

CR.

Decision No.

ORIGINAL

Decision No. 3378

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

In the matter of the application
of HAPPY VALLEY LAND AND WATER
COMPANY for an adjustment of wa-
ter rates.

} Application

} No. 1964.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING

On March 30, 1916, the Railroad Commission made its order establishing a schedule of rates to be charged by applicant for furnishing water for domestic and irrigating purposes. The order provided that said rates were to become effective on the 15th day of April, 1916. Thereafter the effective date of the order was extended to and including April 30, 1916. On the 29th day of April, 1916, applicant filed a petition for rehearing and thereupon the effective date of the order was suspended during the pendency of said application for rehearing.

On pages three and four of the Opinion, as the same now stands, the following statements are

made, to which applicant makes objection, and which seem to us to require consideration:

1. That the actual cost of the ditch system to the present owners was less than \$15,000.
2. That stock assessments were levied at times to cover deficits in obligations for maintenance and operation.
3. That the maximum cost of the operative property to the applicant was \$25,000.

Applicant's chief objection to those statements lies in the fact that as to cost of the property they may be construed as a statement of the value of the same. It is true that the testimony in relation to the cost of the property is capable of two constructions, owing to the fact that the property was purchased together with certain non-operative property, consisting of mining claims. The value to be given that non-operative property, upon which the record is not clear, gives rise to a difference of opinion as to what price was really paid for the operative or public utility property.

Inasmuch as the recitals set forth on pages three and four of the Opinion are in the greater part historical and not strictly necessary to the decision in the case, it seems to us that the Opinion may, in those particulars, be modified by inserting in lieu of the paragraphs beginning at the top of page three of said Opinion and ending with the second paragraph on page four, the following:

"In 1907 the Happy Valley Land and Water Company was organized, and in that year purchased from George S. Barber the property now owned and held by the said corporation as a public utility. For that property, together with certain non-operative property purchased, a price of \$30,000. was paid. Since the acquisition of the property the irrigating system has been overhauled, repaired and put into good condition. From the books of the company it is impossible to ascertain from the expenditures made in behalf of the company how much should be charged to capital account. Therefore, because no appraisal of the non-operative property is shown in the record, and because it is impossible to estimate how much of the amount expended is chargeable to capital account, it is impossible to make any indisputable statement as to the cost of the system to the present owners.

The main ditch, when developed to its fullest capacity, can irrigate several thousand acres in addition to the present area served. An estimate of the 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 expenditure in behalf of the present irrigation consumers. They built an adjunct of the then mining industry and it can not fairly be held that their successor should be allowed a return upon an investment made for a purpose which has been ful-

filled 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 on the entire estimated reproduction cost. 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 the property would be very different. No attempt has been made to calculate the cost of the construction of a system that would be adequate for the present needs of the consumers. Considering, however, the development in the valley and the value of the service to the consumers, it is apparent that a return can not be allowed upon the full reproduction value of the property. To do so would make the rate prohibitive and result in the retarding of the development of that section. We believe, however, that a fair rate can be established by giving applicant its maintenance and operating expenses, depreciation and interest on the sum of \$25,000. This valuation, as has been hereinabove stated, is not given as a statement of the cost to reproduce that property or the value which the system may have when the country is developed so that it is taxed to its capacity, but rather represents a sum that we

believe to be a just and reasonable amount upon which the present consumers of the territory can afford to pay a return in consideration for the services rendered to them."

ORDER ON PETITION FOR REHEARING.

Applicant herein having filed its petition for rehearing in the above entitled matter, and careful consideration having been given to the same,

IT IS HEREBY ORDERED as follows:

1. That the paragraphs beginning at the top of page three and ending with the second paragraph on page four of the Opinion heretofore filed on March 30, 1916, in the above entitled matter be modified by inserting in lieu thereof that portion of the foregoing Opinion which is enclosed in quotation marks.

2. In all other respects applicant's Petition for Rehearing herein is hereby denied.

Dated at San Francisco, California, this 26th day of May, 1916.

Max Thelen
H. S. Leonard
H. G. ...

Commissioners.