

Decision No. 45329

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
EL SOLYO WATER CO., a corporation,
for an order authorizing it to
increase it's rates.

Application No. 31333

D. F. Koetitz, for applicant.

O P I N I O N

El Solyo Water Company, a corporation, by the above-entitled application filed April 26, 1950, and amended on December 4, 1950, requests an order of the Commission authorizing it to increase its rate for water service from \$3.50 per acre foot to \$4 per acre foot. Irrigation service is rendered by this utility to 17 customers located near Vernalis, in Stanislaus County, California.

A public hearing on this application was held before Examiner Edwards on December 19, 1950, at the office of the El Solyo Ranch, Vernalis, California. At this hearing, applicant's vice president testified that because of increased costs of labor, materials, and unforeseen cost of weed control since the time the rate was originally set in 1948, a rate of \$4 per acre foot is now necessary.

The El Solyo Water Company 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. The service area comprises some 4,500 acres, about half of which has been sold by the ranch to small individual customers. Water is obtained from the San Joaquin River by a pumping plant consisting

of four electric motor-driven centrifugal pumps which elevate and deliver the water in the main canal extending southwesterly along North Road. Five pumping plants consisting of electrically driven centrifugal pumps, which lift the water by successive stages, are located along this main canal. In addition to the main canal, there is an extensive system of ditches and pipe lines by which water can be distributed to the entire service area. There is also a system of drainage canals throughout the territory served.

In substantiation of the need for higher rates, applicant introduced as Exhibit No. 1 a copy of the results of operation for the years 1949, 1950, and estimated 1951. Also shown on this exhibit was the original estimate for a normal season as presented under Application No. 29341 in 1948. Applicant's showing may be summarized as follows:

	<u>Original Estimate</u>	<u>Actual Years</u>		<u>Estimate for 1951</u>
		<u>1949</u>	<u>1950</u>	
Acre Feet Delivered	15,800	15,300	14,298	15,000
Average Rate per Acre Foot	\$ 3.65	\$ 3.50	\$ 3.50	\$ 4.00
Revenue	56,700	53,379	50,113	60,000
Total Expenses	43,925	48,482	47,624	51,250
Net Income	12,775	4,897	2,489	8,750

In order to learn what effect the proposed rates would have upon the earnings of the system, an engineer in the Hydraulic Division of the Commission staff made an investigation of the operations of this utility and submitted a copy of his report in evidence as Exhibit No. 2. The results from the staff engineer's report follow:

	<u>Estimated Year 1950</u>	<u>Estimated Year 1951</u>	
Rate per Acre Foot	\$3.50	\$3.85	\$4.00
Water Delivered - Acre Feet	14,320	14,700	13,700
Operating Revenue	\$ 50,191	\$ 52,745	\$ 54,800
Operating Expenses:			
Pumping	23,003	22,072	22,072
Trans. & Distribution	8,861	8,861	8,861
General	7,557	7,557	7,557
Taxes	3,275	4,199	4,775
Depreciation	<u>3,300</u>	<u>4,615</u>	<u>4,615</u>
Total Expenses	45,996	47,304	47,880
Net Operating Revenue	4,195	5,441	6,920
Rate Base (Depreciated)	160,589	157,939	157,939
Rate of Return	2.61%	3.45%	4.38%

The engineer's estimate of water to be delivered and revenues in 1951 under the \$4 rate is below the applicant's estimate by nearly 10%, which delivery figure consists of an average of the years 1948, 1949, and 1950, while the applicant's figure is nearly as great as the 1949 actual deliveries. The engineer's estimate of expenses correspondingly is \$3,370 below applicant's, and net revenue \$1,830 below.

Applicant's showing of \$8,750 net income at a \$4 per acre foot rate for estimated year 1951 represents a rate of return of 5.5% on a depreciated rate base of \$157,939. The utility has been able to finance itself by selling stock to the ranch company. The ranch, in turn, can borrow money from a bank at 5% interest. Under such circumstances, a rate of return of 5.5% does not appear unreasonably high for this utility.

Considerable interest was manifested at the hearing by customers, with many appearing, but only two offering any objection to the proposed increase. One customer stated that the proposed rate is a little high and it would cost \$12 to \$13 per acre to irrigate a crop during the season. Another customer testified that the rate in the nearby West Stanislaus Irrigation District was \$3.75 per acre foot and in the Banta-Carbena District

was \$3.50 per acre foot. Applicant's manager objected to those irrigation district rates being used as a guide to a proper rate level herein because of differences in methods of financing. Also irrigation districts are not subject to all of the taxes which a privately financed public utility must pay.

The ranch manager testified that for his part-time services of managing the water utility, he is paid \$350 per month, and the employees who devote full time to operating the pumps and tending the ditches receive \$250 per month plus housing. *(deletion.)*

O R D E R

El Solvo Water Company having applied to this Commission for an order authorizing certain increases in rates and charges, a public hearing having been held, and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified. To the extent and in so far as the present rates differ from those authorized in this decision, the present rates are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedule of rates shown in Exhibit A attached hereto, and after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after March 10, 1951.

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

Dated at San Francisco, California, this 16th day of February, 1951.

A. J. Anderson
James F. Calver
Harold P. Kuhl
Francis H. Patrick
Peter E. McMillan
 Commissioners.

Schedule No. 1

IRRIGATION 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 \$4.00