

Decision No. 60477

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of PALOS VERDES WATER COMPANY, a)
California corporation, for)
general rate increases.)

Application No. 41567

David P. Evans, attorney, and W. L. Arnold, consulting accountant, for applicant.

Auten F. Bush, attorney, and Everett L. Clark, consulting engineer, for the Cities of Palos Verdes Estates, Rolling Hills, Rolling Hills Estates; Grandview Home Owners Association; Rocking Horse Community Association; Westfield Park Recreation & Parkway District No. 12; Westfield Property Owners Association; Rolling Hills Riviera Home Owners Association, Inc.; Rocking Horse Property Owners Association; Mira Costa Terrace Home Owners Association; Portuguese Bend Community Association; Miraleste Park, Recreation & Parkway District; and Charlton A. Mewborn, for Green Hills Memorial Park Cemetery; protestants.

Ray L. McCoy, for Southern California Water Company; and Clement H. Jacomini, for Title Insurance and Trust Company; interested parties.

William C. Bricca and Donald E. Steger, for the Commission staff.

O P I N I O N

Palos Verdes Water Company, a corporation, by the above-entitled application, filed October 8, 1959, seeks authority to increase its rates for water service on the Palos Verdes peninsula in the southern extremity of Los Angeles County in the Cities of Palos Verdes Estates, Rolling Hills, and Rolling Hills Estates, and in unincorporated territory of Los Angeles County. The proposed increase as set forth in the application, based on a normalized test year, would amount to approximately \$338,000, or an over-all increase of 39.25 percent.

Public hearings were held before Commissioner C. Lyn Fox and Examiner Stewart C. Warner on February 3, 1960, before Examiner Warner on February 17 and 18, 1960, and before Commissioner Fox and Examiner Warner on April 13, 14 and 15, and May 12, 1960, at Palos Verdes Estates. Petitions protesting the application containing in excess of 4,000 signatures, and several hundred letters also protesting the application were received. Many of the protests complained of poor service conditions, including inadequate pressures and, in some instances, dirty and unpalatable water. The three cities served and many community associations protested the magnitude of the application and to some extent protested the adequacy of the public fire hydrant service. The matter has been submitted and is ready for decision.

The applicant furnishes water service to approximately 9,000 customers throughout its service area which comprises about 19,000 acres. By Decision No. 14151, dated October 9, 1924, in Application No. 10246, the applicant was granted a certificate of public convenience and necessity to construct and operate a public utility water system and to exercise franchise rights granted by Los Angeles County. Authority was also granted by said decision to issue stock. By Decision No. 42767, dated April 19, 1949, in Application No. 29703, the applicant was authorized to increase its rates for water service and the rates established by said Decision are applicant's present rates. On June 25, 1954, Great Lakes Carbon Corporation and Capital Company acquired all of applicant's outstanding common stock, elected a new board of directors, and took over active operation and management of the company on September 1, 1954. Said two companies are the present owners of all of applicant's

common stock except 2,193 shares, or 4.3 percent, owned by Palos Verdes Properties. These principal stockholders are or have been the principal landowners on the Palos Verdes peninsula and the record shows that it has been, is, and will continue to be to their interest and benefit that an economically sound, successfully operated public utility water company be maintained in the area. Toward these ends, in 1956 the applicant increased its utility plant in service by approximately \$2.1 million from a balance of plant in service, dated December 31, 1955, of \$1,945,979, to a balance as of December 31, 1956 of \$4,042,664. The principal investment in that year was an extensive construction program during 1955 and 1956 designed to provide what was described as a "backbone" water system of 36-, 33-, 30- and 27-inch mains for the entire peninsula, including pumping facilities to tap and boost Metropolitan Water District water, two reservoirs with a combined capacity of 8 million gallons, approximately 5.3 miles of pipe lines ranging in diameter from 27 to 36 inches, and about 13 miles of subtransmission lines ranging in diameter from 8 to 18 inches. The applicant's report to its board of directors, dated August 20, 1957, in part stated that the new system was designed and built for full development of the peninsula estimated at a population of 100,000 persons, and that the estimated population of the applicant's service area as of June 30, 1957 was 16,640.

The applicant purchases approximately 85 percent of its water supply through the West Basin Municipal Water District from the Metropolitan Water District, the present rate for which is \$25.50 per acre-foot. The balance of applicant's water supply comes from two wells located near the intersection of Vermont Avenue and Anaheim Street in the City of Los Angeles. Water is pumped and boosted from the wells and the MWD connection around

the peninsula at approximately a 500-foot elevation and over the top of the hills through the "backbone" over-all 33-inch system at maximum elevation of 1,450 feet to storage reservoirs with a total capacity of approximately 11 million gallons. It has been necessary for the applicant to install pressure regulators to lower operating pressures to the maximum allowable under General Order No. 103 of 125 psi and many customers and house builders have been required to install pressure regulators on their premises. At the higher elevations, booster pumps have been installed to maintain operating pressures above a minimum of 25 psi. The testimony of some customers was somewhat to the contrary in this regard. In the interval between hearing dates the applicant investigated each complaint of service and outlined on the record the results of its investigation and the steps it had taken or proposed to take to remedy the service conditions complained of.

As of January 1, 1960, 721 fire hydrants were connected to the applicant's water system. In addition to residential and commercial customers, the applicant has two extraordinary users, viz., the Oceanarium with three active service connections and, during 1959, a total consumption of 49,483 (00) cubic feet, and the Green Hills Memorial Park, a cemetery, also with three active service connections and, during 1959, a total consumption of 46,969 (00) cubic feet. Also, on December 31, 1959, there were 82 public authority customers consisting mostly of park services with a total consumption during that year of 138,008 (00) cubic feet. The number of irrigation customers, whose use for the most part varies with rainfall, has not changed in recent years and the applicant estimated that its 30 active customers use an average of a total of 75,000 (00) cubic feet per year.

The average number of customers for the year 1953 was 2,336, and this number was estimated to have increased to 8,996 for the year 1960. The growth of the system by 1970 was estimated in 1954 by the applicant to be 31,500 at an incremental rate of 2,500 customers per year, although the record shows that applicant's current growth rate is about 1,200 customers per year.

Financial Requirements

A witness for the applicant, a financial consultant, testified that he deemed appropriate a 4.84 percent historical cost rate for the average debt; a 5.38 percent rate for the average preferred stock; and a return requirement rate of 12 percent for common equity capital. By applying said rates to the applicant's respective capital structure components, he computed an over-all rate of return requirement of 7.19 percent. This witness testified that he believed that a rate of return of 7½ percent was proper after considering the factors additive to the mathematically computed rate of 7.19 percent of (1) rising costs, wages and taxes; (2) attrition; and (3) current and prospective senior money costs that are much higher than the company's historical cost. The record shows in Chapter 2 of Exhibit No. 9, introduced by a Commission staff accountant, that no dividends have ever been paid on common stock. The following tabulation shows the applicant's capitalization ratios for the years 1954, 1957 and 1959:

	December 31		
	<u>1954</u>	<u>1957</u>	<u>1959</u>
Long-Term Debt	25.4%	34.8%	30.5%
Advances for Construction	32.2	32.3	34.6
Preferred Stock	-	15.0	12.1
Common Stock Equity	42.4	17.9	22.8
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The record shows that additions to utility plant financed through construction advances for the year 1960 were estimated to amount to \$1,017,634. The applicant estimated net additions to utility plant for the year 1960 in the total amount of \$1,330,523.

Applicant's financial consultant witness testified that on February 1, 1960 \$22,500 principal amount of bonds was retired under a sinking fund; that during 1960, \$242,000 of short-term 5 percent and 6 percent notes outstanding would be converted into 6 percent long-term notes to mature November 1, 1963; that in March, 1960, the applicant issued \$110,000 of 6 percent short-term notes to its parent company; and that on the basis of contemplated additions to plant in 1960, the applicant would need to borrow approximately \$176,000 more to meet its fixed capital requirements for 1960.

The applicant has made no public offering for sale of its common stock, and none was indicated on the record.

Rates

Applicant's present rates became effective May 15, 1949, pursuant to authority granted by Decision No. 42767, supra. The following tabulation compares the applicant's present rates with those proposed in the application and with those authorized herein-after:

Quantity Charge:	Per Meter Per Month		
	Present	Proposed	Authorized
First 400 cu. ft. or less	\$ 2.00	\$ 2.80	\$ 2.50
Next 1,600 cu. ft., per 100 cu. ft. ....	.40	.55	.50
Next 3,000 cu. ft., per 100 cu. ft. ....	.30	.43	.41
Next 5,000 cu. ft., per 100 cu. ft. ....	.25	.37	.35
Next 40,000 cu. ft., per 100 cu. ft. ....	.20	.29	.29
Over 50,000 cu. ft., per 100 cu. ft. ....	.17	.25	.25

The record shows that the average water consumption per normal customer per month is about 2,200 cubic feet. At the present

rates the charge for such consumption would be \$9.00; under the proposed rates, \$12.46, an increase of 38.4 percent; and under the authorized rates, \$11.32, an increase of 25.8 percent. No increase is proposed by the applicant in the rate of \$2.00 a month per fire hydrant for public fire protection service.

Earnings

Exhibit No. 3-B is a summary of applicant's estimated earnings for the normal test year 1960 at present and proposed rates submitted by its consulting accountant. Exhibit No. 9-A is a summary of applicant's earnings for the years 1959 adjusted and 1960 estimated at present and proposed rates submitted by Commission staff engineers. The earnings' data contained in Exhibits Nos. 3-B and 9-A are summarized and compared as follows:

SUMMARY OF EARNINGS

Item	Year 1960 Estimated			
	Present Rates		Proposed Rates	
	Per Co. : Ex. 3-B	Per P.U.C. : Ex. 9-A	Per Co. : Ex. 3-B	Per P.U.C. : Ex. 9-A
Operating Revenues	\$ 899,587	\$ 934,380	\$1,251,586	\$1,300,990
Operating Expenses	539,100	569,340	539,900	573,810
Depreciation	146,396	138,050	146,396	138,050
Taxes	106,264	110,080	299,755	307,960
Subtotal	\$ 791,760	\$ 817,470	\$ 986,051	\$1,019,820
Net Operating Revenue	\$ 107,827	\$ 116,910	\$ 265,535	\$ 281,170
Rate Base	\$3,843,399	\$3,456,800	3,843,399	\$3,456,800
Rate of Return	2.81%	3.38%	6.91%	8.13%

The principal difference between the applicant's estimates of operating revenues for the year 1960 at present and proposed rates and those of the staff engineer are attributable to the fact that the applicant's consulting accountant adopted the average annual customer use in the year 1957 as being indicative of the average annual

customer water use during a normal rainfall year. The staff engineer based his estimates on the average recorded use per customer during the years 1956 through 1959 applied to the average number of customers in 1959 and as estimated for 1960. Also, public authority accounts were adjusted by the staff engineer to reflect minimum billing for meters which showed no registration during certain periods. In the past, no billing was rendered for public authority accounts if the meter showed no registration during the monthly billing period. The staff engineer's estimates were not based on normal average rainfall calculations, and he testified that in his opinion such calculations were not appropriately applicable to the applicant's water service conditions. He testified that the effect of rainfall on water sales would largely depend on the monthly periods during which rain did or did not fall. He noted that the year 1960, as of the May, 1960, hearing date, was one of the driest years on record.

Analysis of the earnings' data indicates that the staff engineer made an upward adjustment to estimated pumping expenses for the year 1960, and reduced depreciation expense and general property and income tax expense consistent with an adjustment to utility plant for excess transmission pipe-line capacity discussed hereinafter.

Exhibit No. 3-B includes a Central and West Basin Water Replenishment District assessment at the rate of \$6.60 per acre-foot applied against the 999 acre-feet of water pumped by applicant from its wells. Exhibit No. 9-A includes such assessment at the rate of \$3.19 per acre-foot, which is the announced rate for the fiscal year 1960-61. In this connection a witness for the protestants, who is a director of the Central Basin Water Association, testified that there was a strong likelihood that the rate for years subsequent to 1960-61

might be doubled if the Replenishment District increased its purchases of Metropolitan Water District water for spreading in the underground basins from its present rate of approximately 70,000 acre-feet annually to 150,000 acre-feet.

Both the applicant and the staff engineer included the estimated effect on operating expenses and taxes, on an annual basis, of a union contract and general wage increase agreed to by the applicant on April 21, 1960, retroactive to February 1, 1960. The total annual increase was estimated to amount to approximately \$25,000, of which \$21,000 would be charged to operating expense, the balance being capitalized.

Except as hereinbefore noted, no significant differences between the estimates of operating revenues and operating expenses as submitted by the applicant and the staff engineer are evident.

The staff engineer, in determining the rate base for the year 1960 estimated, made an excess capacity adjustment to utility plant amounting to \$394,980 to represent the difference between costs of the existing "backbone" over-all 33-inch transmission mains and the estimated cost of transmission mains based on the installed pumping capacity in 1960. Such adjustment was based on consideration of the fact that the "backbone" system of transmission mains was designed for full development of applicant's service area with an estimated 31,500 customers by the year 1970, and consideration of an estimate of 9,539 customers as of December 31, 1960, with the adjustment calculated to provide main capacity equal to presently installed pump capacity increased by 50 percent in 1960. The installation costs to meet the ultimate needs of the area were contended to place an excessive burden on present customers. An upward adjustment was made to pumping expense to reflect increased power purchased to cover the increased friction losses related to a smaller transmission line. In said excess capacity adjustment, the presently

installed over-all 33-inch transmission lines were reduced to 22 inches. Depreciation and general property taxes and the taxes based on income were adjusted to conform to the adjustment to utility plant.

Applicant's president and general manager testified that applicant had made engineering and economic studies of the relative merits both from an over-all water service standpoint and the standpoint of the costs involved between the construction of a 24-inch "backbone" system and an over-all 33-inch "backbone" system in the year 1956. Such studies showed that in order to provide for an estimated 31,500 customers by the year 1970, transmission lines of the capacity of the existing pipe lines were required; that the installation of two 24-inch lines would be required to produce the capacity of over-all 33-inch lines; that the cost of a single 24-inch line in 1956 would have been \$421,000; that the actual cost of the existing lines in 1956 was \$620,000; that had a single 24-inch line been installed in 1956, based on actual growth, a second 24-inch line would be required in 1963, the cost of which would be \$652,000; that the combined cost of two 24-inch lines of \$1,073,000 would have been 75 percent more than the actual cost of the over-all 33-inch lines constructed in 1956; that because of rapid subdivision development of the area traversed by the present lines, the applicant would have been required to secure separate easements for a second 24-inch line; that about 5,000 feet of such easements would, because of the 16½-foot width of the present easement for the 33-inch portion of the lines, have been required to be placed in a public highway which meanders

and which would increase the length of the second 24-inch line by about 60 percent; and that savings in operating costs had been effected by the initial installation of the existing lines. This testimony was uncontested.

Depreciation Reserve

The record shows in Exhibit No. 9 that as of December 31, 1938, 1940 and 1946 applicant transferred a total amount of \$243,063 from its depreciation reserve to surplus. Such amount resulted from the lengthening of service lives of all depreciable plant and a calculation of a depreciation reserve requirement at December 31, 1946 to reflect newly adopted depreciation rates. While the record shows that the lengthening of the service lives of transmission and distribution mains may have been unwarranted, since retirements of such mains were made over shorter lives than those adopted, nevertheless the record shows that the surplus account prior to such transfers, on each of the dates thereof, reflected a deficit which had resulted from accumulated operating losses. No actual cash was involved. Under the Uniform System of Accounts for Water Utilities prescribed by the Commission, and which became effective January 1, 1955, such transfers cannot lawfully be made now without prior approval of the Commission. Such was not the case in the years of such transfers.

Protests of Cities and Associations

A consulting engineering witness for the cities and associations, as protestants, introduced evidence purporting to show that it might be in the public interest that the Commission require applicant to establish zone rates for customers served from water supplies at different elevations and under different operating pressures. This witness also submitted the partial results of a

survey of the ability of applicant's water system to furnish adequate fire protection service in fire hydrants in the City of Palos Verdes Estates. Such survey was made by the City's Fire Department. This engineer's testimony purported to show that applicant's water system was deficient in this regard. Exhibit No. 15, submitted in rebuttal by the applicant, is a schedule of fire flow tests taken at random on May 3, 1960, at 13 fire hydrant locations. Such locations were selected from a map in the Palos Verdes Fire Department which purported to show hydrants, the fire fighting capacities of which were doubtful.

Service Complaints and Other Protests

Some customers complained of too high pressure, others of too low pressure, some complained of dirty water and sand, and others of excessive hardness of the water. All customers complained of high water bills and protested the magnitude of the proposed rate increase. Petitioners protested the proposed rate increase on their allegations that they were presently paying for water at a rate in excess of that paid by users in adjoining areas; that the service offered by the applicant was not comparatively efficient; and that the growth of the area served by the applicant with the resultant growth in income for the applicant should, rather, result in lower rates.

Findings and Conclusions

It is evident from a review of the record herein that the rate of return which it is estimated would be produced by the applicant's present rates for water service is deficient and that the applicant is in need of and entitled to financial relief.

The Commission is of the opinion that despite the plain fact that the applicant's "backbone" system of transmission mains is of excess capacity, engineering-wise, to supply the applicant's

present customers, the applicant exercised sound judgment and made a prudent investment in 1956 after it had considered the relative costs of a "backbone" system together with its projected transmission system requirements, not only through the year 1963 but in the future. It is evident that the applicant's water system customers who are, for the most part, home and property owners, were then, are, and will be reasonably protected as to their future water supply and water system needs by applicant's installation of an over-all 33-inch main transmission system versus the installation in 1956 of a 24-inch main and the installation of another 24-inch main in 1963 at proportionately and aggregately greater costs. Based on this opinion and evidence it is found as a fact and concluded that the public interest requires that the excess capacity adjustment to the applicant's utility plant in determining the estimated rate base for the year 1960 not be made. It is further found as a fact that the estimates of operating revenues, operating expenses, depreciation and taxes, and rate base, except for the excess capacity adjustment, submitted by the staff engineers, as summarized in Exhibit No. 9-A, under present rates are adopted as reasonable for the purpose of testing the validity of applicant's request.

It is further found as a fact and concluded that the rate of return of 7.19 percent which would be produced by the rates proposed in the application, after restoring the excess capacity adjustment of \$394,980 less associated depreciation reserve to the rate base shown in Exhibit No. 9-A, is excessive. The order hereinafter will authorize the applicant to file new schedules of rates which it is estimated will produce gross operating revenues for the test year 1960 of \$1,199,380, or \$101,520 less than the gross revenues which would be produced by the rates proposed in the application. When total

operating expenses, depreciation and taxes of \$968,880 are deducted from the gross operating revenues estimated to be produced by the rates authorized hereinafter, net operating revenues of \$230,500 will result. When such net operating revenues are related to an estimated average depreciated rate base for the year 1960 of \$3,838,100 a rate of return of 6.0 percent will result. Such rate of return and its components, after fully considering applicant's relationship to its owners and the latter's interests in the development of the Palos Verdes Peninsula, are found to be just and reasonable.

It is evident from the record herein that the level of applicant's rates for water service is largely dictated by operating costs associated with the purchase and distribution of Metropolitan Water District water costing nearly twice as much as pumped water (which is not adequately available in this area of Los Angeles County); the serving of water over an extensive area at elevations ranging from a few feet above sea level to 1,460 feet much of which is of rugged character; and the plant investment required to provide such service.

The Commission further finds that the increases in rates and charges authorized herein are justified, and that present rates insofar as they differ from those herein prescribed will, for the future, be unjust and unreasonable.

Staff Recommendations

Exhibit No. 9 contains seven recommendations by the staff engineers regarding the initiation of a program of periodic flushing of dead-end mains; the making and submission of reviews of applicant's accruals to the depreciation reserve; the submission of a comprehensive map; the filing of a revised and complete set of tariff schedules

in accordance with General Order No. 96; the maintenance of normal operating gauge pressures in accordance with the provisions of General Order No. 103; the revision of applicant's main extension rule policies to conform to its filed rule and the seeking of Commission authorization for all prior deviations; and the filing of a monthly minimum charge rate for 5/8 x 3/4-inch meters. The rates and charges herein authorized will include a monthly minimum charge rate for 5/8 x 3/4-inch meters. In connection with the maintenance of normal operating pressures, applicant is hereby admonished that it must take any necessary steps to maintain operating pressures within the limits set forth in the Commission's General Order No. 103. It is found as a fact that the public interest requires that the applicant should be directed to put into effect and carry out the staff recommendations set forth in Exhibit No. 9 as outlined herein.

O R D E R

Application as above entitled having been filed, public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That Palos Verdes Water Company, a corporation, be and it is authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedules of rates shown in Appendix A attached hereto, and upon not less than five days' notice to the Commission and to the public to make such rates effective for water service rendered on and after September 1, 1960.

2. That applicant, within thirty days after the effective date of this order, shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96, rules governing customer relations revised to reflect present-day operating practices, a revised tariff service area map acceptable to the Commission, and sample copies of printed forms normally used in connection with customers' services. Such rules, tariff service area map and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. That applicant, within sixty days after the effective date of this order, shall file with this Commission four copies of an up-to-date comprehensive map, drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage, transmission and distribution facilities, and the location of the various water system properties of applicant.

4. That applicant, within sixty days after the effective date of this order, shall file, in accordance with the provisions of General Order No. 96, copies of contracts relating to utility service, including any main extension contracts or agreements not already filed which do not conform to the filed sample contract form or which deviate in any respect from its filed main extension rule.

5. That applicant, beginning with the year 1960, shall review annually the accruals to depreciation reserve which shall be determined for each primary plant account by dividing the

original cost of utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the surviving plant of the account; and the results of the reviews shall be submitted annually to this Commission.

6. That applicant, within sixty days after the effective date of this order, shall submit in writing to this Commission a definite program that will provide for periodic flushing of dead-end mains.

7. That in all other respects the application be and it is denied.

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

Dated at San Francisco, California, this 2nd day of August, 1960.

[Signature]
President

[Signature]

[Signature]

[Signature]

Theodore J. Jenner
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The Cities of Palos Verdes Estates, Rolling Hills, Rolling Hills Estates, and vicinity, Los Angeles County.

RATESPer Meter
Per Month

Quantity Rates:

First	400 cu.ft. or less	\$ 2.50
Next	1,600 cu.ft., per 100 cu.ft. ....	.50
Next	3,000 cu.ft., per 100 cu.ft. ....	.41
Next	5,000 cu.ft., per 100 cu.ft. ....	.35
Next	40,000 cu.ft., per 100 cu.ft. ....	.29
Over	50,000 cu.ft., per 100 cu.ft. ....	.25

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 2.50
For	3/4-inch meter	3.00
For	1-inch meter	4.00
For	1 1/2-inch meter	6.00
For	2-inch meter	10.00
For	3-inch meter	15.00
For	4-inch meter	25.00
For	6-inch meter	50.00
For	8-inch meter	75.00

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

APPENDIX A
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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

The Cities of Palos Verdes Estates, Rolling Hills, Rolling Hills Estates, and vicinity, Los Angeles County.

RATE

Per Service
Per Month

For each inch of diameter of service connection	\$1.00
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SPECIAL CONDITIONS

1. The customer will pay without refund the entire cost of installing the fire protection service connection.
2. The minimum diameter for fire protection service will be four inches and the maximum diameter will be not more than the diameter of the main to which the service is connected.
3. The customer's installation must be such as effectively to separate the fire protection system from that of the customer's regular water service. As a part of the fire protection service installation there shall be a detector check or other similar device acceptable to the utility which will indicate the use of water. Any unauthorized use will be charged for at the regular established rates for General Metered Service, and may be grounds for the utility to discontinue the fire protection service without liability to the utility.

(Continued)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Continued)

4. There shall be no cross-connection between the fire protection system supplied by water through the utility's fire protection service to any other source of supply without the specific written approval of the utility. This specific written approval will require, at the customer's expense, a special double check valve installation or other device acceptable to the utility. Any such unauthorized cross-connection may be grounds for the utility immediately to discontinue the fire protection service without liability to the utility.

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, incorporated fire districts or other political subdivisions of the State.

TERRITORY

The Cities of Palos Verdes Estates, Rolling Hills, Rolling Hills Estates, and vicinity, Los Angeles County.

RATE

Per Month

For each hydrant \$2.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
2. The cost of installation of hydrants will be borne by the utility, except that the customer shall furnish the hydrant head and bear the cost of resurfacing or replacing of pavement.
3. The cost of maintenance, repair or enlargement of hydrants will be borne by the customer.
4. Relocation of any hydrant shall be at the expense of the party requesting relocation.
5. 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.