

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
E. C. Phoenix, Receiver American Ir-)	
rigation Company, for adjustment of)	Application No. 1678
rates for water furnished by said)	
company in the County of Sacramento.)	

- Frank F. Atkinson, of Elliott & Atkinson, for receivers of American Irrigation Company.
- Lester Hinsdale for North Fork Ditch Company.
- Chauncey H. Dunn for Citrus Heights Colony.
- J. M. Inman for Fair Oaks Water Takers Association.
- Sheridan Downey, of Downey, Pullen & Downey, for Fair Oaks Water Takers Association.
- O. G. Hopkins for Orangevale Water Company and American Irrigation Company.
- R. L. Shinn for Carmichael Colony System.

EDGERTON, Commissioner.

O P I N I O N

This is an application by E. C. Phoenix, as Receiver of the American Irrigation Company, whereby this Commission is asked to fix the rates for domestic and irrigation water furnished by applicant to its consumers.

The plant consists of a transmission pipe and distributing pipes leading therefrom, which pipes serve consumers in Fair Oaks Colony, Sacramento County, and attached to this system are distributing pipes owned by others than applicant which serve communities called Carmichael Colonies Nos. 1 and 2, and Citrus Heights and Additions. Water is obtained by applicant at a point about 2 miles from the Penstock Reservoir of North Fork Ditch Company, payment being made to the latter for said water at the stated rate of \$18 per miner's inch per year, under a 4-inch pressure.

Applicant's present rates to its consumers in Fair Oaks Colony are \$3.00 per acre per year for irrigation and \$12.00 per

consumer per year for domestic use, and in Carmichael Colonies Nos. 1 and 2 and Citrus Heights and Additions, the stated rates are \$4.00 per acre per year for irrigation and \$12.00 per consumer per year for domestic use.

From the evidence it appears that applicant paid North Fork Ditch Company for water an amount in excess of that which it collected from its consumers, with the result that it has never earned operating expenses and taxes. It became bankrupt in 1914 when a receiver was appointed by the Superior Court of Sacramento County to take charge of the property, and it is still under this receivership, having steadily increased its indebtedness since his appointment.

The consumers of applicant hold contracts wherein the rate for water is fixed at \$3.00 per annum for irrigation and \$12.00 per annum per consumer for domestic use, but it is conceded by the attorneys for Fair Oaks Water Takers Association who appeared in this proceeding, that the rates set out in said contracts must be increased in order that the plant may continue in operation and be put in such a state of repair as to improve service. However, it is urged that no depreciation and no return upon the investment be allowed.

The receiver urges that operating expenses, taxes and depreciation be allowed, and submits for the judgment of the Commission the determination of whether or not any return upon investment should be added.

American Irrigation Company and Capitol Banking and Trust Company, new trustee, appeared in this proceeding and urged that rates be fixed sufficiently high to provide a return on the investment or value of applicant's plant.

Fair Oaks Water Takers Association, through its counsel, urges that the owners of this plant have received full compensation therefor, either through an additional price received for the sale

of land owned and sold by them or in the benefit they derived through the increase in value of land owned by them.

Evidence was introduced purporting to show that this water system was in effect used for the benefit of its owners in their land schemes, and it is insisted that no earning should be allowed upon the investment because present consumers paid such a price for their land as to make it unfair that they should now be compelled to pay rates sufficient to provide an earning upon the water plant.

The evidence is not clear or convincing as to just what relation the land and the price obtained therefor bear to this irrigation system. It is impossible to determine, even approximately, what benefits inure to the owners of this system through their land operations. However, I am impressed with the fact that the present consumers held written contracts for water at \$3.00 per acre per year, and that the service now being rendered is not such as to warrant the owners of this system enjoying a return which could only be justified upon the rendering of efficient service, and that to produce operating expenses, taxes and depreciation will require that the rates of these consumers would have to be more than doubled. However, as is conceded by the Water Takers Association, some increase in rate is necessary in order that the operation of this system may continue, and furthermore, such a sum must be provided as will insure the repair of this system to such an extent as to make the service reasonably good. I shall recommend a rate, therefore, which will provide operating expenses, taxes and such an amount for depreciation as will permit of the repair and rehabilitation of the plant so as to provide for not only a continuation of the service given but for a bettering of that service. Of

course, this Commission will insist that all money allowed for depreciation will be reinvested in plant so that as rapidly as possible the system will be put in better condition.

The contracts now in existence provide that the consumers shall pay \$3.00 per acre per year whether they receive water or not. The rates herein recommended are for the water actually received by the consumers.

It appears that American Irrigation Company has been collecting direct for water furnished to consumers in Carmichael Colonies Nos. 1 and 2, and Citrus Heights and Additions, but that it does not own any part of the system furnishing these communities. We now have an application by L. A. Hilborn, asking that rates be fixed for these colonies. However, the water used in these colonies runs through the main pipe of American Irrigation Company. Therefore, it will be necessary in addition to fixing the rates for the latter company for water delivered to its consumers in Fair Oaks to also fix a rate to be paid for the use of its main pipe in conveying water to these other colonies.

The receiver suggests that operating expenses, including taxes, be figured at \$6522 per annum, and that amount is almost the same as the Water Takers Association proposes. From the evidence the proposal of the receiver seems reasonable, and therefore I will adopt \$6522 for the proper amount of operating expenses, including taxes.

The engineers of the Commission and the engineer of applicant are in very close agreement on depreciation. Therefore, I will adopt the figure of \$5520 per annum as the amount to be allowed as depreciation, which amount shall be used in the repair and rehabilitation of the plant.

The Commission has this day fixed the rate to be paid by applicant to North Fork Ditch Company at \$16 per miner's inch which upon the amount of water at present used by applicant's consumers will require the sum of \$10,240. This makes a total gross earning necessary of

Maintenance, Operation and Taxes.	\$6522
Depreciation.	5520
Water purchased.	<u>10240</u>
Total	\$22,282

To produce this earning, it will be necessary to fix rates at \$37.50 per miner's inch, or one-fiftieth of a second foot, \$1.00 per month per consumer for domestic service, and \$9.00 per miner's inch for all water conveyed through the pipes of applicant to the consumers in Carmichael Colonies Nos. 1 and 2, and Citrus Heights and Additions. The above rates are fixed upon the assumption that the consumers in Carmichael Colonies Nos. 1 and 2 and Citrus Heights and Additions will make payments for water direct to North Fork Ditch Company, but in the event that the present practice is continued and these consumers make payment for water to American Irrigation Company, the rates shall be the same as are fixed for the direct consumers of American Irrigation Company.

I recommend that applicant be ordered to file for the approval of the Commission rules and regulations governing service, within fifteen days from the date of this order.

Herewith a form of order:

O R D E R

Application having been made by E. C. Phoenix, as Receiver of American Irrigation Company, requesting that the rates of said company for the service of water be fixed, and a public hearing having been had, and the Commission being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT by the Railroad Commission of the State of California, that the rates now charged by applicant, in so far as they differ from the rates hereinafter in this order set out, are unjust and unreasonable, and that the rates set out in this order are just and reasonable rates to be charged by applicant.

Basing its order upon the foregoing finding of fact and the further findings of fact set out in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that applicant file with this Commission the following schedule of rates, said rates to become effective April 1, 1916:

\$37.50 per miner's inch per year for water furnished consumers in Fair Oaks Colony.

1.00 per month per consumer for domestic service.

9.00 per miner's inch per year for the use of its pipes in the conveyance of water to Carmichael Colonies Nos. 1 and 2 and Citrus Heights and Additions.

In the event that consumers in Carmichael Colonies Nos. 1 and 2 and Citrus Heights and Additions individually take water from, and pay therefor direct to applicant, the rates shall be \$37.50 per miner's inch per year for irrigation, and \$1.00 per month per consumer for domestic use.

The term "miner's inch" used herein means one-fiftieth cubic foot per second.

