

ORIGINAL

Decision No. 6221

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application  
of S. H. FINLEY, owner of EAST  
SIDE WATER SYSTEM OF HUNTINGTON  
BEACH for authority to increase  
water rates.

)  
) Application No. 4278.  
)

In the matter of the rate charged  
by HUNTINGTON BEACH WATER COMPANY  
for water supplied to and distributed  
by S. H. FINLEY, owner of EAST  
SIDE WATER SYSTEM OF HUNTINGTON  
BEACH.

)  
) Case No. 1288.  
)

S. H. Finley in propria persona.  
L. W. Blodget, City Attorney, for  
City of Huntington Beach.  
W. L. Hefner and E. V. Anderson  
for Huntington Beach Water Company.

BY THE COMMISSION:

O P I N I O N

Above named applicant requests authority to increase rates for water distributed by him in that portion of Huntington Beach, Orange County, which is bounded by the Southern Pacific Railroad, Delaware Avenue, Memphis and Atlanta Streets, and that a special rate be given to applicant by Huntington Beach Water Company for water supplied by it to applicant for distribution. The Commission therefore ordered an investigation under Case No. 1288 into the reasonableness of the rates charged Mr. Finley.

A public hearing was held by Examiner Westover at Huntington Beach. By stipulation of parties both proceedings were consolidated for hearing and decision.

The most of Huntington Beach is served with water by Huntington Beach Water Company, including that portion adjoining the territory above described, which is served by applicant. Applicant purchases from the Huntington Beach system all the water distributed by him, at the usual monthly metered rates, most of his supply naturally being purchased at the lowest rate per 100 cu. ft.

By Decision No. 1730 of August 14, 1914, monthly flat and metered rates were established for Huntington Beach Company. (Vol. 5, Opinions and Orders of the Railroad Commission of California, p. 237.) The metered rates then fixed were:

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

By Decision No. 4046 of January 22, 1917, Mr. Finley was authorized to apply the same rates to his system. (See Vol. 12, Opinions and Orders of the Railroad Commission of California, p. 351.)

By Decision No. 5972 of December 3, 1918, Huntington Beach Water Company, successor of the Huntington Beach Company, was authorized to increase its rates to the following:

First 400 cu. ft. or less.....	\$1.00
Next 3000 cu. ft. per 100 cu. ft....	.15
All over 3400 cu. ft. per 100 cu. ft.	.10

Mr. Finley as a consumer of Huntington Beach Water Company is therefore purchasing water at the latter rates and selling it at the earlier lower rate.

Mr. Finley in his application requests a wholesale rate for water purchased by him monthly for amounts over 3400 cu. ft. and less than 10,000 cu. ft., of 8¢ per 100 cu. ft. and for all amounts over 10,000 cu. ft., of 6¢ per 100 cu. ft.; and that his rates for water sold through his system be the recent Huntington Beach rates or such modification thereof as may be found suitable.

Huntington Beach Water Company objects to the proposed wholesale rate because it would reduce its revenue, which was designed to afford it a return on only two-fifths of its investment, since its system is at present overbuilt; because a readjustment of rates to protect its revenue would increase the burden of other consumers; and because in either event such a rate would result in discrimination. However, it offers no serious objection to the establishment of a low rate for exceptionally large use which would apply to several of its larger consumers.

Mr. Finley's East Side System consists of nearly 20,000 feet of 2, 3 and 4 inch standard screw pipe with valves, fittings, 135 services and 81 meters, laid in several subdivisions containing an aggregate of about 1000 lots. The system serves all of the houses in its territory except two, for which private wells are provided.

As shown by Decision No. 4045, of January 22, 1917, the estimated cost now of the system, including 135 services, was \$6,783, of which consumers provided between \$200 and \$250 for service connections. The above amounts do not include well,

tank house and real estate not used or useful. A suitable annuity for depreciation was computed by the Commission's engineers to be \$168. Applicant shows the cost for collection, superintendence, repairs and taxes for the year ending October 31, 1918, to have been \$575.89.

In Decision No. 5972 of December 3, 1918, the Commission found that the Huntington Beach System was then serving about one-fifth of the consumers which it was prepared to serve and therefore allowed as a rate base two-fifths of the estimated cost of the plant as a proper charge in rates against the present consumers.

Mr. Finley's system has sufficient capacity to serve 1000 consumers, although it has but 135 connections. The only addition to the system since the previous valuation is 6 meters costing \$52.20. Applying the principle referred to above to the pipe system, and allowing a return on meters enough for the entire system, \$3500 is a reasonable sum to use as a rate base in computing rates which should be paid by the present consumers.

Our engineers have computed from applicant's records the amount of water sold by him during 1918 upon flat and metered rates. From this it appears that a total of 942,120 cu. ft. was purchased by Mr. Finley during the year ending October, 31, 1918 and that during the year ending November 30, 1918 he sold a total of 584,800 cubic feet through an average of 72 active meters, an average consumption of about 8120 cubic feet per annum. Apparently his annual sales upon flat rates, including losses due to leakage, amount to about 357,320 cubic feet. As the average number of active flat rate services for the year is said to be 18, the average annual consumption per consumer

under flat rates is apparently about 19,850 cu.ft. or nearly two and one-half times the consumption under metered rates. Apparently if the system were fully metered and water purchased and sold under the present Huntington Beach rates, established by Decision No. 5972 of December 3, 1918, the cash saving in water purchased of 11,730 cu. ft. per year for each of the 18 average flat rate consumers would amount to \$11.73 or a total of \$211.14; yet the revenue would not be reduced, but probably increased.

It appears that a total of about 62% of water purchased produced \$1125.30 at metered rates, or about 79% of the revenue from water sales, while about 38% of the water purchased produced \$249.45 at flat rates, or only about 21% of the total revenue from water sales.

This very forcibly illustrates the injustice and poor judgment in selling a practically unlimited amount of water under limited flat rates, particularly when the water is purchased under metered rates and every foot of it paid for in cash.

Computations show that if applicant purchases and sells water at the rates established by Decision No. 5972 of December 3, 1918, with an average of 90 metered consumers, using the average metered consumption of 1918, his revenue will probably be sufficient to cover the annual charges hereinabove referred to, including purchase of water, maintenance, and operation, depreciation, and a return on the full investment in meters for the entire system, and on that portion of the distributing system on which present consumers should pay rates.

Establishing a reduced rate to be charged by Huntington Beach Water Company for large use which would not be discriminatory but available to other consumers of large quantities of water, would reduce that company's revenue far more

than the amount of the reduction in Mr. Finley's bill for water purchased; and such a course does not seem to be justified in this instance where applicant can so greatly reduce his operating cost by fully metering his system. That feature of the application will therefore be denied.

O R D E R

S. H. FINLEY having applied to the Railroad Commission for authority to increase water rates, a public hearing having been held thereon, the matter having been submitted and being now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS that the metered rates now charged by said S. H. Finley, insofar as they differ from the metered rates, herein established, are unreasonable and non-compensatory and that the rates hereby established are just and reasonable rates; and basing its order upon the above findings of fact and upon all of the findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that S. H. Finley be and he is hereby authorized to file with the Commission within twenty (20) days from the date of this order and thereafter to charge and collect the following metered rates and rates for hydrant rentals.

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	"

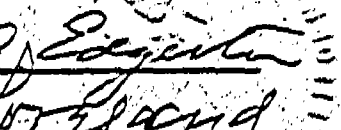
IT IS HEREBY ORDERED that applicant's present flat rates continue in effect until his system is fully metered or until the further order of the Commission.

Said S. H. Finley is hereby authorized and empowered to place meters on all services and thereafter charge the above metered rates only.

IT IS FURTHER ORDERED that the application of said S. H. Finley insofar as it requests the establishment of a special wholesale rate to be charged to applicant by Huntington Beach Water Company be and it is hereby denied.

IT IS FURTHER ORDERED that Case No. 1283, initiated by the Commission on its own motion to investigate the reasonableness of the rates charged by Huntington Beach Water Company for water supplied to and distributed by S. H. Finley be and it is hereby dismissed.

Dated at San Francisco, California, this 26<sup>th</sup>  
day of March, 1919.



*Edwin O. Edgerston*  
*H. L. England*  
*Stuart K. Herben*  
*J. B. Broun*

Commissioners.