

Decision No. 42350

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of the Clear Lake Water Company,
for Authority to Increase Rates

Application No. 29179

Chalmers, Eddy, Cowing and Sans, by Ralph H. Cowing and Neal Chalmers, for applicant; Stephen W. Downey, Martin McDonough and Roy L. Davis for Western Yolo Water Users Association; J. J. Deuel and Edson Abel for California Farm Bureau Federation and Yolo County Farm Bureau.

OPINION AND ORDER ON REHEARING

On August 24, 1948, by Decision No. 41993, this Commission ordered the establishment of a rate schedule for the delivery of water by Clear Lake Water Company to its customers which superseded and increased the rates theretofore in effect. Western Yolo Water Users Association, a party to the proceeding, filed a petition for rehearing on September 7, 1948. By order dated October 5, 1948, the petition of protestants was granted and further hearing set. The scope of the rehearing was limited to the receipt of evidence upon the question of whether the Commission should establish differentials in the rates for different quantities of water consumed and to hear arguments or receive briefs upon such issue. The hearing was held before Commission^{er} Huls and Examiner O'Brien on October 22, 1948. Upon conclusion of the oral testimony, the parties were given further time to file written statements and supply supplementary data. The time for filing such statements having expired, the matter is ready for decision.

Protestant, Western Yolo Water Users Association, took exception to the uniform commodity type of rate of \$2.25 per acre-foot ordered by the Commission for a number of reasons. It pointed to evidence introduced by applicant to the effect that annual costs did not vary with the annual variation in volume of water delivered. It contended that the original block type of rate sought by applicant effected a more equitable spread of cost, and offered to supply examples of such rates used by other organizations supplying irrigation water. Finally it urged that the method of annually distributing the available water supplies between general crop users and rice growers and the sharp fluctuation in the amount of water available to rice growers under the plan reduced the quality of service rendered to the rice growers, a factor which should be reflected by a differential in the rate.

The company on its part testified that the annual increase in revenue of \$56,000, which the Commission in its decision estimated would accrue from the new rates, would produce a rate of return of 2.38%, which is less than the return estimated by the Commission in its decision. To counter protestant's attack upon its efforts to improve its water supply, the company introduced calculations showing the reduction in canal losses from its rehabilitation program which had assertedly increased its effective supply by 60%. It further introduced evidence that under present operating conditions, considerably greater acreages of rice could have been supplied with water although admitting that in dry years there would have been insufficient water.

Decision No. 41993 authorized an increase in rates which would provide about \$56,000 of additional gross revenue to the company. No evidence offered at the rehearing persuades us that that amount of revenue is inequitable.

Our problem then is to spread the gross revenues including the foregoing increase in the best interest of all of the company's customers. No cost of service study was made by any of the parties.

Time and again the Commission has pointed out that the selection of a schedule of rates to spread the burden of service costs is a matter of informed judgment. While cost of service, value of service, consumption characteristics, customer location, and previous rate history and experience all have an important bearing, none is or can be controlling.

In the present case, Clear Lake Water Company renders water service for irrigation purposes under a single rate schedule, and service for domestic, commercial, or municipal purposes is not involved. Furthermore, being a gravity system, its record of expenses shows a minor portion of the annual costs attributable to water production which would result in relatively high customer and demand costs and relatively low commodity costs. However, where a single type of service is involved with substantially similar characteristics, either a uniform commodity rate or a uniform demand rate can be used equitably. Under the operating conditions obtaining on applicant's system, administration of a demand type of rate would be cumbersome and more costly than the uniform commodity rate.

Although applicant had requested a block type rate in its application, it resisted introduction of a differential in rates at the gross income level ordered by the Commission. It defended this position by pointing out that the average rate for rice irrigation under its proposed rates would have been \$2.57 per acre-foot as compared to the rate of \$2.25 specified in the Commission's order. When pressed for a possibly satisfactory block type of rate producing the same revenues as allowed under the \$2.25 rate, it suggested a rate of \$2.50 per acre-foot for the first three acre-feet per acre and \$2 per acre-foot for all over three acre-feet per acre. Protestants point

out that for an average duty of seven acre-foot per acre for rice, such a rate would give the rice grower a reduction of only \$0.25 per acre. On the other hand, it recommends that a uniform rate of \$2.50 per acre-foot for general crops and \$2.10 per acre-foot for water used for rice. It estimates that such a rate would produce the same volume of revenue that the \$2.25 rate would produce.

Protestant in a post-hearing statement ~~submitted~~ a tabulation of the typical cost of growing rice on rented land in the service area of the Clear Lake Water Company. It assumes a yield of 30 bags per acre and a market price of \$4 per bag or a gross income of \$120. The estimated cost of production is \$120.76. This includes a water cost of \$10.20 under the old rate of \$1.50 per acre-foot. At protestant's proposed rate of \$2.10, the water cost would be about \$14.30, and under the \$2.25 rate it would be about \$15.35. Under all of the circumstances involved, there appears to be no compelling reason for making any changes in the rates heretofore prescribed.

The petition of the Western Yolo Water Users Association for a rehearing in this proceeding having been granted, hearings held, evidence introduced and the matter submitted for decision, and the Commission being fully advised in the premises; therefore,

IT IS HEREBY ORDERED that Decision No. 41993 be and it is reaffirmed.

Dated at San Francisco, California, this 21st day of December, 1948.

R. T. Dunning
Justus F. Calver
Frank L. Luce
Harold H. Kils
Marjorie P. Burt
Commissioners.