

Decision No. 16488.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
WEST RIVERSIDE CANAL COMPANY,)
a corporation, for authority to in-) Application No. 12051.
crease rates for carrying water.)

C. L. McFarland for applicant.

BY THE COMMISSION:

O P I N I O N

West Riverside Canal Company, a corporation, applicant in the above entitled proceeding, owns an irrigation canal system which it operates as a common carrier of water for certain agriculturists in San Bernardino and Riverside Counties. The applicant alleges in effect that the present carrying charges do not yield a revenue sufficient to meet the actual cost of operation because the taxes have been increased nearly one thousand dollars per year since the Commission established the rates now in effect and also by reason of the fact that many of the tracts of land formerly served as a unit have now been subdivided into smaller parcels, thereby greatly increasing the labor costs of distribution. The Commission therefore is asked to grant an increase in rates.

A public hearing in this matter was held before Examiner Williams at Riverside after all interested parties had been duly

notified and given an opportunity to appear and be heard.

The evidence shows that the West Riverside Canal Company, while organized as a public utility, in reality carries water only for its owners and stockholders. The company does not own or control a water supply but acts more in the capacity of a common carrier of water for a group of individuals who are stockholders or own water rights in certain mutual water companies obtaining water from the Santa Ana River. The water is delivered by the producing agencies to the applicant, which thereafter transports the water through its own canal system, consisting of approximately eighteen (18) miles of flumes, main canals and lateral ditches.

The present rates were established by the Commission in its Decision No. 4040, dated January 20, 1917 (12 C.R.C. 339), and are as follows:

\$8.00 per inch per year, payable -
\$5.00 on or before January 10th each year,
\$1.50 on or before May 10th each year,
\$1.50 on or before August 10th each year.

Applicant asks that the following rate be established:

\$9.00 per inch per year, payable -
\$6.00 on or before January 10th each year,
\$1.50 on or before May 10th each year,
\$1.50 on or before August 10th each year.

According to the evidence, applicant has always operated on a basis of actual cost to the shareholders, has never attempted to operate at a profit, and does not at this time desire to earn a net return upon its invested capital. Applicant however does desire the establishment by this Commission of such a rate as will enable it to meet its current operating and maintenance expenses, together with its depreciation charges and financial requirements.

In Decision No. 4040 the engineers for the Commission fixed the value of the applicant's system as \$195,836, based upon

the reproduction cost new in 1916. Subsequent to that date the evidence shows that this company has expended \$14,654 in additions and betterments to capital, making a total of \$210,490.

There was no disagreement in the costs of operation and maintenance of this system for the year 1925 as submitted by applicant and the Commission's engineer, F. H. Van Hoesen, who reported that these expenses exclusive of bond interest, sinking fund requirements and depreciation, amounted to \$12,389. The depreciation annuity was estimated to be \$1,100. The Commission's engineer recommended the sum of \$12,602 as a reasonable cost of operation and maintenance, exclusive of depreciation, for the immediate future.

Based upon the operating revenues for the year 1925, which amounted to \$16,677, and using the operating expenses and depreciation annuity recommended by the Commission's engineer, the results of operation for 1925 show a net return of 1.4% on a tentative rate base of \$210,490, which may be assumed to be sufficiently accurate for the purposes of illustration in view of the fact that the actual determination of a rate base will be unnecessary for this proceeding. In the same manner the rates proposed by applicant, which are estimated to produce approximately \$18,762, based upon the full carrying capacity of the ditch system, will result in a net return of \$5,060, which is equivalent to approximately 2.4% upon the above assumed rate base. A full return of 8% would amount to \$16,839.

In view of the fact that this organization is operated by its consumers practically in the same manner as a non-profit making concern, and as the rates requested by the company are reasonable under the circumstances, it appears that the request should be granted.

O R D E R

West Riverside Canal Company, a corporation, having made application to this Commission as entitled above, a public hearing having been held thereon, and the matter having been submitted,

It Is Hereby Found as a Fact that the rates charged by West Riverside Canal Company, a corporation, for transporting water are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for the service rendered.

Basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that West Riverside Canal Company, a corporation, be and it is hereby authorized and directed to file with this Commission within twenty (20) days from the date of this order, the following schedule of rates to be charged for all water delivered to its consumers on and after the 15th day of April, 1926:

YEARLY TRANSPORTATION CHARGE

\$9.00 per inch per year, payable -
\$6.00 on or before January 10th each year,
\$1.50 on or before May 10th each year,
\$1.50 on or before August 10th each year.

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

Dated at San Francisco, California, this 16th day of April, 1926.

W. B. Brundage

C. C. Leavary

Leon W. Hall

Commissioners.