

Decision No. 24556

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
A.R. Jacks for an order fixing just  
and reasonable rates to be charged  
for irrigation and domestic water  
service rendered by him in Meadow  
Valley, Plumas County, California,  
or for authorization to abandon said  
service.

Application No. 18764.

**ORIGINAL**

Harry A. Encell, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding, A.R. Jacks, who owns and operates a small public utility system furnishing water for domestic and irrigation purposes to consumers in Meadow Valley, Plumas County, makes application for an order of the Railroad Commission either increasing his rates or authorizing abandonment of the service. Applicant alleges that the rates heretofore established are wholly inadequate and do not provide sufficient revenue to meet maintenance and operating expenses together with a fund for depreciation and an adequate interest return on the investment.

A public hearing was held in this matter before Examiner Satterwhite at Quincy.

The schedule of rates at present in effect for this utility was established by this Commission in Decision No. 22701, dated July 22, 1930, in Application No. 16229, and is as follows:

DOMESTIC SERVICE

Monthly Flat Rate:

Residences-----\$1.50

IRRIGATION RATES

Flat Rate:

Per acre per season-----\$3.00

Measured Rate:

Per miner's inch per 24 hours-----\$0.04

Note: One miner's inch shall be considered to be the equivalent of one-fortieth (1/40th) of a cubic foot of water per second.

The consumer may have the option of receiving service under either the flat rate or the measured rate.

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Thereafter, in the year 1932, the utility applied to the Commission for authority to abandon the service or that the rates be very substantially increased. The requests were denied in Decision No. 25222, dated October 3, 1932.

This is the third rate proceeding brought by A.R. Jacks during the past three years, in two of which he also sought to obtain authority to discontinue all public utility service. The record in this proceeding shows that there have been little or no changes either in operating methods and practices or in capital investment. Under such circumstances it will be unnecessary to describe the system or refer to it in any considerable detail. Reference therefor is made to the above mentioned Decisions Nos. 22701 and 25222.

The evidence presented herein shows the estimated historical cost of the physical properties to be Three Thousand Six Hundred Seventy-five Dollars (\$3,675); the depreciation annuity, computed by the five per cent sinking fund method, Sixty-nine Dollars (\$69); operating expenses<sup>(1)</sup> for the year 1932 amounted to Two Hundred Ninety-two Dollars (\$292), while expenses reported to and including the thirtieth day of June, 1933, indicate that the total annual operating expenses for the year 1933 will very closely approximate the similar expenses incurred during the year 1932. The revenues for the year 1932 as reported by applicant amounted to Four Hundred Twenty-seven Dollars (\$427), in which the revenue receivable for water delivered to applicant's own property for the purpose of power generation was computed upon a basis very substantially less than that set out for similar service in the existing schedule of rates. Using applicant's own figures, it is clear that his operations are not being conducted at the present time at any out-of-pocket loss. While the testimony indicates that during the year 1933 the total acreage of lands irrigated by consumers was nine acres less than heretofore, yet the evidence is clear that the reduced acreage was only temporary and that in the future there undoubtedly will be a substantial increase in the demand and use of water by consumers. It should be pointed out at this time that the annual revenues receivable for irrigation service rendered by this utility should be very much greater when proper credit is given for the irrigation, power and domestic water used from this public utility system by applicant upon his own properties. In this connection reference is made to the Opinion in Decision No. 25222 in which it was stated in part as follows:

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(1) Including depreciation.

\*\*\*\*In the former proceedings involving the rates of this utility, practically no consideration was given to the use by Mr. Jacks of a large quantity of water for the operation of a small hydro-electric plant used for lighting his own residence and operating miscellaneous equipment. This water is obtained directly from the same public utility ditch\*\*\*\*. Very probably in the establishment of a proper charge for this specific type of service, should it be brought before the Commission for determination, a much lower rate would be fixed than the above general charge of four cents (4¢); however, assuming that a fair rate for this service would be as low as one cent (1¢) per miner's inch day instead of the filed quantity rate, the sum of one hundred forty-six dollars (\$146) could fairly be allocated as a revenue receivable for the use of water by applicant for hydro-electric power and generating purposes."

Applicant contends that he does not operate his hydro-electric plant continuously throughout the year but only for a few hours each day. However, the evidence of the consumers clearly indicates that not only while the power plant is in operation but also at various other times during the irrigating season waters from the public utility facilities are delivered to certain of the consumers and charged for as a private water service, no credit being given for the revenues collected thereby to the public utility operation. No measuring devices are maintained by applicant which would permit of any proper record or even estimate of the amounts of water used for hydro-electric power and the so-called private irrigation service. The evidence, both in the former proceedings and in the present one, conclusively shows that the ditch which transports water to the hydro-electric plant is a part of the public utility system and that all waters transported through it should be properly credited to the utility. It furthermore appears that applicant also operates an auto camp consisting of a number of cabins and camp sites which are rented at various times

throughout the year, especially during the summer months, to transient and permanent guests. While water-service is not provided to each of the cabins, yet it is rendered through several hydrants conveniently located throughout the grounds and service is also rendered through the operation of a central bath-house. No charge is entered in the utility records for this service as an operating revenue.

Relative to operating expenses applicant claims that he has incurred expenses in the amount of Five Hundred Fourteen Dollars (\$514) during the past year in connection with certain litigation protecting his rights to the diversion of the water used by this system. While such item may properly be considered as chargeable to expenses, yet it is also extraordinary in character and should be amortized over a period of not less than ten years.

In connection with the agricultural irrigation service in Meadow Valley, it should be remembered that it is impracticable to raise crops on any scale other than hay and alfalfa and pasturage for stock. The growing season is late each spring and considerably shorter than obtains in the lower foothill and valley districts of the State. As set forth in Decision No. 25222 above: "The evidence indicates that the sum of three dollars (\$3.00) per acre for this class of service is considerably higher than the average charge for similar service in the mountain regions of this section of the state." It furthermore appears from the record in this proceeding that any increase in the present charge per acre for irrigation service would be absolutely prohibitive.

In view of the facts set out above, it is clear that the operating expenses of this utility, including depreciation, should not be properly and reasonably in excess of Three Hundred Forty-five Dollars (\$345). Giving proper credit to utility service for water

delivered by Jacks to his own properties and enterprises and based upon normal service demands rather than extraordinary conditions, the revenues which should be credited to this utility service should average over a period of years in the neighborhood of Five Hundred Seventy Dollars (\$570) per annum. It is apparent therefore that applicant is actually earning a net return slightly in excess of six per cent (6%) upon his investment. Under such circumstances this application must be denied.

O R D E R

A.R. Jacks having made application to this Commission as entitled above, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises, and good cause therefor appearing under the facts and findings set out in the Opinion preceding this Order, now, therefore

IT IS HEREBY ORDERED that the above entitled proceeding be and it is hereby denied.

For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 25<sup>th</sup> day of November, 1933.

C. C. Seaver  
Leon Alderson  
W. J. Law  
Nathaniel  
Commissioners.