

ORIGINAL

Decision No. 6414.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of San Benito County Land and)	
Water Company, a corporation, to)	Application No. 4389.
raise rates.)	

Thomas E. O'Donnell for Applicant.

MARTIN, Commissioner.

O P I N I O N

San Benito Land and Water Company, applicant herein, engaged in the business of selling water for irrigation in the vicinity of Hollister, San Benito County, asks authority to increase its rates.

Applicant alleges that its present income is unremunerative and produces only sufficient revenue to pay operating expenses, and that for several years interest charges on outstanding indebtedness have been paid by assessment on stock.

A public hearing in this proceeding was held in Hollister on April 8, 1919.

In decision No. 2779, "In the matter of the application

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of San Benito County Land and Water Company, a corporation, for permission to renew two certain promissory notes, and to execute a mortgage to secure one of said notes." Vol. 7, Opinions and Orders California Railroad Commission, 146, applicant was authorized to issue notes to the amount of \$75,000. This amount is a part of the indebtedness to meet interest on which assessments were levied on the stock. Reference is made to the decision in the above mentioned proceeding for applicant's history, its organization and financial status.

The rate schedule now in effect is as follows:

Irrigation of Orchards:

First irrigation	\$2.50 per acre
Each subsequent irrigation	2.00 " "

Irrigation of Alfalfa:

For each irrigation..... \$2.00 per acre.

These rates were in effect prior to the effective date of the Public Utilities Act, and were established by the Hollister Irrigation Company, one of applicant's predecessors in interest.

The water is diverted from the San Benito River, about six miles from the village of Paicines, and is transmitted in a canal of approximately 125 cubic feet per second capacity, to the Paicines Reservoir located near Paicines. This reservoir has a storage capacity of about 5,000 acre feet.

Prior to 1911 water was also diverted from Tres Pinos Creek. In 1911 the transmission canal from that creek was so damaged by floods that it has not been repaired and is not used in serving present consumers. The stored water is used to supplement river flow when the natural flow of the river is insufficient for applicant's requirements. Water is discharged from Paicines Reservoir into the river and is again diverted, together with the natural flow, at Hollister, about fifteen miles down stream from Paicines. This lower diversion is below the junction of the San

Benito River and the Tres Pinos Creek, and thus enables the utility to divert all of the natural flow of both streams. The water diverted at Hollister is delivered to the irrigators through some 19 miles of canals, flumes and pipes. Water is being delivered to approximately 2,200 acres of alfalfa, prunes and apricots.

Applicant herein has planned for a number of years past to enlarge the system by the installation of additional storage facilities and extensions of canals. There are some 12,000 acres in the vicinity of Hollister and in the San Juan Valley susceptible of irrigation. Before the effective date of the Public Utilities Act, the company planned to finance these extensions by selling to the ranchers so-called water rights and contracting with the property owners on an acreage basis for the delivery of water.

Prior to the construction of the Paicines Reservoir, it was the practice of irrigators supplied with water from this system to irrigate early in the season when there was available water from the natural flow of the river, and to again irrigate during the latter part of the summer, provided there was a sufficient quantity of water available in the river for this later irrigation. The construction of the Paicines Reservoir assured the ranchers of an irrigation during June, July or August, when normally the natural flow of the river has practically ceased, and consequently most of them have discontinued the practice of irrigating early in the season. By this practice the irrigators materially decreased the quantity of water used, and although the utility has expended a large sum of money for betterments, its income is much less than before the construction of the Paicines Dam.

The variation in rainfall in the vicinity of Hollister, makes it necessary for the ranchers to have a supply of water available for the irrigation of their lands during certain seasons when the rainfall is light in the spring. This makes it a requisite that the utility maintain its system, and in order to give assurance to the irrigator that during dry seasons he will have available a sufficient supply of

water to produce a crop, additional storage facilities must be constructed. The utility is therefore in the position of insuring a crop to the rancher, although the actual sales of water do not warrant the expenditure of the money necessary for the construction of additional impounding facilities.

This situation is one which can well be cared for by the organization of an irrigation district under the so-called Irrigation Act of 1897, but is very difficult of a satisfactory solution by this Commission. As is well known, an irrigation district can assess annual charges against all lands within the district. By this method the expense of maintaining an irrigation system is equitably distributed among all the irrigators and land owners who receive a benefit from the fact that they have available for irrigation a supply of water which they may draw upon if needed.

The evidence shows that the lands under applicant's system have increased in value from approximately \$60 per acre as grain land to from \$800 to \$1500 per acre as bearing orchards. This increased value is directly attributable to the installation of this irrigation system, and the expense of maintaining this system should be borne by those receiving this benefit.

Because of the failure of land owners under this system to adequately financially support the company, needed diversion canals and storage facilities have not been constructed. The need for these additional facilities is clearly shown by the 1918 record of irrigation. During that year, because of the extreme drought, it was impossible to divert a sufficient quantity of water into the reservoir to fill it, and also, because of the cessation of natural flow in the stream, very early in the season, stored water was used for the first irrigation. The following tabulation showing the number of irrigations, kind of crop and acreage served, is compiled from the company's records:

Year	1916			1917			1918
	1	2	3	1	2	3	1
No. of Irrigations							
Alfalfa (Acres)....	896	533	303	638	236	8	76
Orchard (Acres)....	<u>884</u>	<u>104</u>	<u>988</u>	<u>1584</u>	<u>129</u>	<u>15</u>	<u>1274</u>
Total (Acres)....	1780	637	1291	2222	365	23	1350

The above record clearly shows the necessity for the construction of storage facilities of sufficient capacity to carry a supply over from wet years for use during periods of drought.

I desire to point out to the land owners under this system that present conditions can not continue without wrecking applicant financially and causing large losses to themselves. A distinct and valuable service is given by the utility even though in many years very little water is required to produce a crop. The irrigators should realize that they must support the utility in its operations and endeavors. The utility cannot continue forever the operation of a system such as this unless it receives a sufficient income to meet its current expenditures.

I shall recommend that a rate schedule be established which includes an annual minimum charge and an additional charge for water delivered. By this method it is hoped to produce a sufficient income to enable the company to continue its operations, and also to encourage the use of water during the early portion of the season when there is a natural flow in the river.

Violent fluctuations in the use of water, smallness of the area served and the large investment necessary to deliver water, make it impossible to establish a rate at present which will return to the company interest upon its investment. An estimate of the cost of the system was submitted by Wm. Stava, one of the Hydraulic Engineers of this Commission, primarily for the purpose of determining an annuity. This appraisal shows an estimated cost now of \$118,537 and a sinking fund annuity of \$586.

The following tabulation shows maintenance and operation expenses and the operating income as reported by the company in its annual reports to this Commission:

	1913	1914	1915	1916	1917	1918
Operating Labor and Expense.....	\$2111.84	\$5059.84	\$5543.20	\$5401.61	\$4180.00	\$3410.18
Taxes.....	75.00	371.47	248.59	315.76	301.95	331.32
Total Maintenance and Operation Expenditures.....	\$2186.84	\$6331.31	\$5791.79	\$5717.37	\$4481.95	\$3741.50
Operating Revenue....	\$2113.05	\$4671.51	\$5195.90	\$6081.75	\$5932.75	\$3340.40
Acres Irrigated.....	800	2031	2359	2500	2450	1350

A careful investigation was made of the company's records, and the expenditures reported were found to be properly charged. Records of cost of operation on other systems and other data available, show that these expenditures are reasonable for the service rendered. The annual cost of maintenance per acre is higher than that on many systems and is due in large part to the small acreage served, and necessary expenditures in controlling the river at the diversion point.

In view of the conditions outlined herein, it is almost impossible to satisfactorily estimate the income which will be produced by any given rate schedule. However, a rate schedule will be recommended which, in my opinion, will produce at least the fixed charges. I recommend the following form of order:

ORDER

San Benito County Land and Water Company having applied for authority to increase rates for irrigation, and a public hearing having been held and the Commission being fully advised in the premises;

IT IS HEREBY FOUND AS A FACT that the rates established herein are just and reasonable rates and that the rates heretofore charged by San Benito County Land and Water Company, in so far as they differ from

the rates herein established, are unjust, unremunerative and unreasonable, and basing its order on the foregoing finding of fact and the further statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that San Benito County Land and Water Company be, and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order, the following schedule of rates, effective as of April 1, 1919:

Minimum annual charge \$5.00 per acre, payable on or before March 1st of each year, which includes payment for two irrigations per season, at least one of which must be during the time when water can be obtained from the natural flow of the river.

Additional irrigations each \$2.50 per acre.

For all irrigations of Paicines Ranch from stored water, \$3.50 per acre per irrigation.

IT IS HEREBY FURTHER ORDERED that San Benito County Land and Water Company file with this Commission within twenty (20) days from the date hereof, a schedule of rules and regulations, which shall be effective upon their acceptance as amended and corrected by this Commission.

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 17th day of June, 1919.

Edwin O. Edgerton

H. A. Brundage

Wesley Martin

Commissioners.