

92273

ORIGINAL

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

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 consolidate its )  
Whittier Division with its El )  
Monte Division and to increase )  
rates charged for water service )  
in the new consolidated division )  
to be known as its Los Angeles )  
County Division. )

Application No. 58416  
(Filed October 18, 1978)

ORDER CORRECTING DECISION NO. 92112

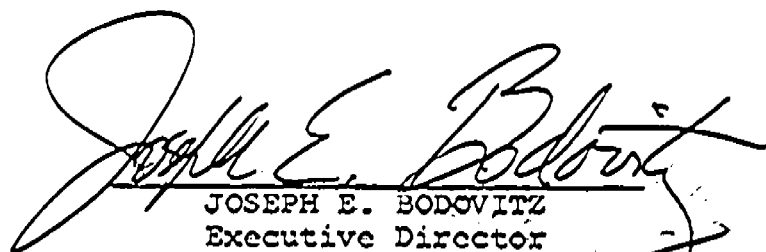
It has come to our attention that a certain accounting procedure set forth in Decision No. 92112 does not conform to the provisions of the Uniform System of Accounts for Water Utilities and that the computed refund is inconsistent with findings set forth in the decision.

Therefore, pursuant to Resolution No. A-4661,

IT IS ORDERED that Decision No. 92112 is modified as set forth in the attached pages 6, 7, 8, 9, and 10 to be substituted for the corresponding original pages in Decision No. 92112.

The effective date of this order is the date hereof.

Dated October 8, 1980, at San Francisco, California.

  
JOSEPH E. BODOVITZ  
Executive Director  
Public Utilities Commission  
State of California

The above-quoted excerpts from Sections 1503 and 1504 of the Public Utilities Code leave no doubt that the \$350,000 damages received by San Gabriel were awarded as just compensation for the taking of the property of San Gabriel for public purposes. The record is clear that the \$350,000 awarded damages roughly approximated the amount of damages of \$358,782 computed by San Gabriel's consultant's using the reproduction cost new less depreciation method of computation. Such an amount obviously exceeded the original cost of the plant less the depreciation amount included in rate base for ratemaking purposes. This Commission has repeatedly stated its policy to fix rates on the basis of original cost rate base and that the excess in purchase price over rate base is not included as an element in such a rate base. It is axiomatic that the proper adjustment to make to San Gabriel's rate base in this particular instance is the rate base equivalent cost of the plant represented by the \$350,000 award of damages. According to the record, the reproduction cost new less depreciation of the facilities affected by the paralleling of San Gabriel's facilities by Montebello was \$863,706, of which \$504,924 was estimated to remain of continuing use to San Gabriel leaving an estimate of damages to San Gabriel of \$358,782. San Gabriel applied the ratio of the \$350,000 damages award to the computed damage of \$358,782 to allocate the court-awarded damages to the individual plant facilities. The ratio of the court-awarded damages to the reproduction cost new less depreciation of the individual plant facilities was applied to the original cost less depreciation of the individual facilities to obtain the individual facility rate base equivalent of the awarded damages. These amounts were further reduced by the amount of unrefunded advances outstanding

on these facilities as such unrefunded advances were already excluded from rate base for ratemaking purposes. The sum of the damaged portion of the individual facilities included in the 1980 test year rate base thus computed is \$56,941. This amount of the damages award is the equivalent of payment for the rate base value of plant taken by inverse condemnation, and the rate base of \$14,489,000 adopted in D.90979, supra, should be adjusted downward by this amount to the rounded figure of \$14,432,700. The difference between the \$350,000 and \$56,900, or \$293,100, should be included in Account No. 401-Miscellaneous Credits to Surplus. The bookkeeping entries used for the \$83,590.48 litigation expense and \$66,138.17 interest received appear appropriate.

D.90979, supra, granted San Gabriel increased rates on an interim basis subject to a partial refund of a maximum of \$70,000<sup>1/</sup> should Montebello successfully support its position. The proportionate amount of refund reflecting our adopted rate base adjustment of \$56,900 is \$11,400 on an annual basis. This amount, plus 7 percent interest reduced to reflect the period the rates authorized by D.90979, supra, were in effect, should be refunded to San Gabriel's ratepayers, and the tariff schedules should be adjusted accordingly.

D.90979, supra, authorized consolidation of San Gabriel's El Monte and Whittier Divisions for more efficient overall operations. We authorized one rate for both divisions and did not attempt to reflect any existing cost differentials in the establishment of the rates. Under these circumstances, it would be inappropriate to establish a special rate base to reflect the inverse condemnation rate base adjustment. Consequently, the rate reduction will be applied divisionwide on a uniform cents per 100 cubic feet basis.

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<sup>1/</sup> Effect of reducing the rate base by the \$350,000 award for damages (9.57 percent authorized rate of return x \$350,000 x net-to-gross multiplier).

Findings of Fact

1. D.90979, supra, was an interim order providing for the collection of \$70,000, equal to the product of \$350,000 rate base, the 9.57 percent authorized rate of return, and a net-to-gross multiplier, subject to refund should Montebello successfully present sufficient evidence to support its position.

2. A judgment was awarded San Gabriel of \$499,728.65 against Montebello under the service duplication law of the Public Utilities Code Sections 1501 through 1506. The amount of the award consisted of damages \$350,000, litigation expense \$83,590.48, and interest \$66,138.17.

3. The award of damages of \$350,000 roughly approximated the estimate of damages of \$353,782 computed by San Gabriel's consultant using the reconstruction cost new less depreciation method.

4. The court-awarded damages of \$350,000 represent plant whose original cost less depreciation less unrefunded advances used for rate base purposes total \$56,941.

5. The \$56,941 figure represents rate base equivalent of San Gabriel's plant taken for public use in an inverse condemnation-type proceeding. Therefore, the rate base of \$14,439,600 adopted for test year 1980 in D.90979, supra, should be reduced by that amount to a rounded figure of \$14,432,700.

6. A rate base reduction of \$56,900 results in a rate refund and rate reduction of approximately \$11,400 on an annual basis.

7. A refund of \$11,800 computed on an annual rate of \$11,400 plus 7 percent annual interest for the effective period of the tariffs authorized by D.90979, supra, from November 11, 1979 to November 11, 1980 should be made to San Gabriel's customers.

8. The general rates should be reduced by 0.1 cents per 100 cubic feet on a uniform basis to reflect a reduction in revenues on an annual basis of \$11,400. Because of rounding, the utility's gross revenue reduction amounts to \$14,700.

9. San Gabriel's plant accounts should be adjusted to reflect the adopted \$56,900 rate base adjustment.

Conclusions of Law

1. A rate base adjustment of \$56,900 should be made to the adopted findings set forth in D.90979, supra, to reflect the taking of private property for public use by Montebello.

2. A refund of \$11,800 should be made to the customers of San Gabriel.

3. Water rates should be reduced a uniform 0.1 cents per 100 cubic feet as set forth in revised rate schedules attached to this order as Appendix A effective November 11, 1980.

4. San Gabriel's plant accounts should be adjusted to reflect the adopted \$56,900 rate base adjustment.

5. Since this order is merely correcting our prior decision for a mathematical error and an accounting change without other substantive change it is appropriate to make the order effective the date hereof.

O R D E R

IT IS ORDERED that:

1. San Gabriel Valley Water Company (San Gabriel) shall refund to its customers \$11,800 computed at an annual rate of \$11,400 plus an interest of 7 percent per annum from November 11, 1979 to November 11, 1980.

2. Within thirty days after the effective date of this order, San Gabriel shall adjust its accounting records to reflect a rate base adjustment of \$56,900.

3. After the effective date of this order, but no later than November 3, 1980, San Gabriel is ordered to file the revised rate schedules attached to this order as Appendix A and concurrently to cancel and withdraw the presently effective schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be November 11, 1980. The revised schedules shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated \_\_\_\_\_, at San Francisco, California.