

Decision No. _____

ORIGINAL

Decision No. 3717

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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In the matter of the application of .) }
the Happy Valley Land & Water Co., } Application No. 1964.
for an adjustment of water rates. }

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Roscoe D. Jones for Applicant.
Francis Carr for the Happy Valley Water Users Assn.

BY THE COMMISSION:

O P I N I O N.

Applicant asks that the Commission fix rates for water delivered to Consumers for domestic, irrigation and mining uses. The Applicant's plant in Shasta County consists of headworks on the North Fork of Cottonwood Creek, a main ditch which is about 25 miles long, collecting and distributing ditches and reservoirs. The headworks are in Section 31, township 31 North, range 7 West, M.D.M. The distribution ditches are located in the vicinity of Olinda and aggregate a total of about 30 miles in length. There is a main distribution reservoir covering 40 acres and 6 others, each covering from 3 to 8 acres. The Company claims the right to divert from Cottonwood Creek 5000 miner's inches of water, equal to 100 cubic feet per second. The area irrigated by the ditches of the Company totals 1676 acres, for which according to the records water was furnished in 1915, amounting to 19,968 miner's inches for one day of 24 hours. In addition to the irrigation use, water was furnished to 10 consumers for domestic purposes and to 4 other consumers, who used a total of 7809 miner's inch days for hydraulic mining. The miner's inch, used in distribution is 1/40 cubic foot per second.

The Happy Valley Water Users Association appeared in the

proceeding by counsel, introduced evidence and filed briefs. This Association protests against any increase in applicant's rates and urges that the general level of rates be lowered.

Applicant delivers irrigation water to stockholders of the company at the rate of \$.10 per miner's inch day and to non-stockholders at \$.20 per miner's inch day. This is clearly a discrimination in favor of the stockholders. Rates are from \$1.25 to \$1.66 2/3 per month for domestic water and for mining water, varying from \$.045 to \$.10 per miner's inch day.

The rates asked for by applicant are:

IRRIGATION: \$.25 per miner's inch per day:
Consumers with 1 to 10 acres to pay for 180
miner's inches per season, 10 to 25 acres,
360 miner's inches per season and with
more than 25 acres for 360 miner's inches
for each additional 25 acres.

DOMESTIC: \$1.50 per consumer per month or
fraction thereof.

MINING: Rate to be fixed by Board of Directors
of the Company.

To grant Applicant's request would result in a rate nearly double the average rate now paid for irrigation water. It would also result in discrimination against a consumer with a small area.

It is obvious that the present rates result in decided discrimination between stock-holders and non-stockholders. We shall, therefore, recommend a rate which is uniform for identical service.

The only appraisal of the property in testimony was presented at the hearing by M. H. Brinkley, one of the Commission's Engineers. This estimate totalled;

Reproduction cost	\$145,570.
Reproduction cost less depreciation	141,349.

The greater part of the main ditch was built in 1874, for the purpose of hydraulic mining and was used for many years to its full capacity, but with the decline of hydraulic mining, it

gradually went into disuse until increase in the irrigation of lands developed.

In 1907, Geo. D. Barber obtained an option on the property for \$15,000, and immediately thereafter the Happy Valley Land and Water Co., was organized. It assumed the \$15,000 obligation and in addition gave Barber 3000 shares of stock in the company for the option. Stock has been issued to the amount of 7557 shares, of which the Ehmann Olive Co., owns 4069 shares, a controlling interest. The abstract of title shows that the option covered the ditch system, a mining claim of 1752 acres at Igo, 380 acres of land east of Igo, 160 acres of land near Ono, a house, barn and lot in Igo, and a lot in Horsetown. All of this property is non-operative except the ditch system. It would not be difficult to determine the value of the non-operative property at the time of the transfer. It is entered on the books of the company at \$39,000. It is evident that the value of the other property operates to reduce the actual cost of the ditch system below the total of \$15,000. Various improvements have been made on the property with borrowed money. The total notes and accounts payable are now about \$14,000. At least \$7000. of this can be traced and was expended during the past three years for additions and betterments. Testimony at the hearing shows that stock assessments were levied at times to cover deficits in obligations for maintenance and operation. Stock carried with it grant of low rates for water, and stockholders received a return on their investments in this way. This may account in part for the deficits in past operations, which applicant's attorney speaks of in his brief, but which are not now shown in the books of the company.

An estimate of Reproduction cost of the property has been shown, but considering the fact that the ditch system was originally built for hydraulic mining use, that has been terminated,

it seems that the original investors did not make any sacrifice for present irrigation consumers. They built an adjunct of the then mining industry, and it cannot fairly be held that their successors should be allowed a return upon an investment made for a purpose which has been fulfilled, simply because it became possible to use the structure remaining for a new and different purpose. It is clear that the main ditch, when developed to its full capacity, can irrigate several thousand acres additional to the present area served. It does not seem equitable to require present consumers to pay a rate which will yield a return on the reproduction cost entire. Applicant fully concedes this.

It is also apparent from the evidence in this case that if a system were being constructed for existing demands, and if the project had originally been for irrigation purposes, the result in money expended and design of property would be very different. We believe, therefore, that it is entirely fair to applicant if returns are received on \$25,000., the maximum that the operative property may have cost the present owners.

Allowing eight per cent on this investment and adopting the estimates of operating expenses and depreciation presented by the Commission's engineer, we arrive at the following gross annual charges:

8 percent interest on \$25,000.	\$2000.
Operating expenses and taxes.	3514.
Depreciation.	218.
Total	<u>\$5732.</u>

According to the evidence, applicant furnished water for the irrigation of 1676 acres of land in 1915. In the calculations of probable revenue, we have estimated that all consumers will use the same amounts of water per acre in 1916. Also we have estimated that the use of water by consumers other than Ehmann Olive Co., will have the same rate of increase from 1915 to 1916 as it had from 1914 to 1915. On this basis, the use of

water for irrigation in 1916 should be 27,000 inches.

In a consideration of the future rate the fact must not be lost sight of that many of the stockholders have contended for a low irrigation rate to both stockholders and non-stockholders, even though they would have to make up the difference in stock assessments on the theory that a low rate is necessary both for the development of the country and the future prosperity of the company.

If the present rates for domestic use are left undisturbed, and a rate of \$.20 per miner's inch per day for irrigation water and a rate of \$.05 to \$.10^{per}/miner's inch per day for mining water according to the quantity used, are put into effect a total gross income of \$6,000. would result. The miner's inch used is 1/40 of a cubic foot per second.

Applicant should be required to provide and file with this Commission adequate rules and regulations governing service.

O R D E R

Application having been made by Happy Valley Land and Water Company, requesting that its rates for the service of water be fixed, and a public hearing having been held, 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 insofar 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 to its consumers for water.

Basing its order on the foregoing findings of fact, and the further findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that applicant may file with this Commission the following schedule of rates, said rates to become effective April 15, 1916:

- \$.20 per miner's inch per day for irrigation use.
 - .10 per miner's inch per day for mining use, up to 1000 miner's inches per day in one year.
 - .05 per miner's inch per day for mining use in excess of 1000 miner's inches per day in one year.
 - 1.25 per month per consumer for domestic service.
- The term "Miners inch" used herein means one-fortieth cubic foot per second.

IT IS HEREBY FURTHER ORDERED that within the period of 15 days from the date of this order, applicant file for the approval of this Commission rules and regulations governing its service of water.

Dated at San Francisco, California, this 30th day of March, 1916.

Max Thelen
W. H. Leland
Alex Gordon

Commissioners.