

Decision No. 80196

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CALIFORNIA WATER SERVICE COMPANY,
a corporation,

for an order authorizing it to
increase rates charged for water
service in the Bakersfield district.

Application No. 52499
(Filed March 15, 1971,
Amended August 25, 1971)

McCutchen, Doyle, Brown & Enersen, by A. Crawford
Greene, Jr., Attorney at Law, for applicant.
Kenneth W. Hoagland, Attorney at Law, for the City
of Bakersfield; and Raymond E. Rees, for
Customers of Crest Tariff Area of California
Water Service Company; interested parties.
William C. Bricca, Attorney at Law, and John E.
Brown, for the Commission staff.

O P I N I O N

After notice, public hearing in this matter was held before Examiner Gillanders on September 21 and 22, 1971 at Bakersfield and the matter was submitted on December 28, 1971 upon receipt of the staff's written closing statement.

Applicant, a California corporation, seeks authority to increase its rates by \$678,000 (year 1971) for water service to about 7,700 metered customers and 29,500 flat rate customers. In addition, applicant is proposing an increase in its construction flat rate service.

Results of Operation

The following tabulation compares the estimated summary of earnings for the test year 1971, under present and proposed rates, presented by the applicant and by the staff:

Item	Applicant Estimated		Staff Adj. & Est.		Applicant:
	Present	Co. Proposed	Present	Co. Proposed	
	Rates	Rates	Rates	Rates*	

(Dollars in Thousands)

Operating Revenues	\$ 3,448.2	\$ 4,126.2	\$ 3,445.2	\$ 4,123.2	\$ 3.0
<u>Operating Expenses</u>					
Oper. & Maint.	1,149.5	1,149.5	1,106.5	1,106.5	43.0
Admin., Gen'l. & Misc.	43.6	43.6	46.8	46.8	(3.2)
Taxes Other Than Income	581.3	589.8	489.2	497.6	92.1
Depreciation	424.3	424.3	405.5	405.5	18.8
Allocated Common	247.5	247.5	237.6	237.6	9.9
Subtotal	2,446.2	2,454.7	2,285.6	2,294.0	160.6
Income Taxes	218.5	564.2	306.4	652.2	(87.9)
Total Expenses	2,664.7	3,018.9	2,592.0	2,946.2	72.7
Net Operating Revenues	783.5	1,107.3	853.2	1,177.0	(69.7)
Depreciated Rate Base	14,681.1	14,681.1	13,743.2	13,743.2	937.9
Rate of Return	5.34%	7.54%	6.21%	8.56%	(.87)%

(Red Figure)

At present rates.

* At applicant's proposed 1971 rates.

DiscussionOperating Revenues

As can be seen by the results of operation (supra), applicant and the staff differ by only \$3,000^{1/} in their revenue estimates at both present rates and proposed rates.

Applicant and staff made their estimates by examining past recorded data and then utilizing the data for estimating 1970 and 1971 revenues via a logarithmic curve.

According to applicant's witness a fair summary of his method of making estimates is "strictly mathematical projections of past data."

^{1/} The staff eliminated the rental of the Pacheco well field land.

Operating Expenses

In Decision No. 78807, dated June 22, 1971, in Application No. 52055 (California Water Service Company - Hermosa-Redondo District), we said:

"It appears that applicant's method of making expense estimates, which it has used many years for budgetary and regulatory purposes, yields consistently inflated results which may be appropriate for a budget but are not sufficiently accurate and indicative of future operating expectations to justify the use of the method as a basis for fixing rates to be paid by the public."

In this proceeding, applicant's Rate and Valuation Assistant testified that his method of making expense estimates was identical to the method used in Hermosa-Redondo.

This record clearly reveals the inflated results referred to in Decision No. 78807.

The staff differs with applicant in total operating, maintenance and A & G expenses for 1971 estimated by \$160,600.

Real Property Taxes

According to applicant, "the Staff in arriving at its estimate of ad valorem taxes for the two test years used the fiscal 1971-1972 assessment ratio and the fiscal 1970-1971 tax rate in order to arrive at a fiscal 1971-1972 effective tax rate. It then applied that same 1971-1972 effective tax rate to all three fiscal years to find the taxes for the two calendar years 1970 and 1971. Use of the same effective tax rate results in distortion and gives no effect to the increasing average tax rate per \$100 assessed valuation in Kern County. This increase is in fact county-wide and not one that applies only to the Company, so to ignore it is to produce a material distortion. Staff procedures in estimating ad valorem taxes totally ignore past experience which shows a steadily increasing average tax rate and are further contrary to prior decisions of the Commission. See, for example, said Decision No. 73686, wherein the Commission stated:

'It is apparent that recognition of a reasonably well-defined trend in the effective rate for ad valorem taxes is more likely to produce reasonable estimates than to ignore the trend.'

Staff Treatment of Ad Valorem Taxes

According to the staff, 'here, as in expenses, the established principle is that the allowance should be an amount the utility is obligated or can reasonably be expected to pay. This could be a projection of a reasonably well defined trend expected to continue into the future. Available data herein does not support such conclusion. Therefore the staff adopted an effective tax rate based on the latest available data.'

Rate Base

The following tabulation shows a comparison of staff and applicant's estimated plant and rate bases:

Item	1970		1971	
	Applicant	Staff	Estimated	
	Estimated	Adjusted	Applicant	Staff

(Dollars in Thousands)

<u>Average Utility Plant</u>				
Beginning-of-Year Balance	\$18,546.8	\$18,091.8	\$19,457.3	\$18,633.8
Gross Additions	997.6	627.4	1,044.6	748.5
Retirements & Adjustments	87.1	85.4	87.1	83.9
Net Additions	910.5	542.0	957.5	664.6
Weighted Average Amount	19,094.0	18,388.9	20,032.8	18,987.5
<u>Average Rate Bases</u>				
Utility Plant	19,094.0	18,388.9	20,032.8	18,987.5
Less Adjustments to Plant	1,433.9	1,424.6	1,427.6	1,414.8
Materials & Supplies	58.9	55.9	56.4	54.9
Working Cash	174.7	174.7	178.3	178.3
Undepreciated Rate Base	17,893.7	17,194.9	18,839.9	17,805.9
Less Depreciation Reserve	4,016.0	3,937.8	4,373.6	4,272.1
Depreciated Rate Base	13,877.7	13,257.1	14,466.3	13,533.8
Allocated Common Rate Base	212.3	210.4	214.8	209.4
Total Depreciated Rate Base	14,090.0	13,467.5	14,681.1	13,743.2

Staff Exhibit No. 15 shows that the staff made three downward adjustments amounting to \$455,000 to beginning of year 1970 plant as follows:

1. Seventy percent of the Pacheco Road well field was excluded.^{2/} This adjustment amounts to \$162,300.

2. The Panorama tank site comprises approximately 19 acres of which approximately 7 acres are used for a 6 million gallon storage tank and a graded site for another tank of the same capacity. Fifty percent of the cost of this parcel was excluded, or \$51,000.

3. The former Crest Water Company wells and related facilities have not been used for utility purposes since the purchase of the properties in 1966. The water from these wells is of very low quality and has been replaced by water from the Pacheco wells. This adjustment amounts to \$241,700 including land.

As can be determined from the above tabulations, applicant and the staff differ by \$823,500 in their estimates of 1971 beginning of year plant balance and by \$937,900 in their estimate of 1971 total depreciated rate base.

The principal differences in the 1971 rate bases between applicant and staff result from the staff's use of 1970 recorded rate base items for 1970 and company estimated 1971 construction budget as representing reasonable district annual plant additions for 1971 and staff exclusion of nonoperative plant. Applicant trended several past years' additions after adjustment to year 1965 cost levels by means of company developed cost indices. The staff estimated 1971 actual additions while applicant trended past years' construction levels.

^{2/} The text of Exhibit No. 15 originally stated that the adjustment was made "in consonance with Decision No. 72235, dated April 4, 1967, in Application No. 48590, as amended." Under cross-examination, the staff witness changed the text to read "...was excluded in consonance with previous staff recommendation in Application No. 48590, as amended." Further cross-examination showed that the previous staff recommendation included an upward adjustment for rate base purposes to compensate for the downward plant adjustment.

Applicant's vice-president testified that he estimated 1971 Gross Plant Additions at \$1,044,600.^{3/} Applicant's 1971 Construction Budget (Exhibit No. 16) calls for expending \$482,562^{4/} of company generated funds.

When asked what did he intend to spend the difference of \$433,038 on, applicant's vice-president testified that "I did not anticipate any specific fund additions. As previously testified to I base my estimates upon normal or average additions in the Bakersfield District."

Applicant's vice-president further testified that his estimates of ad valorem taxes, depreciation expense and customer growth were all consistent with his gross additions estimate of \$1,044,600.

In Decision No. 79488, dated December 12, 1971, in Application No. 52323, a rate increase application for applicant's Oroville District, we said:

"It is obvious from the above that applicant is including in its estimated test year rate base at least \$150,000 of plant it will never install. Thus, it is requesting that the ratepayers pay at least \$30,000 per year costs which it will never incur on such phantom plant."

In this proceeding it is obvious that applicant is including in its estimated test year rate base at least \$433,038 of plant it will never install. Thus, it is requesting that the ratepayers pay costs which it will never incur on such phantom plant.

We again point out that since its origin over 60 years ago, this Commission has adhered to original cost of plant as being the

^{3/} Includes \$10,700 for contributions in aid of construction and \$117,800 advances for construction and \$915,600 of company generated funds.

^{4/} This amount includes \$50,000 for contingency items.

proper basis for determining the reasonable value of property devoted to public use.

While admittedly there are errors in the staff's calculation of rate base, the staff's rate base is better suited for rate-making purposes than is that of applicant.

Rate of Return

In its application, filed on March 15, 1971, applicant proposed a schedule of step-rates designed to produce a rate of return of approximately 7.5 percent during 1971 and maintain adequate earnings through 1974. Applicant sought annual increases in the rate of return because, as stated in paragraph 10 of the application:

"Financing costs of Applicant for new capital requirements during the past 10 years have increased very substantially and, while interest rates have decreased over the past few months from their recent 100-year peak, so long as the effective cost to Applicant of new bond financing exceeds 5%, any such financing will result in an overall increase in the Company's effective bond interest rate. Consequently the requested rates are necessary in order to meet the present financial costs of Applicant and enable Applicant to finance the required system replacements and improvements."

For the same reasons set forth in the quotation in the preceding paragraph, applicant sought a similar annual increase in the rate of return in its application for increase in rates in its Livermore district Application No. 52052. However, by reason of Decision No. 78789, dated June 15, 1971, relating to that application, which found a rate of return of 7.55 percent to be reasonable but which did not approve applicant's proposed annual increase in rate of return to offset the so-called financial decline in rate of return, applicant has concluded that there should be eliminated from its proposed rate schedules in this proceeding the annual increase in rate of return attributable to such financial decline. Accordingly, applicant on August 25, 1971 proposed that the amended

schedule of step-rates attached to its amended application as Exhibit A be adopted to supersede the General Metered Service, and Flat Rate Schedules now on file in the Bakersfield district. The amended schedules give effect to the claimed operational decline in rate of return while disregarding any financial decline.

Applicant estimates that the amended schedule would have yielded a rate of return of approximately 7.55 percent if it had been in effect for all of 1971 and would have resulted in an increase in revenues of approximately 13 percent for 1971. Under the amended schedules, further increases to offset the estimated operational decline in rate of return in the years subsequent to 1971 would be: 1972 - 4.42 percent; 1973 - 4.81 percent; and 1974 - 5.29 percent. If the amended proposed rate schedule were effective over the years 1972-1974, applicant estimates that it would realize a rate of return in each of those years of approximately 7.55 percent.

The staff recommends a range of return between 7.30 percent and 7.60 percent on rate base and a rate of return on common equity ranging from 10.52 percent to 11.20 percent.

We do find reasonable a rate of return of 7.55 percent for the test year which would produce a return of approximately 11 percent on common equity.

The staff study shows an annual decline of .21 percent in rate of return at present rates. Applicant's study indicates a decline of .40 percent.

Such decline is caused primarily by increases in various components of expense in comparison to revenues, as well as increased costs for new items of plant.

In many recent decisions in rate proceedings concerning applicant as well as other utilities, where the indicated downward trend has not been steep, it has been offset by authorization of rate levels to remain in effect for several years, and designed to produce, on the average, for that period of time the rate of return found to be reasonable.

Where the indicated trend has been steep, it has been deemed more appropriate to increase the rates in yearly steps, which will allow, in each of the years, the rate of return found reasonable. This defers customer payment of the fully increased rates until such time as necessary to produce the reasonable rate of return. The irritant of yearly increases is offset by the fact that they are delayed to the time when considered absolutely necessary.

It is our determination to authorize the attrition allowance of .21 percent as shown by the staff, in the form of step rate increases, the initial one after the primary rate increase to be effective January 1, 1973 and the second step rate increase (or third rate increase) to become effective January 1, 1974. This should allow the applicant the opportunity to earn a rate of return of 7.5 percent for approximately two and a half years, from the date of the decision to December 31, 1974.

Service

According to the staff, during year 1970 and first half of 1971, customer complaints received and resolved at the district office totalled 449, of which 344 related to quality, volume or pressure. Three informal complaints were filed with the Commission from customers of the district during the past three and one-half years, all of which were resolved to the satisfaction of the parties.

The locally registered complaints concerning quality were, in general, dirty water or sand and were cleared to the customers' satisfaction by flushing hydrants, while those complaints pertaining to pressure or volume were corrected by replacing meters or flushing or replacing services.

Service provided by applicant in Bakersfield is good. The staff contacted approximately 70 customers in its field investigations and concluded that no significant dissatisfaction with service was evident. However, applicant has experienced difficulties with water supplied to a minor portion of its Bakersfield service area. This has resulted in complaints to applicant of taste and air by customers in this area. Applicant is cognizant of this problem and is revising its operations and treatment of the water supplied in this area.

Public Presentation

No protests were received from customers regarding service.

One customer testified on behalf of those customers living on fixed incomes, old-age pensions, disability pensions, and life savings. She was hopeful that the President's wage and price stabilization program might have some effect on applicant's proposed rate increase.

Crest Area

Applicant presently maintains separate rate schedules in the Bakersfield district, one applicable to the area formerly served by Crest Water Company and one to the balance of the Bakersfield service area.

The existing rate schedules in the Crest area are those which were applicable at the time applicant acquired the Crest system from the Crest Water Company, and although the differential between the Crest rates and those applicable in the balance of the Bakersfield district has decreased as a result of a subsequent increase in rates in the latter area, there does remain a rate

differential between the two areas. A history of this differential is set forth in the Commission's Decision No. 77388, dated June 23, 1970, Case No. 8972, James Veal, et al., vs. California Water Service Co., in which complainants sought an order establishing a uniform rate in the two areas. In the course of its opinion upholding the differential, the Commission stated:

"Defendant's Crest Tariff Area was formerly served by Crest Water Company (Crest), a public utility under this Commission's jurisdiction. Crest had been granted a certificate to construct the water system in 1956.

"Crest obtained its water supply from local wells. The quality of the water was not good and it deteriorated further over a period of years to the point where customers were quite dissatisfied. In response to customer complaints, the Commission instituted an investigation, Case No. 7937, on its own motion into Crest's operations in 1964.

"At that time, Crest's rates were considerably higher than defendant's rates in adjoining territory. The record in Case No. 7937 showed that extensive further treatment of Crest's well water would be needed to bring the quality up to acceptable standards. Such treatment would have been quite expensive and undoubtedly would have resulted in even higher rates to Crest's customers.

"A solution to the water quality problem was presented by defendant's acquisition of Crest's water system pursuant to the authorization in Decision No. 70242, dated January 18, 1966, in Application No. 48069. A sizable investment in supply and transmission facilities was made by defendant to deliver water of better quality from its other Bakersfield District sources to the Crest area. Defendant continued to serve the Crest Tariff Area, however, at the former Crest rates.

"The differential between rates in the Crest Tariff Area and those in the rest of defendant's Bakersfield District was narrowed somewhat when, by Decision No. 72235, dated April 4, 1967, in Application No. 48590, the basic Bakersfield District rates were increased without changing the Crest Tariff Area rates. There is still a significant differential,

"The rate differential between the Crest Tariff Area and the rest of defendant's Bakersfield District was discussed in Decision No. 70242. At that time the Crest rates ranged up to over double the Bakersfield rates. The decision stated:

'Although we find it reasonable for buyer initially to adopt seller's rates, a determination should be made in future rate proceedings as to whether zone rates are still warranted and, if so, whether the location of the zone boundaries are then still appropriate.'

"The only Bakersfield District general rate proceeding since then was in 1967. Decision No. 72235 retained the same zone boundaries but closed the gap somewhat between the rates in the two zones.

"Exhibits Nos. 3, 4 and 5 show the Bakersfield District rates of return for 1967, 1968 and 1969, respectively, separated into Crest, non-Crest and total district operations. The resultant rates of return are:

<u>Year</u>	<u>Comparison of Earnings</u>		
	<u>Bakersfield District Crest</u>	<u>Rate of Return Non-Crest</u>	<u>Total District</u>
1967	5.45%	6.81%	6.68%
1968	6.00	6.83	6.75
1969	6.47	7.04	6.99

"Those exhibits indicate that, even with the higher zone rates in the Crest Tariff Area, earnings there lag behind earnings in the rest of the Bakersfield District. Under these circumstances, a uniform rate throughout the Bakersfield District would require a subsidy from non-Crest resident. It is noted, however, that the rate of return for the Crest Tariff Area is becoming closer to that for the non-Crest area. By the time of the next general rate proceeding involving the Bakersfield District, it may well be that a smaller differential or even a uniform rate will be found reasonable.

.

"We concur with the City Council that a rate adjustment is not now warranted. We do not concur that a differential necessarily should be continued for the relatively long life of the plant involved. The addition of Crest customers did provide some benefits to the rest of the customers in the Bakersfield District, such as spreading any relatively fixed items of expense over a greater number of customers. Within a few years, a review of all factors then may warrant elimination of zone rates."

Applicant was in the process of preparing Exhibit No. 9 in Application No. 52499 at the time said Decision No. 77388 was issued and, in view of the language in, and holding of, that decision, concluded that it was still premature to eliminate the differential. However, applicant did conclude that a reduction in the differential was in order, so that it is proposing herein a lesser increase in the Crest area than in the balance of the district.

The position of the City of Bakersfield, by a five to two vote of the City Council, is to oppose equalization of rates. A possibility suggested by the City Attorney is that the differential be eliminated at the time of the next rate proceeding when, upon the availability of supplemental water in the Bakersfield area, a

rate increase will be necessary which will apply to all who will benefit from the importation of supplemental water. Until that time, according to the City, Exhibit No. 19 shows that there is continuing justification for the proposed rate differential between the two areas.

Councilman Rees, representing the third ward which includes the area designated as the Crest Tariff Area, requested that the rates be equalized. He presented testimony and an exhibit (Exhibit No. 20) to bolster his claim that now is the time to equalize rates.

The staff had no opinion on the subject.

Councilman Rees' testimony and exhibit plus the history of the differential persuade us that now is the time for the institution of rate schedules that will eliminate the existing disparities.

Findings and Conclusion

The Commission finds that:

1. Applicant is in need of additional revenues, but the proposed rates set forth in the application are excessive.
2. The staff estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test year 1971, and an annual decline of 0.21 percent in rate of return, reasonably indicate the results of applicant's operations in the near future.
3. A rate of return of 7.55 percent for the future is reasonable.
4. Applicant presently maintains separate rate schedules in its Bakersfield district which should be eliminated.
5. The increases in rates and charges authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.
6. Under existing federal guidelines the authorized increases would appear to be consistent with the Federal Government's economic

stabilization program. Data for the Federal Price Commission are shown in Appendix B.

7. Service meets the requirements of General Order No. 103.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

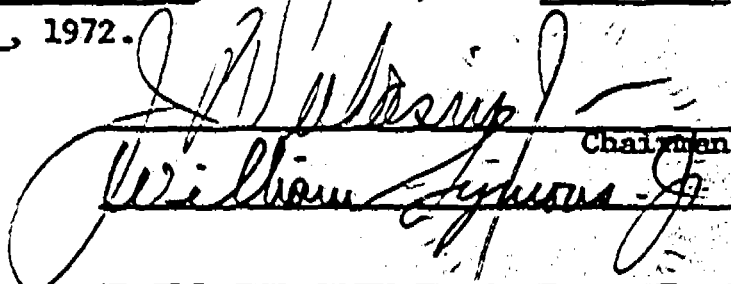
IT IS ORDERED that:

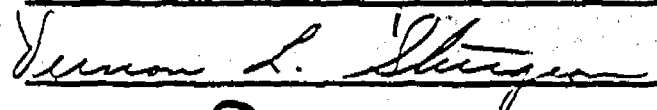
1. After the effective date of this order California Water Service Company is authorized to file the revised rate schedules attached to this order as Appendix A, and to concurrently withdraw and cancel all Crest Tariff Area rate schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

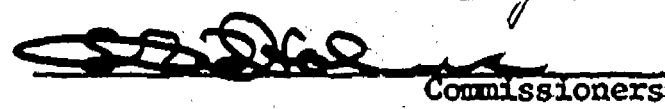
2. On or before April 1, 1973 applicant shall file with the Commission an earnings statement for the Bakersfield district for 1972 normalized and adjusted to the rate levels authorized herein for 1972 together with an estimate of earnings for 1973 under similar normalized conditions. On or before April 1, 1974 applicant shall file similar earnings statement for 1973 and 1974.

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

Dated at San Francisco, California, this 27th
day of JUNE, 1972.


Chairman




Commissioners

-15-Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding

APPENDIX A
Page 1 of 4

Schedule No. BK-1

Bakersfield Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Bakersfield and vicinity, Kern County.

RATES

Quantity Rate:	<u>Per Meter Per Month</u>		
	1-1-73		
	Before	Through	After
	<u>1-1-73</u>	<u>12-31-73</u>	<u>12-31-73</u>
For all water delivered per 100 cu. ft. ..	\$ 0.122	\$ 0.124	\$ 0.126 (I)
Service Charge:			
For 5/8 x 3/4-inch meter	2.90	2.95	3.00
For 3/4-inch meter	3.20	3.25	3.30
For 1-inch meter	4.35	4.45	4.50
For 1 1/2-inch meter	5.80	5.90	6.00
For 2-inch meter	7.85	7.95	8.10
For 3-inch meter	14.50	14.75	15.00
For 4-inch meter	19.75	20.00	20.40
For 6-inch meter	33.00	33.50	33.90
For 8-inch meter	49.00	50.00	50.40
For 10-inch meter	60.00	61.00	62.40 (I)

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rate.

APPENDIX A
Page 2 of 4

Schedule No. BK-2R

Bakersfield Tariff AreaRESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Bakersfield and vicinity, Kern County.

RATES

		Per Service Connection Per Month		
		Before 1-1-73	1-1-73 Through 12-31-73	After 12-31-73
1.	For a single family residential unit, including premises having the fol- lowing area:			
	6,000 sq.ft. or less	\$ 6.67	\$ 6.78	\$ 6.88 (I)
	6,001 to 10,000 sq.ft.	7.37	7.48	7.60
	10,001 to 16,000 sq.ft.	9.52	9.66	9.81
	16,001 to 25,000 sq.ft.	12.36	12.55	12.74
	For each additional single family residential unit on the same premises and served from the same service connection	\$ 4.29	\$ 4.36	\$ 4.43 (I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

(Continued)

APPENDIX A
Page 3 of 4

Schedule No. BK-2R

Bakersfield Tariff Area

RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS - Contd.

2. All service not covered by the above classification will be furnished only on a metered basis.

3. Meters shall be installed if either the utility or customer so chooses for above classification, in which event service thereafter shall be furnished on the basis of Schedule No. BK-1, General Metered Service.

APPENDIX A
Page 4 of 4

Schedule No. BK-2L

Bakersfield Tariff Area

LIMITED FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished to customers listed on this schedule.

TERRITORY

Bakersfield and vicinity, Kern County.

RATES

	<u>Per Month</u>		
	<u>Before</u>	<u>Through</u>	<u>After</u>
	<u>1-1-73</u>	<u>12-31-73</u>	<u>12-31-73</u>
Jewelry Store	\$ 4.64	\$ 4.71	\$ 4.79 (I)
Shoe Store	4.64	4.71	4.79
Lamp Store	4.64	4.71	4.79
Plant Store	4.64	4.71	4.79 (I)

SPECIAL CONDITIONS

1. No new service connections may receive service under this schedule.
2. Meters shall be installed if the utility chooses for the above customers, in which event service thereafter shall be furnished on the basis of Schedule No. BK-1, General Metered Service.

APPENDIX B

DATA REGARDING RATE INCREASE
AUTHORIZED FOR
CALIFORNIA WATER SERVICE COMPANY
BAKERSFIELD DISTRICT

Pursuant to provisions of Section 300.16 of the Economics Stabilization Act Amendments of 1971, the Public Utilities Commission of the State of California does hereby certify to the Federal Price Commission as follows:

1. The rates authorized by this decision are expected to increase yearly operating revenues for applicant's Bakersfield District from \$3,445,200 to \$3,891,900, an increase of \$446,700 or 12.9%.
2. The rate of return for applicant's Bakersfield District is expected to be 7.55%. This compares with the present rate of return of 6.21%, and with the rate of return last authorized by this Commission in Decision No. 72235, April 4, 1967, 6.50%.
3. Sufficient evidence was contained in the record to determine that the criteria set forth in paragraph (d), (1) through (4) of Title 6, Chapter III, Part 300, Sec. 300.16 of the Code of Federal Regulations, as amended effective January 17, 1972, were met by the rate increase.
4. The increase is cost-based and does not reflect future inflationary expectations; the increase is the minimum required to assure continued, adequate and safe service and to provide for necessary expansion to meet future requirements; the increase will achieve the minimum rate of return needed to attract capital at reasonable costs and not to impair the credit of the public utility. This appendix to the rate decision constitutes the certification required by the Code of Federal Regulations.