

# ORIGINAL

Decision No. 5972

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application )  
of the HUNTINGTON BEACH WATER COMPANY )  
for an order authorizing increase in ) Application No. 4071.  
water rates in and adjacent to the )  
City of Huntington Beach, California. )

H. L. Heffner and H. V. Anderson for applicant.  
A. P. Nelson, City Attorney, for City of  
Huntington Beach.  
S. H. Finley, in propria persona, in business  
as East Side Water Company.

BY THE COMMISSION:

## O P I N I O N

In above application, Huntington Beach Water Company asks authority to increase its rates for water served in and about Huntington Beach, Orange County.

A public hearing upon the application was held by Examiner Westover at Huntington Beach.

The application alleges in effect that the existing rates do not produce a sufficient revenue to afford applicant expenses of operation, depreciation and return on the investment, and asks that a fair and remunerative rate schedule be established.

The present rates were established by the Com-

mission in Decision No. 1730 of August 14, 1914. (See Vol. 5, Opinions and Orders of the Railroad Commission of California, p. 237). They are as follows:

Minimum charge 500 cu. ft. or less	\$1.00 per month
Next 4000 cu. ft.	.10 per 100 cu.ft.
Over 4500 cu. ft.	.06 per 100 cu.ft.

In above decision, No. 1730, the Commission held that the system was overbuilt and that the present consumers should not be charged rates based upon the entire cost of construction. It was estimated that the plant was then serving one-sixth of the consumers which it was then prepared to serve, and that allowing the cost of a plant double the size necessary to serve its consumers would be reasonable as a rate base. A return was therefore allowed applicant on one-third of the estimated plant cost.

Since that decision additional area has been piped for service and the number of consumers has increased so that the system now serves about one-fifth of the consumers it is now prepared to serve. Applying the method used in Decision No. 1730, we will allow herein a return upon two-fifths of the estimated plant cost as a charge against the present consumers.

Using the valuation in the above rate proceeding which resulted in Decision No. 1730; and also the valuation in proceedings by which applicant was authorized to acquire the system and issue stock therefor, as set forth in Decision No. 4137 of February 28, 1917, (Vol. 12, Opinions and Orders of the Railroad Commission of California) and added betterments and improvements since installed, the Commission's engineers estimate the repro-

duction cost new of the system to October 1, 1918, to be \$127,116. Two-fifths of this amount is \$50,846, which is used herein as a basis for rates.

Applicant's recent revenue and expenses are reported as shown in table below, from which it appears that it has not earned an adequate return.

HUNTINGTON BEACH WATER COMPANY

Revenue and Expenses.

	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>*1918</u>
Pumping expense	\$1917.18	1643.16	1913.27	2020.00
Distributing expense	893.88	1076.67	832.89	890.00
Commercial expense	211.74	281.11	225.96	220.00
General expense	3550.83	3628.70	3762.85	3500.00
Taxes	<u>1587.69</u>	<u>1220.05</u>	<u>1152.98</u>	<u>1200.00</u>
Total operating expenses	\$7961.32	\$8049.71	\$7787.95	\$7830.00
Gross revenue	<u>\$10,354</u>	<u>12,005</u>	<u>10,840</u>	<u>11,400</u>
Net operating revenue	\$ 2,393	\$3,955	\$ 3,052	\$ 3,570

\*1918 Revenue and expenses are estimated on basis of 9 months period.

Applicant anticipates no increase in number of consumers in the near future and we have made no allowance therefor. It appears that the estimated expenditure during 1918 is a fair criterion of what will occur in the future and is a reasonable amount to include in the required annual charges shown below:

Return on \$50,846	\$4068.00
Annuity for depreciation	1810.00
Maintenance and operation	<u>7630.00</u>
Total annual charges	\$13,708.00

The above annuity is computed by the sinking fund method based on the estimated cost new of the plant and system. In the earlier rate proceeding the annuity was computed by the straight line method, using as a basis the estimated cost new of the plant and system less depreciation. The effect upon resulting rates is found to be about the same.

From data on water use submitted and from available records it is estimated that the rate schedule set out in the order following will at least produce the annual charges set out above.

#### O R D E R

HUNTINGTON BEACH WATER COMPANY having applied to the Railroad Commission for authority to increase the rates charged for water in and about Huntington Beach, Orange County, and a public hearing having been held,

IT IS HEREBY FOUND AS A FACT by the Railroad Commission of the State of California that the rates herein established are just and reasonable rates and that the rates heretofore charged by the Huntington Beach Water Company are unjust and unreasonable insofar as they differ from the rates herein established; and basing its order on the foregoing findings of fact and on the further findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that the Huntington Beach Water Company be and it is hereby authorized to file with the Commission within twenty days from the date of this order and thereafter charge and collect the following rates:

Minimum payment for 400 cu. ft.....\$1.00  
 Next 3000 cu. ft. per 100 cu. ft.... .15  
 Over 3400 cu. ft. per 100 cu. ft.... .10

Fire Hydrant Rentals:

2-inch.....\$1.25 per month  
 2½ " ..... 1.50 "  
 3 " ..... 2.00 "

Dated at San Francisco, California, this 3<sup>d</sup>  
 day of December, 1918.

Edwin O. Edgerton  
H. D. Leonard  
Frank A. White  
 Commissioners.