

Decision No. 58591**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
KERN ISLAND CANAL COMPANY, a corpo-
ration, for an order authorizing an
interim rate for delivery of natural
flow water during the calendar year
1959 in accordance with the propos-
als herein set forth.)

Application No. 41068

O P I N I O N

By its application, filed April 23, 1959, Kern Island Canal Company, a California corporation, seeks interim rate relief during the remainder of calendar year 1959 and for this period requests the Commission to authorize an increase in the rate for natural flow water from \$1.60 per acre-foot to \$1.90 per acre-foot. No change is requested in the present rate of \$3.90 per acre-foot for deliveries of stored water, nor in the charge made to other utilities for resale.

Applicant's request for authorization of an interim rate of \$1.90 per acre-foot for natural stream flow water during 1959 is intended to recover only the operating expense and a reasonable amount for depreciation, according to applicant. The present rate of \$1.60 per acre-foot for this service has been in effect continuously since May 1, 1936. At a later date applicant proposes to file with this Commission an application requesting authorization for a general rate increase which will produce sufficient revenue to provide a reasonable rate of return on the capital invested.

History, Water Rights and Description of System

According to the application, applicant is the successor of the former Kern Island Irrigating Company which was formed in 1870.

It is further stated that applicant's water rights consist of an entitlement from the Kern River of 300 cubic feet per second, together with an additional entitlement of 56 cubic feet per second, subject to certain outstanding contracts for the transmission and delivery of water.

Water is diverted from the Kern River and delivered to irrigation customers by gravity, through some 61.5 miles of canals and laterals, in the farm areas south of the City of Bakersfield, Kern County.

Plant, Income and Estimated Earnings

Applicant's balance sheet as of December 31, 1958, Exhibit A attached to the application, indicates an amount for utility plant of \$667,198.94, an amount of \$237,549.06 for reserve for depreciation and a net utility plant of \$429,649.88. For the year ended December 31, 1958, applicant's income statement, included as Exhibit B in the application, shows a loss under utility operating income of \$2,845.49. No other income is reported. In fact, the application states that applicant has sustained an aggregate loss of approximately \$99,500 during the years 1937 through 1958, inclusive, and has earned a profit from operations in only one of the last 10 years (1956).

Applicant estimates that total operating expense for the year 1959 will not be less than \$152,700, which amount includes accounting costs and depreciation expense of approximately \$4,200 and \$14,900, respectively. Also, that for the same period and upon the

basis of 1957 deliveries its revenues under present rates and proposed rates, recomputed on an annual basis, would be as follows:

	<u>Present Rates</u>	<u>Proposed Rates</u>
Natural flow - 71,249 acre-feet	\$114,000	\$135,370
Storage water - 2,736 acre-feet	10,670	10,670
East Side Canal - contract sales	4,500	4,500
Total Revenue	<u>129,170</u>	<u>150,540</u>

It is apparent from the above showing that the utility would suffer a loss even had the proposed rate for natural flow deliveries been in effect for the entire 1959 irrigation season. In addition, applicant demonstrates that at the rate proposed herein for natural flow water had revenues been estimated upon the basis of the average deliveries for the past five years, rather than 1957 deliveries, estimated operating expenses for 1959 would likewise not have been realized.

Findings and Conclusions

Applicant has clearly shown that earnings from present rates are deficient and that the increase proposed will not result in excessive earnings for the year 1959. The increased rate for natural flow water proposed by applicant will be authorized by the order which follows.

The Commission finds that the increased rate authorized herein is justified and that the present rate, in so far as it differs from that herein prescribed, for the balance of the year 1959 is unjust and unreasonable.

O R D E R

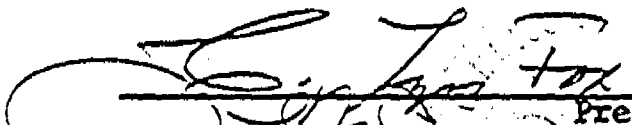
The Commission having considered the request of applicant and being of the opinion that a public hearing is not necessary; therefore,

IT IS ORDERED that Kern Island Canal Company, a California corporation, is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the temporary rate schedule attached to this order as Appendix A and, upon not less than five days' notice to this Commission and to the public, to make said rate effective for service rendered on and after June 16, 1959.

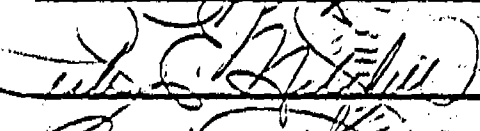
Since the company has urged that this interim rate be placed in effect as soon as possible and it does not appear that the public interest will thereby be adversely affected, it is further ordered that the effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 16th day of

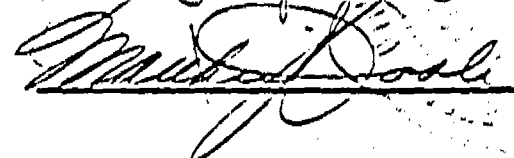
June, 1959.



President



Commissioner



Commissioner

Commissioners

APPENDIX A

Schedule No. 3 MNX

TEMPORARY MEASURED IRRIGATION SERVICE - NATURAL STREAM FLOW

APPLICABILITY

Applicable to deliveries of water from the natural flow of the Kern River.

TERRITORY

The area served by the company's canal system southerly of, and adjacent to, the City of Bakersfield, Kern County.

RATE

Per Acre-Foot

For irrigation water, when available, from the natural flow of Kern River	\$1.90
--	-------	--------

SPECIAL CONDITIONS

1. This schedule will be effective only for the 1959 irrigation season and will thereafter be withdrawn.
2. Applications for water under this schedule shall be made in accordance with the effective rules on file as part of these tariff schedules.