



The two applications have been heard, on a consolidated record, at public hearings before Examiner Emerson on August 7 and September 24, 1952 at Sacramento. Submission was taken on the latter date.

Rates, Present and Proposed

Applicant's basic rates are compared with those requested to be authorized, in the following tabulation:

Irrigation Service

	<u>Charge per Year</u>	
	<u>Present</u>	<u>Proposed</u>
Retail delivery of water, per miner's inch .....	\$46.00	\$53.00
Wholesale delivery of water, per miner's inch .....	31.50	38.00

Domestic Service

	<u>Per Meter, Per Month</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
<u>For Treated Water</u>		
First 1,000 cu.ft. or less .....	\$2.00	\$3.00
Next 4,000 cu.ft., per 100 cu.ft.....	.125	.15
Next 5,000 cu.ft., per 100 cu.ft.....	.075	.10
Over 10,000 cu.ft., per 100 cu.ft.....	.05	.07
Minimum for 5/8-inch meter .....	2.00	3.00
<u>For Untreated Water</u>		
First 1,000 cu.ft. or less .....	\$2.00	\$2.85
Next 4,000 cu.ft., per 100 cu.ft.....	.125	.13
Next 5,000 cu.ft., per 100 cu.ft.....	.075	.08
Over 10,000 cu.ft., per 100 cu.ft.....	.05	.05
Minimum for 5/8-inch meter .....	2.00	2.85

For the year 1951 the proposed rates would have produced a gross revenue increase of approximately \$20,000. On the basis of the estimated year 1952, the gross increase would total \$20,335. Of this latter amount applicant's own retail customers would contribute \$5,970 or about 29%, and applicant's three wholesale customers, who take about 80% of the water, would contribute \$14,365 or about 71% of the total increase.

Applicant renders bills for water service on November 1 and April 1 of each year.

In addition to the two basic schedules, above tabulated, applicant has on file a schedule for intermittent mining service and a schedule for surplus retail water service. These two schedules carry charges of 25 cents per miner's inch day. They appear to be not presently in use.

Applicant's System

At the end of 1951 applicant served either domestic or irrigation service, or both, to a total of 321 retail customers. The majority of these are located in an area known as the Cardwell Colony. Others are served from the Ashland lateral, the Rose Spring Canal, or directly from the main canal. Applicant serves three wholesale customers; namely, Fair Oaks Irrigation District, Citrus Heights Irrigation District and Orangevale Water Company. These wholesale customers receive in excess of 80% of all water sold by applicant.

The area served by the company includes approximately 15,000 acres of orchards and other crop lands located in Sacramento and Placer Counties. The lands irrigated extend from about 6 miles southwest of Folsom to 4 miles southwest of Auburn. This system is supplied by diverting water from the North Fork of the American River at a dam located approximately 2 miles southeast of the City of Auburn. The company has an established right to 3,000 miner's inches and a diversion right for an additional 1,750 miner's inches, the total of both being equivalent to a flow of 95 cubic feet per second.

The main canal is slightly over 25 miles in length and extends from the diversion dam to the Penstock reservoir. It has a maximum capacity of approximately 70 cubic feet per second at the head of the canal and gradually decreases in cross section in proportion to the reduction in volume due to the turnouts and losses.

Long reaches of the canal have been partially or completely concrete lined. The main canal system includes 21 flumes, and three tunnels. The major portion of the water delivered through the canal is stored in two reservoirs; namely, the Baldwin reservoir, which has a storage capacity of 305 acre-feet, and the Hinkle reservoir which is capable of storing 50 acre-feet.

The Penstock reservoir, located at the lower end of the main canal, is used as a receiving and distribution basin, and is the location at which chlorine is added to the water. From this reservoir water is delivered to the wholesale customers, which are Fair Oaks Irrigation District, Citrus Heights Irrigation District, and Orangevale Water Company, and to retail customers in the Cardwell Colony and other nearby areas. The Rose Spring Canal, which branches from the main canal, and the Ashland lateral, which leads from the Hinkle reservoir, carry water to supply other retail customers.

Water to be impounded behind the new Folsom dam, now being constructed by the federal government, will flood the major portion of the main canal and the Hinkle reservoir. The latter has been replaced by a reservoir of comparable size located outside of the area to be flooded. When the federal project is completed, it is proposed to supply the utility with water by pumping from an outlet at the dam.

The effect of such physical change in source of supply and transmission facilities is not now known nor is it readily foreseeable. The matters involved are subject to, and presently undergoing, negotiation between applicant and the government. The record in this proceeding indicates that a period of two to five years may elapse before the full effects on applicant's operations may be shown.

Summary of Presentations

The tabulation below is a summary of the presentations respecting results of operations as made by applicant and the Commission staff. Protestants made no affirmative showing but confined themselves to cross-examination of witnesses.

Item	Year 1951 Adjusted			Year 1952 Estimated			Year 1953
	Present	Proposed	Proposed	Present	Proposed	Estimated	Estimated
	Rates	Rates	Rates	Rates	Rates	Prop. Rates	Prop. Rates
	Applicant	Staff	Staff	Applicant	Staff	Staff	Applicant
Gross Rev.	\$ 92,574	\$ 92,575	\$112,563	\$ 94,184	\$ 93,635	\$113,970	\$114,017
Total Exp.	71,574	61,887	68,692	76,241	65,280	71,950	80,053
Net Rev.	21,000	30,688	43,871	17,943	28,355	42,020	33,964
Rate Base (Undeprcc.)	786,669	771,826	771,826	786,669	786,980	786,980	786,669
Rate of Return	2.69%	3.98%	5.68%	2.2%	3.60%	5.34%	4.31%

Although shown above as a tabular comparison, the respective presentations are not fully comparable. Certain components, therefore, are discussed in succeeding paragraphs herein.

Rate Base

Applicant, in determining its rate base used end-of-year 1951 fixed capital, as recorded, to which average-year materials and supplies were added, plus a working cash allowance based upon 50% of operating expenses before taxes and depreciation. Such rate base was assumed applicable to the average year 1952 and the average year 1953.

The rate bases developed by the Commission staff were based upon beginning-of-year 1948 adjusted fixed capital to which were added net additions and betterments in succeeding years. To the average of beginning- and end-of-year fixed capital thus determined, the staff added average materials and supplies and a working cash allowance predicated on normal expenses before taxes and depreciation.

Since applicant accounts for depreciation on a straight-line basis, its presentation consisted of an undepreciated rate base, as shown in the summary tabulation. The Commission engineer calculated depreciation on the 5% sinking fund basis and also used an undepreciated rate base, as shown above. In addition, the engineer developed a presentation on the modified sinking fund basis with a corresponding depreciated rate base.

Revenues and Expenses

Estimates of operating revenues differ by such minor amounts as not to warrant discussion.

The major difference in operating expenses lies in the methods used to account for depreciation, as above discussed. Because of the anticipated changes in plant and system operations which will result from the building of Folsom Dam, applicant's capital accounts may undergo considerable revision in the near future. It is our opinion that at such time applicant should adopt the "remaining life" method of depreciation accounting whereby the original cost of plant, less estimated net salvage and depreciation reserve, is spread over the estimated remaining life of the property and the depreciation expense thereof is determined thereon. For the purposes of this present proceeding, however, we shall adopt the modified sinking fund method in which a depreciated rate base is used and interest on the depreciation reserve is allowed as an operating expense.

Conclusion as to Earnings

In view of the record in this proceeding and the above-discussed elements thereof we adopt the following, on the modified sinking fund method, as reasonable estimates of the results of operations of applicant's system for the periods shown:

Item	Year 1951 Adjusted		Estimated Year 1952	
	Pres. Rates	Prop. Rates	Pres. Rates	Prop. Rates
Operating Revenues	\$ 92,575	\$112,560	\$ 94,000	\$114,000
Operating Expenses				
Before Taxes & Depr.	47,625	47,625	50,730	50,730
Taxes	7,205	14,010	7,390	14,060
Deprec. Annuity (5% S.F.)	7,055	7,055	7,160	7,160
Interest on Reserve (5%)	3,190	3,190	3,260	3,260
Total Operating Exp.	65,075	71,880	68,540	75,210
Net Revenues	27,500	40,680	25,460	38,790
Rate Base (Deprec.)	667,000	667,000	680,600	680,600
Rate of Return	4.12%	6.09%	3.74%	5.69%

It is apparent that applicant is not now earning a reasonable return and is in need of relief in the form of increased revenues. In view of the declining trend in rate of return, apparent in the above tabulation and fully supported in the record, it is most probable that if applicant's requested rates are authorized applicant will enjoy no more than a 5½% return in the next two-year period. We conclude that such rate of return is within the zone of reasonableness. The rates proposed by applicant will be authorized.

Rate Differentials

With respect to the rate differential to be accorded those users taking untreated water, both applicant and the Commission engineer presented cost studies which show that a lesser rate is warranted for untreated water. The respective cost studies differ but little in the end result. From them we conclude that the rate differential proposed by applicant is reasonable.

Service Problems

Several witnesses, called by the Farm Bureau representative, complained of low pressure and discolored water. In the period between hearings applicant investigated the complaints and found the conditions to be as alleged. A report on the conditions and the remedy therefor is of record as Exhibit No. 15 in this proceeding. Applicant shall undertake the immediate corrective measures set forth in the report without delay and should pursue the future improvements therein set forth so that full corrective measures will be completed prior to the next summer season.

These same persons alleged discrimination in the installation of water meters. We find no element of discrimination in the manner or program of installing meters. However, applicant should permit no unnecessary interruption of its metering program. The installation of meters should be accelerated to the extent that the availability of funds will permit.

Tariff Filings

Applicant's tariffs consist of sheets filed at various times since 1927. Such filings have been made under several different procedures now inconsistent with General Order No. 96. Applicant will be required to bring its tariffs into conformity with General Order No. 96 and to include in such refileing a set of rules and regulations reflecting present-day practices.

O R D E R

North Fork Ditch Company, having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in Placer and Sacramento Counties, public hearings thereon having been held, the matter having been submitted and being now ready for decision,



IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified, and that the present rates, in so far as they differ from those prescribed herein, 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 and in conformity with General Order No. 96, the schedules 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 January 1, 1953.

IT IS HEREBY FURTHER ORDERED that applicant shall file in quadruplicate with this Commission prior to June 30, 1953 a complete set of its effective tariffs, including rules and regulations, in conformity with General Order No. 96.

IT IS HEREBY FURTHER ORDERED that applicant shall proceed, without delay, with the corrective measures set forth in Exhibit No. 15 in this proceeding, shall complete said corrective measures prior to June 30, 1953 and shall report fully the effect of said measures to the Commission not later than July 31, 1953.

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

Dated at San Francisco California, this 27<sup>th</sup> day of November, 1952.

A. J. Davidson  
President.  
Justus F. Casper  
Harold Huls  
Marion P. Foster  
Robert E. Mitchell  
Commissioners.

EXHIBIT A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all domestic and industrial metered water service.

TERRITORY

Within the service area located in portions of Placer and Sacramento Counties.

RATES

A. For Treated Water.

Quantity Rates:

	<u>Per Meter</u> <u>Per-Month</u>
First 1,000 cu. ft. or less.....	\$3.00
Next 4,000 cu. ft., per 100 cu. ft.....	.15
Next 5,000 cu. ft., per 100 cu. ft.....	.10
Over 10,000 cu. ft., per 100 cu. ft.....	.07

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 3.00
For 3/4-inch meter.....	3.50
For 1-inch meter.....	5.00
For 2-inch meter.....	10.00
For 4-inch meter.....	20.00

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.

EXHIBIT A  
Page 2 of 3

Schedule No. 1

GENERAL METERED SERVICE  
(Continued)

RATES (Continued)

Per Meter  
Per Month

B. For Untreated Water.

Quantity Rates:

First 1,000 cu. ft. or less.....	\$2.85
Next 4,000 cu. ft., per 100 cu. ft.....	.13
Next 5,000 cu. ft., per 100 cu. ft.....	.08
Over 10,000 cu. ft., per 100 cu. ft.....	.05

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 2.85
For 3/4-inch meter.....	3.35
For 1-inch meter.....	4.50
For 2-inch meter.....	9.50
For 4-inch meter.....	19.00

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.

Schedule No. 2  
IRRIGATION AND WHOLESALE SERVICE

APPLICABILITY

Applicable to irrigation and/or wholesale water deliveries.

TERRITORY

Within the service area located in portions of Placer and Sacramento Counties.

RATES

	<u>Per Year</u>
For retail irrigation delivery, per miner's inch . . . . .	\$53.00
For wholesale delivery of treated water, per miner's inch . . . . .	38.00

The term "miner's inch" used herein is the equivalent of one-fiftieth (1/50) cubic foot of water per second.