

Decision No. 41368

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE SAN JOAQUIN CANAL COMPANY, formerly
The San Joaquin & Kings River Canal &
Irrigation Company, Incorporated, for
Authority to increase rates.

Application No. 28332

J. E. Woolley, for San Joaquin Canal Company.

George W. Fink, for Grass Lands Water Association,
Incorporated.

C. Ray Robinson and Willard B. Treadwell,
for Central California Mutual Water District.

J. J. Deuel and Edson Abel, by Edson Abel,
for California Farm Bureau Federation.

POTTER, COMMISSIONER:

O P I N I O N

The San Joaquin Canal Company*, a corporation, is a public utility engaged in the business of distributing and selling water primarily for agricultural irrigation purposes, and to a limited extent also for municipal and industrial purposes in portions of Fresno, Merced and Stanislaus Counties. A gross area of 155,500 acres of land lying west of the San Joaquin River is served through 269 miles of canals and laterals extending from the town of Mendota in Fresno County to Crows Landing in Stanislaus County, a distance of about 70 miles.

The Company alleges that the original cost of its properties, exclusive of rights of way, water right value, or other intangibles, totals \$1,793,690, as of December 31, 1946, and that the appraised value of its total properties, including physical structures, rights of way, and water rights, but not including other intangibles, amounts to not less than \$4,000,000.

Note: (*) - Hereinafter referred to as Company.

The Company further alleges that on March 19, 1930, this Commission rendered its Decision No. 22228 wherein it was decided that applicant was entitled to a fair return on a tentative rate base of \$2,000,000, which at 7 per cent would produce an annual net income of \$140,000; that in fact the average net income during the five years ending December 31, 1946, has been approximately \$88,513.35; that in said Decision this Commission estimated that the annual operating and maintenance costs, together with depreciation, would amount to \$137,000; and, that in fact the average annual operating and maintenance costs, including Federal income taxes, during the five years ended December 31, 1946, have been \$261,269.91.

Wherefore the Company requests the establishment of an increased schedule of rates.

A public hearing in this matter was held in Los Banos.

The Company's present rates for crop irrigation were established by the Commission in Decision No. 22228, rendered March 19, 1930 (34 C.R.C. 473), the lowest charge being \$0.75 per acre for a single irrigation of pasture land and the highest charge \$7.50 per acre per season for irrigation of rice crops. The corresponding rates requested in the present application are \$1 per acre for a single irrigation of pasture land and \$7.75 per acre per season for the irrigation of rice crops. However, a more substantial change was made in the proposed rates for various crops, based upon a system-wide study over several years of the actual practical net duty of water for various crops. Since distribution is unmeasured, the effort was made to avoid discrimination by varying the major crop irrigation charges as fairly as possible in accordance with the water required to mature each major crop. The former charge of \$2.75 per acre per year covered all general farm crops other than rice. Under the rates as proposed, for example, cotton would be \$3.00 per acre, vines, \$2.50, maize and corn, \$2.75, alfalfa, \$3.75.

The present rates for municipal and industrial use were established in the same Decision No. 22228 and range from a minimum charge of \$10 per month to \$95 per month for 400,000 gallons per day and a charge for each additional 100,000 gallons

per day of \$10 per month. This is raw and untreated ditch water. The corresponding requested rates for municipal and industrial use, respectively, are a minimum charge of \$25 per month, \$190 per month for 1,000,000 gallons per day, and \$5 per month for each additional 100,000 gallons per day.

Reports setting forth in detail analyses of the annual operations of this utility for a number of years last past were submitted by F. L. Humphries, Secretary and Auditor for the Canal Company, and by William Stava, one of the Commission's hydraulic engineers. The following tables summarize the results of operations of this utility for the years 1946 and 1947 as derived from figures presented.

Classification	Present Rates		Requested Rates	
	Company Exhibit 4	Commission Exhibit 8	Company Exhibit 4	Commission Exhibit 8
<u>Year 1946</u>				
<u>OPERATING REVENUES</u>				
Irrigation	\$347,225	\$347,225	\$444,552	\$441,852
Municipal and Industrial	5,339	5,339	7,118	7,049
Water Transportation	10,520	10,520	10,520	10,520
Total Operating Revenues	<u>363,084</u>	<u>363,084</u>	<u>462,190</u>	<u>459,421</u>
<u>OPERATING EXPENSES</u>				
Excl. Taxes and Depreciation	175,061	175,061	175,061	175,061
Taxes	87,983	88,350	127,610	126,989
Depreciation	20,500*	12,939**	20,500*	12,939**
Total Operating Expenses	<u>283,544</u>	<u>276,350</u>	<u>323,171</u>	<u>314,989</u>
<u>NET OPERATING REVENUE</u>	79,540	86,734	139,019	144,432
Fixed Capital including \$300,000 Intangibles allowed in Decision No. 2228	\$2,500,310	\$2,446,021	\$2,500,310	\$2,446,021
Rate of Return	3.18%	3.55%	5.56%	5.90%
<u>Year 1947</u>				
<u>OPERATING REVENUES</u>				
Irrigation	\$358,498	\$358,498	\$458,085	\$458,796
Municipal and Industrial	5,286	5,286	7,048	7,098
Water Transportation	17,643	17,643	17,643	17,643
Total Operating Revenues	<u>381,427</u>	<u>381,427</u>	<u>482,776</u>	<u>483,537</u>
<u>OPERATING EXPENSES</u>				
Excl. Taxes and Depreciation	201,766	202,041	201,766	202,041
Taxes	87,515	87,242	128,117	128,196
Depreciation	20,500*	13,194**	20,500*	13,194**
Total Operating Expenses	<u>309,781</u>	<u>302,477</u>	<u>350,383</u>	<u>343,431</u>
<u>NET OPERATING REVENUE</u>	71,646	78,950	132,393	140,106
Fixed Capital including \$300,000 Intangibles allowed in Decision No. 2228	\$2,538,648	\$2,480,102	\$2,538,648	\$2,480,102
Rate of Return	2.82%	3.18%	5.22%	5.65%

Notes: - (*) Straight Line Depreciation
 (***) Computed by 5% Sinking Fund Method.

Some question arose over the propriety of including the Poso area and Poso canals in the Company system for the rate-fixing purposes involved in this proceeding. The Poso area originally was supplied with water by the Canal Company at its regular rates; the water, however, was distributed by the Poso Canal Company, a mutual water company, which imposed an additional charge per acre to the consumers resulting in a substantially increased cost to the water users in this area. On November 12, 1935, the Commission in its Decision No. 28340 authorized the Company to acquire the Poso Canal Company's system, the Sullivan Extension and certain other minor consumer-owned laterals and ditches. Since the irrigation season of 1936, therefore, the Poso canal system, together with the smaller laterals and ditches have been owned and operated as a part of the utility system. The Poso area therefore should be considered an integral part of the canal system.

The Canal Company has not pressed its full-claimed water right value nor the present fair market value of its lands and rights of way but for this proceeding has accepted therefor the values assigned in the former rate case. One question involves the item of \$90,000 paid to James J. Stevenson in settlement of riparian water right litigation and allocated to water rights in Mr. Stava's report. It appears that at least a part of this sum was considered by this Commission in Decision No. 22228, supra. In view of the fact that insufficient evidence was submitted to support any different finding, the \$90,000 will be excluded from fixed capital for the purposes of this proceeding. Exclusion of the above item from fixed capital will increase the rate of net return under the requested schedule of rates for the year 1947 as computed in Commission's Exhibit No. 8, from 5.65% to 5.86%. Certain portions of the main canal were considered non-operative by the Commission's engineers and the costs thereof deducted from fixed capital. The non-useful character of these properties was disputed by the utility. However, the Commission will make no final findings on these matters in connection with this proceeding.

In reference to operating expenses, the major difference in depreciation arises through the use by the utility of the straight line method of computation, while the engineers of the Commission followed the sinking fund method, which latter

method the Commission also will use in this instance. To show the earnings on the straight line basis on a consistent basis, the depreciation reserve should be considered for deduction in obtaining the net fixed capital, and if this were done the company's computations would show an earning of about 6%.

There arose some controversy over deferred maintenance. Unquestionably there was a certain amount of repair and maintenance work that was not possible to complete expeditiously during the war because of labor scarcity and shortage of materials. The record herein does not permit a reliable determination thereof, but the evidence and testimony submitted does indicate that operating costs and expenses for the immediate future will show little possibility of sufficient decline to affect seriously the costs presented for the present irrigation season.

The evidence presented clearly shows that the present rates established in 1930 by this Commission do not yield adequate revenues under existing conditions. The schedule of rates proposed by the Canal Company should yield in a year of maximum planting a net return estimated to be 5.86% on the fixed capital as used in the Commission's Exhibit No. 8, a yield which undoubtedly will not be realized this year in view of the serious water shortage already existing.

The spread of the rates for various agricultural crops would appear to be more equitable than the former general and uniform charge for all such crops. This type of rate structure should greatly reduce certain crop discrimination under flat rate deliveries and will be therefore adopted. However, in the charge for orchards, the record indicates that the proposed rate of \$3.50 per acre should be reduced to \$3.00 and will be so reduced in the following Order.

A considerable amount of time during the hearing held in this matter was devoted to testimony of consumers who complained of delayed deliveries of water. The normal irrigation season on this system is from March 1st to October 31st of each year. Off-season service is provided to some extent for planting and for certain crops. However, this year, by reason of the abnormally deficient snow and rainfall, unprecedented demands were made for irrigation water as early as December of last year. Normal ditch cleaning had to be curtailed and water was turned into the system long prior to the regular opening date of March 1st. On a service area as large as this the water could not be delivered immediately throughout the entire territory to meet the scattered demands. The over-all performance of this system

for many years last past has been uniformly efficient. The record does not disclose any unfair discrimination in early pre-season deliveries, although there did exist at the outset considerable inconvenience to some users which was unavoidable in view of the abnormal climatic conditions then existing.

The testimony on available water supply for the Canal Company this season shows that only by the most careful use of water and serious efforts to conserve water and avoid unnecessary waste, will it be possible to avoid proration before the season ends.

O R D E R

Application as entitled above having been filed with the Public Utilities Commission of the State of California, a public hearing having been held thereon, the matter having been duly submitted and the Commission now being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by The San Joaquin Canal Company, a corporation, in so far as they differ from the rates herein established, are unjust and unreasonable; that the rates herein established are just and reasonable rates to be charged for the service to be rendered; that the increase in rates authorized by this decision is hereby found to be justified; and, basing its Order upon the foregoing findings of fact and upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that The San Joaquin Canal Company, be and it is hereby authorized and directed to file in quadruplicate with this Commission, in conformity with the Commission's General Order No. 96, within thirty (30) days from and after the effective date of this Order, the schedule of rates set forth in Exhibit "A" attached hereto and made a part of this Order, said rates to apply for all water service rendered during the 1948 irrigation season and thereafter.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 23rd day of March, 1948.

P. F. Dwyer
Justice F. Cramer
Joseph H. Russell
Harold P. Kille
Samuel D. Lott
Commissioners

EXHIBIT "A"

SCHEDULE OF RATES

THE SAN JOAQUIN CANAL COMPANY

APPLICATION NO. 28332

EXHIBIT "A"

Schedule No. 1

FLAT RATE IRRIGATION SERVICE

Applicability:

Applicable to all flat rate irrigation service, except excess water furnished for irrigation of grass lands.

Territory:

Within the entire area served by the company.

Rates:

Per Acre
Per Season

(a) Alfalfa \$3.75

\$1.05 per acre to accompany application, balance payable in three installments at the rate of 90¢ per acre on or before the first day of April, July and October.

(b) Cotton, truck crops and annual grass pasture \$3.00

90¢ per acre to accompany application, balance payable in three installments at the rate of 70¢ per acre on or before the first day of April, July and October.

(c) Milo maize and field corn \$2.75

95¢ per acre to accompany application, balance payable in three installments at the rate of 60¢ per acre on or before the first day of April, July and October.

(d) Grain (including flax) from September 15th of any year to April 30th of the following year \$1.75

95¢ per acre payable on execution of contract and 80¢ per acre payable on June 1st following.

After May 1st and before harvest, or for additional irrigations required for second cropping of grain or flax - \$1.00 per acre per irrigation, payable before each such additional irrigation.

(e) Orchards \$3.00

90¢ per acre to accompany application, balance payable in three installments at the rate of 70¢ per acre on or before the first day of April, July and October.

EXHIBIT "A" - Continued

Schedule No. 1 - FLAT RATE IRRIGATION SERVICE

Rates - Continued:

	<u>Per Acre Per Season</u>
(f) Vines	\$2.50
<p>\$1.00 per acre to accompany application, balance payable in two installments at the rate of 75¢ per acre on or before the first day of April and July.</p>	
(g) Permanent pasture (including Ladino clover)	\$5.50
<p>\$1.75 per acre to accompany application, balance payable in three installments at the rate of \$1.25 per acre, payable on or before the first day of April, July and October.</p>	
(h) Rice	\$7.75
<p>\$1.75 per acre to accompany application, balance payable in three installments at the rate of \$2.00 per acre on or before the first day of April, July and October.</p>	
	<u>Per Acre Per Irrigation</u>
Pasture lands, or irrigation preparatory to plowing from September 15th to April 30th next following, payable in advance for each irrigation	\$1.00

Special Condition:

- (1) In those instances where a grain contract has been taken out under the rate in Paragraph (d), and after December 31st the crop is changed to one requiring irrigation after April 30th, then consumer shall be entitled to cancellation of such grain contract upon taking out a contract for one of the general crops requiring summer irrigation on the same land, and consumer shall be entitled to a rebate of 27¢ per acre on grain contract previously entered into.

EXHIBIT "A"

Schedule No. 2

MEASURED RATES - IRRIGATION SERVICE

Applicability:

For all irrigation water delivered at measured rates.

Territory:

Within the entire area served by the company.

Rates:

For all water delivered, per acre foot \$1.15

General Crops:

For the irrigation of all crops other than grain or rice, a payment of 75¢ per acre to accompany application; other payments to be made on or before the first day of May, August and November for water delivered for the three-month periods ending March 31st, June 30th and September 30th, respectively.

Grain Crops and Pasture:

For the irrigation of pasture and grain other than rice irrigated from October 1st to April 15th, inclusive, of the immediately succeeding year, a payment of 75¢ per acre to accompany application; balance payable on or before June 1st.

When additional irrigations are required for second croppings of grain or pasture lands, a payment of 75¢ per acre to accompany application therefor; balance payable on or before thirty (30) days after completion of said service.

Rice Crops:

For the irrigation of rice, a payment of \$1.50 per acre to accompany application; other payments to be made on or before the first day of May, August and November for water delivered for the three-month periods ending March 31st, June 30th and September 30th, respectively.

EXHIBIT "A"

Schedule No. 3

DITCH SERVICE

Applicability:

Applicable to all water delivered from ditches for domestic and industrial purposes and for water supplied to travelling herds or bands of livestock.

Territory:

Within the entire area served by the company.

Rates:

Per Month

A - For Domestic and Industrial Purposes:

Gallons per day -

0 - 20,000	\$25.00
20,000 - 40,000	45.00
40,000 - 60,000	65.00
60,000 - 100,000	80.00
100,000 - 200,000	95.00
200,000 - 300,000	110.00
300,000 - 400,000	125.00
400,000 - 500,000	140.00
500,000 - 600,000	150.00
600,000 - 700,000	160.00
700,000 - 800,000	170.00
800,000 - 900,000	180.00
900,000 - 1,000,000	190.00
Over 1,000,000	190.00

plus \$5.00 per 100,000 gallons over 1,000,000 gallons.

B - For Watering Livestock:

Per Head
Per Month

Temporary or emergency water supplied to travelling bands or herds of livestock -

Horses, mules, cattle, etc.	\$0.15
Sheep, goats and hogs02

EXHIBIT "A"

Schedule No. 4

TRANSPORTATION OF WATER

Applicability:

Applicable to the transportation through the company's canals of water owned by third parties.

Territory:

Within the entire area served by the company.

Rates:

Per Acre

For transportation of water purchased from the United States through the company's Outside Canal for the irrigation of approximately 6,000 acres of crop lands referred to in Decision No. 37712. This service is limited, however, to that portion of said 6,000 acres for which general summer crop contracts have been taken out in any year . . .	\$0.25
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For the transportation of water purchased from the United States, but not exceeding 100,000 acre feet of water annually, for a spring and fall irrigation of the grass lands represented by the Grass Lands Water Association, Inc., subordinate and secondary to its regular utility service, for a minimum charge of \$10,000 per annum15
(Authorized in Decision No. 37712)	

Transportation through the company's Outside Canal of not exceeding a flow of 250 c.f.s. of water measured at the head of said Canal and purchased from the United States by the Panoche Water Association and Edwin L. Mott for the irrigation of crop lands lying above said Outside Canal and referred to in Decisions Nos. 38355 and 39657 - 35¢ per acre foot.

EXHIBIT "A"

Schedule No. 5

FLAT RATE GRASS LAND IRRIGATION

Applicability:

Applicable to excess water furnished for irrigation of grass lands.

Territory:

Within the entire area served by the company.

Rates:

Per Acre

For the irrigation of grass lands from the company's excess water, subordinate and secondary to its regular utility service; per irrigation	\$0.75
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SPECIAL CONDITIONS

In cases where advance payments have been made for water to be furnished during the 1948 irrigation season under the former schedule of rates, the charges shall be adjusted at the time of the last payment due under the flat rate schedules established herein, and at the time of final payment under measured rates.