

Decision No. 8492

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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| In the Matter of the Application of) | |
| SOUTH FEATHER LAND AND WATER COMPANY) | |
| for an order authorizing an increase) | |
| in rates and charges for water fur-) | Application No. 5283. |
| nished and services rendered by it in) | |
| the counties of Butte and Yuba.) | |

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|---|----------------|
| WYANDOTTE WATER USERS ASSOCIATION,) | |
| Complainant,) | |
| -vs-) | Case No. 1403. |
| SOUTH FEATHER LAND AND WATER COMPANY,) | |
| Defendant.) | |

C. F. Metteer for South Feather Land and Water Company.

C. N. Hackett for Wyandotte Water Users Association and Protestant.

BY THE COMMISSION.

O P I N I O N

South Feather Land and Water Company is an incorporated public utility water company supplying water for irrigation purposes to consumers in Butte and Yuba Counties, in and in the vicinity of what are known as the Wyandotte and Bangor areas.

In the above entitled application, this company prays for an order of the Railroad Commission authorizing an increase in rates,

it being alleged, in effect, that the present rates are non-compensatory and have not, during the past five years, and do not now produce a sufficient income to meet the annual charges of the company for maintenance and operation, depreciation, nor any interest return upon its investment. Applicant asks that a rate schedule be established on a basis of \$73 per minor's inch per annum, or such other schedule as is just and reasonable.

Rates for South Feather Land and Water Company were established by this Commission in its Decision No. 1635, dated June 30, 1914, in Case No. 558, L. E. Cole, et al., vs. South Feather Land and Water Company (Vol. 4, p. 1392, Opinions and Orders of the Railroad Commission), and are at present in effect except as modified by opinion and order on rehearing in said proceeding, Decision No. 2118, dated June 30, 1915, (Vol. 6, p. 121, Opinions and Orders of the Railroad Commission).

The complaint herein in Case No. 1403, filed by the Wyandotte Water Users Association, alleges in effect that under the present physical condition and the present water supply of South Feather Land and Water Company's ditch system, there is not sufficient water in dry seasons to fully meet the requirements of present consumers, and that the company has been unable to make full and regular deliveries of water to consumers during certain portions of the irrigation seasons of 1918 and 1919. Wherefore, complainant asks that said company be restrained from supplying water to new and un-irrigated lands, alleging that such action on the part of defendant would result in probable damage to the lands at present served.

Public hearings were held in the above entitled matters, and all parties interested were given an opportunity to appear and be heard. It was stipulated at the hearing that said matters be consolidated for hearing and decision, and it was further stipulated

that all evidence and the record in Case No. 558 above referred to, be considered in evidence in this proceeding.

The evidence in this proceeding shows that the available water supply of applicant's system during the seasons of 1918, 1919 and 1920 was inadequate to supply the requirements of its consumers. During the past three years defendant company has been obliged to prorate deliveries to consumers during the low flow of the streams, and during the seasons of 1914 to 1917, inclusive, although full deliveries were made to consumers, the surplus of available water was small.

At the hearing it was stipulated by South Feather Land and Water Company that it would not accept applications or obligate itself to deliver water for the irrigation of lands not heretofore irrigated from its system, unless an additional water supply be obtained. It appears from the record that this company has available for its use a dam site and reservoir basin which can be utilized and which will materially increase the available water supply.

It appears from the record in Case 558 supra that this Commission, in establishing rates, considered not only the estimated cost of this system, but also its early history, the cost of the system to applicant, the value of the service rendered and other factors in order that the rate schedule established would be an equitable and reasonable one. The record shows that the system was constructed for delivering water to mines, and was operated for this purpose for many years. After the discontinuance of mining, the system was acquired by its present owners and utilized for delivering water for irrigation. Reference is made to Decisions Nos. 1635 and 2118 in Case 558 supra for a detailed history and description of applicant's system. The record in that proceeding and in the present proceeding leads to the conclusion that it would have been uneconomical to have built this system for ir-

rigation purposes only. The estimated cost of the system, with additions, betterments and retirements to date, is some \$540,000. The area irrigated approximates 1900 acres. Furthermore, it is necessary for applicant to maintain some 40 miles of main ditch in order to deliver water to these irrigators. A rate schedule designed to produce interest upon the estimated cost of this system would be so high as to be prohibitory, being far higher than the present consumers could afford to pay. Indeed, applicant itself in requesting that this Commission establish a rate of \$75 per miner's inch per year does not ask a rate which would yield to it interest upon this estimated cost. However, it appears that applicant cannot increase its business without installing extensive improvements and obtaining an additional source of water supply.

As before stated herein, applicant has not a sufficient water supply available at present to serve an area greater than is now served by it. However, by constructing an impounding reservoir it will have a sufficient supply available to serve a materially larger area. It appears from the Commission's investigation of this system that by the addition of some improvements to the present transmission system applicant will be enabled to deliver this additional supply to its consumers without the expenditure of a very large sum of money. The evidence herein leads us to the conclusion that applicant's expenditure to date includes an expenditure in addition to that for the system as now utilized, which will be of value to applicant at such time in the future as a further water supply is developed.

The record shows that the cost of this system to applicant

is between \$80,000 and \$85,000 and that the depreciation annuity computed by the sinking fund method on the estimated cost of the system, is the sum of \$1,559.

The following tabulation shows the maintenance and operation expenses and the operating revenue for the past five years, these figures having been compiled from the annual reports made by this company to the Railroad Commission:

| | <u>1915</u> | <u>1916</u> | <u>1917</u> | <u>1918</u> | <u>1919</u> |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating Revenue | \$13,573.37 | \$13,342.18 | \$12,479.70 | \$10,652.51 | \$11,196.55 |
| Expense | <u>9,046.15</u> | <u>8,447.39</u> | <u>9,151.47</u> | <u>9,560.92</u> | <u>8,685.24</u> |
| Difference | \$4,527.22 | \$4,894.79 | \$3,328.23 | \$1,291.59 | \$2,511.32 |

The above differences represent for these respective years the amounts which were available for a depreciation fund and interest return. It is apparent that applicant is not receiving a sufficient income and that its rates should be increased.

It is a fundamental fact that a utility in order to continue operation must receive an adequate income. However, it cannot be expected that consumers of a utility such as this be compelled to provide an income sufficient to meet interest charges upon the cost of this system. Neither can the consumers expect efficient service from a utility which does not receive a revenue sufficient to meet operating expenses and to replace the system at such time as it becomes necessary. On the other hand, applicant's consumers have invested their moneys in bringing orchards into bearing and in developing their land largely at the

instigation of applicant, and they should not be required to pay to applicant a sum greater than the service rendered to them is reasonably worth.

We have given very careful consideration to this difficult problem, and have established herein a rate schedule which in our opinion is fair to applicant and to its consumers. This rate schedule is designed to return to applicant a sum sufficient to equal operating expenses, replacement fund, and a certain interest return upon its actual investment.

Under the stipulation entered into by the South Feather Land and Water Company with complainants in Case 1403, that company binds itself to serve only the area to which it at present delivers water for irrigation. It appears that in some years it has available a surplus of water over and above that needed for these present consumers. It would be uneconomical to restrict the development of this district by prohibiting it from delivering water during those years of surplus to additional consumers. We are of the opinion that in order that this district may further develop, applicant should be permitted to deliver water to an additional area, provided some arrangement can be worked out whereby the present consumers will not be injured. In order to accomplish this end, it appears desirable to permit applicant to deliver water to an additional area under a special agreement which definitely provides that the service rendered is of a temporary nature and subject to discontinuance at any time if the needs of the present consumers require applicant's entire water supply. We suggest to applicant that it file a form of such agreement with this Commission for its approval.

In all respects other than outlined above, these temporary consumers can well be placed upon the same basis as the other consumers of this utility. Applicant should exercise extreme care, however, that it does not accept applications and at-

tempt to serve too large an area of this character. If applicant could receive assurance that a sufficient additional area would use water, it could well afford to construct an impounding reservoir which would not only enable it to serve this increased area but would also better the service to the present consumers. If the land owners and those interested in the development of the district at present served by applicant will cooperate with applicant and will enter into agreements to purchase from applicant a largely increased quantity of water, this further development will become feasible.

O R D E R

Proceedings having been brought before the Railroad Commission as entitled above, said matters having been consolidated for hearing and decision, and the Commission being fully apprised in the premises:

It is Hereby Found as a Fact, that the present rate schedule of the South Feather Land and Water Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable and that the rates herein established are just and reasonable rates to be charged by said company for water;

And basing its order upon the foregoing finding of fact, and the other statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED, that the South Feather 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, and thereafter charge the following rates:

IRRIGATION:

For all water furnished, \$60 per miner's inch per year of continuous flow, cumulative monthly and payable in two equal annual instalments as provided for and specified in the rules and regulations of the company.

IT IS HEREBY FURTHER ORDERED, that South Feather Land and Water Company shall not accept applications or deliver water to lands other than served at present, nor shall it extend service to new consumers who desire to use water for the purpose of irrigating lands not heretofore irrigated from its system, except upon showing before this Commission that an adequate supply of water is available for this purpose. Provided, however, that if in any year there is an apparent surplus water supply available over and above the needs of the present consumers, the South Feather Land and Water Company may by special agreement deliver this surplus water to any one making application therefor. Such special agreement shall provide that the rendering of this service is contingent upon a surplus being available, and that the service of water to the regular consumers will not be curtailed in any manner whatsoever because of it.

IT IS HEREBY FURTHER ORDERED, that the complaint in Case No. 1403 as entitled above, in all other respects than as provided in this order, be and it is hereby dismissed.

Dated at San Francisco, California, this 24th
day of December, 1920.

Edwin C. Egan
H. Loveland
Frank R. Decker
H. B. Brundage

Commissioners.