

Decision No. 8812

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA
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In the Matter of the Application of)
NORTH FORK DITCH COMPANY, a corpora-)
tion, for an investigation by the)
Railroad Commission of the reason-)
ableness of the rates and charges of)
said corporation, and following such)
investigation, for an order establish-)
ing just and reasonable rates and)
charges.)

Application No. 5664.

C. F. Metteer for Applicant.
Robert Hector for ranchers in
the Monte Rio District.

Frank F. Atkinson for Fair Oaks
Irrigation District, Carmichael
Irrigation District and Citrus
Heights Colony.

C. E. McLaughlin for Orangevale
Water Company.

MARTIN, Commissioner.

O P I N I O N

NORTH FORK DITCH COMPANY, applicant in the above entitled matter, is a public service corporation engaged in the business of furnishing water for irrigation purposes for approximately 8,000 acres of agricultural land situate in Sacramento and Placer counties, and for domestic purposes to consumers located in that territory.

In this proceeding applicant asks for an adjustment of its rates for service, alleging in effect that the company has sustained an operating loss for the past five years, and has not

realized a return on the capital investment.

A public hearing was held in this matter of which applicant's consumers were duly notified and given an opportunity to appear and be heard.

The rates under which North Fork Ditch Company is operating at the present time were established by this Commission in its Decision No. 3165, issued March 17, 1916, In the Matter of the Application of North Fork Ditch Company for appraisalment of its property and adjustment of water rates. (Application No.1524) (Vol. 9, p. 347, Opinions and Orders of the Railroad Commission of California), to which decision reference is hereby made for the history of the company, a description of the system, the rates then established, and such other matters as may be pertinent to the decision herein.

North Fork Ditch Company has been before the Railroad Commission in various other proceedings. With the exception of certain rates for service which have been automatically cancelled by reason of the discontinuance of mining activities in this territory, and with the exception of the abandonment of one reservoir and a section of ditch, the system of applicant is practically the same as outlined in Decision No. 3165 above referred to.

Since the valuation in the original rate proceeding (Application No.1524) was made, certain additions and betterments have been made and these have been taken into account in arriving at the value of the properties of this utility for the purposes of this proceeding; also there have been some necessary adjustments and transfers of charges to proper accounts. Taking these matters into consideration it is found that the value for the purposes of this proceeding of the properties used and useful to North Fork Ditch Company in the performance of its public utility duties, is

the sum of \$288,000. Using this figure as a basis and computing a replacement annuity on the sinking fund basis, we find that a proper allowance for this item is \$2,550 annually. This amount is designed to provide an adequate fund for the replacement of wornout properties when they have reached the end of their usefulness.

Applicant presented an estimate of \$20,304 as representing annual maintenance and operation expenses of the system. This estimate was predicated on a nine months' operation period during 1920, with no apparent consideration given to costs in previous years, though these figures were available. An examination of the records developed the fact that certain items of expense were included in applicant's estimate were applicable to that period alone, and were not recurrent annually. As the 1920 expenses show many items of deferred maintenance, it would manifestly be unfair to base annual operating expenses for rate fixing purposes on data thus obtained.

The Commission's engineers have made a study of the operating conditions which prevail under this system, and have taken into consideration the costs as shown by the company's books over a period of years. Those expenses which were not recurrent annually were amortized over the period of their probable recurrence, and a comparison was made of the operating costs thus obtained with those prevailing under similar systems. Taking these various phases of the situation into consideration, it appears that the sum of \$16,725 is a reasonable amount for the annual maintenance and operation expenses of this system.

Summarizing the above findings, the following items represent the annual charges of this utility:

Interest return.....	\$23,040
Replacement Fund.....	2,550
Operation and Maintenance Expense...	<u>16,725</u>
Total,.....	\$42,315

The maximum revenue returned by this system in any one year was \$34,685 in 1920, and the average revenue for the past six years, including 1920, was \$26,000. It therefore appears that some adjustment of applicant's rates is necessary to enable it to operate on a more remunerative basis.

There is still considerable undeveloped acreage which is susceptible of irrigation from applicant's system, but no greatly increased revenue can be expected from augmented sales until further capital expenditures are made for the conservation of water. At the present time it appears the system is operating up to the limit of its water supply, but it is apparent that the available supply could be considerably increased by a system of repairs which would reduce the leakage and minimize the danger from breaks.

The schedule of rates which is set out in the following order is designed to produce an increased revenue for the utility and establish a rate which is reasonable to the present consumers for the service rendered.

Attention is directed to the fact that the schedule of rates established herein is a schedule which provides for a certain sum per miner's inch per year. In other words, this rate is in effect a flat rate, and apparently works injustice to some consumers who do not require a uniform quantity of water for the irrigation of their farms. Under the present form of rate a consumer who uses a large number of miner's inches per day for even a short period of time must pay for this additional quantity used for the entire season. This is obviously unfair, and should be corrected. However, it is

impossible with the data at present available to establish a rate schedule providing for a minimum annual charge per miner's inch applied for, and an additional quantity rate. It is therefore recommended that the same form of rate be established in this decision as has been in effect heretofore, and that the company be required to so keep its records that at the end of the present irrigation season the Commission will have available sufficient data to compute a rate schedule upon the quantity basis.

O R D E R

NORTH FORK DITCH COMPANY having applied to the Railroad Commission for the establishment of just and reasonable rates for water delivered to its consumers, a public hearing having been held and the Commission being fully apprised in the premises;

IT IS HEREBY FOUND AS A FACT, that the rates heretofore charged by North Fork Ditch Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates.

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

IT IS HEREBY ORDERED, that North Fork Ditch Company be and it is hereby authorized to file with this Commission within twenty (20) days from the date of this order, the following schedule of rates, said rates to be charged for all service rendered subsequent to April 1, 1921:

§35.00 per miner's inch per year for
water delivered to consumers on
the main ditch and laterals.

§20.00 per miner's inch per year for
water delivered at Penstock
Reservoir, where collections
therefor are from one consumer.

\$1.00 per month per consumer
for domestic service.

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

IT IS HEREBY FURTHER ORDERED that as a condition to the
above established rates being and continuing in effect, the North
Fork Ditch Company shall keep true and correct records of the num-
ber of miner's inch days delivered to each consumer during the year
1921, and shall file on or before December 31, 1921, a certified
statement showing in detail the quantities delivered to each of the
various consumers and the acreage which each consumer irrigates.

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 31st
day of March, 1921.

Frank R. Denny

H. B. Brundage

Wesley Martin

Commissioners.