

Decision No. 9759

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application)
of FOOTHILL DITCH COMPANY, a cor-)
poration, to increase rates for)
water supplied.)

Application No. 6643.

D. E. Perkins, for applicant.

Karl Mechantanz, for the consumers.

MARTIN, Commissioner.

O P I N I O N

Foothill Ditch Company, a public utility supplying water for irrigation purposes to about 1500 acres of citrus orchards in the vicinity of Exeter, Tulare County, alleges in effect that the present rate of twelve cents per miner's inch day does not produce sufficient revenue to yield a reasonable return upon the capital invested in the system, and asks the Commission to authorize an increase in rates to 15 cents per inch.

A public hearing was held at Exeter, of which all interested parties were notified and given an opportunity to be present and be heard. At this hearing the application was amended and the Commission was asked to fix such rates as were deemed proper for the service rendered.

The present rate of 12 cents per miner's inch day was established by the Commission in Decision No. 2309, dated April 20,

1915, and reference is hereby made to this decision and to Decision No. 3763, dated October 4, 1916, for a detailed description and history of the water system.

Applicant's engineer submitted an estimate of original cost of the plant amounting to \$68,579, and the book cost was shown by the utility's accountant to be \$67,039.

Mr. John Spencer, one of the Commission's hydraulic engineers, presented a report wherein the original cost was estimated to be \$68,236.

All estimates of original cost include the cost of a concrete pipe line built to replace a ditch sold to the Lindsay-Strathmore Irrigation District, from which a considerable profit was derived, and should, therefore, be adjusted accordingly. In view of the testimony of applicant's president to the effect that the sale mentioned was not intended to increase the consumers' burden in any way, \$47,500 is recommended as a reasonable sum to be used as the rate base in this proceeding. Included in the rate base is a sum sufficient for the installation of such additional measuring devices as are required.

Mr. Spencer's estimate of depreciation annuity, computed by the sinking fund method at 6 per cent, is \$700, and appears reasonable.

The maintenance and operating expense, as shown by the utility's annual reports to the Commission, for the past three years has been as follows:

1918-----	\$ 7,070
1919-----	8,518
1920-----	10,155

These costs were shown to include various sums expended for the purchase of water and for pumping, which will probably not recur annually. Wages of labor have declined and some further reduction in expense may, therefore, be anticipated.

Mr. Spencer's estimate of normal maintenance and operating expense for the future was \$5,292, and was objected to by the utility as too low.

After a careful consideration of all the evidence it appears that an allowance of \$6,700 for maintenance and operating expense will be fair and reasonable.

The annual charges, based upon the foregoing figures are as follows:

Interest at 8% on \$47,500.....	\$3,800
Depreciation annuity.....	700
Maintenance and operating expense...	<u>6,700</u>
Total.....	\$ 11,200

The utility's revenues for the past three years have been as follows:

1918.....	\$ 9,312
1919.....	10,970
1920.....	12,090

These revenues are greater than normal due to the fact that the utility has been able at times to sell extra water during the off season. At times this extra water was pumped and on other occasions was purchased. It appears that the sum of \$9,670 fairly represents what may be considered a normal annual revenue, and that the utility is entitled to an increase in rates.

The method of water deliveries on this system is open to criticism due to the fact that in some instances no actual measurement of the quantities delivered was made, and it is recommended that the collection of the rates established in the accompanying order be conditioned upon the installation of proper measuring devices at all turnouts.

The following form of order is submitted:

O R D E R

Foothill Ditch Company having made application to this Commission for permission to increase its rates for water delivered for irrigation use in the vicinity of Exeter, Tulare County, a public hearing having been held thereon, and the matter having been submitted,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Foothill Ditch Company for water delivered to its consumers are unjust and unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service;

And basing the order upon the foregoing finding of fact and upon the statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that Foothill Ditch Company be and it is hereby authorized and directed to file with the Railroad Commission, within twenty (20) days from the date of this order, and thereafter charge, effective for all deliveries subsequent to December 31, 1921, the following rates for water supplied to its consumers:

RATE SCHEDULE

For each miner's inch flow of water for 24 hours....\$0.14
(The miner's inch referred to above shall be
a flow equivalent to 1/50 of one cubic foot
per second.)

Carrying charge for water used at the Wallace
(Goodale) Ranch, per second foot per month..... 6.00

IT IS HEREBY FURTHER ORDERED that the collection of the foregoing schedule of rates is expressly conditioned upon the installation by Foothill Ditch Company, of proper devices for the

measurement of all water delivered to its consumers.

IT IS HEREBY FURTHER ORDERED that Foothill Ditch Company be, and it is hereby, directed to file with this Commission, within thirty (30) days from the date of this order, rules and regulations governing its relations with its consumers.

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 November, 1921.

H. B. Benedict

A. W. Loveland

Dwight Martin

J. F. Benedict
Commissioners.