

Decision No. 52865

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 FARMERS IRRIGATION COMPANY, a cor- ) Application No. 37343  
 poration, for an order authorizing )  
 it to change and increase its rates. )

Teague and Dixon, by James E. Dixon, for applicant.  
Charles W. Drake for the Commission's staff.

O P I N I O N

Applicant herein is a California corporation engaged in the business of furnishing and supplying water for irrigation and farming purposes in an area in the Santa Clara Valley lying northerly of the Santa Clara River and extending westerly from the City of Santa Paula a distance of approximately eight miles, all in the County of Ventura. Authority is requested to increase the present rates of the company as follows:

<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Quantity Rate</u>	
For all irrigation and nonirrigation use, per miner's inch day .....	
\$0.22	\$0.32
or	
For all irrigation and nonirrigation use, per acre-foot .....	
\$5.5462	\$8.0672
<u>Minimum Charge</u>	
1. For irrigation use, per 24-hour day or any portion of 24-hour day ..	
\$2.50	\$4.80
2. For nonirrigation use, per 24-hour day or any portion of 24-hour day, at times when there is no irrigation water demand .....	
\$4.50	\$6.50
plus cost of water used @ \$0.22 per miner's inch or \$5.5462 per acre-foot	plus cost of water used @ \$0.32 per miner's inch or \$8.0672 per acre-foot

A public hearing was held in Santa Paula on February 20, 1956, before Examiner Grant E. Syphers, at which time evidence was adduced and the matter submitted. It is now ready for decision.

At the hearing the manager and engineer of the applicant company presented testimony as to the operations of the company. Exhibit 1 is a map showing the wells, pipe distribution system, and miscellaneous structures which are operated as part of this water utility. It was pointed out that a complete inventory of all of the company's facilities was filed with this Commission in 1931. Exhibit 1 indicates the subsequent changes. A second map, designated as Exhibit 2, delineates the service area presently being served.

The witness presented and explained a report which described the physical plant and the revenues and expenses of the company. This report also sets out the following information concerning the earnings, rate base, and rate of return of the company:

	<u>1955</u>		<u>1956</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Gross Revenues	\$45,554.95	\$66,260.00	\$39,321.00	\$56,639.00
Operating Expenses	44,712.38	51,608.38	42,096.00	46,953.00
Net Revenue	842.57	14,651.62	<u>(2,775.00)</u>	9,686.00
Average Rate Base	377,222.64	377,222.64	372,237.61	372,237.61
Rate of Return	0.22%	3.88%	(Loss)	2.60%

(Red Figure)

It was developed that this company served 76 customers in 1955, two of which are mutual water companies. The territory involved consists of about 5,000 acres, and the water is used principally for irrigation, although some small amounts are used for domestic purposes and for pest control.

In general, the position of the company was that its present schedule of water rates has been maintained since 1931 in spite

of rising costs. It is now necessary to increase these rates since expenses are increasing to a point where a profit no longer will be realized under the present rates. It was estimated that the costs for 1956 will be 12½ percent greater than the average yearly cost for the past 45 months.

A witness for the Commission's staff presented Exhibit 4 which is a report on the results of operations of this company.

A summary of the staff's estimates follows:

	<u>Adjusted Year 1955</u>		<u>Estimated Year 1956</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenue	\$38,520	\$56,130	\$38,530	\$56,140
Total Operating Expense	46,524	49,695	46,844	49,913
Net Revenue	( <u>8,004</u> )	6,435	( <u>8,314</u> )	6,227
Average Depreciated Rate Base	245,286	245,286	241,115	241,115
Rate of Return	-	2.62%	-	2.58%

(Red Figure)

An analysis of the evidence leads us to the conclusion, and we now find, that the rates proposed will not be unreasonable and that the increase requested should be granted.

During the course of the testimony it was developed that there is an item of \$89,069.72 which the company classifies as "unrecorded rate base." This is an amount which was not fully explained in the hearing, but which was included in a prior valuation of this company made in 1931. The company agreed to furnish an explanation of this figure, although it should be noted that this amount was not included in the rate base used by the company as set out hereinabove, nor in the rate base used by the staff.

It was further developed that the company has followed a practice of using a straight-line total life method in computing annual depreciation expense and that, as a result of this practice, various units of property are fully depreciated in the records of the company although remaining in full use.

O R D E R

Application as above entitled having been filed, public hearing having been held thereon, the matter having been submitted, and the Commission being fully advised in the premises, it is hereby found as a fact that applicant is entitled to increased revenues; that the schedule of rates proposed in the application is fair and reasonable; and that the increase in rates is justified; therefore,

IT IS HEREBY ORDERED as follows:

1. a. That applicant Farmers Irrigation Company, a corporation, be and it 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 Appendix A attached hereto and, on not less than five days' notice to the Commission and to the public, to make said rates effective for service rendered on and after May 6, 1956.
- b. That applicant shall file with this Commission, within thirty days after the effective date of this order, four sets of up-to-date rules governing current irrigation system operations of the utility, together with four copies of a tariff service area map, acceptable to the Commission and in conformity with the Commission's General Order No. 96. Such rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
- c. That applicant shall file with this Commission, within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 300 feet to the inch, delineating by appropriate markings the various tracts of land and territory

served; the principal water production, storage and distribution facilities; and the location of the various properties of applicant.

- 2. Beginning with the year 1956, applicant shall determine depreciation expense relating to the portion of the depreciable fixed capital allowed herein by multiplying said depreciable fixed capital by a rate of 1.96 per cent. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable fixed capital occur or at intervals of not more than four years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

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

Dated at San Francisco, California, this 10<sup>th</sup> day of April, 1956.

[Signature]  
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner Matthew J. Dooley, being necessarily ~~absent~~, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 3

MEASURED IRRIGATION SERVICE

APPLICABILITY

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

TERRITORY

A portion of the City of Santa Paula and the territory extending about eight miles westerly therefrom and lying generally north of the Santa Clara River, Ventura County.

RATES

	<u>Per Service</u>
1. Irrigation Service	
Quantity Rate:	
For all water delivered, per acre foot .....	\$8.0672
Minimum Charge:	
For each delivery per 24-hour period or any portion thereof .....	4.80
<p style="margin-left: 40px;">The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rate.</p>	
2. Nonirrigation Purposes, When no Irrigation Service is Provided	
Service Charge:	
For each delivery per 24-hour period or any portion thereof .....	6.50
Quantity Rate:	
For all water delivered, per miner's inch day ...	0.32
<p style="margin-left: 40px;">The Service Charge is a readiness-to-serve charge applicable to serve for nonirrigation purposes and to which is to be added the charge computed at the Quantity Rate.</p>	

SPECIAL CONDITION

A miner's inch day is defined as a continuous flow equal to one-fiftieth (1/50) cubic foot per second for a 24-hour period.