

ORIGINAL

Decision No. 24477

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the	}
Application of	
SUTTER BUTTE CANAL CO.,	
for an Increase in Rates.	

Application No. 24269

Thos. R. White and Chas. W. White by
Chas. W. White and Seth Millington,
for Sutter Butte Canal Company.

J. J. Deuel, for California Farm Bureau
Federation.

Rich and Weis, by W. P. Rich for certain
rice growers, consumers, and property
owners.

Busick & Busick, by Charles O. Busick,
for California State Grange and
for certain consumers.

RILEY AND HAVENNER, COMMISSIONERS:

O P I N I O N

Sutter Butte Canal Company, a corporation, is a public utility engaged in the business of selling and distributing water for agricultural irrigation purposes in Sutter and Butte Counties in the general vicinity of the Towns of Richvale, Biggs, Gridley, Live Oak, Sutter City, and Yuba City. The territory supplied embraces a gross area of approximately 200,000 acres, lying between the Feather River on the east, the Marysville Buttes to the west and extending from Richvale approximately 35 miles southerly to a point some dozen miles below Yuba City.

In its petition for an increase in rates, Sutter Butte Canal Company, among other things, alleges that as a result of storms

and floods which occurred during the fore part of the year 1941, approximately 100 feet of its diversion dam on the Feather River, jointly owned and operated by applicant and Richvale Irrigation District, was washed out. However, about 400 feet of the dam was made unusable and must be rebuilt. Both the engineer for Sutter Butte Canal Company and State Engineer Edward Hyatt estimate that it will cost \$75,000 to replace with a permanent structure the damaged and unusable section of applicant's diversion dam. The Richvale Irrigation District, a public corporation, owns 26.65% of said Feather River diversion dam and is liable for the payment of about \$20,000 of the cost of rebuilding the dam. Applicant has available \$15,000 toward the reconstruction of the dam and must borrow the remaining balance of about \$40,000.

Applicant asks permission to increase or surcharge its rates to obtain funds to repay the \$40,000. The increased rates are to be effective July 1, 1941, or as otherwise ordered by the Railroad Commission, and continue in effect during the irrigation seasons of the years 1942 and 1943. Applicant claims that its financial condition is such that it cannot rebuild the diversion dam beyond the emergency repairs now being made. According to the record an attempt was made to secure from the State Emergency Fund through the Department of Public Works an appropriation of \$40,000 to rebuild the dam as provided under Chapter 1 of the Statutes of 1940, as amended. The appropriation was approved by the Director of Public Works. On June 4, 1941, the Attorney General of the State of California ruled that the appropriation was illegal as to applicant. Following this ruling applicant filed the instant application in which it asks the Commission for an order establishing an emergency surcharge on all rates for irrigation service under its canal system. The proposed increases or surcharges are in general as follows:

Applicable to gravity service only:

For Rice: An increase over existing rates for the year 1941* of \$1.50 per acre per year and 75¢ per acre per year for each of the years 1942 and 1943.

For Ladino Clover:

An increase of \$1.00 per acre per year for the year 1941* and 50¢ per acre per year for each of the years 1942 and 1943.

For Orchards, Vineyards, Alfalfa and Crops other than Grain and Ladino Clover:

An increase of 80¢ per acre per year for 1941* and 40¢ per acre per year for each of the years 1942 and 1943.

Public hearings on this matter were held in Gridley after due and proper notice thereof to all parties concerned.

The company in its Exhibit 4 shows a rate base of \$1,427,241. In the same exhibit, it shows for each of the years 1939 and 1940 a depreciation accrual calculated on a 6% sinking fund basis at \$15,966. However, in its 1940 annual report it includes in operating expenses on account of depreciation \$35,039 in 1940 and \$35,078 in 1939. For 1940, after appropriating \$35,039 for depreciation and after the payment of operating expenses and all fixed charges, the company shows a loss of \$3,814.92. Had the company included in operating expenses the depreciation annuity mentioned and credited the depreciation reserve with interest at 6%, its financial statement would show a profit for the year.

As of December 31, 1940, the company had outstanding \$281,800 of unsecured notes. It has no bonded indebtedness. There is no lien on the company's operative properties, although applicant, so the record shows, is under obligation to secure by mortgage the payment of a note held by the Crocker First National Bank, if the bank requests the same. The record further shows that between the

Note:* Surcharges for the year 1941 to be prorated effective and payable as fixed in the Order of the Commission.

date when this application was filed and its submission on July 14, 1941, the company paid \$40,000 face value of notes held by the First National Bank of Oroville.

Exhibit 16 shows the investment in the company's diversion dam at \$75,871. About 400 feet of the dam was made unusable by the flood damage. The investment in this section of the dam is estimated at \$35,000. To replace it with a permanent structure will cost about \$75,000. The consumers through depreciation charges have already recompensed the company for at least part of its investment in the damaged structure. There is no obligation upon the part of the consumers to contribute to the company's capital expenditures. Furthermore, because of several years of adverse climatic and marketing conditions, as well as existing production costs, the majority of the agriculturists served by the utility are not in a position to pay rate surcharges. The record herein does not disclose any logical reason or necessity for this Commission to impress upon the water users of Sutter Butte Canal Company the burden of providing the company, within a period of three years, with funds to pay a loan of \$40,000. The company is not so involved but that it should be able to pay such loan out of its current income over a period of years.

It is recommended that the application be denied.

O R D E R

Application as entitled above having been filed with the Railroad Commission, public hearings having been held thereon, the matter having been duly submitted, and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED that this application as above entitled be and it is hereby denied.

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 12th day of August, 1941.

W. B. Smith
Ray L. King
Justus P. Calver
Francis D. Havenor
Richard K. Baker
COMMISSIONERS.