

**ORIGINAL**

Decision No. 23345

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
EAST SIDE CANAL COMPANY, for authority	)	
to increase its rates for water service.	)	Application No. 16610
BUENA VISTA CANAL, INC., for authority	)	
to increase its rates for water service.	)	Application No. 16611
STINE CANAL, INC., for authority to in-	)	
crease its rates for water service.	)	Application No. 16612
THE FARMERS CANAL COMPANY, for authority	)	
to increase its rates for water service.	)	Application No. 16613
CENTRAL CANAL COMPANY, for authority to	)	
increase its rates for water service.	)	Application No. 16614
KERN RIVER CANAL AND IRRIGATING COMPANY,	)	
for authority to increase its rates for	)	
water service.	)	Application No. 16615
PIONEER CANAL, INC., for authority to	)	
increase its rates for water service.	)	Application No. 16616
KERN ISLAND CANAL COMPANY, for authority	)	
to increase its rates for water service.	)	Application No. 16617

McCutchen, Olney, Mannon & Greene,  
by John T. Pigott and Carl I. Wheat,  
for Applicants:

Athearn, Chandler & Farmer & Devlin,  
by Milton T. Farmer, for S.M. Jasper,  
Protestant.

Houghton & Houghton, by Edward T. Houghton,  
for Protestants Tehachapi Cattle Company  
and Estate of R.E. Houghton, deceased.

Simon & Garber, by Alfred Simon, for Pro-  
testant East Side Water Users Association.

M.B. Harris, for Protestant Farmers' Pro-  
tective Association. (Mr. Harris did not  
participate in the proceedings after  
January 1, 1931.)

CARR, COMMISSIONER:

OPINION AND INTERIM ORDER

In these proceedings the several utilities set out above,

engaged in the sale and distribution of water for irrigation purposes in and in the general vicinity of Bakersfield, Kern County, ask the Commission to establish increased rates for the service rendered.

The applicants allege that in no year during the period from 1919 to 1929, inclusive, have the gross receipts from water sales equalled or exceeded the actual proper operating expenses incurred in furnishing the service; that the rates in effect are insufficient to meet actual necessary and proper operating expenses; that applicants are now furnishing, and have furnished at all times in the past, water to the consumers at rates below the actual cost of the service. The Commission is asked to fix the fair value of the properties involved and to establish rates that will provide maintenance and operating expenses, depreciation allowance and a fair return on the fair value of said properties used and useful in the public service.

Public hearings in these proceedings were held at Bakersfield.

This is the first time any of these utilities have ever appeared before this Commission in a rate-fixing proceeding, the rates now in effect on these various canal systems having been established by the Board of Supervisors of Kern County prior to the enactment of the Public Utilities Act and are as follows:

75 cents per cubic foot for 24 hours,  
measured under a 4-inch pressure  
for all canals except Kern River  
Canal and Irrigating Company which  
has a rate of 60 cents per cubic  
foot per 24 hours.

In addition to the above, there are certain contracts recognized

by the operators of these utilities providing for the delivery of water at special rates and also other agreements providing for the rendering of service in consideration for the transfer of water rights.

In order to facilitate the presentation of evidence in an orderly manner, it was agreed to consolidate these proceedings for the purpose of receiving such evidence and testimony as would pertain generally to all applicants and that such matters as would affect only the individual companies would be presented separately.

The Kern County Land Company owns or controls a vast system of irrigating canals serving lands owned by private firms and individuals as well as a large and extensive acreage of its own lands. Many of these canals are privately-owned by the Kern County Land Company and independently operated by it at its own cost and expense for the purpose of supplying water to its own lands. There are six non-utility canals owned and operated by the Kern County Land and Water Company in conjunction with the eight public utility canals involved in these proceedings. The Kern County Land Company owns all of the stock in the Kern County Land and Water Company which, in turn, owns approximately ninety-five per cent of the stock in each of the applicant companies and acts in the capacity of treasurer of each thereof, keeping all books, records and accounts. All costs of operation and maintenance incurred in connection with the above six non-utility canals, together with the public utility canal systems, are prorated against each, based upon the actual time and the costs of material and supplies expended. Each of the canal companies controlled by the Kern County Land and Water Company was organized

separately in the early days of irrigation in Kern County and has a separate adjudicated water right entitling it to divert and appropriate waters from the Kern River, and each serves and distributes water in a distinct and separate service area. (As to some of these canal companies, the extent of the service area is being questioned in certain proceedings pending before the Commission.) Some of these canal systems have abandoned their river intake structures and at the present time obtain water from other canals maintaining diversion and headworks structures, there being now four such structures in operation. By reason of the extremely sandy nature of the bed of the Kern River in this particular territory, there has been constructed and is now maintained and operated on the south side of the river a so-called carrier system of canals through which water directly diverted from the river is conveyed through various canals for the purpose of reducing the enormous seepage losses which otherwise would occur through the use of the natural channel of the river at stages of low flow. The cost of operating and maintaining this carrier system is distributed among the various canals in direct proportion to their respective uses thereof.

In the operation of the present utility canal companies Kern County Land Company in the past has furnished without interest all moneys necessary to make up operating deficits and funds necessary for construction purposes, and prior to the year 1929 furnished without charge tools, machinery and equipment, and at partial cost provided an office, office force and accounting facilities. Commencing with the year 1929, however, the Land Company has made charges for all such operating costs with the exception of interest on borrowed money. The accounts of the various utilities have now been readjusted to more nearly

reflect the actual operating and maintenance expenses properly chargeable to the various utilities.

It became apparent during the progress of the proceedings herein that it would be impossible to complete the presentation of evidence and testimony before the commencement of the irrigation season of 1931. Applicants have therefore requested the Commission to establish an interim rate which will at least provide sufficient revenue to yield operating expenses until such time as final determination can be made of these matters.

Up to this time there has been nothing presented reflecting the cost or value of any of the physical or intangible properties of these utilities. Evidence has been confined mainly to the yield of the present rates and the costs of operation and maintenance, together with studies indicating the gross and net duty of water throughout the territory served. The final revised figures on operating and maintenance expenses covering the five-year period from 1925 to 1929, inclusive, as submitted by applicants and the Commission's engineers, are practically identical. There is similarly no controversy at this time over the operating and maintenance expenses submitted covering the period of eleven years ending with 1929 since counsel for applicants has finally agreed to the elimination of certain charges amounting to approximately fifteen thousand dollars, attributable to expenses incurred in connection with a proposed sale to the Kern River Water Storage District of practically all of the water properties controlled by the Kern County Land Company.

From the evidence submitted, the following tabulation sets forth the costs per acre foot of delivered water, exclusive of depreciation charges, based upon mean deliveries covering the

periods indicated.

:Mean Annual Revenue:		:Cost per:		:Cost per:	
:Producing Delivery	:Average Annual:	:Acre Foot:	:Average Annual:	:Acre Foot:	:
: of Water	:Operating Cost:	for	:Operating Cost:	for	:
:	: for Period	: Period	: for Period	: Period	:
: Period	:Acre Feet:	1925-1929	:1925-1929:	1919-1929	:1919-1929:
1896-1929	225,400	\$146,836	\$.65	\$154,818	\$.69
1919-1929	191,640	146,836	.77	154,818	.81
1925-1929	163,600	146,836	.90	154,818	.95

The resulting costs of water deliveries, likewise exclusive of depreciation charges, as increased by the inclusion of estimated future expenses of operation under the rotation system of delivery are set out below.

:Mean Annual Revenue: Estimated :		: Estimated :		:	
:Producing Delivery	: Average :	: Average :	: Average :	:	:
: of Water	: Annual :	: Estimated :	: Annual :	: Estimated :	:
:	: Operating :	: Cost :	: Operating :	: Cost :	:
:	: Cost :	: per :	: Cost :	: per :	:
:	: Period :	: Acre Foot :	: Period :	: Acre Foot :	:
: Period	:Acre Feet:	1919-1929	: 1919-1929 :	1925-1929	: 1919-1929 :
1896-1929	225,400	\$173,769	\$.77	\$167,156	\$.74
1919-1929	191,640	173,769	.91	167,156	.87
1925-1929	163,600	173,769	1.06	167,156	1.02

In view of the fact that the present rate now charged for water generally throughout the territory served is 37½ cents per acre foot, it is clear that the existing rate structure has not in the past, and is not now, producing bare operating expenses exclusive of depreciation.

The rates for irrigation service on file with this Commission as charged by other public utilities throughout the State indicate that the present rate of 37½ cents per acre foot in effect on applicants' systems is perhaps the lowest charged for any sim-

ilar service. The table of rates of public utility irrigation systems submitted in these proceedings embraces services both similar as well as some not strictly comparable to that furnished by applicants. However, from these data, it appears that the average of the rates of twelve public utility irrigation systems in Central California is \$1.89 per acre foot net delivery, while the average of rates of fourteen such systems in Northern California, supplying both valley and foothill territories, is \$3.33 per acre foot.

There are many factors which affect the cost of delivering water on each of these utility canals, such as the difference in the character of the lands served, the number of consumers on each canal, the priority and amount of entitlement and the respective costs of maintenance. In view of the present state of the record, consideration thereof necessarily must be left until final determination of these proceedings.

Heretofore the utilities have followed the practice of charging consumers on a minimum basis of one second foot delivery. While this has not seriously affected the larger water users, it has placed a most decided burden upon the smaller consumers, especially at times when a shortage of water has compelled proration thereof for short periods of time in quantities less than one second foot for twenty-four hours. This practice has resulted in unfair discrimination against the smaller water user under such circumstances and is wholly unnecessary. Hereafter such limitation or restriction as set out above will be discontinued and all consumers alike charged only for such water as actually delivered in accordance with the schedule of rates in effect.

The rate set out in the following Order should, under normal conditions, yield revenues sufficient to meet the reasonable and proper costs of operation and maintenance, together with some additional allowance for depreciation in order that structures requiring replacement may be reconstructed and service maintained without too great delay.

The following form of Order is recommended.

INTERIM ORDER

Applications having been made as entitled above and a further request having been made by applicants for the establishment of an interim rate pending final determination of these matters, public hearings having been held thereon, the Commission being now fully advised in the premises and it appearing that an interim rate should be authorized,

IT IS HEREBY ORDERED that East Side Canal Company, Buena Vista Canal, Inc., Stine Canal, Inc., The Farmers Canal Company, Central Canal Company, Kern River Canal and Irrigating Company, Pioneer Canal, Inc., and Kern Island Canal Company be and they are hereby authorized to file with this Commission, within twenty (20) days from the date of this Order, the following interim rate, said rate to be charged for all service rendered subsequent to the date of this Order and until further Order herein.

IRRIGATION RATE SCHEDULE

For all water delivered,  
per acre foot-----85 cents.

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 2nd day of February, 1931.

Albany  
Leon Whiteley  
M. J. Curran  
Fred G. Stewart  
 Commissioners.

Commissioner Harris, having represented one of the parties to this proceeding prior to becoming a member of the Railroad Commission, feels himself disqualified and therefore has not participated in this decision.