

ORIGINAL

Decision No. 76276

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of MERCED WATER COMPANY }
for an order of the Public Utili- }
ties Commission of the State of }
California authorizing increased }
water rates in the City of Merced }
and adjacent territory. }

Application No. 50323
(Filed January 16, 1969)

Richard J. Archer and Kristina M. Hanson,
for applicant.
John D. Reader and John J. Gibbons, for
the Commission staff.

O P I N I O N

Applicant Merced Water Company seeks authority to increase rates.

Public hearing was held before Examiner Catey in Merced on July 16, 1969. Copies of the application had been served, notice of filing of the application published, and notice of hearing published and posted, in accordance with this Commission's rules of procedure. The matter was submitted on July 16, 1969.

Testimony on behalf of applicant was presented by its treasurer, its assistant treasurer and its superintendent. The Commission staff presentation was made through an accountant and an engineer.

Service Area and Water System

Applicant owns and operates the water system serving the City of Merced and unincorporated areas of Merced County adjacent to the city. The service area is relatively flat.

The water supply for this system is obtained from applicant's 12 wells. Some of the well pumps deliver the water to four

elevated storage tanks; the other well pumps deliver the water directly into the distribution system. Three of the wells have standby engines for use in the event of an electrical power failure. An additional such engine will be installed soon at the newest of applicant's wells.

The distribution system includes about 110 miles of distribution mains, ranging in size up to 16-inch. There are about 1,000 metered services, primarily for business and industrial customers, 6,900 flat rate services for residential customers, and 700 public fire hydrants.

Service

Field investigations of applicant's operations, service and facilities were made by the Commission staff. A staff engineer testified that applicant is providing very good service and that the quality of plant installation is among the best he had observed in the whole state. Staff Exhibit No. 2 states that no informal complaints relating to this utility have been registered with the Commission for at least three years. No customers appeared at the hearing to testify regarding service.

Rates

Applicant's present tariffs include schedules for general metered service, residence and church flat rate service, school and public park flat rate service, public fire hydrant service, private fire protection service, and flat rate service from temporary connections to fire hydrants. The private fire protection rates were established in 1954. The rest of the rates, except for minor changes to provide for service through larger sizes of service connections, became effective in 1964.

Applicant proposes to increase essentially all of its rates. The following Table I presents a comparison of applicant's present and proposed basic rates:

TABLE I
Comparison of Monthly Rates

Item	Present	Proposed	Authorized ⁺
<u>General Metered Service</u>			
Minimum Charge*	\$ 3.05	\$ 3.75	\$ 3.60
Quantity Rate:			
First 1,500 cu.ft. or less	3.05	3.75	3.60
Next 2,500 cu.ft., per 100 cu.ft.	.17	.21	.20
Next 6,000 cu.ft., per 100 cu.ft.	.14	.17	.17
Next 30,000 cu.ft., per 100 cu.ft.	.12	.15	.14
Next 60,000 cu.ft., per 100 cu.ft.	.08	.10	.10
Next 400,000 cu.ft., per 100 cu.ft.	.075	.09	.09
Next 500,000 cu.ft., per 100 cu.ft.	.06	.06	.06
Over 1,000,000 cu.ft., per 100 cu.ft.	.05	.05	.05
<u>Residence & Church Flat Rate Service</u>			
Each Service, incl. One Res. or Church on Lot with Area of:			
First 5,000 sq.ft. or less	3.30	3.90	3.75
Next 5,000 sq.ft., per 500 sq.ft.	.10	.15	.14
Over 10,000 sq.ft., per 1000 sq.ft.	.15	.20	.19
Each Add'l. Res. on Same Service	1.50	1.85	1.80
Each 100 cu.ft. Capacity of Swimming Pool	.05	.05	.05
<u>School & Public Park Flat Rate Service</u>			
Per Service:#			
3/4-inch service	2.00	2.45	2.35
10-inch service	150.00	184.50	180.00
Each 1,000 sq.ft. Area of Premises	.05	.05	.05
Each Building on Premises	3.00	3.70	3.55
Each 100 cu.ft. Capacity of Swimming Pool	.05	.05	.05
<u>Public Fire Hydrant Service</u>			
Each Hydrant	2.00	2.50	2.50
<u>Private Fire Protection Service</u>			
Per Service:#			
4-inch service	4.00	5.00	5.00
10-inch service	10.00	12.25	12.25
<u>Flat Rate Service From Fire Hydrants</u>			
For Flushing Sewers	15.00	18.50	18.00
For Street Sweeper	15.00	18.50	18.00
For Puddling Trenches, per lin.ft.	.01	.01	.01
For Sprinkling Streets, per est. 1,000 gal.	.15	.18	.17

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

Charge for smallest and largest listed sizes of service. A graduated scale of intermediate charges is provided for intermediate sizes of service.

+ Plus temporary 3.8% surcharge for all but fire protection service, to offset 10% F.I.T. surcharge.

Revenue and customer data in Section III-A of Exhibit No. 2 indicate that the average monthly bill for metered service is \$11.34 under present rates and would be \$13.95 under applicant's proposed rate, an increase of 23 percent. The revenue and customer data indicate that the average monthly bill for flat rate service is \$4.91 under present rates and would be \$5.98 under the rates proposed by applicant, an increase of 22 percent. The rates authorized herein are designed to produce, while the temporary 10 percent federal income tax surcharge is in effect, essentially the same increases requested by applicant, with about a 4 percent reduction when the income tax surcharge expires. This method of automatic adjustment for the income tax surcharge was recommended by the staff and is consistent with numerous previous decisions in recent rate proceedings involving other utilities.

Results of Operation

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in Table II, from applicant's Exhibit No. 1 and the staff's Exhibit No. 2 are the estimated results of operation for the test year 1969, under present rates and under those proposed by applicant. The estimates, as set forth in the two exhibits, are not quite comparable in that the staff summary excludes the effect of the temporary 10 percent federal income tax surcharge, whereas applicant's summary includes that item. At the time applicant's estimates were presented, the surcharge had not expired; when the staff estimates were presented, the surcharge had expired; the surcharge has since been reinstated. Also, applicant inadvertently used recent studies of administrative expenses by its parent corporation only in its summary under proposed rates, whereas the staff used its own estimates of such costs uniformly under both present and proposed rates. Further, applicant showed the changes which would result if the investment tax credit

is repealed. The summaries in the two exhibits are shown in modified form in Table II to make estimates more readily comparable. For comparison, this table also shows the corresponding results of operation modified as discussed hereinafter.

TABLE II
Estimated Results of Operation
(Test Year 1969)

<u>Item</u>	<u>Applicant</u>	<u>Staff</u>	<u>Modified</u>
<u>At Present Rates</u>			
Operating Revenues	\$ 549,412	\$ 545,600	\$ 545,600
Deductions:			
Pumping, Treatment, Trans. & Dist. Exp.	127,025	125,800	125,800
Management Fee	26,000	23,800	26,000
All Other Expenses, Excl. Depr. & Income Taxes	174,755	174,570	174,600
Depreciation	59,907	59,040	59,000
Subtotal	387,687	383,210	385,400
Income Taxes:			
Before I.T.C. & 10% Surcharge	65,364*	64,600	63,500
Effect of Invest. Tax Credit	(3,898)	(5,250)	(5,200)
Effect of 10% Surcharge	5,549	5,480	5,400
Net Income Taxes	67,015	64,830	63,700
Total Deductions	454,702	448,040	449,100
Net Revenue	94,710	97,560	96,500
Rate Base	2,152,398	2,082,500	2,112,500
Rate of Return	4.40%	4.68%	4.6%
<u>At Rates Proposed by Applicant</u>			
Operating Revenues	\$ 675,541	\$ 666,800	\$ 666,800
Deductions:			
Excl. Inc. Taxes	387,687	383,210	385,400
Income Taxes:			
Before I.T.C. & 10% Surcharge	130,489	127,180	126,000
Effect of Invest. Tax Credit	(3,898)	(5,250)	(5,200)
Effect of 10% Surcharge	11,179	10,980	10,900
Net Income Taxes	137,770	132,910	131,700
Total Deductions	525,457	516,120	517,100
Net Revenue	150,084	150,680	149,700
Rate Base	2,152,398	2,082,500	2,112,500
Rate of Return	6.97%	7.24%	7.1%

(Rd Figure)

* Adjusted for tax effect of the additional expense resulting from the revised management fee.

From Table II it can be determined that, including the 3.8 percent temporary increase due to the income tax surcharge, the increase in operating revenues would be 22 percent under applicant's proposed rates. The rates authorized herein are designed to produce essentially the same increase as the rates proposed by applicant.

Revenues

At the time applicant's revenue estimates were being prepared, recorded revenue data were available only through September 1968. The later information available when the staff estimates were being prepared permitted more accurate projections into 1969. The staff estimates are adopted in Table II.

Expenses

Consistent with the lower revenue and consumption estimates of the staff, the staff estimates of pumping, treatment, transmission and distribution expenses are lower than those of applicant. The staff estimates of these expenses are adopted in Table II.

Management services are provided for applicant by its parent company, Crocker Estate Company.¹ Those services include overall management and supervision as well as clerical and technical services. The parent maintains all general records other than customer accounting records and prepares all tax returns and various governmental reports. Applicant's parent makes relatively infrequent studies of the proportions and amounts of salaries of the individuals involved in this work which are chargeable to applicant's operations. For example, the \$18,500 annual fee charged in

¹ All of applicant's capital stock is owned by Crocker Land Company, a subsidiary of Crocker Estate Company.

1964 has not been revised until this year. The \$26,000 annual fee shown in applicant's Exhibit No. 1 is based upon a study made in 1968. Based upon present wage levels, the 1968 allocation percentages would result in an annual charge of \$26,705, as set forth in applicant's Exhibit No. 3.

The staff is of the opinion that a more detailed study of costs included in the management fee should have been prepared and presented by applicant. In the absence of such a presentation, a staff engineer testified that he included in his expense estimates only \$23,800, resulting from the application of a percentage increase to the previously charged fee. The percentage increase is based upon the increase experienced in other operating expenses.

We concur with the staff that a more detailed presentation would have been desirable. The basis used by applicant, however, appears to be conservative. For example, no compensation whatsoever is charged for the services of the individual who is president of both corporations, and only nominal percentages of other joint officers' salaries paid by the parent corporation are included in the management fee. In the future, applicant should prepare more detailed support for the amount charged by the parent corporation but, in this proceeding, the basis for applicant's estimate appears more accurate and more reasonable than the staff's. This is reflected in the amount adopted in Table II.

Applicant reviewed the staff estimate of depreciation expense and, in Exhibit No. 6, concluded that it was reasonable. The staff estimate is adopted in Table II. Although the additional plant included in the rate base, as discussed hereinafter, would justify some undetermined amount of additional depreciation expense and ad valorem taxes, these would largely be offset by the

corresponding increases in depreciation deductions and investment tax credit for income taxes. The various differences between applicant's, the staff's and the adopted estimates of revenues and expenses affect the corresponding estimates of income taxes. The income taxes adopted in Table II reflect the revenues and expenses adopted in that table.

Under present tax laws, applicant estimates the investment tax credit for normal plant additions to be \$3,898 as compared with the staff estimate of \$5,250. Applicant contends further that the investment tax credit now should be disregarded because its repeal is believed imminent. The staff's estimate, based upon 3 percent of average normal plant additions, appears to be correct under present tax laws. Until those laws actually are changed, we would not be justified in ignoring the tax savings resulting from the present law.

Rate Base

The staff had more recent data on actual cost of plant installation than was available when applicant's estimates were being prepared. Applicant's review of the staff's estimates disclosed, however, that two additional plant items of \$20,000 each should be taken into account in determining the 1969 rate base. One of these items is the installation of a subdivision main extension for which an advance was received during 1968 but which was not constructed until 1969. The other is a deferred expenditure related to the new elevated storage tank. Consistent with the staff's treatment of similar expenditures, the main extension cost should be given a half-year weighting in rate base and the additional tank cost should be given a full-year weighting. The staff's estimate of rate base is adopted, with an upward adjustment of \$30,000 for the two items.

Applicant has installed two main extensions at the request of the City of Merced without requiring the advance for construction provided for in applicant's filed main extension rule. The extensions were made to serve a new junior college and a new cannery which the city feared would not be built in Merced if construction advances were required. For the cannery extension, the city guaranteed to make up any difference between the annual 22 percent-of-revenue refunds which applicant would otherwise have paid under its rules and 10 percent of the cost of the extension. Under this arrangement, the deviation from the main extension rule would, after 10 years, result in no greater investment by applicant than if the rule had been followed. In the interim, however, the level of applicant's unrefunded advances for construction is lower than it would have been if the rule had been followed.

The staff's estimated 1969 rate base reflects the level of unrefunded advances which would have resulted if the financing of the junior college and cannery extensions had not deviated from the main extension rule. Applicant contends that the \$44,000 staff adjustment for advances should not be adopted because (1) the rule deviations were requested by the City of Merced, (2) the junior college and cannery benefit the people of Merced, and (3) considerable revenue is now received by applicant from sale of water through the extensions.

Section 532 of the Public Utilities Code permit the Commission to authorize just and reasonable deviations from utilities' tariffs. Section X-B of General Order No. 96-A provides blanket authorization for deviations involving governmental agencies, but states that the reasonableness of any such deviations is subject to determination in appropriate Commission proceedings. Unfortunately,

the record in the current proceeding does not provide sufficient information upon which to judge the reasonableness of the deviations involved in the extension of mains for the City of Merced to the junior college and cannery. Although it is possible that a study of the incremental investment, revenues and expenses relating to the main extensions would show that the extensions were fully compensatory and thus not a burden on other customers, no such study was presented by applicant. The burden of proof of reasonableness rests with applicant. We adopt the staff adjustment for this proceeding without prejudice to reevaluation in future proceedings if more facts then are presented.

Surcharge to Federal Income Tax

A 10 percent surcharge was imposed by the Revenue and Expenditure Control Act of 1968. The surcharge was retroactive for the full year 1968; expired June 30, 1969, but since then has been extended to December 31, 1969. The staff recommends that the portion of applicant's revenue requirement resulting from the tax surcharge be set up as a separate item in applicant's rates in the form of a temporary surcharge on water bills while the tax surcharge remains in effect. A 3.8 percent surcharge on applicant's basic rates will produce the required portion of applicant's revenue. A corresponding reduction is made in the requested basic rates to produce the same revenues as the requested rates only while the tax surcharge remains in effect. This surcharge on applicant's bills will offset only the future effect of the tax surcharge and is not designed to recoup any of the increased taxes on net revenue produced prior to the effective date of the increased water rates authorized in this proceeding.

Rate of Return

Applicant's treasurer testified that, in his opinion, a 7.0 percent return on rate base would be reasonable for applicant's operations. He stated that he considered several factors in coming to this conclusion: applicant's conservative financial structure, present high interest rates on borrowed funds, returns recently allowed other utilities, rate of return found reasonable in applicant's 1964 rate proceeding, and past trend in applicant's recorded rate of return.

A staff accountant testified that, in his opinion, a 6.2 percent return on rate base would be reasonable for applicant's operations. This is based primarily upon the revenue requirement which would have resulted from a 50 percent equity and 50 percent debt capital structure in lieu of applicant's essentially 100 percent equity financing. Because interest on debt is an allowable deduction for income tax purposes, a given level of gross revenues produces a lower return on rate base for a utility with all equity financing. The staff witness reasoned that applicant's customers should not be required to pay any higher water rates than would have been authorized under a 50-50 capital structure. The staff assumed a composite 6 percent interest rate on debt.

There is merit to the staff's position that applicant's customers should not be penalized for applicant's unusually conservative financing. On the other hand, if applicant had consistently financed half of its capital installations with borrowed funds, it would have had to pay considerably more than 6 percent interest on recent sizable amounts of funds expended for plant enlargements and improvements. Also, the funds made available to applicant by reinvesting earnings rather than paying dividends to its stockholders

have assisted in providing a high quality water system and excellent water service to its customers. Further, although the staff witness testified that (1) he considered a 10 percent return on equity as reasonable under a 50-50 capital structure, and (2) a 6.5 percent return on rate base under applicant's 100 percent equity financing would be produced by the same water rates as those which would provide a 10 percent return on equity with a 50-50 capital structure, he recommended only a 6.2 percent return on rate base. Finally, applicant's record of efficient management and operation of the system warrants a somewhat higher return on equity than might otherwise appear reasonable. Taking all of these factors into consideration, we conclude that a 6-3/4 percent return on rate base is reasonable for applicant's operations during the next few years. Although this is lower than the return on rate base recently allowed other utilities, applicant's stockholder is not unduly penalized in comparison with stockholders of other utilities because applicant's reinvestment of earnings in lieu of declaring dividends benefits its stockholder by deferring and reducing the stockholder's own income tax liability.

Trend in Rate of Return

Applicant's estimates for the test years 1968 and 1969 indicate an annual decline of 0.14 percent in rate of return at proposed rates. The staff estimates show an annual decline of 0.15 percent at proposed rates. Applicant contends that the 0.44 percent annual decline in rate of return it has experienced since its last rate proceeding is more indicative of the future trend than is the trend derived from the two test years.

The comparative rates of return for two successive test years, or for a series of recorded years, are indicative of the

future trend in rate of return only if the rates of change of major individual components of revenues, expenses and rate base in the test years, or recorded years, are reasonably indicative of the future trend of those items. Distortions caused by abnormal, non-recurring or sporadically recurring changes in revenues, expenses, or rate base items must be avoided to provide a valid basis for projection of the anticipated future trend in rate of return. The staff estimates appear to have eliminated distortions and abnormalities in the trends of revenues, expenses and rate base from the test years 1968 and 1969. No analysis of the reasons for the recorded long-term annual trend of 0.44 percent was presented by applicant and it may reasonably be assumed that some of the factors causing that more rapid decline in rate of return are not necessarily applicable to the future. The staff estimate of 0.15 percent decline per year in rate of return appears valid and is adopted for the purposes of this proceeding.

In most of the recent decisions in rate proceedings involving other water utilities, the apparent future trend in rate of return has been offset by the authorization of a level of rates to remain in effect for several years and designed to produce, on the average over that period, the rate of return found reasonable. That same approach is adopted for this proceeding. For this company, a 3- to 4-year projection appears reasonable.

The rate increase authorized herein will not be in effect for about the first three quarters of the year 1969. With the indicated future trend in rate of return, the 7.1 percent return under the rates authorized herein for the test year 1969 should produce an average rate of return of 6-3/4 percent over the next 3-1/2 years, approximately 5.2 percent for the calendar year 1969

(with about one-fourth of the year at the new rates), 6.95 percent for the year 1970, 6.80 percent for 1971, 6.65 for 1972, and 6.50 for 1973.

Findings and Conclusion

The Commission finds that:

1. Applicant is in need of additional revenues.
2. The adopted estimates, previously discussed herein, of operating revenues, operating expenses and rate base for the test year 1969, and an annual decline of 0.15 percent in rate of return, reasonably indicate the probable range of results of applicant's operations for the near future.
3. An average rate of return of 6-3/4 percent on applicant's rate base for the next 3-1/2 years is reasonable.
4. 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.
5. The surcharges authorized herein are designed to provide only sufficient revenue to offset the future effect of the income tax surcharge, which is not reflected in the basic rate schedules.

The Commission concludes that the application should be granted, with modification of the form of the rates to show the portion related to the income tax surcharge as a separate item.

O R D E R

IT IS ORDERED that, after the effective date of this order, applicant Merced Water Company 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.

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

Dated at San Francisco, California, this 15th
day of OCTOBER, 1969.

William Symons Jr.
President
Arthur L. Sturgeon
W. B. Sturgeon
John A. Sturgeon
Commissioners

Commissioner Vernon L. Sturgeon, being
necessarily absent, did not participate
in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Merced and vicinity, Merced County.

RATES

Quantity Rates:

Per Meter
Per Month

First	1,500 cu.ft. or less	\$ 3.60	(I)
Next	2,500 cu.ft., per 100 cu.ft. ....	.20	⋮
Next	6,000 cu.ft., per 100 cu.ft. ....	.17	⋮
Next	30,000 cu.ft., per 100 cu.ft. ....	.14	⋮
Next	60,000 cu.ft., per 100 cu.ft. ....	.10	⋮
Next	400,000 cu.ft., per 100 cu.ft. ....	.09	(I)
Next	500,000 cu.ft., per 100 cu.ft. ....	.06	⋮
Over	1,000,000 cu.ft., per 100 cu.ft. ....	.05	⋮

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 3.60	(I)
For	3/4-inch meter	5.00	⋮
For	1-inch meter	6.00	⋮
For	1½-inch meter	8.00	⋮
For	2-inch meter	14.00	⋮
For	3-inch meter	21.00	⋮
For	4-inch meter	30.00	⋮
For	6-inch meter	40.00	⋮
For	8-inch meter	70.00	(I)

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

SPECIAL CONDITIONS

1. If a customer who is eligible for flat rate service requests, and is furnished metered service, a change to flat rate service may not be made until metered service has been taken for a period of 12 consecutive months.

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Schedule No. 1

GENERAL METERED SERVICE

SPECIAL CONDITIONS—Contd.

2. Customers whose requirements may overburden the water system, may require unreasonable investment in additional facilities, or may interfere with the supply to the existing customers, will not be supplied water service under this schedule. In such cases a special contract will be required under such terms as the conditions warrant, subject to approval by the Public Utilities Commission of the State of California.

3. Until the 10 percent surcharge to federal income tax is removed, bills computed under this tariff will be increased by 3.8 percent.

(N)
!
(N)

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Schedule No. 2

RESIDENCE AND CHURCH FLAT RATE SERVICEAPPLICABILITY

Applicable to water service furnished on a flat rate basis to residences and churches.

TERRITORY

Merced and vicinity, Merced County.

RATES

Per Service Connection
Per Month

For each single family residence or church,
including a lot having an area of:

First 5,000 sq.ft. or less	\$3.75	(I)
Next 5,000 sq.ft., per 500 sq.ft., or fraction thereof .....	.14	⋮
Over 10,000 sq.ft., per 1,000 sq.ft. or fraction thereof .....	.19	⋮
In addition, for each residential unit served from the same service connection	1.80	(I)
In addition, for each 100 cu.ft. of ca- pacity of each swimming pool served from the same service connection	0.05	

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.
2. Meters may be installed at option of company or customer for above classifications in which event service will thereafter be rendered only on the basis of Schedule No. 1, General Metered Service, and must be continued for not less than 12 months before it may again be changed to flat rate service.

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Schedule No. 2

RESIDENCE AND CHURCH FLAT RATE SERVICE

SPECIAL CONDITIONS—Contd.

3. If the customer requires the service connection to be moved or increased to a larger diameter, the customer shall pay the entire cost of removing the existing service and installing the new service.

4. Until the 10 percent surcharge to federal income tax is removed, bills computed under this tariff will be increased by 3.8 percent.

(N)
:
(N)

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Schedule No. 3

SCHOOL AND PUBLIC PARK FLAT RATE SERVICEAPPLICABILITY

Applicable to water service furnished on a flat rate basis to schools and public parks.

TERRITORY

Merced and vicinity, Merced County.

RATES

	<u>Per Month</u>	
For each service connection 3/4-inch or smaller	\$ 2.35	(I)
For each 1-inch service connection	3.50	⋮
For each 1½-inch service connection	6.00	⋮
For each 2-inch service connection	9.00	⋮
For each 3-inch service connection	18.00	⋮
For each 4-inch service connection	30.00	⋮
For each 6-inch service connection	60.00	⋮
For each 8-inch service connection	120.00	⋮
For each 10-inch service connection	180.00	(I)
In addition, for each 1,000 sq.ft. or fraction thereof, per 1,000 sq.ft.	0.05	
In addition, for each building on premises served from the same service connection	3.55	(I)
In addition, for each 100 cu.ft. of capacity of swimming pools on premises served from the same service connection	0.05	

SPECIAL CONDITIONS

1. Meters may be installed at option of company or customer for above classifications, in which event service will thereafter be rendered only on the basis of Schedule No. 1, General Metered Service, and must be continued for not less than 12 months before it may again be changed to flat rate service. (T)
2. Until the 10 percent surcharge to federal income tax is removed bills computed under this tariff will be increased by 3.8 percent. (N)
(N)

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Schedule No. 4

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

Merced and vicinity, Merced County.

(T)

RATE

Per Month

For each hydrant

\$2.50

(I)

SPECIAL CONDITION

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

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Schedule No. 5

PRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

Applicable to service to all automatic fire sprinkler systems.

TERRITORY

Merced and vicinity, Merced County.

(T)

RATES

	<u>Per Month</u>	
For each 4-inch service connection	\$ 5.00	(I)
For each 6-inch service connection	7.00	!
For each 8-inch service connection	9.50	!
For each 10-inch service connection	12.25	(I)

SPECIAL CONDITIONS

1. The applicant shall pay the cost of installing the fire sprinkler service.

2. The above rates are applicable only to fire sprinkler systems to which no connections for other than fire protection purposes are allowed, are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the company, and are maintained to the satisfaction of said company.

3. If a distribution main of adequate size to serve a fire sprinkler system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served hereunder, then a service main from the nearest existing main of adequate capacity will be installed by the company at the cost of the applicant.

4. The company may install the standard detector-type meter approved by The Board of Fire Underwriters for protection against theft, leakage or waste of water.

5. The company will be required to supply only such water at such pressure as may be available from time to time as a result of the normal operation of the system. Customers may take water under this schedule only in the case of fire or for the purpose of periodical tests and inspections.

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Schedule No. 6

FLAT RATE SERVICE FROM FIRE HYDRANTSAPPLICABILITY

Applicable to water service furnished from fire hydrants on a flat rate basis for municipal, construction and temporary usages.

TERRITORY

Merced and vicinity, Merced County.

RATES

	<u>Per Month</u>	
City of Merced:		
For flushing sewers	\$18.00	(I)
For street sweeper	18.00	(I)
Construction:	<u>Per Lineal Foot</u>	
For puddling trenches	\$ 0.01	
	<u>Per Estimated 1,000 Gallons</u>	
For sprinkling streets and other uses for street improvement work	\$ 0.17	(I)

SPECIAL CONDITIONS

1. At the option of the company a meter will be installed for service under this schedule.
2. Applicants for service under this schedule must obtain specific authorization from the company before taking any delivery of water and shall use only the hydrants designated by the company.
3. If a hydrant is damaged by a customer, the customer shall pay the cost of repairs thereto.