

**ORIGINAL**Decision No. 22109

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application  
of the SUTTER BUTTE CANAL COMPANY,  
a corporation, for an increase in  
rates.

Application No. 16014.

Isaac Frohman, Seth Millington and Douglas Brookman,  
for applicant.  
J.J. Deuel, Edson Abel and L.S. Wing,  
for the Sutter County Farm Bureau, Butte County Farm  
Bureau and California Farm Bureau Federation.  
Arthur B. Eddy, for Mrs. Nugent.  
George F. Jones, for Richvale District.  
J.A. McRae, in propria persona.  
John E. Truman, for Estate of I.J. Truman, Jr., deceased.  
Chas. A. Whitmore, for the Bridge Investment Co.  
C.B. Harter, for himself, the Harter interests and  
Mrs. Ruth Hudson.

SEAVEY, COMMISSIONER:

O P I N I O N

In this proceeding, the Sutter Butte Canal Company, an incorporated public utility engaged in the business of supplying water for irrigation purposes in a large area in Sutter and Butte Counties, California, makes application for an increase in rates.

The application alleges that the rates and charges at present in effect were established by the Commission by its Decision No. 16289, issued March 20, 1926, in Case No. 2126, which case involved an investigation into the rates, operations, practices, conditions of service, etc., of this utility instituted by the Commission on its own motion; that said rates have now been in effect for four years beginning with the 1926 irrigation season;

that applicant's operations for the irrigation season of 1929 will result in net operating revenues yielding only 3.8 per cent interest return on the rate base fixed by the Commission in said Decision No. 16289 and only 1.6 per cent interest return upon the reasonable present value of all of applicant's property dedicated to the public use; that the irrigation season of 1929 has definitely demonstrated that the present rates are non-compensatory and inadequate to provide applicant the revenue to which it is entitled; that the total present value of applicant's properties, including water rights and other intangible values, together with the sum of approximately \$100,000. for additions and betterments installed subsequent to said decision, is in excess of \$4,000,000., which sum it is alleged is the proper and reasonable rate base to be established for the purpose of the present proceeding;

WHEREFORE, the request is made for an order of the Commission increasing the rates of applicant in order that a reasonable and compensatory revenue may be assured to applicant for the 1930 irrigation season and for such other relief as to the Commission may seem proper.

Public hearings were held in this proceeding at Gridley on November 1 and December 20, 1929, and on January 9, 1930.

Reports setting forth the details of the annual operations of this utility for a number of past years were submitted by E.A. Julian for applicant, L.S. Wing for the Farm Bureau and H.A. Noble, engineer for the Commission. This data enables an analysis and comparison for successive years of the various operating factors which are involved in the establishment of rates, including the annual acreage of rice and other crops irrigated

and charged on the system, the annual maintenance and operation expenses as have been incurred and the total annual revenues which have been obtained from the rates which have been in effect.

The large fluctuation from year to year in the amount of the gross revenues of this utility and in the resulting net revenues available for interest return on its investment in its properties dedicated to the public use is noted. This fact is directly and largely accounted for by the fluctuation of the totals of the acreage of rice which are annually irrigated on the system. Rice is an annual crop and the total acreage that may be planted any year is influenced by a number of conditions, including the market price obtaining for rice, that may either promote or discourage planting. Furthermore, rice culture requires the delivery of about three or four times more water per acre per season than other crops irrigated and, accordingly, is charged a higher rate for service.

The evidence shows that the annual revenue obtained from rice irrigation has been on the average for the past ten years about 73 per cent of the annual operating revenues from all sources.

From the evidence introduced, it appears that the results of the operations for the past four years (1926 to 1929, inclusive) under the rates at present in effect are as indicated in the following tabulation:

RESULT OF OPERATIONS FOR PAST FOUR YEARS

SUTTER BUTTE CANAL COMPANY

| Items                                      | 1926           | 1927           | 1928           | 1929*        |
|--|----------------|----------------|----------------|--------------|
| Maintenance & Operation Exp.               | \$ 146,372.36  | \$ 142,868.57  | \$ 145,532.59  | \$ 128,003.  |
| Depreciation Annuity(6% S.F.)              | 19,000.00      | 19,000.00      | 19,000.00      | 19,800.      |
| Total Operating Expenses                   | \$ 165,372.36  | \$ 161,868.57  | \$ 164,532.59  | \$ 147,803.  |
| Total Operating Revenues                   | 258,940.00     | 289,530.00     | 260,750.00     | 213,000.     |
| Net Revenue for Interest Return            | \$ 93,567.64   | \$ 127,651.43  | \$ 96,217.41   | \$ 65,203.   |
| Rate Base adjusted from Decision No. 16289 | \$1,780,000.00 | \$1,784,800.00 | \$1,814,100.00 | \$1,854,978. |
| Resulting per cent interest return         | 5.3%           | 7.2%           | 5.3%           | 3.5%         |

\* 9 months actual and 3 months estimated.

The portion of the system known as the Sutter County Extension was constructed by the company from 1919 to 1921 following the application of the ownership of some 14,000 acres in Sutter County for irrigation service for rice at the time the crop was unusually profitable, due to the large demand and high prices for this food crop created by the World War. Under the provisions of the contract entered into with the landowners, a total of \$20.00 per acre, which amounted in the aggregate to \$307,051., was advanced by the landowners and donated to the company towards the construction cost of making the extension and the landowners agreed to plant rice and pay the irrigation rate in effect for three consecutive years. As of October 1, 1929, the total investment of the company in this Sutter County Extension has amounted to \$844,039. The first four years that service of water was rendered on this extension, beginning with 1920, the maximum acreage of rice irrigated

was 12,868 acres in 1921. From 1924 to date, the acreage of rice irrigated per season has largely decreased, the largest being 5,203 acres in 1927 and the smallest being 2,084 acres in 1925 and 1,409 acres in 1929.

The results of the operation of this extension alone for the past four years, when considered as independent of the rest of applicant's operative properties, are indicated in the following table, showing that the annual return on the investment for this portion of the system has been non-compensatory.

RESULT OF OPERATION OF SUTTER COUNTY EXTENSION  
CANAL SYSTEM FOR THE PAST FOUR YEARS

| Items                                       | 1926       | 1927       | 1928       | 1929       |
|---|------------|------------|------------|------------|
| Maintenance & Operation Exp.                | \$ 26,168. | \$ 19,915. | \$ 22,104. | \$ 12,078. |
| Dopreciation Annuity                        | 8,744.     | 8,744.     | 8,744.     | 8,744.     |
| Total Operating Expenses                    | \$ 34,912. | \$ 28,659. | \$ 30,848. | \$ 20,822. |
| Total Operating Revenues                    | 30,647.    | 49,897.    | 47,822.    | 22,601.    |
| Net Operating Revenues                      | \$- 4,265. | \$ 21,238. | \$ 16,974. | \$ 1,779.  |
| Total Cost of Sutter County Extension       | \$837,334. | \$841,533. | \$844,039. | \$844,039. |
| Resulting per cent interest return          | Deficit    | 2.5%       | 2.0%       | 0.2%       |
| Sutter County Extension cost less donations | \$530,283. | \$534,482. | \$536,988. | \$536,988. |
| Resulting per cent interest return          | Deficit    | 4.0%       | 3.1%       | 0.3%       |

The total annual acreage irrigated and charged on the entire system for the past four years with a segregation for rice and other crops for the Richvale-Gridley area and the Sutter County Extension area follows:

ACREAGE IRRIGATED AND CHARGED

|  | : 1926        | : 1927        | : 1928        | : 1929        |
|--|---------------|---------------|---------------|---------------|
|  | : Acres       | : Acres       | : Acres       | : Acres       |
| <u>Gridley and Richvale Area:</u>        |               |               |               |               |
| Rice irrigated                           | 18,968        | 19,693        | 16,985        | 14,945        |
| All other crops irrigated                | 15,662        | 15,686        | 15,091        | 15,450        |
| <u>Original Sutter County</u>            |               |               |               |               |
| <u>Extension Area:</u>                   |               |               |               |               |
| Rice irrigated                           | 3,191         | 5,203         | 4,664         | 1,409         |
| All other crops irrigated                | <u>209</u>    | <u>378</u>    | <u>944</u>    | <u>1,084</u>  |
| Total acres irrigated -<br>entire system | 38,030        | 40,961        | 38,043        | 32,889        |
| Total acres service charge<br>only       | <u>19,009</u> | <u>26,005</u> | <u>22,085</u> | <u>22,579</u> |
| Total acres irrigated and<br>charged     | 57,039        | 66,966        | 60,128        | 55,468        |

The rate base as fixed by the Commission in Decision No. 16289, in which the rates at present in effect were established, was \$1,760,000. (in round figures) as of October 1, 1925. This sum represented the historical cost of the properties of applicant after deducting \$307,052. which was donated by the landowners towards the cost of the Sutter County Extension and also \$27,697. to cover the advances made by landowners for the construction of certain canal extensions which are subject to rebate in accordance with the rules of the company. The record indicates that the net additions and betterments subsequently installed have amounted to \$97,065. which brings the total of \$1,757,913. as of October 1, 1925, to the total of \$1,854,978. as of October 1, 1929. The sum of \$142,000. for maintenance and operation expenses and \$19,000. for the depreciation annuity was allowed by the Commission in said prior rate proceeding as the reasonable amount for these items to include in the annual charges for future operation of

the system and was used at that time as a basis for establishment of the rates at present in effect.

After careful analysis and comparison of the detailed items of the operating expenses as have been incurred for a number of past years, the conclusion is reached that \$140,000. for maintenance and operation expenses and \$20,000. for the depreciation annuity are reasonable amounts for these items for the purpose of this proceeding.

From the foregoing figures, the reasonable and necessary annual charges for future operation of applicant's entire system are found to be as follows:

|   |             |
|---|-------------|
| Maintenance and Operation Expenses-----   | \$ 140,000. |
| Depreciation Annuity (6% Sinking Fund)--- | 20,000.     |
| Interest Return on Rate Base of-----      | 1,854,978.  |

The matter of forecasting with any degree of accuracy the acreages of crops that will be irrigated on this system in future years, either as to averages or even for one year in advance, is a difficult problem. However, the evidence in this proceeding indicates that, for the purpose of computing a new schedule of rates, it is fair and reasonable to assume as a basis therefor that the average annual acreages of rice and other crops irrigated and charged the coming four or five years will very closely approximate the average of the five years last past.

The following form of order is submitted.

O R D E R

Sutter Butte Canal Company, a corporation, having made application to the Commission for authority to increase its rates with the request that interim increased rates be authorized for the 1930 season pending the introduction of further and complete evidence on the matter of a re-valuation and other related sub-

jects, public hearings having been held thereon, the proceeding having been submitted for decision on the matter of the interim rate schedule only and the Commission now being fully advised in the premises,

It is hereby found as a fact that the present rates of Sutter Butte Canal Company, in so far as they differ from the interim rates herein established, are unjust and unreasonable and that the interim rates herein established are just and reasonable rates to be charged by said company for water service rendered its consumers, and

Basing its order upon the foregoing findings of fact and upon the other statements of fact in the opinion preceding this order,

IT IS HEREBY ORDERED that the Sutter Butte Canal Company be and it is hereby authorized and directed to file with this Commission, within ten (10) days from the date of this order, the following schedules of interim rates for irrigation water service, said rates to be charged for service rendered commencing with the 1930 irrigation season and until further order of this Commission:

SCHEDULE NO. 1 - FLAT RATES

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 service. Application for water for irrigation must be made on form supplied by the company, in accordance with its rules and regulations.



SCHEDULE NO. 1 - FLAT RATES (Cont'd.)Prepayment Discount on Service Charge:

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 landowners 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<br/>Charge</u> | <u>Discount</u> | <u>Net<br/>Charge</u> |
|-------------------------|-------------------------|-----------------|-----------------------|
| Second-year Charge----- | \$1.25                  | \$0.15          | \$1.10                |
| Third-year Charge-----  | 1.25                    | 0.25            | 1.00                  |

For Rice IrrigationService Charge:

\$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.

Additional Charges for Water Delivered:

\$1.75 per acre, plus 70¢ per acre where water is pumped, payable on or before February 1st, plus  
 \$6.00 per acre, plus 70¢ per acre where water is pumped, payable on or before July 1st.

Special Conditions:

- (a) 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.
- (b) Application for water for summer plowing or sprouting water grass, weeds, etc., will not cause a renewal or extension of the three-year contract.

SCHEDULE NO. 1 - FLAT RATES (Cont'd.)For Grain (other than rice) Irrigation

(Including irrigation for double cropping such as for beans or similar crops.)

Service Charge:

\$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 year. (This entitles consumer to two irrigations for the grain crop only.) Plus additional charge of 30¢ per acre-foot where water is pumped.

Additional Charges for Water Delivered:

\$1.20 per acre for each subsequent irrigation during continuance of service for the purpose of the second cropping, plus 30¢ per acre-foot where water is pumped, payable before each irrigation.

For Orchard, Vineyard, Alfalfa and Crops other than GrainService Charge:

\$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.

Additional Charges for Water Delivered:

\$0.50 per acre, plus 40 cents per acre where water is pumped, payable on or before February 1st, plus  
 \$2.10 per acre, plus 40 cents per acre where water is pumped, payable on or before July 1st.

SCHEDULE NO. 2 - METERED RATE

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 service. Application for water for irrigation must be made on forms supplied by the company, in accordance with its rules and regulations.

SCHEDULE NO. 2 - METERED RATE (Cont'd.)Prepayment Discount on Service Charge:

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 landlords 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              | \$0.15          | \$1.10            |
| Third-year Charge-----  | 1.25                | 0.25            | 1.00              |

For Rice IrrigationService Charge:

\$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.

Additional Charges for Water Delivered:

\$2.50 per acre for 3 acre feet or less per acre, plus 30¢ per acre-foot if water is pumped, payable on or before February 1st, plus \$1.50 per acre-foot, plus 30¢ 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.

Special Conditions:

- (a) 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.
- (b) Application for water for summer plowing or sprouting water grass, weeds, etc., will not cause a renewal or extension of the three-year contract.

SCHEDULE NO. 2 - METERED RATE (Cont'd.)For Grain (other than rice) Irrigation

(Including irrigation for double cropping  
such as for beans or similar crops.)

Charges for this service according to the  
flat rates indicated in Schedule No. 1.

For Orchard, Vineyard, Alfalfa and Crops other than GrainService Charge:

\$1.25 per acre per year for contract period,  
first yearly payment payable at time of  
application and subsequent payments paya-  
ble on or before February 1st of succeed-  
ing years.

Additional Charge for Water Delivered:

\$1.75 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 of 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.

IT IS HEREBY FURTHER ORDERED that the first installment  
of the rates which will be charged for the 1930 irrigation season  
shall be payable on or before March first instead of February  
first as is specified in the above Rate Schedules No. 1 and  
No. 2; and for subsequent years said first installment of the  
rates shall be payable on or before February first of each year.

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 11<sup>th</sup> day of February, 1930.

*C. L. Seaver*  
*Ernest B. ...*  
*...*  
*W. B. Carr*  
 Commissioners.