

**ORIGINAL**

Decision No. 65115

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's  
own motion into the status of  
TEMESCAL WATER COMPANY and into  
the operations, rates and  
practices of TEMESCAL WATER COMPANY  
and CORONA CITY WATER COMPANY.

Case No. 6098

Clayson, Stark, Rothrock and Mann, by Donald D. Stark, for Temescal Water Company.  
Walker and Sullivan, by Alexander B. Yakutis, for shareholders of Temescal Water Company.  
Elinore Charles, for the Commission staff.

O P I N I O N

The history of this litigation commenced on November 30, 1956, when Corona City Water Company (Corona) filed its application for authority to sell two wells and some well-sites to Temescal Water Company (Temescal), then purporting to act as a mutual water company. Hearings were held on this application and the matter was submitted. Thereafter, on May 13, 1958, the Commission reopened the application for further hearing and consolidated the application with Case No. 6098, an investigation on the Commission's own motion into the status of Temescal Water Company. Hearings were held on the above matters and on December 29, 1959, the Commission issued its interim opinion and order by Decision No. 59443, dated December 29, 1959, in which it denied the requested authority, declared that Temescal is a public utility subject to the jurisdiction,

supervision, and control of this Commission, and ordered that the submission of Case No. 6098 be set aside and the case reopened for further hearing for the purpose of determining various matters pertinent to the regulation of Temescal, including but not limited to the following:

- (a) The original cost, estimated if not known, of the water system properties used and useful in the public service, together with the depreciation reserve requirement applicable thereto; and
- (2) The establishment of fair and reasonable rates and rules for this system.

A petition for rehearing before the Commission was denied on February 29, 1960. On November 25, 1960, the California Supreme Court affirmed the decision of the Commission and on December 21, 1960, a rehearing was denied by the Supreme Court. Further hearings were held in Corona, California, before Examiner Rogers on May 9, 10, and 11, 1962. Oral argument was held before Commissioner Mitchell in San Francisco on July 23, 1962, at the conclusion of which the matter was submitted subject to the receipt of concurrent briefs on or before September 14, 1962. These briefs were filed and considered and the matter is ready for decision.

For the purpose of this decision, no reference will be made to the application of Corona City Water Company.

Decision No. 59443, supra, outlined the history of the litigation and the company. No additional statements thereof are necessary herein.

The Service Area

Temescal has a claimed service area mostly situated in the City of Corona, with some portions extending southeast of the city towards Lake Elsinore. It is difficult to define an existing service area inasmuch as Temescal apparently serves any entity owning land in the vicinity of Corona and Temescal Canyon and acquiring sufficient stock for such service, but judging by the maps and stock issued, it appears that Temescal provides water to over 4,000 acres of agricultural land.

Stock and Stock Attributes

The Articles of Incorporation specify two types of stock, namely, common stock and Canyon Line stock. The common stock entitles the holder thereof to have irrigation water delivered in and around the City of Corona and along the transmission line from Railroad Canyon to Corona. Canyon Line stock entitles the holder thereof to water from the Metropolitan Water District only. Neither type of stock is, nor ever has been, appurtenant to land, but may be transferred from location to location with the permission of the company. In each instance, there are normally two shares to the acre. Canyon Line stock costs \$50 per share, is nonassessable, and, theoretically, only Colorado River water is delivered at the rate of \$1.05 per miner's inch day. These shares are all located on lands southeast of the City of Corona. The common stock presently costs \$185 per share, although the Articles of Incorporation fixed the price at \$100 per share, and each share

entitles the holder thereof to water allocated by the company but not less than three miner's inch days per month. These shares are assessable. In 1961, each share of common stock was assessed \$36. In December, 1961, there were 13,057 shares of stock issued, of which 11,851 were common and 1,206 were Canyon Line shares.

Rate Base

Although the Commission, in its Decision No. 59443, instructed Temescal to develop the original cost of the water system and depreciation reserve requirement in order that the Commission could establish fair and reasonable rates, Temescal failed to present such material to the Commission for the reason, as stated by its legal counsel, that Temescal and the Commission's staff are not in a position to make recommendations and to make a full showing as to the final rates, service area, and rules. Its counsel further stated that this hearing was for the purpose of determining rates, rules, and a service area on an interim basis. This position was not acquiesced in by the staff lawyer. There is nothing in the record before this Commission at this time to enable it to establish a rate base.

Service Area Controversy

Both the staff and Temescal agree to the outward limits of the total service area (pages 35 and 36 of Exhibit 15, Temescal, and Exhibits 18 and 19, staff). There are islands of land in the service area proposed by the staff on which no stock is presently applicable. Temescal proposes that its service area include only land on which stock is applicable, and suggests that as the stock is transferred to another area the area be redefined. The staff suggests that the area should include land excluded by Temescal.

The record herein shows that Temescal has from time to time transferred shares of stock to another area. Inasmuch as we are attempting to define a service area, it is impractical, if not impossible, to permit Temescal to shift its services. For this reason, we concur in the staff's request that the outward limits of the service area be defined and that Temescal be required to serve all land within such outward boundaries. We find that Temescal has dedicated its plant and water to serve the service area depicted on Exhibits 18 and 19 herein.

It should be further noted, however, that there are some domestic services in the City of Corona and in the area south and east thereof served by Corona which were held by the Commission to be services of Temescal. In addition, there are some Corona services served from Temescal's lines. Temescal has no domestic tariffs and is desirous of terminating any domestic service. Accordingly, these parties have filed Application No. 44648 whereby authority is requested for each to temporarily furnish some services

to the other's customers, and Application No. 44939 whereby Temescal will sell to Corona a portion of its No. 3 transmission line, thus removing Temescal's domestic services. The Commission granted these applications by Decision No. 65087 and Decision No. 65088 respectively. No rates for domestic service will be established herein. ✓

Rates

Temescal proposes two rates for general water service and limited water service. These rates are as follows:

GENERAL WATER SERVICE

RATES

<u>Minimum Charge</u>	<u>Per Annum</u>
	\$26.00 per share of stock
<u>Water Charge</u>	
First 36.5 miner's inch days* per share	0.71 per M.I.D.*
Over 36.5 miner's inch days* per share	1.00 per M.I.D.*

SPECIAL CONDITIONS

1. Service will be rendered only to shareholders owning common stock of Temescal Water Company.
2. Service is limited to capacity of system and is on a scheduled basis.
3. Service rendered to Corona City Water Company under this schedule is rendered on demand of Corona City Water Company.
4. Annual minimum charge will be billed November 1 of each year and is delinquent December 1.
5. Charges for water used will be billed monthly.

\*1/50 cubic foot per second per day.

LIMITED WATER SERVICE

RATES

For all water delivered per miner's inch day \$ 1.16

SPECIAL CONDITIONS

1. Service will be rendered only to shareholders in Temescal Canyon owning Canyon Line stock of Temescal Water Company.
2. Service is limited to availability of water from Western Municipal Water District of Riverside County and is on a scheduled basis.
3. Charges for water used will be billed monthly.

The staff proposes two rates, namely, annual measured resale service, and annual measured irrigation service (Appendix A, pages 1 through 3 of Exhibit 17).

ANNUAL MEASURED RESALE SERVICE

RATES

Per Miner's Inch Day  
Per Year

Annual Quantity Rate:

For all water delivered .....	\$ 0.80
Annual Minimum Charge .....	64,000.00

The Annual Minimum Charge will entitle the customer to the quantity of water each year which the annual minimum charge will purchase at the Annual Quantity Rate.

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period beginning January 1, and is due in advance. The customer may elect to pay the annual minimum charge in advance on a monthly basis equal to one twelfth of the annual minimum charge.
2. Charges for water used in excess of the annual allowance under the annual minimum charge shall be billed monthly.
3. A miner's inch day is defined as the volume resulting from a continuous flow of one fiftieth of a cubic foot of water per second over a 24-hour period.

ANNUAL MEASURED IRRIGATION SERVICE

RATES

Per Miner's Inch Day  
Per Year

Annual Quantity Rate:

For all water delivered . . . . . \$ 0.70

Annual Minimum Charge:

For each acre . . . . . 42.00

The Annual Minimum Charge will entitle the customer to the quantity of water each year which the annual minimum charge will purchase at the Annual Quantity Rate.

SPECIAL CONDITIONS

1. Written application for service under this schedule shall be made on or before the first day of the calendar year in which service is desired. Such application shall indicate the number of acres to be irrigated.
2. Water shall be delivered at pressures available.
3. The water supplied under this schedule is untreated water from open ditches, canals, conduits and flumes. The Company does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.
4. The annual minimum charge applies to service during the 12-month period commencing January 1, and is due in advance. The customer may elect to pay the annual minimum charge in advance on a bimonthly basis equal to one sixth of the annual minimum charge.
5. Charges for water used in excess of the annual allowance under the annual minimum charge shall be billed bimonthly.
6. A miner's inch day is defined as the volume resulting from a continuous flow of one fiftieth of a cubic foot of water per second over a 24-hour period.

Temescal's general service rate is for water consumers owning common stock in the company. Such service would include service to Corona City Water Company. The limited service rate would be available only to holders of Canyon Line stock. The evidence in support of Temescal's request is that the rates proposed are in conformity with the existing Articles of Incorporation and



the by-laws of the corporation, will not impair any existing rights of stockholders, and are sufficient until such time as the water company is able to complete its rate study and secure whatever rates the Commission determines proper based upon its rate base. It should be noted that Temescal's proposal would conform to its existing practices. From the outset of its operations, Temescal's method of securing revenues as to its common stock only has been and now is to issue stock to the landowner, normally two shares per acre of land supplied with water, the directors determine the amount of water to be supplied pursuant to each share of stock, and this amount of water is furnished to the shareholder. At the end of the year, an assessment is levied against each share to provide additional revenue. This assessment has varied between \$15 in 1956 and \$30 in 1961, and the annual entitlement in miner's inch days has varied between 29.8 in 1957 and 43.6 in 1961. This water is allocated by months and when this water has been used each month, the shareholder is required to pay for any extra water he purchases. This water is, at present, furnished at the rate of \$1.10 per miner's inch day. Each water user must use his water entitlement in the month in which granted, except for a five percent carry-over to the succeeding month. Corona City Water Company is the largest individual stockholder of Temescal and it secures its water the same as other common stockholders, except for a special provision allowing it to accumulate its unused water under its entitlement.

The Canyon Line shares are non-assessable.

Temescal's arguments in favor of its proposed rates are that, in an ordinary utility operation, the plant and facilities necessary to furnish service are obtained through the investment of risk capital in the utility by stockholders; that for their investment, they expect to receive a fair return on the monies invested; that this profit motive explains the

fundamental reason for the detailed analyses of rate base and the determination of a reasonable rate of return to arrive at a reasonable rate structure for the utility. In addition, it is argued that the Commission must seek to assure a sound financial operation for the utility, including a fair rate of return on investment to its stockholders and, at the same time, protect the public by assuring the consumer the highest possible service at the lowest feasible rates.

Temescal urges that these principles have no rational application to what it terms a "regulated mutual water company" such as it; that the stockholders acquired their stock not as investors seeking returns on their investments but as water users seeking water rights in order to obtain the water which they desire; that they chose this mutual company to obtain their water at the lowest price, that is, at cost; and that inasmuch as the stockholders are the consumers, they cannot benefit by increasing the costs to themselves in order that the company may pay them a return on their investments.

It is further argued that it is one of the advantageous characteristics of a nonprofit mutual water company that it is exempt from federal income tax; that public utility regulation of such a mutual does not destroy the exemption, as long as the nonprofit character of the operation prevails; and that if a rate structure reflecting a profit is established, a tax would be payable and the net cost to the consumer-stockholder must necessarily increase.

It is further argued that a condition precedent to the feasibility of a nonprofit rate structure is the fact that the

stockholders in a company such as Temescal are not ordinary investors; that if they were merely investors, they would have a right to receive a rate of return on their investment and consequently a right to object to any rate structure which would deny them such a return; that the nonprofit rate is only feasible where, as in the case of a "regulated mutual water company," the water right is owned by the stockholder and water is served to stockholders only; that in these circumstances, the system subject to utility regulation is wholly owned by its consumers and the dominant interest of those consumers is in the delivery of water at the lowest possible cost; and that this situation makes wholly incongruous any suggestion that rates be established to give shareholders a fair return on their investment, to their own detriment.

Temescal's evidence is that it proposes to deliver water at a nonprofit, non-loss rate. The rates it proposes would be subject to assessment or refund after the costs for a particular year are determined. The principal reasons for such proposal are stated to be that mutual water companies are not subject to federal income tax and actually, under the federal laws, enjoy a benefit not extended to others in that 15 percent of their total incomes may be derived from non-water operations and, in keeping the rate at a nonprofit rate, Temescal would not be subject to tax on any amount over and above the actual cost of operations.

The company witness stated that the proposed general water service rates would permit the stockholders to secure 36-1/2 miner's inch days of water at 71 cents per miner's inch day which, it is alleged, is very close to the historic average annual common stock entitlement. The limited water service rate would be for Canyon Line shareholders and would be \$1.16 per miner's inch day, an increase of eleven cents per miner's inch day.

The company proposes that after the end of each calendar year and before May 1 of the following year, a determination shall be made as to whether the revenues from water charges to common stockholders exceed or failed to meet operating costs and expenses. If a surplus exists, a refund or credit shall be made to all common-stockholder water users during the year in question in proportion to the quantity of water delivered. In the event of a deficit, an assessment shall be made. This involves a modification of present policy in that both stock water and extra water participate in any refunds or assessments to adjust the year to a nonprofit basis. Thus, the differential between the charge for stock water and extra water, approximately 30 cents, will remain relatively constant, with both types of water participating in the advantages and disadvantages of each year's operations.

It is claimed that Temescal has certain capital assets none of which are devoted wholly to water production, distribution or storage. Some are partially involved in such operating matters, and some are wholly nonoperating properties. There have heretofore been rents and profits derived from the operation of such property but unrelated to storage, production, and distribution of water. It is stated that since the income derived from these sources is attributable to the investment of capital rather than the use of water, any net proceeds from such activities may be retained by the company in reserve for capital purposes or credited proportionately to the accounts of common stockholders based on their stock ownership.

The company's evidence is, further, that the 30-cent differential between stock water and extra water is purportedly based on a six percent return on the present cost of common shares of \$185.

In explanation of the increased cost of water to Canyon Line shareholders, the company's witness testified that the cost to such shareholders is directly related to the cost of raw water which the company purchases from the Western Municipal Water District of Riverside County; that, between the time the present rate of \$1.65 per miner's inch day was determined and the present time, there have been increases totaling \$1.50 per acre-foot in the cost of water to the company and the proposal allegedly applies the fact that the company must purchase 1.84 acre-feet of water to deliver one acre-foot of water, the cost of which to the company has increased \$1.50 since 1956. This total cost of water per acre-foot delivered is calculated (page 51 of Exhibit 15) to equal \$2.76 per acre-foot or 11 cents per miner's inch day. (It should be noted, however, that the comparison table on the last page of Exhibit 16 shows that practically all water produced was sold to consumers.)

Temescal has not prepared a depreciation study for this proceeding. It did make, however, a depreciation expense study in 1955 when it appeared that, as a result of a condemnation action relative to Railroad Canyon, it might be required to pay a federal income tax. This study, prepared for such purpose and not for rate-making purposes as shown in Exhibit 16, showed depreciation expense of \$30,461.08 in 1961. This, it is alleged, is the best figure available at present and is the figure the company is willing to start with. There has been no cost of service study made.

If the company operates on a nonprofit basis, it would secure capital from stock sales, long-term borrowing, capital reserve, from non-utility income, from depreciation expense, or from capital assessments.

The staff's position is that in order to develop proper utility rates, a results of operation report, and a cost of service study should be made; that this is not possible at this time as Temescal has not completed either its original cost study or depreciation reserve requirement applicable to its water system properties. Accordingly, proposed rates, heretofore set forth, were developed, designed to bring in revenues and result in charges approximating those now received from Temescal's irrigation and resale service.

According to the staff witness, Temescal's common stock assessments and annual entitlements for the years 1956 through 1961 were as follows:

ASSESSMENT AND ENTITLEMENT OF WATER PER SHARE OF STOCK

Description

<u>Year</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Assessment	\$ 15	\$ 18	\$ 21	\$ 21	\$ 25	\$ 30
Annual entitlement in miner's inch days	41.3	29.8	39.4	42.7	35.7	43.6
Average entitlement in miner's inch days from 1956 to 1961 .....						38.7

The increased assessment was stated by the witness to have been caused partly by inflation and partly by increased costs for purchased water. He said the 1961 water purchases were extremely high, being 43 percent of the water sold, and are reflected in the

1961 assessment rate. Consequently, he considered the 1960 assessment of \$25 more reasonable and adopted it. In that year the company purchased 30 percent of its water, which figure is above average, including 1961. He also stated that the facts do not bear out Temescal's contention that Canyon Line water deliveries are on a surplus basis in that, in spite of unusually low rainfall which required the purchase by Temescal of Metropolitan Water District water to make up its deficiencies, deliveries to Canyon Line shareholders have been increasing continuously since the service was instituted and a differential in charges would appear discriminatory. The rates the staff proposed are designed to recover the sum of revenues levied from (1) assessments of \$25 per regular share of stock, (2) the average revenues derived from excess water charges over the past six years, and (3) Canyon Line share revenues for the year 1961. The average rate is 70 cents per miner's inch day. The proposed minimum charge per acre is based on the minimum entitlement per acre over the past six years.

In determining rates for Corona City Water Company, the witness related the water to the number of shares it owned and not to the number of acres of land. Water used in excess of its entitlement has been paid for at the rate of \$1.10 per miner's inch day. Its average entitlement over the past six years was 81,350 miner's inch days, but its average annual usage per customer applied to the present number of customers approximated 123,860 miner's inch days. The rates proposed are designed to recover the revenues derived from the sum of assessments per share of \$25 and the revenues derived from excess water charges at \$1.10 per miner's inch day for usage in excess of the entitlement.

The proposed rates would, it is claimed, bring in revenues from water sales comparable to the revenues presently derived from water assessments, extra water charges and Canyon Line sales. Because the utility's books do not properly segregate expenses from capital expenditures, it could not be determined whether or not these rates will require the addition of non-utility income to pay the total expenses of the company.

A staff financial examiner testified that he examined the books and records of the company in the course of an assignment which involved a determination as to whether the utility had made an original cost study of its utility properties, had determined depreciation reserve requirements on such properties, and had prepared a cost of service study. He stated that in the examination of these records he was able to determine that not only did the books not reflect the original cost of the properties but that the books were based upon several appraisals at various dates. He also determined that the most recent recording with respect to depreciation reserve was in 1956 and that this depreciation reserve was based upon certain studies prepared entirely on a basis other than a determination based upon original cost. It was for income tax purpose alone and he was unable to ascertain whether or not such depreciation was in fact depreciation based upon original cost.

In addition to a determination with respect to investment in utility plant and the recorded depreciation reserve, the witness also made an extensive analysis of operating accounts of the company, including operating expense, payroll, and other items of expense. It was his finding in this regard that over the years the utility had maintained its books on a basis not in accordance with the Uniform System of Accounts but not differing materially from the manner in which books are normally kept in mutual water companies.



In this respect it was determined that there was no adequate differentiation between expenditures of a capital nature and items of an expense nature and for this reason any reliance upon operating expense recorded on the books of the company, or reflected in any operating statement prepared by the CPA engaged by the company, would not be appropriate in that there are several areas of expenditures which have been recorded as expense and which, in the staff's estimation, should have been recorded as addition to utility plant accounts.

Temescal produced evidence purporting to show that under the staff-proposed rates the total revenues from water sales would be \$40,547 short of total expenses. A witness for respondent stated that this computation does not include revenues from non-utility leases and property rentals but does include all expenses, including non-utility expenses.

The staff stated that it is unable and unwilling to adopt and utilize recorded operating expenses as a measure of the revenue requirements because of lack of showing that such recorded expenses are wholly attributable to water operations. The staff recommended specific rate schedules to be filed by Temescal, but indicated it would have no objection to alternative proposals which might be presented by the utility to achieve its stated objective of collecting revenues equal to reasonable water operating expenses alone. There is in the record, however, nothing on which the Commission could determine the water operating expenses alone.

Temescal's proposal is that a rate designed to recover the expenses of operation be established and that the consumers be informed through the rate schedule that at the end of each year an assessment or refund would be made proportionately to all water delivered in order to adjust to a nonprofit operation. Accounting, in arriving at such nonprofit operations, would be based upon an

analysis of the books of the company which will be maintained in accordance with the Uniform System of Accounts.

In support of its request for authority to fix rates based on annual revenues, Temescal's witness cited Case No. 4716, Decision No. 38786, dated March 26, 1946, concerning Southern Counties Gas Company of California. While this order did permit adjustments, it was based on evidence which indicated the rate base plus additions and less retirements. In addition, it was a post-World War II emergency action and cannot be used as a criterion here.

We will not accept the company's proposal for non-fixed rates. The staff's proposed rates and rules we hereby find to be reasonable and they will be adopted and placed in effect until Temescal is prepared to present evidence upon which a different set of rates and rules could be based. If the rates and charges herein authorized should result in a rate increase as to any customer, we find that the rates and charges herein authorized are reasonable and that the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

#### The Stockholders

It is urged by a representative of a group of shareholders that comprehensive regulation of Temescal, because of its public service functions, may not be used as a device to impinge upon the shareowners' rights and that they considered their shares constitute ownership of a right in the water sources of Temescal.

This Commission found, however, (Decision No. 59443, supra), that Temescal is a public utility water corporation which has dedicated its properties to public use. Such properties include all of Temescal's sources of supply. Such finding was

affirmed by the California Supreme Court (Corona City Water Co. v. Public Utilities Commission, 54 Cal. 2d 834, decided November 25, 1960). It thus appears that the question of dedication is no longer open to argument.

We see no reason to make an interim order in this case.

O R D E R

IT IS ORDERED that:

1. Temescal Water Company shall file with this Commission within sixty days after the effective date hereof and in conformity with General Order No. 96-A, its schedules of rates attached to this order as Appendix A and, upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after July 1, 1963. ✓

2. Before December 31, 1963, Temescal Water Company shall complete its studies of the original cost of its water system properties used and useful in the public service, together with the depreciation reserve requirement applicable thereto, as well as a cost of service study, and on or before said date shall file four copies of such studies with this Commission. ✓

3. Within forty-five days after the effective date of this order, Temescal Water Company shall file with this Commission, in conformity with General Order No. 96-A, and in a manner acceptable to the Commission, rules governing service to customers essentially as presented in Exhibit 20 in this proceeding, tariff service area maps which incorporate all of the service area designated on Exhibits 18 and 19, and copies of printed forms normally used in

connection with customer 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.

4. Within sixty days after the effective date of this order, Temescal Water Company shall file with the Commission four copies of a comprehensive map drawn to an indicated scale of not more than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage, and distribution facilities; and the locations of its various water system properties. Concurrently with the filing of such map or maps, Temescal Water Company shall file four copies of a statement showing all stock pursuant to which it serves water, the number of shares of such stock, the water entitlement of each share of stock, and the name and address of the company issuing such stock.

5. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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

Dated at San Francisco, California, this 19 day of MARCH, 1963.

[Signature] President  
[Signature]  
Frederick B. Haloboff  
William W. Bennett  
Commissioners

-20- Commissioner George G. Grover did not participate in the disposition of this proceeding.

APPENDIX A  
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Schedule No. 6MA

ANNUAL MEASURED RESALE SERVICE

APPLICABILITY

Applicable to all measured water service furnished for resale purposes on an annual basis.

TERRITORY

Corona and vicinity, Riverside County.

RATES

	<u>Per Miner's Inch Day</u> <u>Per Year</u>
Annual Quantity Rate:	
For all water delivered . . . . .	\$ 0.80
Annual Minimum Charge. . . . .	64,000.00

The Annual Minimum Charge will entitle the customer to the quantity of water each year, which the annual minimum charge will purchase at the Annual Quantity Rate.

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period beginning January 1, and is due in advance. The customer may elect to pay the annual minimum charge in advance on a monthly basis equal to one twelfth of the annual minimum charge.
2. Charges for water used in excess of the annual allowance under the annual minimum charge shall be billed monthly.
3. A miner's inch day is defined as the volume resulting from a continuous flow of one fiftieth of a cubic foot of water per second over a 24-hour period.

Schedule No. 3MA

ANNUAL MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service furnished on an annual basis.

TERRITORY

Corona and vicinity and in Temescal Canyon, extending southeasterly from Corona, Riverside County.

RATES

	<u>Per Miner's Inch Day</u> <u>Per Year</u>
Annual Quantity Rate:	
For all water delivered . . . . .	\$ 0.70
Annual Minimum Charge:	
For each acre . . . . .	42.00

The Annual Minimum Charge will entitle the customer to the quantity of water each year, which the annual minimum charge will purchase at the Annual Quantity Rate.

SPECIAL CONDITIONS

1. Written application for service under this schedule shall be made on or before the first day of the calendar year in which service is desired. Such application shall indicate the number of acres to be irrigated.
2. Water shall be delivered at pressures available.
3. The water supplied under this schedule is untreated water from open ditches, canals, conduits and flumes. The Company does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any customer who uses said water

(Continued)

Schedule No. 3MA

ANNUAL MEASURED IRRIGATION SERVICE

SPECIAL CONDITIONS (Continued)

or makes it available or offers it to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.

4. The annual minimum charge applies to service during the 12-month period commencing January 1, and is due in advance. The customer may elect to pay the annual minimum charge in advance on a bimonthly basis equal to one sixth of the annual minimum charge.

5. Charges for water used in excess of the annual allowance under the annual minimum charge shall be billed bimonthly.

6. A miner's inch day is defined as the volume resulting from a continuous flow of one fiftieth of a cubic foot of water per second over a 24-hour period.