

ORIGINALDecision No. 69490

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 FITCH MOUNTAIN WATER CO., INC. under)
 Section 454 of the Public Utilities)
 Code for authority to increase rates)
 for water service.)

Application No. 47184
 (Filed December 14, 1964)

James G. Hendrickson, for Fitch Mountain Water
 Company, Inc., applicant.

Frank J. Passalacqua, for Del Rio Woods Homeowners,
 protestant, and for himself, interested party.

J. F. Cavagnaro, Sr., and B. A. Devine, for them-
 selves, protestants.

John J. Gannon, for State Department of Public Health,
 interested party.

H. H. Webster and J. D. Reader, for the Commission
 staff.

O P I N I O N

Fitch Mountain Water Company, Inc., seeks authority to
 increase its rates for water service.

A public hearing on this application was held before
 Examiner Catey in Healdsburg on May 19 and 20, 1965. Copies of the
 application and notice of hearing had been served and notice of
 hearing published in accordance with this Commission's rules of
 procedure. The matter was submitted at the conclusion of the
 hearings.

Testimony on behalf of applicant was presented by its
 president. The Commission staff presentation was made by a staff
 engineer and a staff accountant. Four customers testified regarding
 their objections to the proposed rate increase. An engineer for the
 State Department of Public Health testified regarding the inadequate
 water service provided by applicant.

Service Area and Water System

Applicant's service area consists of Fitch Mountain, an area of approximately 300 acres bounded on three sides by a bend in the Russian River just east of the City of Healdsburg in Sonoma County. About half of the area, consisting of the highest portions of the mountain, is undeveloped. Most of applicant's customers are located on the curved strip of territory between the river and the mountain.

The water system is a consolidation primarily of three formerly separate water systems: the Del Rio System, at the north and east edges of the service area; the Camp Rose System, at the south edge; and the McDonough Heights System, at the southwest corner. Prior to the consolidation, the latter system was operating without authorization of this Commission, but the testimony herein by its founder shows that the system was dedicated to public use long before the consolidation.

Applicant's water supply is obtained from a well and two springs in the Camp Rose area, a spring in the Del Rio area, and metered connections at the northwest and southwest extremities of the consolidated system with Healdsburg's city-owned water system. Applicant plans to construct a well in the Del Rio area to replace one which was rendered unusable by last winter's floods.

Exhibit No. 2 indicates that water from the springs, the well, and the City of Healdsburg is stored in six tanks with a combined capacity of 37,000 gallons. Seven booster pumps lift water from those tanks to four higher tanks with a combined capacity of 29,600 gallons. Two additional booster pumps lift water to a 12,000-gallon tank in the top zone in McDonough Heights. Applicant plans to construct a 50,000-gallon tank to store water from the proposed new well.

The water is distributed through approximately 56,700 feet of mains ranging from 3/4 inch to 4 inches in diameter. Applicant plans to install 1,700 feet of 4-inch main connecting the proposed new well and tank. This will permit bypassing and abandoning some of the present undersized mains. The distribution mains supply approximately 140 active metered services and 190 active flat rate services.

Rates

Applicant's present rates were established for its predecessor in June 1956 by Decision No. 52903 in Application No. 37103. They consist of schedules for annual general metered service, seasonal metered service, annual residential flat rate service, and seasonal residential flat rate service.

The following Table I shows a comparison of annual rates now in effect, those requested by applicant, those recommended in Exhibit No. 1 by the Commission staff, and those authorized herein:

TABLE I

COMPARISON OF RATES

<u>Item</u>	<u>Present</u>	<u>Applicant</u>	<u>Proposed</u>		<u>Authorized</u>		
			<u>Staff</u>	<u>Herein</u>	<u>Interim</u>	<u>Final</u>	
<u>Meter Rates (per month)</u>							
First 500 c.f. or less	\$ 3.00*	\$ 4.20*	\$ 3.50*	\$ 4.00*	\$ 3.30*	\$ 3.50*	
Next 100 c.f., per 100 c.f.	.45	—*	—*	—*	.50	.50	
Next 400 c.f., per 100 c.f.	.45	.45	.45	.45	.50	.50	
Next 100 c.f., per 100 c.f.	.40	.45	.45	.45	.40	.40	
Next 1,400 c.f., per 100 c.f.	.40	.40	.40	.40	.40	.40	
Next 100 c.f., per 100 c.f.	.30	.40	.40	.40	.30	.30	
Over 2,600 c.f., per 100 c.f.	.30	.30	.30	.30	.30	.30	
<u>Flat Rates (per year)</u>							
1-Family Residence	\$39.00	\$54.60	\$47.50	\$53.00	\$46.50	\$51.00	
Each addl. 1-Family Unit	18.00	27.30	22.00	25.00	21.00	24.00	

* Included in minimum annual charge for 5/8 x 3/4-inch meter. A graduated scale of increased minimum charges is provided for larger meters.

Applicant's present tariffs include rates for seasonal service at a slightly lower charge than for annual service. The record shows, however, that there is little demand for seasonal service. Further, although the peak demand which determines the required size of facilities occurs during the summer season, most of the depreciation, repairs, maintenance and fixed charges continue year-round. The staff recommends in Exhibit No. 1 that the seasonal rates be canceled. We find that recommendation to be reasonable.

Applicant's present annual flat rate schedule provides: "A meter may be installed only at option of utility." Some flat rate customers have indicated they would prefer metered service. No objection was raised to the staff's recommended special tariff condition providing for metered service if either the utility or the customer so elects. We find that recommended change to be reasonable.

Applicant's present annual flat rate schedule places no limitation on the size of service connection. A flat rate customer supplied by a one-inch service connection now would pay only \$39 per year, as compared with a minimum charge of \$72 per year and additional charges for monthly use over 1,120 cubic feet if one-inch metered service is provided. We find that flat rate service should be restricted to service connections not larger than 3/4 inch in diameter, after allowing a reasonable period for applicant to install meters on any larger flat rate services which may now be in use.

Applicant presented no justification for its proposal to increase to 600 cubic feet the quantity of water provided each month under the minimum annual charge for a 5/8 x 3/4-inch meter. With the limited supply of water and limited rates of flow available in applicant's system, we find it is in the public interest to retain

the present 500 cubic feet allowance. This also permits a lower minimum charge than would be required for 600 cubic feet.

Customer Complaints

Exhibit No. 1 shows that, at the request of the Commission, applicant mailed a letter to each customer on January 10, 1965, comparing present rates with those proposed in the application and inviting the customers to call to the attention of the Commission any problems concerning water service, billing procedures, or other factors pertaining to a reasonable charge for water service. Four replies representing 117 customers and 29 replies from individual customers were received. All protested the rate increase primarily because of inadequate service and facilities. This was also the principal complaint of protestants and public witnesses at the hearing.

Other specific public complaints and issues raised at the hearing relate to: the "absentee" management of the utility by its president and sole stockholder from his home in Tacoma, Washington; difficulties in contacting the local serviceman; possible discrimination in a partly metered system; previous expansion of the service area when there was an insufficient water supply; less storage capacity than existed ten years ago; contention that the Commission should ignore the original cost of the McDonough Heights System and substitute the purchase price; apprehension that the price paid for the stock by the present stockholder, far in excess of book cost of plant, would result in a higher rate base; waste of water due to prolonged system leaks; impropriety of granting increases until improvements actually are installed; no telephone directory listing under applicant's name; no local agency authorized to receive payments of bills; lack of adequate pressure even when tanks are

full; no water at all in some areas over holiday weekends; lack of an office in Sonoma County for retention of records; draining of highest tank into lower systems to the detriment of higher customers; and lack of doors and locks on pumphouses.

Many of the service problems will be alleviated by the new well to be installed by applicant when the water level in the river drops low enough this coming summer to permit construction of infiltration galleries. Decision No. 69061, dated May 18, 1965, in Application No. 47535, authorizes applicant to borrow \$5,800 to finance the new well and connecting pipeline. Even with the new well, however, applicant should have additional storage capacity and an interconnecting main as recommended by the staff in Exhibit No. 1.

Applicant has ordered the installation of a telephone at one of the pumphouses and the listing of its serviceman's telephone at his home near Calistoga as an alternative, toll-free number. Although customers will not normally know when the serviceman can be reached at the pumphouse telephone, this arrangement will provide a convenient means for the serviceman to check with his home for accumulated service calls each time he is about to leave the Fitch Mountain area.

It would probably entail additional expense, to the detriment of applicant's customers, for applicant to maintain its books and records in an office in Sonoma County. Under Section 791 of the Public Utilities Code, applicant may remove its records from the State only upon such conditions as the Commission prescribes. The order herein will prescribe those conditions.

It would be far easier for applicant to check on possible leaks if all of its sources of supply had measuring devices as required by Section II. 4.a. of General Order No. 103. When all flat rate service ultimately is eliminated as planned by applicant, an even closer check on unaccounted-for water will be possible.

Applicant's president testified that he will attempt to arrange with a local bank or merchant to act as agent for receipt of payments from applicant's customers.

Results of Operation

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in Table II, from the staff's Exhibit No. 1 and from applicant's Exhibit E attached to the application, are the estimated results of operation for the test year 1965, assuming applicant's proposed improvements are installed, under present water rates and those proposed by applicant and the staff. For comparison, this table also shows the results of operation, modified as discussed hereinafter, at present rates, those proposed by applicant, and those authorized herein.

TABLE II

ESTIMATED RESULTS OF OPERATION, TEST YEAR 1965

<u>Item</u>	<u>Staff</u>	<u>Applicant</u>	<u>Modified</u>
<u>Present Rates</u>			
Operating Revenues	\$16,000	\$16,266	\$16,000
<u>Deductions</u>			
Other than Depreciation & Income Taxes	12,560	13,349	12,560
Depreciation	2,790	3,173	2,810
Income Taxes	220	0	100
Total	15,570	16,522	15,470
Net Revenue	430	(256)	530
Rate Base	52,800	54,921	53,200
Rate of Return	0.8%	Loss	1.0%
<u>Rates Proposed by Applicant</u>			
Operating Revenues	21,000	21,900	21,000
<u>Deductions</u>			
Other than Depreciation & Income Taxes	12,660	13,349	12,660
Depreciation	2,790	3,173	2,810
Income Taxes	1,460	1,839	100
Total	16,910	18,361	15,570
Net Revenue	4,090	3,539	5,430
Rate Base	52,800	54,921	53,200
Rate of Return	7.7%	6.4%	10.2%
<u>Rates Authorized Herein</u>			
Operating Revenues		\$17,800	\$19,000
<u>Deductions</u>			
Other than Depreciation & Income Taxes		13,940	12,610
Depreciation		2,250	2,810
Income Taxes		100	100
Total		16,290	15,520
Net Revenue		1,510	3,480
Rate Base		37,500	53,200
Rate of Return		4.0%	6.5%

(Red Figure)

From Table II it can be seen that applicant's requested rates would result in an increase of 31 percent in operating revenues, whereas the final rates authorized herein will produce a 19 percent increase and the interim rates will produce an 11 percent increase. Some individual bills could have increased as much as 46 percent under applicant's proposed rates, whereas the maximum corresponding increase under the final rates authorized herein will be 32 percent and under the interim rates will be 18 percent.

The staff's estimates of revenues and expenses were presented in more detail than those of applicant and appear to be more accurate. Exhibit No. 3 shows, however, that the staff's computation of income taxes did not give proper recognition to the higher depreciation accruals actually used on applicant's income tax returns, to interest deductions resulting from the loans applicant proposes to make to finance improvements, and to investment tax credits related to average annual plant additions. When the tax computations are corrected for those omissions, the only income tax payable under present, proposed or authorized water rates is the \$100 minimum State Corporation Franchise Tax.

In Exhibit No. 1, the staff excluded from rate base and depreciation expense the effect of \$2,784 in overheads on additions of plant for the years 1963 and 1964. Those plant additions cost \$7,099 exclusive of overheads. While overheads of almost 40 percent of direct charges are unreasonable, the record herein indicates that, in this instance, some allowance for overheads is appropriate. The rate base and depreciation expense adopted herein include the effect of an assumed 5 percent overhead.

In Exhibit No. 1, the staff recommends that applicant be granted a rate of return of about 6½ percent, as requested

in the application, but only after the improvements proposed by applicant actually are effected. The exhibit shows that until the new well is in operation applicant will incur higher expenses for purchased water, which higher expenses will be offset only partly by lower pumping expense, depreciation expense and ad valorem taxes. The staff recommends that interim rates be authorized to produce only four percent return until the proposed improvements are installed.

Purchase Price of Utility Systems and Securities

The propriety of considering the depreciated cost of the McDonough Heights System, rather than the much lower purchase price paid by applicant's predecessor, has been covered in an earlier proceeding. Decision No. 63581, dated April 17, 1962, in Application No. 43428, stated, in part:

"It has been the policy of this Commission, for accounting and rate making purposes, to recognize the original cost of operating systems acquired by purchase and to disregard the purchase price paid by the transferees. Under such policy the customers' rates reflect those costs associated with the actual cost of constructing the facilities devoted to their use and will not be subject to variations which might otherwise result in the event the purchase price, whether less than or in excess of the actual installed cost, were to be recognized for rate making purposes."

The Supreme Court of California denied a writ of review of Decision No. 63581. A more recent decision, involving a different utility, amplified and clarified the statement of policy in Decision No. 63581. Decision No. 68841, dated April 6, 1965, in Application No. 45442, stated, in part:

"If a regulated utility purchasing dedicated property were allowed to pass on to its customers a price higher than original cost, the parties to the transaction would be in a position to frustrate the application of the original cost standard by arranging a transfer of ownership at a premium. The seller would receive, at the expense of future ratepayers, more than his original cost, and yet the willingness of the purchaser to pay such a premium would have little

significance since he himself would not bear the burden. On the other hand, the willingness of a seller to accept a price below his depreciated original cost can be persuasive evidence that the property has suffered a deterioration in value and is no longer worth depreciated original cost. The Commission may consider such evidence in establishing a rate base for rate-making purposes."

In the instant proceeding, testimony of a protestant who was the founder of the McDonough Heights System shows that the property transferred had not suffered a deterioration in value and, in fact, is in better condition than most of applicant's other facilities. Under these circumstances, there is no cause shown to modify the position stated in Decision No. 63581.

Consistent with the principles stated in the foregoing quotations, applicant's rate base is not increased by applicant's sole stockholder's having paid considerably more for the stock than was represented by the utility's net worth.

Findings and Conclusions

The Commission finds that:

1.a. Applicant is in need of additional revenues but the proposed rates set forth in the application are excessive.

b. The adopted estimates, previously summarized and discussed herein, of operating revenues, operating expenses and rate base for the test year 1965 reasonably represent the results of applicant's future operations.

c. Until applicant has installed the improvements required by paragraph 4 of the order herein, a rate of return of 4 percent on applicant's rate base is reasonable.

d. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the present rates and charges, insofar as they

differ from those prescribed herein, are for the future unjust and unreasonable.

2. Applicant has not maintained an up-to-date system map as required by General Order No. 103.

3. A straight-line remaining life depreciation rate of 3.5 percent is reasonable for applicant's plant.

4. Pumphouse doors and locks and the production, pressure, transmission and storage facilities recommended by the Commission staff are necessary to provide adequate service to applicant's customers.

5. After applicant has installed the improvements required by paragraph 4 of the order herein, a rate of return of $6\frac{1}{2}$ percent on applicant's rate base will be reasonable.

6. It will not be adverse to the public interest for applicant to remove and maintain its general accounting and other corporate records outside of California under the conditions prescribed by the order herein.

7. Until the improvements ordered herein are accomplished, applicant's water system will not be capable of serving additional customers.

The Commission concludes that the application should be granted to the extent, and under the conditions, set forth in the order which follows, and that applicant should be required to take the actions set forth therein.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant Fitch Mountain Water Company, Inc. is authorized to file the revised rate schedules attached to this order as Appendix A. Concurrently, applicant shall cancel the presently effective Schedule No. 1S, Seasonal Metered Service, and Schedule No. 2RS, Seasonal Residential Flat Rate Service. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be September 1, 1965, or four days after the date of filing, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within ninety days after the effective date of this order, applicant shall file with the Commission two copies of this map.

3. For the year 1965, applicant shall apply a depreciation rate of 3.5 percent to the original cost of depreciable plant. Until review indicates otherwise, applicant shall continue to use this rate. Applicant shall review its depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the result by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to the Commission.

4. Within six months after the effective date of this order, applicant shall install doors and locks on all pumphouses; a new well and pump with a capacity of at least 200 gpm, and a 50,000-gallon storage tank, which storage tank shall be connected to both the Camp Rose and Del Rio sections of the existing system with at least a 4-inch main. Within ten days after completion of these improvements, a report shall be submitted to the Commission setting forth the details and cost of the improvements.

5. After compliance by applicant with paragraph 4 of this order, as evidenced by the filing in this proceeding by the Commission staff of a report verifying such compliance, the Commission will issue a supplemental order herein authorizing applicant to file the schedules of rates attached to this order as Appendix B.

6. Applicant may remove and maintain its general accounting and other corporate records outside of California provided, (a) in any future formal or informal proceeding before this Commission requiring a staff examination of said records, applicant shall make the records available to the staff, either at the Commission's San Francisco office or at some appropriate location in or near applicant's service area in Sonoma County, and (b) any extra costs incurred by applicant because of the foregoing requirement shall not be considered as utility operating expense.

7. Applicant shall not serve any new or additional premises nor extend service to any tract or subdivision unless and until the Commission, upon a satisfactory showing having been made, shall have modified this service restriction by subsequent order. This restriction shall not apply, however, to service to customers who

have applied for service prior to the effective date of this order or who have under construction, as of said date, facilities which will require water service.

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

Dated at San Francisco, California, this 3rd day of AUGUST, 1965.

Frederick B. Hallock
President
[Signature]
[Signature]
[Signature]

Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1A

(T)

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The communities of Camp Rose and Del Rio, and vicinity, adjacent to City of Healdsburg, Sonoma County.

(T)

RATES

		<u>Per Meter Per Month</u>	
Monthly Quantity Rates:			
First	500 cu.ft. or less.....	\$3.30	(I)
Next	500 cu.ft., per 100 cu.ft.50	(I)
Next	1,500 cu.ft., per 100 cu.ft.40	
Over	2,500 cu.ft., per 100 cu.ft.30	
		<u>Per Meter Per Year</u>	
Annual Minimum Charge:			
For	5/8 x 3/4-inch meter	\$ 39.60	(I)
For	3/4-inch meter	51.00	
For	1-inch meter	78.00	
For	1 1/2-inch meter	114.00	
For	2-inch meter	204.00	(I)

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

APPENDIX A
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Schedule No. 1A

(T)

ANNUAL GENERAL METERED SERVICE
(Continued)SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis. (T)
2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer. (T)

Schedule No. 2AR

(T)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

The communities of Camp Rose and Del Rio, and vicinity, adjacent to City of Healdsburg, Sonoma County.

(T)

RATES

	<u>Per Service Connection Per Year</u>	
For a single-family residential unit, including premises	\$46.50	(I)
For each additional single-family resi- dential unit on the same premises and served from the same service connection..	21.00	(I)

SPECIAL CONDITIONS

1. After December 31, 1965, the above flat rates apply to service(N) connections not larger than 3/4 inch in diameter.

2. All service not covered by the above classification shall be (T) furnished only on a metered basis.

3. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the pro-rated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day. (T)

(Continued)

Schedule No. 2AR

(T)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (Continued)

4. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

(T)

(T)

5. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

(N)

(N)

APPENDIX B
Page 1 of 4

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The communities of Camp Rose and Del Rio, and vicinity, adjacent to City of Healdsburg, Sonoma County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Monthly Quantity Rates:		
First 500 cu.ft. or less	\$ 3.50	(I)
Next 500 cu.ft., per 100 cu.ft.50	
Next 1,500 cu.ft., per 100 cu.ft.40	
Over 2,500 cu.ft., per 100 cu.ft.30	
	<u>Per Meter</u> <u>Per Year</u>	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 42.00	(I)
For 3/4-inch meter	54.00	
For 1-inch meter	84.00	
For 1 1/2-inch meter	156.00	
For 2-inch meter	216.00	(I)

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

The communities of Camp Rose and Del Rio, and vicinity, adjacent to City of Healdsburg, Sonoma County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>	
For a single-family residential unit, including premises	\$51.00	(I)
For each additional single-family residential unit on the same premises and served from the same service connection--	24.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than 3/4 inch in diameter. (T)
2. All service not covered by the above classification shall be furnished only on a metered basis.
3. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
4. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

(Continued)

APPENDIX B
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Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (Continued)

5. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.