

jmd

Decision No. 79382

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)
of the SOUTHERN CALIFORNIA WATER)
COMPANY for an order authorizing)
it to increase the rates for)
water service in its Orange County)
District.)
_____)

Application No. 52370
(Filed December 22, 1970)

O'Melveny & Myers, by Donn B. Miller, Attorney at Law,
for Southern California Water Company, applicant.
Howard W. Crooke, for himself, protestant.
William C. Bricca, Attorney at Law, and Jean Balcomb,
for the Commission staff.

O P I N I O N

By this application, Southern California Water Company (Company) requests authority to establish rates in its Orange County District which are designed to increase annual revenues in the year 1971 estimated by \$436,300 over the rates now in effect.

Public hearing was held before Examiner Gillanders in Los Alamitos on July 14, 1971, and the matter submitted on August 6, 1971, upon receipt of late-filed Exhibits Nos. 1 and 3. Copies of the application had been served and notice of hearing had been published, posted and mailed in accordance with this Commission's rules of procedure.

Oral testimony on behalf of Company was presented by two of its Vice Presidents and an Assistant Secretary. The Commission staff presentation was made by one accountant and two engineers. Sixteen customers appeared, of whom eight testified as to various service complaints and two of whom gave oral statements.

General Information

Company, a California corporation organized under the laws of the State of California on December 31, 1929, is a public

utility rendering water service in various areas in the Counties of Contra Costa, Imperial, Los Angeles, Orange, Sacramento, San Bernardino and Ventura. It also renders electric service in the vicinity of Big Bear Lake in San Bernardino County.

Orange County District

The Orange County District service area includes portions of the Cities of Anaheim, Cypress, Garden Grove, La Palma, Los Alamitos, Placentia, Santa Ana, Seal Beach, Stanton, Westminster and Yorba Linda, and unincorporated territory in the County of Orange. Company served 27,134 customers in the district as of December 31, 1969, through distribution systems, not all of which are interconnected, composed of 1,628,872 feet (308.5 miles) of main ranging in size up to 16 inches in diameter. In 1969, approximately 36 percent of the water supplied to this district was purchased through connections to the facilities of the Municipal Water District of Orange County, a member agency of The Metropolitan Water District of Southern California. The remaining water supply is derived from 48 applicant-owned wells which are equipped with deep well turbine pumps driven by electric motors under automatic control.

Company has water treatment, storage, booster pumps and other auxiliary equipment at various locations in the district.

As of December 31, 1969, the book cost of utility plant in service in the Orange County District amounted to \$12,715,026 and the depreciation reserve was \$1,585,314, for a net depreciated cost of \$11,129,712.

Rates

Company's basic rate level for the Orange County District was established by Decision No. 74241. The effective date of these rates was July 5, 1968.

By Decision No. 74836, dated October 15, 1968, in Application No. 50449, Company was authorized to add a surcharge of

A. 52370 jmd

2.08 percent to the basic metered rates set by Decision No. 74241 to offset the 10 percent Federal Income Tax Surcharge. The 10 percent tax surcharge expired December 31, 1969, as did the surcharge water rate. By Resolution No. W-1210 in Advice Letter 387-W, effective January 13, 1970, the Company was authorized to add a 1.04 percent surcharge to cover the 5 percent Federal Tax Surcharge imposed January 1, 1970. The 5 percent tax surcharge and the related offset to water rates expired June 30, 1970.

Company now renders water service in the Orange County District under four separate schedules: General Metered Service, Limited Metered Service, Metered Irrigation Service and Private Fire Protection Service.

In addition, Company renders service under the Company-wide schedules: Construction and Other Temporary Flat Rate Service and Service to Company Employees.

Rate Proposals

Company proposes to increase the general metered and metered irrigation rates. Present and proposed rates are shown in Exhibit C attached to the application. Company proposes to withdraw the Optional Special Metered Service Schedule (which is an off-peak rate) under which service has never been rendered. No other change in rates is proposed.

The proposed rates will result in the following dollar and percentage increase to the customers by class of service.

Revenue Year 1971 Estimated
(Dollars in Thousands)

<u>General Metered Rates</u>	Present Rates	Proposed Rates	Increase	
	\$	\$	\$	%
Commercial	2,094.6	2,489.3	394.7	18.84
Industrial	20.8	24.3	3.5	16.83
Public Authority	159.9	189.7	29.8	18.64
Agricultural	<u>43.0</u>	<u>51.3</u>	<u>8.3</u>	<u>19.30</u>
Total	2,318.3	2,754.6	436.3	18.82

At the proposed rates, users of 2,200 cubic feet per month will receive a 17.7 percent increase which amounts to \$1.10 per month.

Results of Operation

Witnesses for Company and the Commission staff have analyzed and estimated Company's operational results. Summarized in the table below, from the Company's Exhibit No. 5 and staff's Exhibit No. 10, are the estimated results of operation for the test years 1970 and 1971 under present rates and under those proposed by Company.

Southern California Water Company
Orange County District

SUMMARY OF EARNINGS

Year 1970 Adjusted, Year 1971 Estimated

Item	Present Rates		Utility: Exceeds:		Utility Proposed Rates:	
	Staff	Utility*	Staff	Staff	Staff	Utility:
	(a)	(b)	(c)	(d)	(e)	(e)
(Dollars in Thousands)						
Year 1970 Adjusted						
Operating Revenue	\$2,256.1	\$2,252.1	\$ (4.0)	\$2,678.1	\$2,672.6	
<u>Operating Expenses</u>						
Operation and Maintenance	915.0	965.5	46.5	915.0	961.5	
Administrative and General	42.9	45.5	2.6	42.9	45.5	
Taxes Other Than Income	329.5	330.1	.6	335.2	335.8	
Depreciation	225.7	225.4	(.3)	225.7	225.4	
Allocated Common Incl. Depr.	78.6	81.8	3.2	78.6	81.8	
Subtotal	1,591.7	1,644.3	52.6	1,597.4	1,650.0	
Income Taxes	131.2	101.8	(29.4)	346.1	316.0	
Total Expenses	1,722.9	1,746.1	23.2	1,943.5	1,966.0	
Net Operating Revenue	533.2	506.0	(27.2)	734.6	706.6	
Depreciated Rate Base	8,726.4	8,736.4	10.0	8,726.4	8,736.4	
Rate of Return	6.11%	5.79%	(0.32)%	8.42%	8.09%	
Year 1971 Estimated						
Operating Revenue	\$2,406.8	\$2,343.1	(63.7)	\$2,855.3	\$2,779.4	
<u>Operating Expenses</u>						
Operation and Maintenance	975.6	1,006.6	31.0	975.6	1,006.6	
Administrative and General	43.8	46.7	2.9	43.8	46.7	
Taxes Other Than Income	352.5	357.6	5.1	358.6	363.6	
Depreciation	242.0	238.4	(3.6)	242.0	238.4	
Allocated Common Incl. Depr.	80.7	84.8	4.1	80.7	84.8	
Subtotal	1,694.6	1,734.1	39.5	1,700.7	1,740.1	
Income Taxes	144.7	93.9	(50.8)	373.1	316.1	
Total Expenses	1,839.3	1,828.0	(11.3)	2,073.8	2,056.2	
Net Operating Revenue	567.5	515.1	(52.4)	781.5	723.2	
Depreciated Rate Base	9,178.7	9,039.5	(139.2)	9,178.7	9,039.5	
Rate of Return	6.18%	5.70%	(0.48)%	8.51%	8.00%	

(Red Figure)

*Estimated for both 1970 and 1971.

A. 52370 jmd

It is interesting to note that the staff's estimates show an upward trend in rate of return of approximately .09 percent while the Company's estimate shows a downward trend in rate of return of .09 percent.

Shown below is Company's Exhibit No. 7 showing the effect on results of operation of major changes since filing Application No. 52370.
(Dollars in Thousands)

	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>1970</u>	<u>1971</u>	<u>1970</u>	<u>1971</u>
<u>Per Table 11-A, Exhibit 5</u>				
Operating Revenue	\$2,252.1	\$2,343.1	\$2,672.6	\$2,779.4
Total Operating Expenses	<u>1,746.1</u>	<u>1,828.0</u>	<u>1,966.0</u>	<u>2,056.2</u>
Net Operating Revenue	\$ 506.0	\$ 515.1	\$ 706.6	\$ 723.2
Rate Base	\$8,736.4	\$9,039.5	\$8,736.4	\$9,039.5
Rate of Return	5.79%	5.70%	8.09%	8.00%
<u>Effect of Additional 100 Customers in 1971</u>				
Revenue		\$ 7.4		\$ 8.7
Purchased Water		\$ 1.0		\$ 1.0
Pump Tax		.6		.6
Pumping Power		.4		.4
Direct Expenses		\$ 2.0		\$ 2.0
Change in Income Before Income Taxes		\$ 5.4		\$ 6.7
<u>Effect of Known Rate Changes in Expenses</u>				
Basin Equity Tax (increase allowed pumping before tax from 60% to 70%)	\$ (39.9)	\$ (41.8)	\$ (39.9)	\$ (41.8)
Edison Electric Rate Increase; D-78802 (14.55% increase)	15.8	16.2	15.8	16.2
Postal Increase (6¢ to 8¢)	<u>4.0</u>	<u>4.2</u>	<u>4.0</u>	<u>4.2</u>
Change in Expenses Before Income Taxes	\$ (20.1)	\$ (21.4)	\$ (20.1)	\$ (21.4)
<u>Total Income Effect Before Taxes</u>	<u>\$ 20.1</u>	<u>26.8</u>	<u>20.1</u>	<u>28.1</u>
<u>Tax Calculation</u>				
Income Change per Above	\$ 20.1	\$ 26.8	\$ 20.1	\$ 28.1
ADR - Tax Depreciation	-	(3.8)	-	(3.8)
Net Change in Taxable Income	\$ 20.1	\$ 23.0	\$ 20.1	\$ 24.3
Tax Effect at 51.64%	<u>10.4</u>	<u>11.9</u>	<u>10.4</u>	<u>12.5</u>
<u>Total Net Revenue Increase</u>	<u>\$ 9.7</u>	<u>\$ 14.9</u>	<u>\$ 9.7</u>	<u>\$ 15.6</u>
Revised Net Revenue	\$ 515.7	\$ 530.0	\$ 716.3	\$ 738.8
Revised Rate of Return	5.90%	5.86%	8.20%	8.17%

(Red Figure)

It is interesting to note that Company still shows a downward trend in rate of return. However, the trend is but approximately .03 percent.

Explanation of Differences - Estimated Years Results of Operation

A. Revenues

Company's estimates of water sales per residential customer adjusted for temperature and precipitation for the years 1970 and 1971 were reviewed and accepted by the staff. The staff estimated a normal growth of customers regarding the commercial, industrial and public authority classifications together with an increase in the quantity of water sold for agricultural purposes. Shown below, taken from Exhibit 10, are Company's and staff's estimates for the years 1970 and 1971 of the number of customers and related water sales, water requirements and the quantities of water which are to be purchased and produced from Company's wells.

Description	1970			1971		
	Utility	Staff	Exceeds	Utility	Staff	Exceeds
Customers	27,500	27,493	(7)	28,294	28,731	437 ^{1/}
Water Sales (KCCF)	8,407.1	8,417.6	10.5	8,782.0	9,083.4	301.4
Water Supply (KCCF)	9,079.6	9,091.0	11.4	9,484.6	9,810.1	325.5
Purchased (KCCF)	2,997.6	2,985.4	(12.2)	3,119.1	3,246.1	127.0
Produced (KCCF)	6,082.0	6,105.6	23.6	6,365.5	6,564.0	198.5

(Red Figure)

^{1/} In Exhibit 7 Company increased its estimate by 100 customers and made adjustments in direct expenses related to these 100 customers.

Company's witness testified that originally he plotted year-end customers for the year 1967 which substantially reduced the growth for that year. Company then used this 1967 figure in its original trended estimate of customer growth for the test years. Whereas simple trending indicated a year-end increase of 800 customers, actual experience indicated that Company would experience an increase of 900 to 1000 customers.

The staff engineer developed a mathematical trend which indicated an increase in customers of 1,608 for six years and 1,520 for seven years. After developing a strict mathematical solution, he properly analyzed available material regarding actual and projected real estate developments within the service area and decided that there would be a 1,230 average customer gain for the year 1971.

Trending figures without consideration of existing factual information regarding the future is not the way to predict future events. Company realized (as shown by Exhibit 6) that mathematics should be tempered by fact and judgment as did the staff in its Exhibit 10. The analysis made by the staff was more comprehensive and included more applicable data than did Company's analysis; thus, it is entitled to more weight.

B. Operating and Maintenance Expenses

Adjustments by the staff to operating and maintenance expense include the last known changes relative to water produced from the Orange County Basin as well as purchased water, purchased power, postage rates and the increase to the payroll within the Orange County District. Differences occur between the Company and staff due to greater water sales estimated by the staff for

the years 1970 and 1971. Orange County Water District levies an assessment^{2/} for water produced from the basin, and the staff estimates are based upon allowable quantities without penalty (70% effective July 1, 1971, prior to this date 60% was allowed without penalty). The quantities of water to be purchased in 1971, as estimated by the staff, are greater than Company's estimate. The 8 cents postage rate is included for both years, and the district expense payroll has been estimated by the staff based upon past experience within the district.

Principal Differences (Staff Exceeds Utility)

	<u>1970</u>	<u>1971</u>
Cost of Purchased Water	\$ (170)	\$ 12,870
Pump Taxes	(39,180)	(35,350)
Power for Pumping	220	1,870
Expensed Payroll:		
Operation	(1,000)	(4,500)
Maintenance	0	(2,200)
E.D.P.	3,125	4,289
Other	(9,500)	(7,979)
Total	<u>(46,500)</u>	<u>(31,000)</u>

(Red Figure)

C. Administrative and General Expenses

For 1970, recorded figures have been used except for salaries and miscellaneous. For salaries, Company's estimate has been adopted by the staff since it appears more in line with past charges to this account and reflects allocations between accounts. Miscellaneous expenses have been adjusted to eliminate certain dues and donations.

^{2/} The record shows that the District has three replenishment assessments. One assessment is in the amount of \$10 per acre-foot applicable to all water from the ground water supplies. The second assessment is in the amount of \$3 per acre-foot applicable to all water except that which is first used for the production of commercial agricultural crops. The third assessment is an equity assessment that can be levied against water produced for agricultural crops. It has never been applied.

A. 52370 jmd

For 1971, Company's estimates appear reasonable except for injuries and damages, pensions and benefits and miscellaneous expenses. Staff estimates reflect later recorded data and elimination of certain dues and donations.

D. Taxes Other Than Income

These small differences are due to differences in street franchise taxes and payroll taxes resulting respectively from differences in estimates of revenues and payroll expenses.

E. Allocated Common Expenses

The differences reflect amounts adopted by the Commission in Decision No. 78154 in Application No. 51857 for rate increases in Company's Southwest District. The differences are:

	<u>1970</u>	<u>1971</u>
Administrative and General Salaries	\$15,100	\$21,100
Rental of E.D.P. Equipment	6,300	6,300
Miscellaneous and General Expenses	(1,000)	(700)
Advertising Expense	400	400
Payroll Taxes	500	400
Depreciation on Common Plant	100	100
	<u>21,400</u>	<u>27,600</u>
Total Differences	21,400	27,600
Allocation to Orange County District (14.89%)	3,200	4,100

(Red Figure)

F. Income Taxes

The differences in income taxes are due to the differences in revenues, expenses and other taxes. The staff has accepted Company's interest and miscellaneous deductions.

We find the staff estimates described above are appropriate and will be used in determining the disposition of this matter.

A. 52370 jmd

G. Rate Base

According to Company (Exhibits 5 and 7), its 1971 estimated rate base will be \$9,039,500. According to the staff (Exhibit 10), Company's 1971 estimated rate base will be \$9,178,700. The difference being \$139,200. As we understand the staff witness' testimony, he increased the amount of money in Company's 1971 construction budget by an amount corresponding to the staff witness' estimate of customers (437 more than Company's estimate). Apparently, the staff witness believed that each new customer added requires an expenditure of Company funds of approximately \$318.

On the other hand, Company's witness testified that:

"MR. CAVENEY: I considered that, but I thought that most of those customers, those hundred additional customers, would be tract type customers, and the effect on rate base would be, as you mentioned a few minutes ago, relatively de minimis. They consist of a meter per customer; the reason being, the tract type of customers are put in under advances.

"I also considered the effect of depreciation on that new tract even under advances, and that has an offset in that the tax depreciation at the double rate and then a 50 percent tax factor offsets the book depreciation. So that the, in my opinion, the only thing that we needed to add to the estimate would be the actual revenue and direct product costs.

"MR. BRICCA: I am confused now. You are talking about a hundred customers, you mean a hundred average customers, you mean 200?

"MR. CAVENEY: A hundred average customers or 200 average customers.

"EXAMINER GILLANDERS: Mr. Caveney, I am glad I asked the question because I was convinced in my own mind that Mr. Caveney would not forget those things, but nobody brought it out, and unless I had asked, the record would not show that.

"MR. CAVENEY: They were considered but felt not to be significant.

"EXAMINER GILLANDERS: Fine. That answers that question very nicely.

"What about ad valorem taxes?

"MR. CAVENEY: Until fairly recently I was of the opinion that advances were excluded from the tax base. My opinion has changed based on some later data. I do not propose to put that in this case."

We find Company's method of determining rate base to be appropriate and will use its rate base in the adopted results.

The tabulation below shows the results of operation for the test year 1971 using revenues at present and proposed rates, and expenses and rate base as discussed above.

	<u>Present Rates</u>	<u>Proposed Rates</u>
	(Dollars in Thousands)	
Operating Revenue	\$2,406.8	\$2,855.3
<u>Operating Expenses</u>		
Operation and Maintenance	975.6	975.6
Administrative and General	43.8	43.8
Taxes Other Than Income	352.5	358.6
Depreciation	242.0	242.0
Allocated Common	80.7	80.7
Subtotal	<u>1,694.6</u>	<u>1,700.7</u>
Income Taxes	144.7	373.1
Total Expenses	<u>1,839.3</u>	<u>2,073.8</u>
Net Operating Revenue	567.5	781.5
Depreciated Rate Base	9,039.5	9,039.5
Rate of Return	6.28%	8.65%

The trend in rate of return on the adopted basis is .23 percent upward.

It is significant to note that a change of only 100 average customers in Company's estimate changed its claimed attrition in rate of return from .09 percent downward to an indicated .03 percent downward trend and that the staff's indicated upward trend in rate of return, using an appropriate rate base, is increased from .09 percent to .23 percent.

Rate of Return

Company's Exhibit No. 4 shows that in its opinion a fair rate of return for Company would be 8 percent on rate base and a range of 12 1/2 percent to 14 percent on equity with a minimum of 3 times interest coverage on debt.

A staff accountant presented Exhibit No. 8 entitled "Report on Cost of Money and Rate of Return." This witness recommended that the rate of return for Company's Orange County District be set in the range of 7.4 percent to 7.70 percent. Such a rate of return would produce earnings on common equity in the range of 11.51 percent to 12.35 percent.

The record shows that both staff and the adopted results indicate an upward trend in rate of return between test years 1970 and 1971.

Taking into account the apparent trend in rate of return of 0.23 percent per year and the various factors used by Company and staff rate of return experts in determining their recommended rates of return, we find that a rate of return of 7.27 percent on the adopted rate base for the year 1971 should, over a three-year period, produce an average rate of return of 7.50 percent and a return on common equity of approximately 11.79 percent and is reasonable.

Based on the above, Company is entitled to an increase in gross revenues of \$187,950 instead of its requested increase of \$436,300.

Service

According to the record, informal complaints received by this Commission from customers within this district have been related to high bills, deposits and refunds. There were 14 high bills during 1969, 11 during 1970, and 2 to date during 1971. One complaint was relative to the establishment of credit and two complaints regarding refunds.

According to the staff as a result of its investigation, it appears that an adequate service is being provided to the customers of this district, the water delivered is good quality, and is being supplied in sufficient quantities and at ample pressures. The district has a sufficient number of employees and is carrying out Company's policy of providing good service to its customers.

At the hearing, seven customers testified regarding their service problems. One customer testified his domestic service was good but that he believed the rate for agricultural service should not be raised.

The customers were concerned about the quality of the water and low pressures.

Because of the complaints regarding dirty water, the Examiner ordered Company to make an investigation of certain of the complaints. Late-filed Exhibits 1 and 3 are the results of Company's investigation. These exhibits show that by the end of 1971 the conditions complained of will no longer exist as Company has plans to install equipment to obviate the conditions causing the complaints.

Exhibit 2 is a petition signed by 34 residents of Santa Ana requesting Company to improve the existing 50 year old water main serving them. Company's counsel stated that Company will replace the mains in question before December 31, 1971, and will ask the City of Santa Ana whether or not the City wishes to install a fire hydrant on the new main.

The witness' testimony regarding agricultural service does not convince us that it would be unreasonable to raise the rates for such service as requested by Company.

Findings and Conclusion

The Commission finds that:

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

2. The estimates, previously discussed herein, of operating expense and rate base for the test year 1971 reasonably indicate the results of Company's operations for the future and are adopted.

3. A rate of return of 7.27 percent on the adopted rate base for the year 1971 will produce, over a three year period, an average rate of return of 7.50 percent and a return on common equity of approximately 11.79 percent which 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. Company has agreed to furnish and install water works equipment that it claims will obviate the conditions leading to complaints by the public made at the hearing.

The rates authorized in this decision are in the lower zone of reasonableness and are consistent with the purposes of the Federal Government's economic stabilization program in that applicant's costs justify some increase overall and what is allowed is not inflationary.

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

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southern California Water Company is authorized to file the revised rate schedules attached to this order as Appendix A, and concurrently to withdraw and cancel presently effective Schedules Nos. OC-1, OC-3M and OC-9M. 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.

2. Within fifteen days of the completion of each of the projects Company has stated it will install, Company shall report, in writing, such completion to the Commission with copies to the affected customers.

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

Dated at San Francisco, California, this 23rd day of NOVEMBER, 1971.

William J. ... Chairman
[Signature]
Vernon L. ...
[Signature] Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 3

Schedule No. OC-1

Orange County District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

All portions of the Cities of Anaheim, Cypress, Garden Grove, La Palma, Los Alamitos, Placentia, Santa Ana, Seal Beach, Stanton, Westminster, and Yorba Linda, and vicinity, Orange County. (T)

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 100,000 cubic feet, per 100 cubic feet	\$ 0.195	(I)
Over 100,000 cubic feet, per 100 cubic feet	0.140	
 Service Charge:		
For 5/8 x 3/4-inch meter	\$ 2.40	
For 3/4-inch meter	2.50	
For 1-inch meter	3.00	
For 1-1/2-inch meter	4.40	
For 2-inch meter	5.40	
For 3-inch meter	10.00	
For 4-inch meter	19.00	
For 6-inch meter	30.00	
For 8-inch meter	35.00	
For 10-inch meter	60.00	(I)

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the quantity charge computed at the Quantity Rates.

APPENDIX A
Page 2 of 3

Schedule No. OC-3M

Orange County District

METERED IRRIGATION SERVICE

APPLICABILITY

Applicable to irrigation service furnished on a metered basis to territory in this schedule.

TERRITORY

The incorporated City of Placentia.

RATES

Quantity Rate:	<u>Per Meter</u> <u>Per Year</u>	
For all water delivered, per 100 cubic feet	\$ 0.116	(I)
Annual Service Charge:		
For 2-inch meter or smaller	\$ 35.00	
For 3-inch meter	50.00	
For 4-inch meter	95.00	
For 6-inch meter	180.00	
For 8-inch meter	225.00	(I)

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the quantity charge computed at the Quantity Rate. (T)

SPECIAL CONDITIONS

1. The Company shall not be required to install new mains to make this service available.

2. The annual service charge will be paid in advance and bills will be computed and rendered monthly based on the total quantity of water delivered.

(Continued)

(T)

Schedule No. OC-3M

Orange County District

METERED IRRIGATION SERVICE

SPECIAL CONDITIONS - Contd.

3. The customer, when requiring irrigation water, shall notify the Company at least twenty-four (24) hours in advance, indicating the date and hour for commencement of such service.

4. No customer shall be eligible for service under this schedule unless irrigating five (5) or more acres of land for citrus or other commercial crops.

5. Service under this schedule is subordinate to all other service schedules offered in this tariff area and is subject to interruption in emergencies or at the Company's discretion. The Company will not be liable for damage occasioned by interruption of service supplied under this schedule.

6. The customer will pay, without refund, the actual cost of the irrigation service. The Company will furnish the meter at its expense.