

Decision No. 41975

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 the El Solyo Water Co., a California
 Corporation, for a Certificate of
 Public Convenience and Necessity
 to Operate a Water Transportation
 Company, for an Order Establishing
 Rates therefor, and for an Order
 Authorizing the Issuance of Stock.

Application No. 29341

Kirkbride, Wilson, Sutton, Harzfeld, & Wallace,
 by Ernest A. Wilson; for applicant; Dio F. Koetitz,
 Vice President and General Manager, El Solyo Water
 Co., for applicant.

O P I N I O N

In this proceeding, El Solyo Water Co., a corporation, asks the Commission for a certificate of public convenience and necessity authorizing it to provide the service and facilities to transport water for irrigation purposes on the lands owned or formerly owned by El Solyo Ranch Company, comprising 4,500 acres more or less, located in Stanislaus County west of the San Joaquin River; for an order establishing rates to be charged for the service rendered; and for authority to issue, for the purposes hereafter stated, ten thousand (10,000) shares of its common capital stock of the par value of \$10 per share, or an aggregate par value of one hundred thousand dollars (\$100,000).

A public hearing in this matter was held before Examiner Foster at El Solyo Ranch near Vernalis.

El Solyo Water Co., a California corporation, was organized primarily for the purpose of diverting, pumping and distributing water to the various portions of El Solyo Ranch owned by El Solyo Ranch

Company, a corporation. The proposed service area consists of approximately 4,500 acres of land described in Exhibit B attached to the application herein, as delineated upon the map submitted in evidence as Exhibit 2, and more particularly described as follows:

Lands known as El Solyo Ranch, bounded on the northeast by the San Joaquin River; on the southeast by South Road from said river to Gaffrey Road; on the south by Gaffrey Road from South Road to the Southern Pacific Railroad; on the southwest by the Southern Pacific Railroad from Gaffrey Road to McCracken Road; on the west by McCracken Road from the Southern Pacific Railroad to Blewett Road; on the north by Blewett Road from McCracken Road to North Road, and on the northwest by North Road from Blewett Road to the San Joaquin River.

The service area described above is traversed by River Road, approximately midway between and running generally parallel to the San Joaquin River and the Southern Pacific Railroad. Of the entire tract originally acquired and owned by El Solyo Ranch Company, it has already sold or is selling all that portion (about 2,300 acres) lying above or northwest of River Road and it intends to retain and farm all that portion (about 2,200 acres) lying below or southeast of River Road. Thus, the Ranch Company will be the largest consumer among a total of some 14 to be served with water by the applicant.

According to representations made by applicant, the lands within the service area are entitled to divert from the San Joaquin River all water which can be put to beneficial use upon said lands, the entitlement thereto being a combination of riparian and appropriative water rights confirmed by various court decrees. Such water rights are claimed to be appurtenant to the land, and applicant claims no possession thereof nor any monetary interest therein, so far as this proceeding is concerned.

Heretofore there has been constructed a river pumping plant comprising four electric motor-driven centrifugal pumping units by means of which water is elevated from the San Joaquin River through metal intake suction pipes and delivered into the main conduit which

extends southwesterly along North Road. Along this main conduit there have been installed five additional pumping plants consisting of electric-driven centrifugal pumps of varying capacities which lift the water by successive stages. In addition to the main conduit there is a comprehensive system of ditches and pipes whereby water can be distributed to the entire acreage included in the service area, together with a system of drainage ditches.

According to an agreement dated March 5, 1948, Exhibit B of the application, El Solyo Ranch Company will transfer to El Solyo Water Co. all of the pumping plants, pipe lines and force mains, earthwork and auxiliary facilities of the water transmission and drainage ditches, together with easements over the land upon which they are located. In payment for such facilities, applicant asks permission to issue and deliver to the Ranch Company 10,000 shares of its capital stock of the par value of \$10 per share, making an aggregate amount of \$100,000 par value.

An appraisal of the water system was compiled by Mr. A. M. Baker, hydraulic engineer, which is attached to the application as Exhibit C. Following is a summary of his appraisal:

Units of Plant Facilities	Original Cost Installed	Depreciated Value 1948	Annual Depreciation Costs*
Organization Costs	\$ 4,400	\$ 4,400	\$ -
Earthwork and Canal Structures	22,780	22,780	455
Rights of Way and Easements	24,430	24,430	-
Pipe Lines, Mains and Services	32,720	19,580	392
Measuring Devices	2,100	2,100	42
Pumping Station No. 1	47,650	42,140	843
Pumping Station No. 2	15,500	15,230	305
Pumping Station No. 3	14,640	14,200	285
Pumping Station No. 4	13,230	12,810	256
Pumping Station No. 5	10,150	6,560	131
Pumping Station No. 6	3,900	3,250	65
Total	191,500	167,480	2,774

* Depreciation computed on straight line basis at 2% per year.

The quantity of water required to be diverted per year depends upon climatic conditions and also upon the nature of the crops irrigated. Following is a tabulation of the amounts of water diverted by El Solyo Ranch during the past six years and the areas irrigated:

Year	Acre Feet Diverted	Acres Irrigated		
		Rice	General	Total
1942	10,580	0	3,042	3,042
1943#	12,570	342	2,268	2,610
1944#	12,720	368	2,958	3,326
1945	11,194	0	2,113	2,113
1946φ	18,516	204	2,921	3,125
1947φ	24,000	544	3,313	3,857

Rice planted in lowlands east of River Road on land requiring exceptionally low water demand.

φ Rice planted in uplands west of River Road on land requiring exceptionally large water demand.

Exhibit 1 shows that about the same acreage is being irrigated in 1948 as in 1947, but no rice was planted this year. Based on this data, the applicant's engineer made the following estimate for the year 1948:

Total diversions	15,500	acre	feet
Losses on service area, 10%	<u>1,550</u>	"	"
Net, for delivery	13,950	"	"
Return from Drainage ditches	<u>1,000</u>	"	"
Total deliveries	14,950		

This is the first year that water has been delivered to independent irrigators other than El Solyo Ranch. It is proposed that no distinction be made in the authorized rate, regardless of the number of pumping lifts required to serve any particular consumer. Pending the filing of an authorized rate, applicant is charging a rate of \$3.65 per acre foot of water delivered and has proposed that this be the established rate. The annual revenue on the basis of diversions and deliveries shown in the previous paragraph would be \$54,567.

Applicant's estimate of the operation and maintenance costs for an irrigation season are as follows:

Salaries of manager, bookkeeper, pump tender, and water master	\$10,800
Automobile transportation costs	4,125
Office rental and supplies, operating tools, equipment and materials	2,760
Repairs to equipment and facilities	2,270
Insurance and taxes	2,500
Electric power at \$1.10 per acre foot diverted; for 15,500 acre feet	<u>17,050</u>
Total	39,505
Depreciation expense, as above	<u>2,774</u>
Total estimated annual charges	42,279

On the basis of these estimates, the annual net operating revenue would be \$12,288 which represents a return of 6.42% on the estimated original cost installed of \$191,500 or a return of 7.34% on the depreciated 1948 value of \$167,480.

No other estimates were presented in evidence concerning the capital investment, annual water requirements, or maintenance and operating costs. A review of all the evidence presented by applicant indicates that, in the light of the record of water diverted during the past two years, the estimate of an average diversion of 15,500 acre feet for the irrigation of some 3,450 acres of planted area is rather conservative. On the other hand, it appears that the estimates of expenses are somewhat liberal, when comparison is made with other existing utilities operating under similar conditions. Therefore, a slightly lower rate of \$3.50 per acre foot of water delivered will be authorized in the Order to follow. Following the same methods of computation on the same diversion of 15,500 acre feet and a delivery of 14,950 acre feet, the rate of \$3.50 will render an estimated net revenue of \$10,046, which is considered a fair and reasonable return on applicant's investment. It may be further shown that, at this rate, the net revenue will be increased by about \$2,000 for every additional 1,000 acre feet diverted in any season.

The area to the northwest of applicant's service area is, with minor exceptions, supplied with water by the Banta-Carbona Irrigation District, while that to the southeast lies within the West Stanislaus Irrigation District. There are no public utility irrigation water systems operating in or near the area proposed to be served by applicant, and no objection was made to the issuance of the certificate or to the establishment of the proposed rates. Under the circumstances, the authority sought will be granted, with the slight downward revision of the proposed rate as indicated above.

The certificate of public convenience and necessity granted herein is subject to the following provision of law:

"That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right."

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,

THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity requires, and will require, the construction or acquisition, maintenance and operation of a public utility irrigation water system by El Solyo Water Co., a corporation, in the area embracing 4,500 acres, more or less, in that portion of Stanislaus County located west of the San Joaquin River, more particularly described in the Opinion which precedes this Order and as delineated on the map filed as Exhibit 2 in this proceeding, which map is made a part of this Order by reference.

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity be and it is hereby granted to El Solyo Water Co., a corporation, to acquire, construct, maintain and operate a public utility for the diversion, pumping, transportation; distribution and sale of water for irrigation purposes within the territory hereinabove described.
2. That El Solyo Water Co. be and it is hereby authorized and directed to file in quadruplicate, in conformity with this Commission's General Order No. 96, within thirty (30) days from the effective date of this Order, the schedule of rates shown in Exhibit A appended, such rates to become effective on and after the date of such filing, which schedule of rates is hereby found to be just and reasonable for the service to be rendered.
3. That El Solyo Water Co., within forty (40) days from the effective date of this Order, shall file with this Commission four sets of rules and regulations governing relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet of 24x31 inches in size, delineating thereupon in distinctive markings the boundaries of its present service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.
4. That El Solyo Water Co., within forty (40) days from the effective date of this Order, shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory presently to be served. This map should be reasonably accurate, show the source and date hereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.
5. That El Solyo Water Co., after the effective date hereof and on or before December 31, 1948, may issue and deliver to El Solyo Ranch Company, for the purpose of acquiring the properties described hereinabove, 10,000 shares of its common capital stock, at \$10 a share, of an aggregate par value of \$100,000. The Commission is of the opinion that the money, property or labor to be procured or paid for by the issue of said shares of stock is reasonably required by El Solyo Water Co. for the purpose stated, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

6. That El Solyo Water Co., within thirty (30) days after the issuance and delivery of said shares of stock or any part thereof, shall file with the Commission a report showing the number of shares of stock issued and delivered, and the names of those to whom it was issued.

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

Dated at San Francisco, California, this 24th day of August, 1948.

R. E. Anderson
Justice F. Callen
W. H. Powell
Harold P. Hill
Conrad P. Potter
Commissioners.

EXHIBIT A

Schedule No. 1

GENERAL MEASURED SERVICE

APPLICABILITY

Applicable to all irrigation water service rendered on a measured basis.

TERRITORY

Within the entire service area, in Stanislaus County.

RATES

For all water delivered from any
ditch or pipe, per acre foot \$3.50