

Decision No. 50250**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Commission
Investigation on its own motion
to determine the reasonableness,
adequacy, sufficiency and lawfulness
of the rates, charges, tolls,
rentals, service and certain other
subjects and matters of the
Citizens Utilities Company of
California, a corporation.

Case No. 5465

In the Matter of the Application
of CITIZENS UTILITIES COMPANY OF
CALIFORNIA, a corporation, for
authority to increase water rates
for its water system serving the
area known as Boulder Creek, Ben
Lomond, Brookdale, Santa Cruz
County, California.

Application No. 33581
(As Amended)

Applicant: Orrick, Dahlquist, Herrington & Sutcliffe
by George H. Johnston for Citizens Utilities
Company of California

Protestants: San Lorenzo Valley Chamber of Commerce,
Ben Lomond Valley Property Owners Association,
Ben Lomond Recreation District and Business and
Professional Womens Club, by Alice Earl Wilder;
Larita Woods Mutual Water Company, by A. W. Archer;
Wildwood Country Home Club Incorporated, by
Harold C. Andersen

Interested Parties: San Lorenzo Valley County Water
District, by John C. Luthin; Irene M. Gairaud, by
L. Louis Gairaud.

Commission Staff: Harold J. McCarthy and John F.
Donovan.

O P I N I O N

The above-entitled application was filed July 17, 1952 and hearings thereon, after amendment, were held during February 1953. By Decision No. 48618, issued May 19, 1953, this Commission authorized applicant to increase rates on an interim basis, reopened the proceeding for further hearing and coincidentally instituted an investigation into the reasonableness, adequacy, sufficiency and lawfulness of the rates, charges and service rendered by applicant and

applicant's operations as they pertain to or affect its Boulder Creek District. Such further hearing on the consolidated matters has now been had, having been held before Commissioner Mitchell and Examiner Emerson during the five-day period ending March 12, 1954^{1/}.

Applicant's Request

By its latest amendment applicant seeks still further increases in rates. A comparison of the last permanent rates in 1952, the 1953 rate request, the interim rates granted and those now sought is shown in the following tabulation:

^{1/} Chronologically the following has occurred: (1) Original application (with those for four other water systems) filed July 17, 1952; (2) First amendment filed July 29, 1952; (3) Second amendment filed December 19, 1952; (4) Twelve days of hearings held during February 1953; (5) Decision No. 48618, authorizing increased rates, issued May 19, 1953; (6) Applicant petitioned for rehearing, June 8, 1953; (7) Interim rates became effective June 16, 1953; (8) Rehearing denied by Decision No. 48778 issued June 30, 1953; (9) Applicant petitioned Supreme Court for writ of review and conditional stay, (S F No. 18899) on July 30, 1953; (10) Applicant petitioned Commission for extension of time to comply with portion of Decision No. 48618, granted August 18, 1953; (11) Applicant requested further extension of time, granted September 15, 1953; (12) Applicant filed report, as required by Decision No. 48618, on October 5, 1953; (13) Supreme Court sustained Commission's order by denying writ of review on October 29, 1953; (14) Applicant filed third amendment to application for rate increase on February 2, 1953; (15) Further hearings commenced March 8 and terminated March 12, 1954; (16) Last brief received April 27, 1954; (17) Applicant's corrections to its brief, received May 15, 1954.

MONTHLY BILLING COMPARISON
(Based on Annual Rates)

Usage Cubic Feet	1952 Last Perma- nent Rates	1953 Requested Rates	1953 Interim Rates Authorized	1954 Requested Rates	Per Cent Increase Latest Re- quest over Last Perma- nent Rates
300*	\$ 1.67	\$ 2.25	\$ 1.83	\$ 2.90	73.7%
400	2.02	2.70	1.83	2.90	43.6
600	2.72	3.72	2.63	3.84	41.2
1,000	4.12	5.68	4.23	5.72	38.8
2,000	7.62	10.58	8.23	10.42	36.7
5,000	16.12	21.88	18.23	22.52	39.7
10,000	27.12	36.28	31.73	39.52	45.7

*81% of all consumers served on the "annual" schedule use this amount or less. On the "monthly" schedule 40% of all consumers use this amount or less.

Issues Involved

The basic issues or matters for determination involved in this proceeding concern (1) accurate determination of the area in which applicant is obligated to serve, (2) establishment of adequate service therein by means of permanent additions and improvements to the water system and (3) the establishment of a permanent rate structure.

Service Area

In a 1948 Decision^{2/} this Commission defined the area in which applicant was obligated to serve the public as having boundaries of which the upper level limits were approximately along the 700-foot contour as shown on a map attached to the then application, said boundaries, however, to include the area known as Redwood Grove located above said 700-foot contour. In response to the Commission's order; applicant filed a map purporting to delineate the boundaries

^{2/} Decision No. 41355 in Application No. 25401 and Case No. 4906, issued March 23, 1948.

indicated by the Commission. Such map, however, showed an area extending to the 700-foot level in the northern portion of the system, another area in the central portion of the system extending to the 400-foot contour level and still another area in the southern portion of the system whose upper level ended at the 325-foot contour. Applicant has since adhered to such levels and has refused to serve above the respective levels delineated on its filed map. This situation was brought to the attention of the Commission during the 1953 hearings and is briefly discussed in our Decision No. 48618, issued May 19, 1953.

During November and December, 1953, engineers of the Commission staff made a thorough investigation of applicant's system. Staff engineers accurately determined the extent of the area being then served, together with a survey of the facilities of applicant in order to determine their suitability and adequacy. The locations of potential consumers with respect thereto was also determined. During the hearing the results of such investigation were presented as Chapter 11 of Exhibit No. 1. By such report and oral testimony in support thereof the staff engineers recommended establishment of upper level limits to which applicant has agreed. Basically the staff recommendation would create two areas. The first would obligate applicant to serve to an elevation of 675 feet in the northern portion of the system and 475 feet in the central and southern portions of the system. As exceptions, the Redwood Grove and Reynoldsville Park areas would be served to 875 feet, Boulder Brook to 750 feet and Forrest Park to 700 feet.

In view of the evidence we find that public convenience and necessity require and will require that applicant provide adequate water service, at pressures of not less than 25 pounds per square inch, to and including the above-mentioned elevations as hereinafter specifically ordered.

Adequacy of Service

As discussed in our Decision No. 48618 this system has experienced numerous service deficiencies over a considerable period of time. The system has known severe water shortages and consumers have been supplied water at pressures which were practically unusable. During the course of the 1953 hearings and the period since that time applicant has made certain operational changes and has made certain plant additions which have somewhat alleviated the situation. According to applicant's witness, 1953 was a good water year. Sources of supply proved to be adequate in such year and the system went through the summer season without consumers complaining of lack of water.

Applicant's plans and program of system improvements are set forth in its report filed, on October 5, 1953, in response to Decision No. 48618 and in its budgeted construction work set forth in its third amendment to the application as further revised by Exhibit No. 7 and oral testimony.

The Commission staff investigation and engineering recommendations pertaining thereto are contained in the chapter of Exhibit No. 1 above-mentioned. The staff determined that applicant's system, because of its limited development of water supply and small-sized mains, primarily is deficient in storage capacity even though the system has numerous storage tanks. According to the staff witness many of the present tanks are poorly situated and some are of such small size and at such elevations as to serve no practical or useful purpose. Basically, therefore, the staff recommends that one storage tank of 100,000 gallons be installed in the northern portion of the system, that a similar tank be installed in the southern portion and that some small tanks be retired.

To counter the staff recommendation, applicant's witness proposed the installation of a section of 8-inch main to parallel the present 6-inch main between the system's major storage tanks and the

town of Boulder Creek. By such means a greater quantity of water could flow both to the northern and southern portions of the system. Such counter proposal, though hastily improvised, has undoubted merit from a flow standpoint. It adds no storage, however. Although the witness admitted additional storage would be beneficial it was his position that the cost thereof should be avoided until consumer complaints made the elevation of existing tanks or the installation of new and larger tanks unavoidable.

Applicant's system is gravity-fed, depending upon the natural flow of springs, creeks and small streams for its supply. The system has no seasonal storage facilities nor do the staff's recommendations include provisions for seasonal storage. However, they do provide for storage which, in conjunction with certain existing facilities, would assure a stored supply of water sufficient to carry the system through a summer three-day week-end peak period in a "poor" water year.

Applicant avows a "willingness and ability to meet service problems" yet the pattern of performance is clearly one in which planning and construction budgets are prepared on short-term bases and revised during proceedings before this Commission to meet the exigency of the moment.^{3/} Applicant has no long range plans for this

^{3/} As the latest example: Applicant received the staff report on the Friday preceding the latest hearings. By Monday morning, the first day of hearing, it had revised its construction budget and its proposed exhibits in an effort to counter the Staff proposals.

system with respect to meeting service problems.^{4/} Repeatedly, during the testimony of applicant's engineering and management witness, it developed that studies had not been made of situations which, according to the witness, were important. Repeatedly, recourse was made to conjecture.

No utility can successfully provide the public with adequate service at reasonable rates by confining its planning to such short-range term as the month-to-month basis which applicant's witness indicates this system has experienced. The staff survey of this system is perhaps the only over-all study of the physical system made by anyone in the past six or more years. It has engineering value and places in bold relief the misfit nature of the essential components of applicant's system.

In view of the evidence we find that public convenience and necessity require and will require that additional storage be provided in the northern portion of the system, that certain tanks be elevated or removed and that certain items of applicant's revised construction budget for 1954 be installed as hereinafter ordered. We hereby find that the facilities and instrumentalities of applicant are insufficient and inadequate in the matters pointed out and that such improvements, reasonably, should be made.

4/ Of significance are Witness Gibbs', vice president and engineer, replies to questioning, as follows:

Mr. Luthin: "Do you have any long range program worked out? Do you do your planning on a five-year basis or less or more?"

Witness Gibbs: "Well, we have had an awful hard job to get away from just a month-to-month basis and we feel pretty good to be able to think as far as five years ahead."

Question: "The thing I am interested in is the possibility of any major facilities being required within the next five years in addition to the ones that you have listed in your construction budget."

Answer: "I do not foresee any major --- it is rather difficult to say 'major'. I would like to, in the next five years, have a program of adding larger sized mains in the northern section, for instance, in other words, in the section which Staff witness Reader suggested his 100,000-gallon tank. I would like to see more 6-inch line out in that vicinity, but some of that will be done within five years and whether you call it major or not, I don't know." EMPHASIS SUPPLIED

Results of Operations

Rate Bases

Except for the common starting point of fixed capital as of the end of 1952, the rate bases developed by applicant and the Commission staff differ markedly as to amount, items included, weighting of fixed capital additions and periods covered. They are not directly comparable.

Certain deficiencies in applicant's presentation are readily apparent. Applicant's development of rate bases mixes averages with year-end figures, fails to exclude non-operative properties, understates the reserve for depreciation and includes an allowance for working cash on a system whose consumers provide applicant with large sums of money in advance of water usage.

In view of the evidence we find the following to be a reasonable weighted average rate base for this system for the year 1953:

YEAR 1953

<u>Item</u>	<u>Amount</u>
Total Fixed Capital (weighted average)	\$425,125
Donations in Aid of Construction	(534)
Consumers Advances for Construction	(4,018)
Nonoperative Property	(4,303)
Materials and Supplies	3,630
Working Cash	0
Depreciation Reserve	(91,279)
Adjustment for non-operative property	<u>228</u>
	(91,051)
 Average Depreciated Rate Base	 <u>\$328,849</u>

(Inverse Item)

In view of the evidence and recognizing due weighting of the respective dates of completion of applicant's proposed 1954 construction program, we find the following to represent a fair and

reasonable rate base for the year 1954:

YEAR 1954

<u>Item</u>	<u>Amount</u>
Total Fixed Capital (weighted average)*	\$473,800
Donations in Aid of Construction	(500)
Consumers Advances for Construction	(4,000)
Materials and Supplies	3,700
Working Cash	0
Depreciation Reserve*	(101,000)
Average Depreciated Rate Base	\$331,500

*Excluding non-operative property

(Inverse Item)

With respect to the derivation of a reasonable future rate base, we shall include recorded fixed capital and projected additional plant which will fully recognize applicant's 1954 revised construction program, as set forth in Exhibit No. 7, plus the facilities necessary to implement our above-stated findings respecting delineation of the service area and adequacy of service. Such rate base, taking into account the time required to accomplish the hereinafter ordered system improvements, is applicable to the average year 1955 and is derived as follows. We find such rate base to be reasonable.

YEAR 1955

<u>Item</u>	<u>Amount</u>
1954 Year End Fixed Capital	\$488,200
1955 Gross Additions, average	26,000
1955 Retirements	(4,900)
Donations and Contributions	(4,500)
Materials and Supplies	4,000
Working Cash	0
Depreciation Reserve	(102,100)
Average Depreciated Rate Base	\$406,700

(Inverse Item)

Revenues

Applicant and the staff are in fairly close agreement as to the amounts of revenue derivable under the existing interim rates. We adopt as reasonable the amounts of \$71,200 for the year 1953 and \$76,800 for the year 1954, such sums including all revenues properly derivable under regularly filed and effective rates.

Expenses

For the year 1953 applicant and the staff are in reasonably close agreement as to total operating expenses, applicant having indicated a total of \$55,122 actual and \$56,136 as adjusted for full year effect of interim rates, while the staff indicated a total of \$55,561 on the basis of an adjusted and normalized year.

In the main the respective sums represent actual expenditures. Some items however, comprise accounting allocations which are open to scrutiny and certain other items which are subject to investigation as a matter of principle. Among these are the matter of charges, to applicant by its parent, of a "mutual service fee", charges for attorneys' fees, and calculation of taxes based upon income.

With respect to the so-called "mutual service fee" assessed by the parent corporation, the record in this proceeding is insufficient to permit of a determination as to its reasonableness. As a practical matter an adequate study of such "fee" can be undertaken only by sending staff experts to Connecticut, a situation entailing considerable expense which, in our opinion, is not warranted in the instant proceeding. Such study will be deferred until such time as a proceeding is brought before us, or is initiated by the Commission, involving applicant's over-all operations or general rate structure. For the present, therefore, no disallowance of said "mutual service fee" will be made for the rate-making purposes now before us.

In applicant's accounts covering regulatory expenses are the costs of prosecuting its numerous rate proceedings. Reasonable legal expenses incurred by a utility in a rate proceeding before the primary rate-fixing authority are proper charges to its operating expenses because such a rate proceeding is absolutely necessary as a condition precedent to it receiving rate relief. An appeal or other review proceeding, however, is optional with the utility and is the taking of a calculated risk. The taking of an appeal is not a necessary part of due process. When a party takes an appeal he subjects himself to the suffering of any prejudice flowing from a rejection of such appeal.^{5/} Counsel fees and other expenses incident to an appeal taken by a public utility in a rate proceeding, particularly where such appeal is unsuccessful, should not be charged against the rate payers. It is a risk taken by stockholders, not the rate payers. We disallow as an operating expense for purposes of rate fixing that part of claimed legal expenses attributable to the unsuccessful review proceeding taken by applicant from the decisions of this Commission (Decision Nos. 48618, 48619, 48620, 48621, 48622).

With respect to a determination of taxes based upon income we have turned to applicant's federal income tax return dated September 9, 1953^{6/} as being the best available evidence of applicant's income tax liability. Using the basic data contained therein, we find that the income tax expense assignable to the Boulder Creek District of applicant does not exceed \$9,300 for the year 1953. This amount will be included as an operating expense.

All remaining operating expenses claimed by applicant for the year 1953 will be accepted as reasonable for the purposes of the instant proceeding. We adopt, therefore, the sum of \$51,600 as a total of all reasonable operating expenses for such year.

^{5/} Panhandle Eastern Pipeline Co. v. Federal Power Commission, 179 Fed(2d) 896,902; Panhandle Eastern Pipeline Co. v. Federal Power Commission, 154 Fed (2d) 909, 911-912.

^{6/} Exhibit No. 17 in this proceeding.

With respect to the year 1954 we shall recognize applicant's estimated expenses with adjustments similar to those above discussed. By so doing we derive and adopt as reasonable the sum of \$59,600 as the total of all reasonable operating expenses for the estimated year 1954.

Net Revenue - Rate of Return

Summarizing the above-adopted revenues and expenses and relating them to the rate bases hereinabove found to be reasonable, indicates the following:

<u>Item</u>	<u>Under Existing Rates</u>	
	<u>Year 1953</u>	<u>Year 1954</u>
Gross Revenues	\$71,200	\$76,800
Total Operating Expenses	<u>51,600</u>	<u>59,600</u>
Net Revenue	19,600	17,200
Average Depreciated Rate Base	328,849	331,500
Rate of Return	5.96%	5.19%

Conclusions

We conclude that under the service rates effective during the year 1953, applicant's operations of this system have produced a satisfactory return. In fact it is in excess of that intended by our interim decision in this matter. In view of the deplorable service situation which engendered the issuance of an interim decision and the initiation of an investigation on this Commission's own motion, the results of operations above set forth cannot be said to be unfair to applicant. In the light of the evidence as respects adequacy and value of the service and applicant's failure to perform and discharge its public duty enjoined by law, we find the return for the estimated year 1954 to be satisfactory.

Authorized Permanent Rates

In considering the establishment of permanent rates for this system we are mindful of the fact that this system requires further improvement, as heretofore discussed. Some of the needed facilities

may not be completed before mid-1955. They are minimum requirements but will benefit the consumers. They will not produce more than a very minor amount of additional revenue. It seems proper, therefore, to design the permanent service rates to produce a fair return upon that rate base which will accord the consumers a reasonably adequate service and to make such rates effective as of the time when such service may be assured.

We find that a rate of return of approximately 6 per cent on the rate base of \$406,700 for the year 1955, hereinabove derived, is fair and reasonable to utility and consumer alike. The permanent rates herein authorized should produce gross revenues of not less than \$84,900 during the normalized year 1955 and, after allowance for total reasonable operating expenses of \$60,500 for that year will yield such a rate of return.

The permanent rate structure to be established herein will consist of two basic rates, "General Metered Service" and "Seasonal Metered Service." Each will have the same scale of charges and the same quantity blocking, with an initial usage block of 500 cubic feet per month. Recognizing the lesser year-round demands of seasonal users, the schedule for seasonal usage will be available for ten-months usage at a lower total minimum billing than the general service schedule.

At each step in this proceeding applicant has requested that new rates be made effective retroactively. In view of our above-stated findings respecting the earning position of applicant and in further view of the lack of a good and sufficient showing by applicant as to any justification for the granting of such request, the request is denied. The new rates will be made effective for the next annual season.

Paragraph omitted

O R D E R

Citizens Utilities Company of California having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in its Boulder Creek District, an investigation having been made on the Commission's own motion relative thereto, public hearings thereon having been held, the Commission having been fully informed thereon and the matters having been submitted and being now ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that the existing rates, in so far as they differ from those herein authorized, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96, the tariffs set forth in Appendix A attached hereto and, after not less than five days' notice to this Commission and to the public, to make said tariffs effective for service on and after January 1, 1955.

2. Applicant shall, as of January 1, 1955, henceforth render public utility water service, in accordance with its regularly filed tariffs pertaining thereto, at pressures not less than twenty-five

pounds per square inch gauge at consumer's service connections
throughout the following described areas in Santa Cruz County:

- A. All lands at or below an elevation of 675 feet (U.S.C. & G.S. datum) in sections 1, 12, 13, 24 and 25 of T9S R3W and sections 6, 7, 8, 16, 17, 18, 19, 20, 21, 29, 30, 31, 32 and 33 of T9S R2W, Monte Diablo Base & Meridian, lying to the north of the extended east-west line between section 32 of T9S R2W and section 5 of T10S R2W, except as follows:
 - a. In section 32, above-mentioned, the southwest one-quarter of this section lying to the east of the pipeline connecting South Reservoir and the hydromotor valve at the intersection of High Street and Azalea Road shall have an upper elevation limit of 900 feet.
 - b. In sections 24 and 25, above-mentioned, the area known as "Boulder Brook Subdivision" shall have an upper elevation limit of 750 feet.
 - c. In sections 19 and 24, above-mentioned, the present area served by Big Basin Water Company is excluded and the area known as "Forrest Park" shall have an upper elevation limit of 700 feet.
 - d. In section 18, above-mentioned, the areas known as "Redwood Grove" and "Reynoldsville Park" subdivision shall have an upper elevation limit of 875 feet and this area shall extend to but not beyond the line lying between sections 7 and 18 and between sections 17 and 18 of T9S R2W.
 - e. In sections 16, 20 and 21, above-mentioned, the areas known as "Bear Creek Knolls", "Hiawatha Woods No. 1" and "Hiawatha Woods No. 2" shall have an upper elevation limit of 700 feet.
- B. All lands at or below an elevation of 475 feet (U.S.C. & G.S. datum) in sections 3, 4, 5, 9, 10 and 16 of T10S R2W, Monte Diablo Base & Meridian, lying to the south of the extended east-west line between section 32 of T9S R2W and section 5 of T10S R2W, except as follows:
 - a. In section 9, above-mentioned, the area served by Ben Lomond Redwood Park Water Company is excluded.
 - b. In section 16, above-mentioned, the area served by Felton Water Company is excluded.
 - c. In sections 9 and 16, above-mentioned, the area known as "Glen Arbor" as served by Larita Woods Mutual Water Company is excluded.

3. On or before December 31, 1954 applicant shall have completed the construction work necessary and shall have in operation those items of plant numbered 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12 and 16 set forth in applicant's "Revised Construction Budget, 1954" on pages 18 and 19 of Exhibit No. 7 in this proceeding.

4. Applicant shall install the following facilities and have them in proper operation prior to June 1, 1955:

- a. A storage tank of not less than 100,000 gallons capacity located at an elevation of not less than 750 feet in the Redwood Grove area, such tank to be tied in to the mains at the present Proctor and McAbee tank sites with not smaller than 4-inch pipes and to the main in Fern Avenue and to the main in Two Bar Creek Road with not smaller than 6-inch pipes.
- b.. Relocate or elevate the Hiawatha Woods Tank to an elevation of not less than 775 feet.
- c. Tie in mains by installing 6-inch pipe (approximately 1200 feet) in Sunnyside Avenue between Brookside Avenue and Main Street in the Ben Lomond area.
- d. Relocate or elevate the Shrank Tank to an elevation of not less than 540 feet.

5. Prior to July 1, 1955 applicant shall retire from service the McAbee, Proctor, Caldwell, La Mont, La Torre and Glen Arbor tanks and tank sites.

6. Within fifteen days after completion of the above-ordered installations and retirements applicant shall report to this Commission, in writing, the dates on which said items are in proper

operation or are removed from service.

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

Dated at San Francisco, California, this 6th day of July, 1954.

Edw. E. Mitchell
President

James J. Caswell

Samuel H. Totten

Verne Roggins

Commissioners

APPENDIX A
Page 1 of 4

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to metered water service.

TERRITORY

Throughout the entire territory served in the Boulder Creek-Brookdale-Ben Lomond area of Santa Cruz County.

RATES

Monthly Quantity Rates:	Per Meter per Month
First 500 cu.ft. or less	\$2.50
Next 1,500 cu.ft., per 100 cu.ft.....	.43
Next 2,000 cu.ft., per 100 cu.ft.....	.35
Next 3,000 cu.ft., per 100 cu.ft.....	.30
Next 5,000 cu.ft., per 100 cu.ft.....	.25
Over 12,000 cu.ft., per 100 cu.ft.....	.17
Annual Minimum Charge:	Per Meter per Year
For 5/8 x 3/4-inch meter	\$ 30.00
For 3/4-inch meter	42.00
For 1-inch meter	54.00
For 1-1/2-inch meter	96.00
For 2-inch meter	144.00

The Annual Minimum Charge will entitle the consumer to a monthly quantity of water which one twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing January 1, and are due in advance. A customer who has established his permanency by having taken service at the same location during each of the preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one twelfth of the annual minimum charge.

2. For initial service the above annual minimum charges will be prorated. Any customer who discontinues service and subsequently requests resumption of service at the same location will not be reconnected until the applicable annual minimum charge and the reconnection charge shall have been paid in full.

Schedule No. 1--contd.

GENERAL METERED SERVICE

SPECIAL CONDITIONS--contd.

3. When the annual minimum charge is paid annually in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly or quarterly, at the option of the utility, on a noncumulative consumption basis.

Schedule No. 2

SEASONAL METERED SERVICE

APPLICABILITY

Applicable to seasonal water users whose period of water service requirements does not exceed ten consecutive months in a calendar year.

TERRITORY

Throughout the entire territory served in the Boulder Creek-Brookdale-Ben Lomond area of Santa Cruz.

RATES

Monthly Quantity Rates:		Per Meter per Month
First	500 cu.ft. or less	\$2.50
Next	1,500 cu.ft., per 100 cu.ft.....	.43
Next	2,000 cu.ft., per 100 cu.ft.....	.35
Next	3,000 cu.ft., per 100 cu.ft.....	.30
Next	5,000 cu.ft., per 100 cu.ft.....	.25
Over	12,000 cu.ft., per 100 cu.ft.....	.17

Annual Minimum Charge:		Per Meter per Year
For	5/8 x 3/4-inch meter	\$ 25.00
For	3/4-inch meter	35.00
For	1-inch meter	45.00
For	1-1/2-inch meter	80.00
For	2-inch meter	120.00

The Annual Minimum Charge will entitle the customer to a monthly quantity of water which one tenth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during ten consecutive months of the calendar year and are due January 1.
2. Where service is required for more than ten consecutive months, service will be rendered only under Schedule No. 1, "General Metered Service".
3. For initial service the above annual minimum charges will be prorated.
4. Charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly or quarterly, at the option of the utility, on a noncumulative consumption basis.

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service rendered to duly organized or incorporated fire districts or other political subdivisions when contracts have been entered into for such service.

TERRITORY

Throughout the entire area served in the Boulder Creek-Brookdale-Ben Lomond area of Santa Cruz County.

RATES

	<u>Per Hydrant per Month</u>
On mains four inches in diameter or larger	\$1.50
On mains less than four inches in diameter	0.50

SPECIAL CONDITIONS

1. The cost of installing and maintaining hydrants will be borne by the district, not by the utility.
2. The above rates include the use of water for fire fighting and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges will be made at the monthly quantity rates under the schedule for "General Metered Service".
3. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.