

80315

Decision No. \_\_\_\_\_

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SAN GABRIEL VALLEY WATER COMPANY  
for authority to increase rates  
charged for water service in its  
El Monte Division.

Application No. 53003  
(Filed November 17, 1971)

John E. Skelton, Attorney at Law, for applicant.  
Troy E. Evans, for himself, interested party.  
Elinore C. Morgan, Attorney at Law, and Andrew  
Tokmakoff, for the Commission staff.

### O P I N I O N

By this application, San Gabriel Valley Water Company (Company) requests authority to establish rates in its El Monte Division which are designed to increase annual revenues in the year 1972 estimated by \$415,483 over the rates now in effect.

Public hearing was held before Examiner Gillanders in El Monte on May 16, 17, 1972, and the matter submitted on May 19 upon receipt of late-filed Exhibit 9. Copies of the application had been served and notice of hearing had been published, posted, and mailed in accordance with this Commission's rules of procedure.

Oral and written testimony on behalf of Company was presented by one of its vice presidents and its Rate Department manager. The Commission staff presentation was made by three accountants and two engineers. Twenty-one members of the public attended the hearing of whom two testified regarding their reasons for protesting the proposed rate increase.

### General Information

San Gabriel Valley Water Company is a California corporation engaged in the business of producing, distributing and selling water in Los Angeles County and distributing and selling water in San Bernardino County, as a public utility, through a total of more than 56,000 active connections.

### El Monte Division Service Area

Company's El Monte Division serves over 27,000 customers in portions of Arcadia, Baldwin Park, El Monte, Industry, La Puente, Montebello, Monterey Park, Rosemead, San Gabriel, South El Monte, and West Covina.

### Present Rate Schedules

Company's present general metered service Schedule EME-1 in the El Monte Division is that authorized by Decision No. 74050, dated April 30, 1968, as subsequently increased by Decision No. 74674, dated September 11, 1968, to offset the Federal Income Tax Surcharge, and as then later decreased by Decision No. 77387, dated June 23, 1970, because of lower replenishment taxes and makeup assessments in the San Gabriel Basin. Private fire protection service is provided under Schedule No. AA-4 now in effect in all divisions as is private fire hydrant service under Schedule AA-4H.

### Proposed Rate Schedules

Company proposes to lower the minimum quantity in the general metered schedule from 800 cubic feet or less to 400 cubic feet or less and to raise the quantity rates as well as the minimum charge for the various meter sizes.

Company also proposes to discontinue private fire hydrant service in its El Monte Division under Schedule AA-4H and to provide this service under Schedule EME-4 - private fire protection service. The effect of this proposal will be increased charges in some cases of 100 percent.

### Results of Operation

Witnesses for Company and the Commission staff analyzed and estimated Company's operational results. Shown below is the summary of earnings table taken from staff Exhibit 5.

San Gabriel Valley Water Company  
El Monte Division  
SUMMARY OF EARNINGS  
Years 1971 Adjusted and 1972 Estimated

Item	Applicant		Staff		Applicant Exceeds:	
	Present:Proposed:		Present:Proposed:		Staff	
	Rates	Rates	Rates	Rates	Present:Proposed:	

(Dollars in Thousands)

1971 Adjusted

Oper. Revenues	\$1,803.7	\$2,207.0	\$1,830.5	\$2,237.8	\$(26.8)	\$(30.8)
Oper. Expenses						
Op. & Maint. Exp.	628.0	629.6	626.4	628.1	1.6	1.5
Adm. & Gen. Exp.	229.0	232.1	211.8	215.4	17.2	16.7
Deprec. Exp.	202.4	202.4	201.7	201.7	0.7	0.7
Taxes-Except Inc.	253.8	253.8	220.6	220.6	33.2	33.2
Inc. Taxes	94.8	300.5	121.0	329.8	(26.2)	(29.3)
Total Expenses	1,408.0	1,618.5 <sup>1/</sup>	1,381.5	1,595.6	26.5	22.9
Net Oper. Revenues	395.8 <sup>1/</sup>	588.5	449.0	642.2	(53.2) <sup>1/</sup>	(53.7)
Average Rate Base	6,085.5	6,085.5	6,134.8	6,134.8	(49.3)	(49.3)
Rate of Return	6.5%	9.7%	7.3%	10.5%	(0.8)%	(0.8)%

1972 Estimated

Oper. Revenues	1,850.7	2,266.2	1,871.2	2,287.8	(20.4) <sup>1/</sup>	(21.6)
Oper. Expenses						
Op. & Maint. Exp.	663.7	665.4	650.6	652.3	13.1	13.1
Adm. & Gen. Exp.	246.6	250.3	224.1	227.8	22.5	22.5
Deprec. Exp.	214.0	214.0	211.5	211.5	2.5	2.5
Taxes-Except Inc.	280.8	280.8	234.5	234.5	46.3	46.3
Income Taxes	67.2	279.0	106.8	320.5	(39.6)	(41.5)
Total Expenses	1,472.2 <sup>1/</sup>	1,689.4 <sup>1/</sup>	1,427.5	1,646.6	44.7 <sup>1/</sup>	42.8 <sup>1/</sup>
Net. Oper. Revenue	378.5	576.8	443.7	641.2	(65.2)	(64.4)
Average Rate Base	6,412.4	6,412.4	6,405.9	6,405.9	6.5	6.5
Rate of Return	5.9%	9.0%	6.9%	10.0%	(1.0)%	(1.0)%

(negative)

<sup>1/</sup> Does not balance due to rounding.

Operating Revenues

Of the \$21,600 difference in total 1972 estimated revenues at proposed rates between Company and the staff estimates, the Company shows \$18,600 less industrial revenue. According to the staff, it included an additional large industrial customer whose consumption projections were not available to the applicant. On the other hand, Company in rebuttal (Exhibits 10 and 11) shows that beginning in June 1972 the San Jose Creek Water Renovation Plant, a large industrial customer, would use no water in the future having at last reached the point where, except for very minor amounts of domestic water, its operations have become self-sufficient. With the evidence before us, it appears that Company's estimates for 1972 are more reasonable than those of the staff.

Operation and Maintenance Expense

The only significant difference between Company and staff is in the item of water assessments. Company exceeds staff by \$13,100 for this item.

Company based its estimated source of supply cost for assessments on the offset revenues estimated to be collected by the "offset" rates of \$0.02 and \$0.003 per Ccf to cover replenishment taxes and make-up costs. This is done in connection with the "special memorandum accounting" requested by applicant in Application No. 49061 and authorized by Decision No. 72498. For its estimate of replenishment water assessment the staff applied the prevailing assessment rate of \$0.67<sup>1/</sup> per acre-foot for both test years. Similarly the presently effective make-up water assessment rate of \$0.05<sup>2/</sup> per acre-foot was used for both test years.

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1/ Exhibit 12 shows that commencing July 1, 1972 and ending June 30, 1973 the rate will be \$0.77 per acre-foot.

2/ For calendar year 1972 the probable assessment rate is set at \$0.05 per acre-foot.

Since there appears to be little or no likelihood of any retroactive assessments relating to replenishment and make-up assessments, the special memorandum accounting should be terminated. Rates should now be established on the basis of the presently effective replenishment assessment rate and presently effective make-up water assessment rate.

Administrative and General Expenses

The staff differs from Company in its treatment of water sold to Company's Whittier Division (Account 813, El Monte, Duplicate Charges--Credit) due to the staff's use of the booked figure of \$30 per acre-foot established by Company management. Company used a reduced charge per acre-foot on an estimated cost basis and did not include replenishment and make-up costs. Company's rationale for charging only \$15 per acre-foot for water delivered to the Whittier Division for rate-making purposes is not convincing especially in view of its testimony that there is no known reason at this time to limit or stop such deliveries.

The staff eliminated dues, donations, and subscriptions for non-professional organizations from "other expenses" in the amount of \$2,600 because it believes the ratepayers should not bear the burden of such expenses. However, it in fact allowed as a rate-making expense approximately one half of such expenses as it did not include the \$2,600 in its calculation of income taxes.

Clayton Mutual Water Company

According to the staff engineer, on March 30, 1971, Company purchased the water system owned by Clayton Mutual Water Company (Clayton), which consisted of 10,900 feet of mains, 17 services, 12 meters, 15 hydrants and one 500,000-gallon reservoir. In connection with the purchase of Clayton's water system, Commission Resolution No. W-1296 dated April 2, 1971, authorized Company to make effective a revised tariff service area map including Clayton's service area as requested in Advice Letter No. 91 filed March 15, 1971.

Company prepared an original cost appraisal and depreciation reserve requirement study as of April 1, 1971. For this proceeding Company included the depreciated original cost of Clayton as a mid-year 1971 addition. The staff engineers reviewed and adjusted Company's original cost appraisal and depreciation reserve requirement study. These latter figures were used by the staff engineer for this proceeding as being in effect on December 31, 1970. The following tabulation sets forth these details:

	<u>Company</u>	<u>Staff</u>	<u>Company Exceeds Staff</u>
Original Cost, April 1, 1971	\$189,877	\$175,020	\$14,857
Deprec. Reserve, April 1, 1971	<u>32,455</u>	<u>29,717</u>	<u>2,738</u>
Original Cost, April 1, 1971 Depreciated	\$157,422	\$145,303	\$12,119

Company paid \$80,000 for the Clayton system, resulting in an acquisition adjustment of \$77,422 on Company's cost basis. The staff engineer made an adjustment to the purchase price proportionate to his adjustment of the original cost depreciated which results in an adjusted purchase price of \$73,840 and a staff estimated acquisition adjustment of \$71,460.

Company included its original cost figures in its estimate of utility plant and depreciation reserve for this proceeding without regard to the acquisition adjustment. The staff engineer included in his rate base the adjusted original cost depreciated values of the Clayton system shown above without regard to the acquisition adjustment.

The staff also presented two accountants who testified regarding the Clayton acquisition. The first accounting witness recommended that the plant of Clayton be recorded on the utility's books at estimated original cost with a contra-entry to the depreciation reserve account, and that the difference between depreciated plant and purchase price be recorded in an acquisition adjustment account. No disposition of the acquisition adjustment was proposed.

The second accounting witness who testified on accounting policy concurred with these recommendations and made a request that the Commission, if it adopted the recommendations, make a further finding that such treatment would not necessarily be indicative of the manner in which this acquisition or other mutual water company acquisitions by applicant or by other utilities would be treated in the future.

On cross-examination the witness conceded that under "ordinary conditions" he would recommend that the acquisition adjustment be immediately credited to Contributions in Aid of Construction and that "ordinarily" he would recommend that for rate-making purposes the Commission follow the principle of cost or purchase price, whichever is lower.

The only reasons offered by this witness for not recommending disposition of the acquisition adjustment balance at this time was that it would have no material effect on rates; that the staff was still in the process of discussing appropriate journal entries with the applicant; and that the staff planned to re-examine all acquisition adjustments on the applicant's books at the conclusion of this proceeding.

Because of the different figures used by Company and staff, and especially because of the different rate-making philosophies enunciated by the staff, the examiner ordered the production of late-filed Exhibit 9 which exhibit was to include the appraisal and history of the purchase.

From a review of the testimony and evidence presented at the hearing and of the material presented in Exhibit 9, it is possible to deduce the following:

1. Some of the water mains were constructed for the account of the State of California - Division of Highways.
2. None of the plant constructed for the State of California has been accounted for as Contributions in Aid of Construction as is customary for such plant.

3. The original cost plant investment per dollar of revenue for Clayton is about 25 times as large as in the remainder of the El Monte District. Depreciation expense per dollar of revenue would be about 5 times as much.
4. San Gabriel cannot depreciate for tax purposes any amount in excess of actual purchase price.
5. If the acquisition is accounted for as recommended by the staff accountants, ad valorem taxes will be based on the purchase price and not on original cost.

The record shows that as justification for its booking the original cost appraisal, Company claims that Clayton's system was devoted to public utility service prior to its acquisition by San Gabriel. By its treatment of the Clayton plant, it is apparent that the engineering staff also believes that Clayton, in fact, was acting as a public utility.

The entire record contains not a scintilla of evidence upon which such belief could be based. On the contrary, the record does contain evidence (Exhibit 9) upon which a finding could be based that Clayton was, in fact, operating as a mutual water-company.

It is the policy of this Commission that when there has been no dedication by a predecessor, the purchase price paid by the utility is to be charged to plant accounts. This record reveals no good reason why we should change such policy. Company will be ordered to charge its plant accounts with the price it paid for the assets of Clayton Mutual Water Company.

#### Depreciation Expense

The engineering staff reviewed Company's estimated depreciation rates and, except for the rate for IBM equipment, found them to be reasonable. The differences in depreciation expense estimates are due to different plant estimates by Company and staff and Company's use of 6.0 years remaining life as of December 31, 1970 on its IBM equipment while the staff used 7.6 years based on the "Iowa" curves of probable remaining life.



We will adopt the staff's 7.6 year remaining life estimate for the IBM equipment. However, due to our treatment of the Clayton plant we cannot use either the Company's or the staff's estimated depreciation expense calculations as they are on the estimated original cost of the Clayton plant.

Taxes Other Than Income

Taxes Other Than Income is composed of two groups of taxes; namely, Payroll Taxes and Ad Valorem Taxes.

Payroll Taxes - The differences between staff and Company's estimates of payroll taxes of \$1,500 and \$1,200 in 1971 and 1972, respectively, are due to:

- (a) Company using 5.4 percent on a payroll base of \$10,600 while the staff used 5.2 percent on the correct amount for 1972 of \$9,000 for Federal Insurance Contributions Act.
- (b) Company using 0.5 percent on a payroll base of \$3,000 while the staff used 0.5 percent on \$4,200, applicable in 1972, for Federal Unemployment Tax Act.
- (c) Company using 0.6 percent on a payroll base of \$3,800 while the staff used 1.5 percent on \$4,200 for State Unemployment Insurance.

The staff's method is more precise and will be adopted.

Ad Valorem Taxes - The differences between Company's and staff's estimates of \$40,700 and \$53,800 in 1971, 1972 respectively, are due to:

- (a) The staff's inclusion of electronic data processing equipment and Clayton's plant for the full year in its estimate of the 1971-72 taxes while Company included these for one-half year.
- (b) Company estimated its 1971-72 and 1972-73 taxes, based on prior years' tax rates, while the staff used the actual 1971-72 tax rates to develop its 1971-72 and 1972-73 taxes.
- (c) The staff excluded taxes on contributed plant and a portion of advances for construction because the Los Angeles County Tax Assessor has announced that these items will not be included in the 1972-73 tax assessment. This is a revision to the assessment policy for 1970-71 and earlier years. The effect of this change, not made by Company, is estimated by staff to be approximately \$51,800 in staff's 1971 estimate and \$51,800 in 1972.

- (d) Company did not include its estimates of ad valorem taxes on common plant of \$6,009 in 1971 and \$6,290 in 1972 in the Summary of Earnings.

The staff's method of calculating ad valorem taxes is correct. However, its amount of ad valorem taxes is in error by the amount included for such taxes on the difference between estimated original cost of the Clayton plant and the purchase price of that plant.

#### Income Taxes

While both Company and staff used the same liberalized depreciation rates, the staff also included the effects of using Asset Depreciation Range (ADR) lives. The use by the staff of ADR lives on appropriate accounts results in an increase in Federal Income Tax depreciation.

Company included liberalized depreciation expense on the Clayton plant at the purchase price while the staff's expense was based on its original depreciated cost estimate of the Clayton plant.

The staff included a 4 percent estimated investment tax credit based on the five-year average of appropriate plant additions.

Because of our adopted results neither the Company's nor the staff's method of calculating income taxes can be used.

#### Rate Base

A comparison of the rate base components shows differences between Company and staff estimates of \$49,300 and \$6,500 for 1971 and 1972, respectively. The differences basically arise from the differing treatment accorded the Clayton plant and the differing estimates of depreciation expense. Under our treatment of the Clayton plant, the 1972 estimated rate base is \$6,343,500.

#### Rate of Return

Evidence presented by Company shows that it believes that a fair rate of return for it would be 8.3 percent on rate base and a range of 12 percent to 12.9 percent on equity over a three-year period. In effect, Company is asking for a 9 percent rate of return on rate base with 0.7 percent yearly attrition.

An exhibit presented by the accounting staff shows that it recommends that the rate of return for Company's El Monte Division be set in the range of 7.60 percent to 7.90 percent. Such a rate of return would produce earnings on common equity in the range of 12.04 percent to 12.96 percent. The engineering staff recommends an allowance of 0.3 percent to 0.4 percent for attrition in rate of return.

#### Adopted Results

We do find reasonable a rate of return of 7.70 percent for the future which will produce a return of approximately 12.35 percent on common equity. With the indicated future decline in rate of return of 0.35 percent per year, the increased rates authorized herein should produce an average rate of return of 7.70 percent for about the next 36 months.

Based on the above, Company is entitled to an increase in gross revenues of \$182,100, instead of its requested increase of \$415,483.

#### Service

Six informal complaints have been filed with the Commission from 1970 to date and were all concerned with billing problems. There were four in 1970, and two in 1971.

An inspection of applicant's operations and facilities was made by the staff during December 1971. The equipment and facilities were in good condition and well maintained. According to the staff, the service being provided appears to meet the Commission standards. The El Monte Division is operating under permits issued by the State Department of Public Health in 1960. Chemical and quality samples are routinely analyzed by an independent laboratory and special analyses are made by applicant's personnel. In addition the Los Angeles County Health Department makes analyses of samples it takes.

No protests regarding service were made at the hearing.

#### Position of Protestants

One public witness pleaded that the Commission give consideration to the hardships to elderly people and others on fixed incomes caused by high utility rates.

One public witness claimed that the proposed increase in fire hydrant rates was inflationary. The public appearance cross-examined the Company witnesses regarding salaries and ad valorem taxes.

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 adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test year 1972, reasonably indicate the results of Company's operations in the near future in the El Monte Division.
  3. A rate of return of 7.70 percent and a decline in rate of return of 0.35 percent per year for the future is reasonable.
  4. 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.
  5. 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.
  6. 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, San Gabriel Valley Water Company (Company) is authorized to file the revised rate schedules attached to this order as Appendix A, and concurrently to withdraw and cancel presently effective Schedules Nos. EME-1, AA-4 and AA-4H. Applicant is authorized to re-file the presently effective

Schedules Nos. AA-4 and AA-4E to be effective in the Whittier and Fontana Divisions only. 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. Company, in recording its acquisition of Clayton Mutual Water Company properties, shall charge its plant accounts an amount not in excess of the purchase price paid plus reasonable cost of acquisition. In addition, Company shall, within thirty days after the effective date of this order, file with this Commission the journal entries it proposes for use for the purpose of recording said acquisition, together with a statement showing the items to be capitalized as representing purchase price and costs of acquisition.

3. Company shall use the depreciation rate developed by the staff for its electronic data processing equipment and computer.

4. The special memorandum accounting authorized by Decision No. 72498 is terminated.

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

Dated at San Francisco, California, this 27<sup>th</sup> day of JULY, 1972.

William Lyons, Jr. President

[Signature]  
[Signature]

Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
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Schedule No. EME-1

(T)

El Monte Division

(T)

METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, Industry, La Puente, Montebello, Monterey Park, Rosemead, San Gabriel, South El Monte and West Covina, and vicinity, Los Angeles County.

RATES

## Quantity Rates:

Per Meter  
Per Month

First 400 cu.ft. or less.....	\$ 2.50	(C)
Next 4,600 cu.ft., per 100 cu.ft.....	0.142	(C)
Over 5,000 cu.ft., per 100 cu.ft.....	0.125	(I)

## Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 2.50	(C)
For 3/4-inch meter.....	2.90	
For 1-inch meter.....	3.70	
For 1-1/2-inch meter.....	5.75	
For 2-inch meter.....	8.00	
For 3-inch meter.....	13.75	
For 4-inch meter.....	21.50	
For 6-inch meter.....	58.00	
For 8-inch meter.....	98.00	(C)
For 10-inch meter.....	148.00	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

APPENDIX A  
Page 2 of 4

Schedule No. EME-4

(C)

El Monte Division

(C)

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for private fire protection purposes.

TERRITORY

The El Monte Division, Los Angeles County.

(C)

RATE

	<u>Per Service Per Month</u>	
For each inch of diameter of fire protection service connection .....	\$2.00	(I)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the fire protection service.
2. The fire protection service shall be installed by the Utility or under the Utility's direction and shall be the sole property and subject to the control of the Utility, with the right to alter, repair, replace and the right to remove upon discontinuance of service.
3. The minimum diameter for fire protection service will be 4-inches. The maximum diameter shall not be larger than the diameter of the water main to which the fire protection service is attached unless said main is circulating, in which case with the approval of the Utility the maximum diameter may be larger by not more than 2-inches than the diameter of said circulating main.

(Continued)

APPENDIX A  
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Schedule No. EME-4

(C)

El Monte Division

(C)

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS - Contd.

4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the Utility at the cost of the customer. Such cost shall not be subject to refund.

5. The fire protection service facilities will consist of a detector check valve, or other similar device acceptable to the Utility which will indicate the use of water, and related piping and fittings. At the option of the Utility, the facilities may be located within the customer's premises or within public right-of-way adjacent thereto. Where located within the premises, the Utility and its duly authorized agents shall have the right of ingress to and egress from the premises for all purposes related to said facilities.

6. No structure shall be built over the fire protection service and the customer shall maintain and safeguard the area occupied by the service from traffic and other hazardous conditions. The customer will be responsible for any damage to the fire protection service facilities resulting from the use or operation of appliances and facilities on customer's premises.

7. Subject to the approval of the Utility, any change in the location or construction of the fire protection service as may be requested by public authority or the customer will be made by the Utility following payment to the Utility of the entire cost of such change.

8. The customer's installation must be such as to separate effectively the fire protection service from that of the customer's regular domestic water service. Any unauthorized use of water through the fire protection service will be charged for at the applicable tariff rates and may be grounds for the Utility's discontinuing fire protection service without liability.

(Continued)



APPENDIX A  
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Schedule No. EME-4

(C)

El Monte Division

(C)

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS - Contd.

9. There shall be no cross connection between the system supplied by water through the Utility's fire protection service and any other source of supply without the specific approval of the Utility. The specific approval, if given, will at least require at the customer's expense, a special double check valve installation or other device acceptable to the Utility. Any unauthorized cross connection may be grounds for immediately discontinuing fire protection service without liability.

10. The Utility will supply only such water at such pressure as may be available from time to time as a result of its operation of the system. The customer shall indemnify the Utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the Utility for any loss or damage resulting from service hereunder.

APPENDIX B

DATA REGARDING RATE INCREASE  
AUTHORIZED FOR  
SAN GABRIEL VALLEY WATER COMPANY  
EL MONTE DIVISION

Pursuant to provisions of Section 300.16 of the Economic 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 increased rates are expected to provide increased revenue of \$182,100 yearly for the El Monte Division.
2. The rate of return for the El Monte Division is expected to average 7.70 percent. This compares with 6.86 percent under present rates, an increase of 12 percent.
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, Sect. 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.