

ORIGINAL

Decision No. 74739

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of GARDEN WATER CORPORATION, a)
California corporation for)
Authorization to Increase Its)
Rates Charged for Water Service.)

Application No. 49844
(Filed December 4, 1967)

Chris S. Rellas, for applicant.
John D. Reader, for the Commission staff.

O P I N I O N

Applicant Garden Water Corporation seeks authority to increase its rates for water service.

Public hearing was held before Examiner Main in Bakersfield on April 23 and 24, 1968. Copies of the application had been served and notice of hearing had been mailed to customers and published, in accordance with the Commission's Rules of Procedure. The matter was submitted on April 24, 1968.

Testimony on behalf of applicant was presented by its president and by an accountant and an engineer. The Commission staff presentation was made by an accountant and an engineer.

Several customers testified. Complaints were made as to low service pressure at periods of maximum demands on the system, concurrent outages of water service and applicant's practices in requiring customer deposits.

Service Area, Water System and Service

Applicant's filed tariffs, which have been incorporated in this record by reference, show that its two service areas consist of about 2.3 square miles of mostly unincorporated territory near the southerly boundary of the city of Bakersfield and of about .4 of a square mile of unincorporated territory northwesterly of the city of Bakersfield.

Applicant's water supply is obtained from ten operating wells equipped with electrically-driven deep well turbine pumps. Water from the wells is pumped through hydropneumatic tanks directly into distribution systems consisting of approximately 24 miles of mains, ranging in size from 1½-inch to 8-inch, which provide water service to some 1720 customers.

The field investigation of this utility was made by the Commission staff in December, 1967. Plant and facilities were inspected, pressures checked, customers interviewed and the utility's records examined. Water pressure is generally maintained between 40 and 65 psig and water quality is satisfactory.

From the results of this field investigation, and in view of substantial improvements made recently to the water systems, it appears that the complaint by one of the customers of low service pressure at periods of peak system demand may represent a carryover from his experience in prior years. Applicant is committed, however, to check the service pressure at this customer's residence during a peak demand on the system and to report the results thereof to the Commission's staff.

Utility Offices

Applicant maintains a field office in Bakersfield but has its headquarters in the city of Ventura. The Ventura office is shared with the R. E. Schweser Company of California. Robert E. Schweser and Fern B. Schweser are applicant's principal officers and stockholders.

Operating and direct water system supervisory functions are performed in Bakersfield; customer billing, general utility accounting and administrative functions are performed in Ventura.

Rates

The rates presently in effect were authorized by Decision No. 63016 dated January 9, 1962, in Application No. 43552, and are set forth in three rate schedules. The schedules are for general metered service, residential flat-rate service, and public fire hydrant service, and apply to both service areas where a total of 519 metered customers and 1200 flat-rate customers are served.

Applicant proposes to increase its rates for general metered service and residential flat-rate service.

The following Table 1 sets forth the present rates, the rates proposed by applicant, and the rates authorized hereinafter for general metered service. In addition, this table provides a comparison of typical billings for general metered service under applicant's present and proposed rates, the authorized rates and the rates of California Water Service Company, Bakersfield District. The average residential usage on metered service is 2200 cubic feet.

TABLE 1

General Metered ServiceA- Comparison of Rates

	<u>Per Meter Per Month</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Authorized Rates</u>
Quantity Rates			
First 1,000 cu.ft. or less	\$ 2.75	\$ 4.00	\$ 3.40
Next 3,000 cu.ft., per 100 cu.ft.	.17	.24	.21
Next 6,000 cu.ft., per 100 cu.ft.	.14	.20	.17
Over 10,000 cu.ft., per 100 cu.ft.	.10	.14	.12
Minimum Charge:			
For 5/8 x 3/4-inch meter	2.75	4.00	3.40
For 3/4-inch meter	3.75	5.25	4.60
For 1-inch meter	5.75	8.25	7.00
For 1-1/2-inch meter	10.25	15.00	12.50
For 2-inch meter	15.50	22.00	19.00
For 3-inch meter	26.00	37.00	32.00
For 4-inch meter	42.00	60.00	51.00

B - Comparison of Typical Billings

<u>Monthly Consumption Cu. Ft.</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Proposed Increase Per Cent</u>	<u>Authorized Rates</u>	<u>Authorized Increase Per Cent</u>	<u>California Water Service Company</u>
500	\$2.75	\$4.00	45.5%	\$ 3.40	23.6%	\$3.03
1,000	2.75	4.00	45.5	3.40	23.6	3.55
1,500	3.60	5.20	44.4	4.45	23.6	4.08
2,000	4.45	6.40	43.8	5.50	23.6	4.60
3,000	6.15	8.80	43.1	7.60	23.6	5.65
4,000	7.85	11.20	42.7	9.70	23.6	6.70
5,000	9.25	13.20	42.7	11.40	23.2	7.75

For residential flat-rate service the Commission staff recommends redesigning the schedule to simplify its application and the billing procedures used. The schedule, as redesigned (changes were patterned after the flat-rate schedule of California Water Service, Bakersfield District), should accomplish such simplification without an inequitable impact and therefore is adopted. The present, proposed and authorized rates for residential flat-rate service are set forth as follows:

Residential Flat-Rate Service

<u>Item</u>	<u>Per Service Connection Per Month</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Authorized Rates</u>
For a single family residence including premises having the following area:			
10,000 sq.ft. or less	\$4.15	\$5.95	\$5.00
10,001 sq.ft. to 16,000 sq.ft.	-	-	6.60
16,001 sq.ft. to 25,000 sq.ft.*	-	-	8.30
For each 100 sq.ft. of area in excess of 10,000 sq.ft.	.03	.045	-
For each additional residence on the same premises and served from the same service connection	2.40	3.60	3.00

*Premises having areas in excess of 25,000 sq.ft. will be furnished service only on a metered basis. No such limitation presently applies.

Examination of Accounts

As set forth in Section II of Exhibit 2, the staff's report on results of applicant's operation, numerous adjustments to applicant's accounts are required according to the staff's audit findings. Applicant challenged the two principal adjustments involved, both affecting utility plant; one concerns adjusting journal entries for labor previously expensed and the other the recorded cost of water system installations in Tracts Nos. 2394 and 2427.

In 1964 and 1965, applicant made adjusting journal entries to capitalize \$12,035 for labor of its employees claimed to be applicable to construction during the period January, 1962 through February, 1965. Such labor had previously been expensed. During that period there was a total of approximately \$260,000 in plant additions, of which only approximately \$25,000 represents additions installed by the utility's own employees.

It is the Commission staff's position that these journal entries should be reversed because they lack adequate support; that even if such labor had actually been performed and the charges were supportable, it does not appear reasonable or proper to subsequently reaccount for such amounts by charging them to plant accounts after the utility had initially elected to charge them to operating expenses; that the unsupported entries amount to a restatement of plant without Commission authority; and that itemized employee time records were not maintained during the period in question, nor are adequate time records now maintained by the present management.

It is the applicant's position that it does not have an election to expense labor properly chargeable to utility plant accounts; that no income tax benefits were realized; that prior to the adjusting journal entries no charges for its employees' labor were made to the utility plant accounts during the period 1962¹ through 1965; that its former president and manager made a study of the time devoted by its employees to construction and related activities during a representative period as the basis for the adjusting entries; and that during the 1959-1967 period it paid about \$180,000 in salaries, added about \$510,000 of utility plant, and capitalized about \$31,000 of such salaries (including the \$12,035 in question), which represents about 6 percent of the cost of said plant additions.

It is evident that some portion of applicant's payroll would have been properly chargeable to plant accounts during the period covered by adjusting journal entries, especially in view of the approximately \$25,000 in plant additions installed by applicant's own personnel; however, applicant has failed to show what the proper charges would have been pursuant to general instruction 10 of the Uniform System of Accounts.² The record simply is not persuasive that the salary allocation percentages used were in fact based upon a study of employees' time actually engaged in construction and operations during a representative period.

1 Perhaps this part of applicant's position is inaccurate, since its annual report to the Commission for year ended December 31, 1964 sets forth, under Schedule H, \$3504.19 of employees' salaries charged to plant.

2 Distribution of Pay and Expenses of Employees. The charges to utility plant, operating expense and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

We note that some entries in the applicant's plant accounts pertaining to certain in-tract water system installations were recorded on the basis of instructions issued by its former president without any supporting data. Although the Commission's staff tested these entries and is satisfied as to their reasonableness, we consider them to be an indication that applicant's plant accounts may not justify a refinement such as that represented by the adjusting entries for employee labor during the period January, 1962 through February, 1965 even if such adjusting entries were adequately supported.

If applicant maintains adequate records and follows the accounting procedures prescribed by the Uniform System of Accounts, problems such as these should not occur. The staff's exclusion of the unsupported labor charges of \$12,035 from utility plant is proper and is adopted herein.

The applicant recorded in its books \$21,935.97 as the cost of in-tract facilities in Tracts Nos. 2394 and 2427. This amount was determined after litigation (Garden Water Corporation vs. Joe Fambrough, Superior Court of Kern County No. 91458) with the subdivider which resulted in a judgment against the applicant as follows:

"Value" of in-tract facilities	\$16,801.60
Interest at 7% from 11/1/61 to 11/17/65	4,857.98
Sub-Total of judgment	21,659.58
Account Payable	276.39
	<u>\$21,935.97</u>

The cost of these water facilities as shown in Exhibit 10 in Applications Nos. 43161 and 43552 is \$10,793.51. This latter amount is supported by actual vouchers.

It is the Commission staff's position that applicant brought this additional cost of \$11,142 upon itself by failing to enter into a main extension agreement for these tracts; that applicant's former management failed to follow Decision No. 63016 dated January 9, 1962, in Applications Nos. 43161 and 43552 in regard to these tracts; that the staff is not aware of any water system facilities covered by the judgment which are not included in the \$10,793.51 cost figure supported by vouchers; and that the additional cost of \$11,142 should be excluded for rate-fixing and other regulatory purposes.

It is the applicant's position that the \$21,935.97 recorded on its books represents the cost incurred by applicant; that the accounting used conforms to the Uniform System of Accounts; that backup facilities were included under the judgment; and that, since applicant was required by law to pay it, the \$21,935.97 is the proper amount to be used for rate-fixing and other regulatory purposes.

In Decision No. 63016, supra, it was clearly envisioned that the cost of water system facilities to serve these tracts should and would be their actual installed cost regardless of the financing involved, that is, whether financed by means of either equity capital or by advances for construction under the main extension rule. Applicant's arguments that such utility plant costs for rate-fixing and other regulatory purposes should reflect other than actual installed costs are not persuasive. We are unable to determine, however, on this record whether water system facilities in addition to those included in the \$10,793.51 cost figure were encompassed by the judgment and, if so, what the additional

facilities consisted of and their actual installed cost. Neither the Judgment nor the Findings of Fact and Conclusions of Law entered in said Superior Court Action No. 91458 are sufficiently specific in this regard to do more than point out that Lot 54 of Tract 2427 and a certain well and pipe situated thereon are excluded from the judgment.

In the circumstances, the \$10,793.51 cost figure is adopted for the rate-fixing purposes of this proceeding.

Based upon its examination of applicant's accounting records and procedures, the Commission staff's recommendations are as follows:

- a. Applicant should adjust its books of account to reflect the staff adjusted balances for utility plant, reserve for depreciation, contributions in aid of construction, and other accounts as of December 31, 1967. These amounts are set forth in the balance sheet in Table 2-A in Section II of Exhibit 2.
- b. Applicant should develop the cost for contributed backup facilities in Tracts 2703 and 2865, and submit it for approval to the Commission.
- c. Applicant should install a work order system for accounting for plant additions and retirements.

In view of the many accounting adjustments involved, the contention that there may be additional water system plant covered by the judgment and the very limited time available to the applicant to review Exhibit 2 prior to the hearing, our order hereinafter as it relates to recommendation a. above will provide some flexibility, including provision for a supplemental order if appropriate. Recommendations b. and c. are adopted to the extent reflected in the order hereinafter.

Results of Operation

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results through years 1967 and 1968, respectively. Summarized in Table 2 below are the results of operation for the years 1967, as estimated by applicant and by the staff, and 1968, as estimated by the staff, under present water rates and those proposed by applicant. For year 1968, this table also shows the results of operation, modified as discussed hereinafter, at present rates, at those proposed by applicant and those authorized herein.

TABLE 2

Estimated Results of Operation
Years 1967 and 1968 Estimated

<u>Item</u>	<u>Year 1967</u>		<u>Year 1968</u>	
	<u>Applicant</u>	<u>Staff</u>	<u>Staff</u>	<u>Modified</u>
<u>At Present Rates</u>				
Operating Revenues	\$ 97,190	\$ 99,340	\$102,340	\$102,340
<u>Deductions</u>				
Payroll Expensed	25,710	30,600	30,600	31,500
Contract, Vehicle and Mat.& Sup.Exp.	8,880	7,800	8,400	8,900
Pumping power Exp.	23,890	20,100	20,800	20,800
Customer Accounts Exp.	4,180	3,030	3,130	3,600
Regulatory Exp.	4,000	2,500	2,500	2,500
Misc. Gen. Exp.	11,400	1,500	1,500	2,000
Other Exp., excl.depr. & taxes	4,900	4,900	5,000	5,000
Depreciation	15,120	14,100	14,250	14,250
Taxes, Other than on Income	10,220	10,530	10,680	10,680
Subtotal	108,300	95,060	96,860	99,230
City & County Franchise Tax	1,930	1,990	2,050	2,050
Income Taxes	100	100	100	100
Total	110,330	97,150	99,010	101,380
Net Revenue	(13,140)	2,190	3,330	960
Rate Base	310,780	292,600	303,000	301,000
Rate of Return	-	0.75%	1.10%	0.32%
<u>At Rates Proposed by Applicant</u>				
Operating Revenues	\$139,470	\$142,540	\$146,840	\$146,840
<u>Deductions</u>				
Excl.City & Co.Franchise & Income Taxes	108,430	95,200	97,000	99,370
City & Co. Franchise Taxes	2,780	2,850	2,940	2,940
Income Taxes	5,700	9,350	10,590	10,310
Total	116,910	107,400	110,530	112,620
Net Revenue	22,560	35,140	36,310	34,220
Rate Base	310,780	292,600	303,000	301,000
Rate of Return	7.3%	12.01%	11.98%	11.37%
<u>At Rates Authorized Herein</u>				
Operating Revenues	-	-	-	\$124,420
<u>Deductions</u>				
Excl.City & Co.Franchise & Inc.Taxes	-	-	-	99,370
City & Co. Franchise Taxes	-	-	-	2,490
Income Taxes	-	-	-	1,490
Total	-	-	-	103,350
Net Revenue	-	-	-	21,070
Rate Base	-	-	-	301,000
Rate of Return	-	-	-	7.0%

() - Red figure

From Table 2 it can be seen that applicant's requested rates would result in an increase of 43 percent in operating revenues, whereas the rates authorized herein will produce a 22 percent increase.

The principal differences between the revenue estimates presented by applicant and those presented by the Commission staff for year 1967 result from (1) a climatic adjustment to metered water use per customer and (2) a difference in the number of the larger size unmetered service connections utilized in the revenue computations.

Applicant used limited weather and water sales data together with questionable assumptions in making its climatic adjustment, whereas the staff, in the absence of adequate data for such an adjustment, based its revenue estimate on a 12-month water use table (April 1, 1966 to March 31, 1967) without adjustment. Recorded 1967 experience as to metered water sales revenue and weather data supports the staff estimates. As to the difference in unmetered service connections, the staff found that 15 of the 29 connections, being billed as "no meter" accounts at minimum charges under the general metered service schedule, are larger than one inch and computed revenues accordingly.

The staff's revenue estimates for year 1968 reflect the addition of 50 customers and are adopted in Table 2.

The principal differences between the expense estimates (exclusive of depreciation and taxes) presented by the applicant and those presented by the Commission staff arise in payroll expensed and miscellaneous general expense (considered jointly), pumping power expense and regulatory expense. Applicant's estimate of miscellaneous

general expense includes \$8,400 of management fees payable to R. E. Schweser which, when added to its estimate of payroll expensed of \$25,710, yields \$34,110. The staff's estimate of payroll expensed of \$30,600 includes management service.

As recorded in 1967, payroll expensed and management fees amounted to \$29,863, which includes \$1800 paid to R. E. Schweser Co. of California and \$6,881 paid to R. E. Schweser. In our adopted estimates in Table 2, payroll expensed (including management service) has been increased by about 5 percent over 1967 recorded results. This increase should make the adopted results more representative of applicant's operations in the near future. An estimate of \$2,000 is adopted for miscellaneous general expense exclusive of management fees.

As to pumping power expense, applicant's estimate was based on early experience and questionable assumptions under certain plant and operational changes. The staff's estimate reflects an analysis which includes full year 1967 operating experience and is considered to be more representative. The staff estimate for 1968 is adopted in Table 2.

As to regulatory expense, the estimates differ primarily because applicant amortized about \$12,000 of regulatory proceeding costs over three years whereas the staff used five years. In Table 2, the staff figure is adopted, which we consider as being near the upper limit of reasonableness for a utility of this size. We note that applicant's failure to maintain its records properly and its tariff violations tend to increase the cost of regulatory proceedings.

The principal differences between the depreciation expense and rate base estimates presented by the applicant and those presented by the Commission staff result from the staff's accounting adjustments, the major two having been discussed herein under the heading Examination of Accounts, and from the use of more recent data which became available to the staff after applicant's estimates were prepared. The staff estimate of depreciation expense for 1968 and the staff estimate of rate base for 1968, modified to eliminate working cash allowance because of predominantly flat rate water service which is payable in advance, are adopted in Table 2.

For the operational results adopted in Table 2, taxes on income have been computed using the income tax rates and provisions in effect and applicable to year 1968. The investment tax credit used is the five-year average of the unclaimed credit of \$12,800 or \$2,560.

Rate of Return

The Commission staff recommends a rate of return of 7.0 percent as a fair return on rate base for this utility. This will provide a return of about 10 percent on common equity. Applicant does not base its requested increase upon any specific rate of return which it considers reasonable, although it may be reasonably assumed that the 7.3 percent rate of return shown in Table 2 is indicative in this regard. We have adopted the staff's recommendation of a 7.0 percent return on rate base.

Tariff Violations

The record discloses that applicant, without authority from this Commission to deviate from its filed rate schedules and rules, engages in the following practices:

- a. Serves some 29 customers through unmetered service connections under its Schedule No. 1, General Metered Service.
- b. Requires applicants for flat rate service to establish credit by deposit.

c. Enters into main extension agreements under terms and provisions which depart from its Rule 15, Main Extensions. Applicant is placed on notice that said rule applies to additions to its service area as well as to extensions within its existing service area.

Findings and Conclusion

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 year 1968 reasonably represent the results of applicant's future operations.
- c. A rate of return of 7.0 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. The accounting revisions and corrections recommended by the Commission staff appear reasonable; however, both applicant's contention that additional water system facilities were acquired under the judgment in Kern County Superior Court No. 91458 and the number of accounting adjustments involved warrant applicant's having an opportunity to document proper exceptions to the recommended accounting revisions and corrections.

3. The recommendations of the Commission staff concerning a work order system and development of costs of contributed plant are reasonable.

4. Applicant has departed from the provisions of its filed tariffs, as previously discussed, in its practices relating to Schedule No. 1 - General Metered Service, Rule 7 - Deposits, and Rule 15 - Main Extensions.

5. Applicant's tariff service area maps do not include all areas which are presently being served.

The Commission concludes that the application should be granted to the extent set forth in the following order.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant, Garden Water Corporation, is authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof. Concurrently, applicant shall cancel its presently-effective tariff sheets Nos. 60-W and 61-W.
2. Within sixty days after the effective date of this order, applicant shall file revised tariff service area maps which include all areas which are presently being served. Such filing shall comply with General Order No. 96-A.
3. Applicant shall forthwith install meters on any and all service connections not now provided with the same which are used to furnish water to other than consumers which qualify and are receiving residential flat-rate water service, shall bill each and every delivery of water strictly in accordance with its tariffs and shall cease delivering water at other than its filed rates. Applicant shall notify this Commission, in writing, within ten days after the completion of the installation of said meters.
4. Applicant shall forthwith cease to deviate from its Rule 7, Deposits, and refund any and all amounts which are not held strictly in accordance with said rule. Applicant shall notify this Commission, in writing, within ten days after making such refunds.

5. Applicant shall henceforth adhere strictly to its Rule 15, Main Extensions, except in instances when deviations are authorized by this Commission.

6.a. Within ninety days after the effective date of this order, applicant may file in this proceeding exceptions, which it deems proper, to the accounting revisions and corrections recommended by the Commission's staff in Exhibit 2; if applicant so files, ordering paragraph 6.b. herein is stayed pending further order of this Commission.

6.b. Within one hundred twenty days after the effective date of this order, applicant shall adjust its books of account to reflect the staff-adjusted balances for utility plant, reserve for depreciation, contributions in aid of construction, and other accounts as of December 31, 1967, all as set forth in the balance sheet in Table 2-A of Exhibit 2.

7. Within sixty days after the effective date of this order, applicant shall install a work order system for accounting for plant additions and retirements and file in this proceeding written notice of compliance with this requirement.

8. Within ninety days after the effective date of this order, applicant shall develop the cost of contributed backup water system facilities in Tracts 2703 and 2865 and submit such cost, together with proposed journal entries, to the Commission for approval.

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

Dated at San Francisco, California, this 1st day of OCTOBER, 1968.

William Symons Jr.
President
John E. Ditcher
William L. Brennan
August
John P. Morrissey
Commissioners

APPENDIX A
Page 1 of 2

Schedule No. 1

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORYGarden Acres and vicinity, five miles south of Bakersfield, and (T)
Tract 2550 and vicinity, five miles northwest of Bakersfield, Kern County. (T)RATES

		Per Meter Per Month	
Quantity Rates:			
First	1,000 cu.ft. or less	\$ 3.40	(I)
Next	3,000 cu.ft., per 100 cu.ft.21	
Next	6,000 cu.ft., per 100 cu.ft.17	
Over	10,000 cu.ft., per 100 cu.ft.12	
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$ 3.40	
For	3/4-inch meter	4.60	
For	1-inch meter	7.00	
For	1 1/2-inch meter	12.50	
For	2-inch meter	19.00	
For	3-inch meter	32.00	
For	4-inch meter	51.00	(I)

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

APPENDIX A
Page 2 of 2

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Garden Acres and vicinity, five miles south of Bakersfield, and (T)
Tract 2550 and vicinity, five miles northwest of Bakersfield, Kern County. (T)

RATES

	Per Service Connection Per Month	
1. For a single family residential unit, including premises having the following area:		(T)
10,000 sq.ft. or less	\$ 5.00	(T)
10,001 to 16,000 sq.ft.	6.60	(I)
16,001 to 25,000 sq.ft.	8.30	(I)
2. For each additional single family residential unit on the same premises and served from the same service connection.	3.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classification will be furnished only on a metered basis.

3. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service. (C)
(C)