

Decision No. 45963

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of ARROYO DITCH COMPANY for)	
authority to increase its rates for)	Application No. 30660
furnishing water to Plymouth Water)	As Amended
Works, Plymouth, California.)	

Pierce Deasy and Joseph S. Huberty, for applicant;
A. J. DePaoli, for Eugene Conterno, dba Plymouth
Water Works; Eldon Dye, for California Farm Bureau
Federation; Joseph W. Gross, for Willow Springs -
Water Users Association; Elwood Orr, Mayor, for
the City of Plymouth.

O P I N I O N

Arroyo Ditch Company, a public utility water company rendering domestic and irrigation water service in the vicinity of Plymouth, Amador County, by its amended application herein seeks a general increase in rates "sufficient to give applicant a fair return on its investment." As an alternative, and provided neither the City of Plymouth nor the irrigation water users should elect to accept its offer to sell or lease its operative properties, applicant requests authority to discontinue water service.

The original application sought only an increase in the rate charged Eugene Conterno, an individual, doing business as Plymouth Water Works, engaged in supplying water as a public utility to domestic, commercial, and industrial users in Plymouth. Following a hearing on March 13, 1951, applicant petitioned for reopening of the proceeding, and for a further hearing based on its amended application for a general increase in rates or alternative relief, as indicated herein above, alleging that the relief sought in the original application would not afford a permanent solution to the

problem faced by the company and its consumers. At the further hearing, held May 1, 1951, applicant and some of the water users presented additional testimony. Based upon representations made on the record at the further hearing, to the effect that the water users might be interested in acquiring the system, the proceeding was continued to a date to be set in order to afford the interested parties an opportunity for negotiations. Communications received subsequently indicate that although some discussions have taken place no definite plan has been agreed upon.

The record as it now stands contains sufficient facts, in our opinion, upon which to premise a determination of the issue raised by applicant's request for an increase in rates. The time within which the parties might have brought negotiations to the point of presenting a tangible plan for solution of their problem by other means has expired. If such a plan should mature later, the Commission, upon receipt of an appropriate application, will consider the matter. We will, therefore, now take the application under submission and proceed to consider the merits of applicant's request to increase its rates.

In 1947, applicant was granted an increase in rates by Decision No. 40332, in Application No. 27113. The rates fixed were \$0.35 per miner's inch day of 24 hours for all water delivered on a measured basis for agricultural, industrial, and mining purposes, a flat rate of \$2 per month for all residential domestic service in the general vicinity of Plymouth, and a flat rate of ^{1/}\$25 per month for water delivered to the Plymouth Water Works.

1/ A history and description of the system and its water supply are contained in a Commission staff engineer's report, introduced in the 1947 record as Exhibit No. 6. That exhibit is incorporated by reference in the present record. A later engineer's report, prepared in light of the original application, was received as Exhibit No. 3 at the hearing held March 13, 1951.

The original application, as we have stated, sought to increase only the rate charged the Plymouth Water Works to \$0.75 per miner's inch day or a flat rate of \$150 per month in lieu thereof. Applicant now requests a general increase in rates sufficient to provide a fair return on its capital investment as shown by rate of return studies in the record. The company offered no proposed schedules of rates in support of its amended application. The record, however, does contain evidence, adduced by the company's president and by an engineer who had made a study of its operations on its behalf, indicating generally the results of operations under present rates and conditions of usage. Both the Commission engineer's study and the figures offered by applicant make it evident that a substantial increase in rates for all consumers will be required in order for the company at least to earn its out-of-pocket expenses. Two tabulations, indicating the essential features of the situation, follow:

<u>Item</u>	<u>Comm. engineer's study from applicant's re- ported and recorded figures, 1946 - 1950</u>	<u>Applicant's engineer 1947 - 1950</u>
Average Revenue	\$ 3,090.16 ^a	\$ 3,138.14
Average Operating Expense	7,525.99 ^b	7,876.28
Average Loss per Year	(<u>4,435.83</u>)	(<u>4,738.14</u>)
Estimated Historical Cost		63,558.54
6 Per Cent Return		3,813.51
Depreciation		894.00
Total Loss per Year		(<u>9,445.65</u>)

(Red Figure)

a. Includes \$500 from sale of surplus water, 1950.

b. No depreciation expense has been charged since 1945.

The Commission engineer's study includes the results of operation for 1950 at present rates but adjusted to eliminate certain errors in applicant's books in connection with property taxes and other tax expense. The study also contains a system estimate, based on 1950 operations, reflecting the rate requested for deliveries to the Plymouth Water Works. The tabulation follows:

<u>Item</u>	<u>Present Rate</u>	<u>Requested Rate</u>
Fixed Capital	\$ 63,559	\$ 63,559
Operating Revenues	2,990	3,608
Operating Expenses	\$5,634	
Depreciation Exp.	<u>894</u>	<u>6,528</u>
	(3,538)	(2,920)

(Red Figure)

Also shown in the Commission engineer's study is a tabulation indicating the revenues received from and quantities of water delivered to the Plymouth Water Works as compared with the rest of the system, in 1950. A condensed version of the tabulation follows:

<u>Deliveries M. I.</u>			<u>Revenues</u>			<u>% Del.</u>	<u>% Revenue</u>
<u>Ply. W.:</u>	<u>Bal. of:</u>	<u>Ply. W.:</u>	<u>Bal. of:</u>	<u>Ply. W.:</u>	<u>Bal. of:</u>	<u>to Ply.:</u>	<u>from Ply.:</u>
<u>Works</u>	<u>System</u>	<u>Total</u>	<u>Works</u>	<u>System</u>	<u>Total</u>	<u>W. Wks.:</u>	<u>W. Works</u>
1,123	6,781	7,904	\$300	\$2,373.60	\$2,673,60	14%	11%

The record shows that, while some work has been done on the ditches and flumes, there is still a considerable amount of repair needed, especially along the ditch line between the intake at the Middle Fork of the Cosumnes River and the City of Plymouth. Water from Indian Creek and other small streams feeding the ditch lower down becomes scarce to the point of disappearance with the onset of the summer dry season and the system must then procure its supply first from the South Fork and later from the Middle Fork of the river. Applicant's president testified that repairs

amounting to approximately \$3,500 would be required during 1951 before water could be taken out of the Middle Fork. The record indicates that the company's stockholders not only have advanced approximately \$16,000 during the past five years to defray necessary expenses of operation, for which they have not been reimbursed, but that they also have performed many tasks in connection with maintenance and repair of the ditch for which they likewise have received no recompense. Other evidence of record indicates that the cost of placing this water system in condition to provide adequate service may exceed considerably the figure suggested by its president.

The record indicates that in 1948 the irrigation users below the City of Plymouth (some 18 in number) approached the company with a proposal to take as much water as could be delivered through the ditch at Plymouth for a total price of \$6,000 per year. In 1950 these users offered to take specific quantities of water during the irrigating season from April or May to October or November, at a rate of \$25 per inch per season, if the company would guarantee deliveries for 10 years. This would have given the company revenue amounting to about \$5,000 annually, according to the testimony of one of the participants in the negotiations. This offer provided for the annual delivery of 200 miner's inches of water. The company rejected both proposals. The water users indicated at the last hearing, however, that they might be interested in purchasing the system. As stated earlier, the Commission is informally aware of discussions to that end now in progress.

With the foregoing outline of the facts of record in mind, we now approach the question of what, if any, relief can be accorded to applicant that will enable it to continue to

supply water, as a public utility, to its customers. In that connection, the needs of domestic consumers are entitled to preferred recognition. While the necessities of the irrigation users must also be met, it is apparent that their demands for water will fluctuate with the amount of precipitation received by their lands. Their needs are seasonal, while those of the domestic consumers must be met daily.

It should be noted at this time, however, that there is an obligation upon the part of this utility to provide and deliver upon demand of the consumers the full amount of water required to meet their agricultural irrigation needs and, likewise, there is upon the part of the water users the concurrent obligation to take and pay for such water. In the event the water users fail to take sufficient water necessary to support the operation of this ditch, the company cannot be expected to continue service in the future.

Operating practices on this system over a period of years have deteriorated to an alarming degree. Through lack of funds the company rarely has been ready to meet early season delivery demand of the water users. The latter generally have followed the lax policy of delaying application for water until weather conditions required immediate crop relief. To place this ditch system on a more practical and economical operating standard, the rates, rules and regulations hereinafter authorized will require all consumers to make proper application for their water requirements on or before a fixed date at the beginning of the irrigation season and, at the same time, make an advance payment for the water ordered. By so doing the company will be provided at the outset of the season with some funds for planning, maintaining and operating the system. The company furthermore will be in a position to plan more intelligently a delivery schedule upon an equitable

rotation basis. These measures should add to efficiency of delivery and reduce present wasted water to a minimum.

The Commission's staff report indicates that in the past the average annual maintenance and operating expenses amounted to \$8,420, including depreciation. The engineer representing the company estimated that these expenses would be approximately \$350 higher. However, the records show that the above average operating costs were developed from incomplete recorded figures which did not include sufficient funds for repairs to transmission and distribution ditches and structures necessary in order to maintain required delivery capacity and to reduce transmission losses. A study of the evidence indicates that an additional annual allowance of \$2,500 for operating expenses will be necessary to provide proper service under the present conditions, resulting in a total expense of \$10,920.

According to the evidence this ditch system, when placed in proper operating condition, can deliver 150 miner's inches of water during the irrigation period to consumers located below the City of Plymouth. In former years this quantity has been greatly exceeded. Upon the above basis, under a rate of 50 cents per miner's inch day of 24 hours, the company should realize a gross revenue of \$13,500 from agricultural irrigation service. Continuous daily service is provided for the Plymouth Water Works throughout the entire year. It is clear that the existing flat rate of \$25 per month is inadequate. Based upon this use of water a rate of \$100 per month to the Plymouth Water Works appears to be fair and adequate under existing conditions.

Based on the rates set forth above, the total gross revenue will approximate \$14,700 producing a net revenue of \$3,760, which, when related to the estimated historical cost, results in a rate of return of 5.9%. To the extent the present rates differ

EXHIBIT A
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Schedule No. 1

MEASURED RATE SERVICE

APPLICABILITY

For all water delivered for agricultural, industrial and mining purposes.

TERRITORY

Area supplied by Enterprise Ditch System in El Dorado and Amador Counties in the general vicinity of the town of Plymouth.

RATES

Per Miner's Inch*
Day of 24 Hours

For all water delivered \$0.50

* A miner's inch shall mean a continuous flow of water under a pressure head of 6 inches to the center of the opening and equivalent to 1.5 cubic feet per minute or 1/40th of a cubic foot per second.

SPECIAL CONDITIONS

1. All applications for irrigation service must be filed with the company by March 15 of each season and signed by the irrigator, or his duly authorized agent, and must be accompanied with a deposit of \$1.50 for each miner's inch applied for. This deposit is a credit on the applicant's water bill and is the minimum annual charge per miner's inch of water covered by the application.

2. In the event that the application for water service is made subsequent to March 15, an additional charge of \$1 per miner's inch shall be made, but this additional charge shall not be a credit on applicant's water bill.

EXHIBIT A
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Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

For all water service delivered for residential domestic purposes.

TERRITORY

Area supplied by Enterprise Ditch System in El Dorado and Amador Counties in the general vicinity of the town of Plymouth.

RATES

Per Month

For all residential domestic service	\$ 2.75
Plymouth Water Works	100.00