not irrigated, to one flooding, for purposes of sprouting water grass, weeds, or plowing, provided that where water is pumped a further charge of 30¢ per acre foot will be added. Additional charges for this purpose will be on the basis of 70¢ per acre plus 30¢ per acre foot where water is pumped for second and each subsequent flooding.

(c) Application for water for summer plowing or sprouting water grass, weeds, etc., will not cause a renewal or extension of the agreement.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one year and/or where guarantors satisfactory to the Company are not obtained, or where land owners or tenants desire to avail themselves of the discounts, the second and third years' service charge will be subject to the following discounts if paid on or before February 1st of the first year of any three-year contract period.

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge, | \$1.25 | \$.15 | \$1.10 |
| Third-year charge, | 1.25 | .25 | 1.00 |

SCHEDULE NO. 2.

FLAT RATE FOR RICE IRRIGATION (Sutter County Extension):

Applicable to irrigation service for production of rice.

TERRITORY:

This schedule is applicable to territory served south of the north line extended of Sections 34, 35 and 36, T. 16 N., R. 2 E., M.D.B. & M.

RATE:

Service charge of \$1.25 per acre per year for contract period, first yearly payment payable at time of application and subsequent payments payable on or before February 1st of succeeding years,

Plus

Irrigation charge where rice is irrigated of

\$3.50 per acre, payable on or before February 1st; plus

\$4.20 per acre, payable on or before July 1st.

CONTRACTS:

This rate schedule is applicable where water user signs a three-year contract for service, which shall be renewed or extended with each seasonal application for water for rice irrigation.

SPECIAL CONDITIONS:

(a) Application for water for rice irrigation must be made on forms supplied by the Company, in accordance with rules of the Company.

(b) Water users are entitled, under the service charge payment on years where rice is not irrigated, to one flooding for purposes of sprouting water grass, weeds, or plowing. Additional charges for this purpose will be on the basis of 70¢ per acre for second and each subsequent flooding.

(c) Application for water for summer plowing or sprouting water grass, weeds, etc., will not cause a renewal or extension of the agreement.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one year and/or where guarantors satisfactory to the Company are not obtained, or where land owners or tenants desire to avail themselves of the discounts, the second and third years' service charge will be subject to the following discounts if paid on or before February 1st of the first year of any three-year contract period.

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge, | \$1.25 | \$.15 | \$1.10 |
| Third-year charge, | 1.25 | .25 | 1.00 |

SCHEDULE NO. 3

FLAT RATE FOR GRAIN (other than rice) IRRIGATION:

Applicable to irrigation service for the production of grain other than rice and for irrigation for double cropping such as beans or similar crops.

TERRITORY:

This schedule is applicable to territory served north of the north line extended of Sections 34, 35 and 36, T. 16 N., R. 2 E., M.D.P. & M.

RATE:

Service charge of \$1.25 per acre per year for contract period, first yearly payment payable at time of application and subsequent payments payable on or before February 1st of succeeding years. (This entitles consumer to two irrigations.)

Plus

Additional irrigation charge of

\$.70 per acre for third and each subsequent irrigation during continuance of service, plus pumping charge at rate of \$.30 per acre foot, if water is pumped, payable before each irrigation.

CONTRACTS:

This rate schedule is applicable where water user signs three-year contract for service, which shall be renewed or extended with each seasonal application for water.

SPECIAL CONDITIONS:

Application for water for irrigation must be made on forms supplied by the Company, in accordance with rules of the Company.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one year and/or where guarantors satisfactory to the Company are not obtained, or where land owners or tenants desire to avail themselves of the discounts, the second and third years' service charge will be subject to the following discounts if paid on or before February 1st of the first year of any three year contract period.

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge. | \$1.25 | \$.15 | \$1.10 |
| Third-year charge. | 1.25 | .25 | 1.00 |

235

SCHEDULE NO. 4

FLAT RATE FOR GRAIN (other than rice) IRRIGATION (Sutter County Extension):

Applicable to irrigation service for the production of grain other than rice and for irrigation for double cropping such as beans or similar crops.

TERRITORY:

This schedule is applicable to territory served south of the north line extended of Sections 34, 35 and 36, T. 16 N., R. 2 E., M.D.B. & M.

RATE:

Service charge of \$1.25 per acre per year for contract period, first yearly payment payable at time of application and subsequent payments payable on or before February 1st of succeeding years. (This entitles consumer to two irrigations.)

Plus

Additional irrigation charge of

\$.75 per acre for third and each subsequent irrigation during continuance of service, payable before each irrigation.

CONTRACTS:

This rate schedule is applicable where water user signs three-year contract for service, which shall be renewed or extended with each seasonal application for water.

SPECIAL CONDITIONS:

Application for water for irrigation must be made on forms supplied by the Company, in accordance with rules of the Company.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one year and/or where guarantors satisfactory to the Company are not obtained, or where land owners or tenants desire to avail themselves of the discounts, the second and third years' service charge will be subject to the following discounts if paid on or before February 1st of the first year of any three year contract period.

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge, | \$1.25 | \$.15 | \$1.10 |
| Third-year charge, | 1.25 | .25 | 1.00 |

SCHEDULE NO. 5

FLAT RATE FOR ORCHARD, VINEYARD, ALFALFA AND CROPS
OTHER THAN GRAIN:

Applicable to irrigation service of orchards, vineyards,
alfalfa, and crops other than grain.

TERRITORY:

This schedule is applicable to territory served north
of the north line extended of Sections 34, 35, 36, T. 16 N.,
R. 2 E., M. D. B. & M.

RATE:

Service charge of \$1.25 per acre per year for contract
period, first yearly payment payable at time of application
and subsequent payments payable on or before February 1st of
succeeding years.

Plus

Irrigation charge of

\$1.00 per acre, plus \$.40 per acre if water is
pumped, payable on or before February 1st; plus

\$1.00 per acre, plus \$.40 per acre, if water is
pumped, payable on or before July 1st.

CONTRACTS:

This rate schedule is applicable where water user signs
three-year contract for service, which shall be renewed or ex-
tended with each seasonal application for water.

SPECIAL CONDITIONS:

Application for water for irrigation must be made on
forms supplied by the Company, in accordance with rules of the
Company.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one
year and/or where guarantors satisfactory to the Company are not
obtained, or where land owners or tenants desire to avail them-
selves of the discounts, the second and third years' service
charge will be subject to the following discounts if paid on or
before February 1st of the first year of any three-year contract
period.

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge, | \$1.25 | \$.15 | \$1.10 |
| Third-year charge, | 1.25 | .25 | 1.00 |

SCHEDULE NO. 6.

FLAT RATE FOR ORCHARD, VINEYARD, ALFALFA, ETC.
IRRIGATION (Sutter County Extension):

Applicable to irrigation service of orchards, vineyards, alfalfa, and crops other than grain.

TERRITORY:

This schedule is applicable to territory served south of the north line extended of Sections 34-35-36, Township 16 N., R. 2 E., M.D.B. & M.

RATE:

Service charge of \$1.25 per acre per year for contract period, first yearly payment payable at time of application and subsequent payments payable on or before February 1st of succeeding years,

Plus

Irrigation charge of

\$1.10 per acre, payable on or before February 1st, plus

\$1.10 per acre, payable on or before July 1st.

CONTRACTS:

This rate schedule is applicable where water user signs three-year contract for service, which shall be renewed or extended with each seasonal application for water.

SPECIAL CONDITIONS:

Application for water for irrigation must be made on forms supplied by the Company, in accordance with rules of the Company.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one year and/or where guarantors satisfactory to the Company are not obtained, or where land owners or tenants desire to avail themselves of the discounts, the second and third years' service charge will be subject to the following discounts if paid on or before February 1st of the first year of any three-year contract period.

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge, | \$1.25 | \$.15 | \$1.10 |
| Third-year charge | 1.25 | .25 | 1.00 |

SCHEDULE NO. 7

METERED RATE FOR RICE IRRIGATION:

Applicable to irrigation service for the production of rice.

TERRITORY:

Applicable to territory served north of the north line of Sections 34, 35, 36, T. 16 N., R. 2 E., M.D.B. & M.

RATE:

Service charge of \$1.25 per acre per year for contract period, first yearly payment payable at time of application and subsequent payments payable on or before February 1st of the succeeding years,

Plus

Irrigation charge where rice is irrigated of

\$2.50 per acre for 3 acre feet or less per acre plus 25 cents per acre foot if water is pumped, payable on or before February 1st, plus

\$1.30 per acre foot, plus pumping charge at the rate of 25 cents per acre foot; if water is pumped, for water used in excess of 3 acre feet per acre, same to be paid at the end of the month of use.

CONTRACTS:

This rate schedule is applicable where water user signs three-year contract for service, which shall be renewed or extended with each seasonal application for water for rice irrigation.

SPECIAL CONDITIONS:

(a) Application for water for rice irrigation must be made on forms supplied by the Company, in accordance with rules of the Company.

(b) Water users are entitled, under the service charge payment on years when rice is not irrigated, to one flooding for the purposes of sprouting water grass, weeds, or plowing, provided that where water is pumped a further charge of 30¢ per acre foot will be added. Additional charges for this service will be on the basis of \$1.30 per acre foot, plus 30¢ per acre foot where water is pumped for second and each subsequent flooding.

(c) Application for water for summer plowing or sprouting water grass, weeds, etc. will not cause a renewal or extension of the agreement.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one year and/or where guarantors satisfactory to the Company are not obtained, or where land owners or tenants desire to avail themselves of the discounts, the second and third years' service

charge will be subject to the following discounts if paid on or before February 1st of the first year of any three-year contract period:

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge, | \$1.25 | \$.15 | \$1.10 |
| Third-year charge, | 1.25 | .25 | 1.00 |

2-16

SCHEDULE NO. 8

MEASURED RATE FOR RICE IRRIGATION (Sutter County Extension)

Applicable to irrigation service for the production of rice.

TERRITORY:

Applicable to territory south of north line of Sections 34, 35, 36, T. 16 N., R. 2 E., M. D. B. & M.

RATE:

Service charge of \$1.25 per acre per year for contract period, first yearly payment payable at time of application and subsequent payments payable on or before February 1st of succeeding years,

Plus

Irrigation charge where rice is irrigated of

\$2.75 per acre for 3 acre feet or less per acre payable on or before February 1st, plus

\$1.35 per acre foot for water used in excess of 3 acre feet per acre, same to be paid at the end of the month of use.

CONTRACTS:

This rate schedule is applicable where water user signs three-year contract for service, which shall be renewed or extended with each seasonal application for water for rice irrigation.

SPECIAL CONDITIONS:

(a) Application for water for rice irrigation must be made on forms supplied by the Company, in accordance with rules of the Company.

(b) Water users are entitled, under the service charge payment on years when rice is not irrigated, to one flooding for the purposes of sprouting water grass, weeds, or plowing.

(c) Application for water for summer plowing or sprouting water grass, weeds, etc., will not cause a renewal or extension of the agreement.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one year and/or where guarantors satisfactory to the Company are not obtained, or where land owners or tenants desire to avail themselves of the discounts, the second and third years' service charge will be subject to the following discounts if paid on or before February 1st of the first year of any three-year contract period.

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge, | \$1.25 | \$.15 | \$1.10 |
| Third-year charge, | 1.25 | .25 | 1.00 |

24/

SCHEDULE No. 9

MEASURED RATES FOR ORCHARD, VINEYARD, ALFALFA AND
CROPS OTHER THAN GRAIN:

Applicable to irrigation service in connection with orchards, vineyards, alfalfa and crops other than grain.

TERRITORY:

Applicable to territory served north of north line of Sections 34, 35, 36, T. 16 N., R. 2 E., M. D. B. & M.

RATE:

Service charge of \$1.25 per acre per year for contract period, first yearly payment payable at time of application and subsequent payments payable on or before February 1st of succeeding years.

Plus

Irrigation charge of

\$1.25 per acre for $1\frac{1}{2}$ acre feet or less per acre plus pumping charge at rate of 30¢ per acre foot if water is pumped, payable on or before February 1st, plus

\$1.45 per acre foot, plus pumping charge at the rate of 30¢ per acre foot if water is pumped for water used in excess of $1\frac{1}{2}$ acre feet per acre, same to be paid for at end of the month of use.

CONTRACTS:

This rate schedule is applicable where water user signs three-year contract for service, which shall be renewed or extended with each seasonal application for water.

SPECIAL CONDITIONS:

Application for water for irrigation must be made on forms supplied by the Company, in accordance with rules of the Company.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one year and/or where guarantors satisfactory to the Company are not obtained, or where land owners or tenants desire to avail themselves of the discounts, the second and third years' service charge will be subject to the following discounts if paid on or before February 1st of the first year of any three-year contract period:

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge, | \$1.25 | \$.15 | \$1.10 |
| Third-year charge, | 1.25 | .25 | 1.00 |

242

SCHEDULE NO. 10

MEASURED RATES FOR ORCHARD, VINEYARD, ALFALFA AND
CROPS OTHER THAN GRAIN (Sutter County Extension):

Applicable to irrigation service in connection with orchards, vineyards, alfalfa, and crops other than grain.

TERRITORY:

Applicable to territory south of north line of Sections 34, 35, 36, T. 16 N., R. 2 E., M. D. B. & M.

RATE:

Service charge of \$1.25 per acre per year for contract period, first yearly payment payable at time of application and subsequent payments payable on or before February 1st of succeeding years.

Plus

Irrigation charge of

\$1.35 per acre for $1\frac{1}{2}$ acre feet or less per acre payable on or before February 1st, plus,

\$1.50 per acre foot for water used in excess of $1\frac{1}{2}$ acre feet per acre, same to be paid at the end of the month of use.

CONTRACTS:

This rate schedule is applicable where water user signs three-year contract for service, which shall be renewed or extended with each seasonal application for water.

SPECIAL CONDITIONS:

Application for water for irrigation must be made on forms supplied by the Company, in accordance with rules of the Company.

PREPAYMENT DISCOUNT:

For tenant water users not leasing land for more than one year and/or where guarantors satisfactory to the Company are not obtained, or where land owners or tenants desire to avail themselves of the discounts, the second and third years' service charge will be subject to the following discounts if paid on or before February 1st of the first year of any three-year contract period:

| | <u>Gross Charge</u> | <u>Discount</u> | <u>Net Charge</u> |
|---------------------|---------------------|-----------------|-------------------|
| Second-year charge, | \$1.25 | \$.15 | \$1.10 |
| Third-year charge, | 1.25 | .25 | 1.00 |

EXHIBIT "B"

RULES OF SUTTER BUTTE CANAL COMPANY.

EXHIBIT "B"

RULE No. 1.

APPLICATION FOR WATER SERVICE:

(a) Any owner or lessee of land, located within the service area of the Company's irrigation system, who desires water for the irrigation of said land, or any part thereof, except as provided in Rule No. 2 (c), must file with the Company, on or before February 1st of the year in which service is desired, a signed application and agreement on the printed form provided by the Company setting forth the use of water desired and furnish to the Company such guarantee or security for the payment of the water bills incurred as shall be acceptable to the Company. The agreement shall provide for a period of three (3) consecutive years for service to the acreage applied and described in the application and agreement, and shall obligate the applicant to pay rates for service for which he has applied for the first year and to the extent of the service charge provided for in the rate during the two succeeding years.

Water for irrigation purposes for each subsequent year will require a renewed application of similar nature.

(b) Where water has been applied for by any applicant hereinabove referred to, for use on part of a tract of land owned or occupied by him, the water furnished to him pursuant to said application shall be limited exclusively to use on the part of said tract described in his application and agreement. If water is desired to be used on any other part of said tract, a separate and new application and agreement must be made

therefor.

(c) If, in order to give the desired service, it is necessary for the Company to construct, extend or enlarge any ditch or canal, application must be made on or before October 1st preceding the year in which service is desired.

(d) Application for water may be accepted by the Company subsequent to February 1st of the year in which service is desired. Such applications shall be known as "Secondary Applications," and must contain a provision to the effect that the application is made and accepted subject to the prior rights of all consumers who made application on or before February 1st, and to the prior rights of holders of contracts for continuous service of water, in case of any shortage of water for irrigation during the ensuing irrigation season.

RULE No. 2

RENEWAL OR DISCONTINUANCE OF APPLICATION:

(a) Except as provided herein, under paragraph (c), each applicant, as referred to in Rule No. 1, who desires service to him to be continued, must renew his application and agreement on or before February 1st of each year for a total of three (3) years. Failure to renew by February 1st will place applicant in the position of not being entitled to water for irrigation purposes.

(b) If notice to discontinue is or is not filed, and the application is not renewed on or before said date, he shall be obligated to pay to the Company on February 1st of each of the two succeeding years the service charge of \$1.25 per acre of the land mentioned or described in his last application and agreement; unless same has been prepaid as provided in Rule No. 1.

(c) Users of water service other than for rice may provide in their application for continuous service from year to year until notice of discontinuance or change is given, in which case renewal will not be required each year.

(d) Application for water under Schedules 1 and 2, 7 and 8, for sprouting grass, etc., shall not require any renewal of agreement.

RULE NO. 3

HOLDERS OF CONTINUOUS CONTRACTS:

Each person entitled to receive water from the Company under or by virtue of any outstanding contract for the continuous service of water for irrigation purposes who desires to obtain water under that contract in lieu of the three-year contract, as provided for in Rules 1 and 2, may upon notice to the Company continue so to do.

The rates for service where the consumer elects to operate under any such contract for continuous service will be the same as those provided in schedules for the three-year contracts.

The following will apply where operation under continuous service contracts is desired:

(a) Each person desiring service shall be obligated, as to the land described in or covered by the contract, to pay such rates and charges as are in effect, based upon the extent and character of use of water to which he is entitled under the contract.

(b) If, however, any such person desires not to use in any year the whole or any of said water which he is so entitled to receive, and files with the Company on or before February 1st of that year notice in writing of what he does desire in respect to the non-service of water, he shall then be obligated in that year, and in the next succeeding year thereafter but for no further period in which said notice remains in effect to pay, on or before February 1st thereof, the service charge of \$1.25 per acre of the land for which no water is desired, as specified in said notice, and, as to the remainder of his land, such rates or charges, based upon the extent and character of use of the water which he desires to use,

248

as are in effect.

(c) Whenever such notice is filed, it shall continue in effect from year to year until the Company is otherwise notified in writing filed with it on or before February 1st of the year in which such new notice is to be in effect. Such new notice shall likewise continue in effect from year to year as aforesaid. In the meantime the Company shall be free to serve to others the water not desired by the contract holder.

(d) If any notice is filed by any person electing to operate under the continuous contract on or before February 1st of any year that he desires water to be furnished to him for the production of rice in that year on any of his land described in or covered by his contract, such notice shall not be deemed to be in effect for any succeeding year, but if any contract holder shall desire water to be furnished to him for the production of rice in any succeeding year on any of his land described in or covered by his contract, notice thereof in writing shall be filed by him with the Company on or before February 1st of that year.