

Decision No. 79919

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
 of WASHINGTON WATER AND LIGHT COM-
 PANY, a corporation, for authority
first, to increase its rates and
 to alter its rate schedules for
 its water system serving the un-
 incorporated communities and sub-
 divisions of West Sacramento,
 Bryte, Broderick, the Port of
 Sacramento, Arlington Oaks and
 Linden Acres in Yolo County, and
second, for interim rate relief.

Application No. 52160
 (Filed August 26, 1970)

Heller, Ehrman, White and McAuliffe, by
Weyman I. Lundquist, Attorney at Law, for
 applicant.
Charles R. Mack, County Counsel, Yolo County,
 intervenor.
Donald Meaney, Attorney at Law, and J. D.
Reader, for the Commission staff.

INTERIM OPINION

In Application No. 52160, Washington Water and Light Company, a wholly owned subsidiary of Citizens Utilities Company of Delaware (Citizens-Delaware), requests an increase in rates for water service.¹ The application was consolidated for hearing purposes with similar requests by two subsidiary companies of Citizens-Delaware, the Larkfield Water Company in Application No. 52161, and by the Felton District of the Citizens Utilities Company of California (Citizens-California) in Application No. 52159.²

¹ Citizens-Delaware is a nationwide utility which provides gas, electric, telephone and water services in over 450 communities in the U. S. It had gross operating revenues of over \$27 million during 1969.

² As of December 31, 1969, Citizens-California owns and operates water systems which serve over 21,000 consumers in 12 separate districts or areas in Northern California.

Issues common to all three applications were heard in public hearings before Examiner Foley on May 6 and 7, 1971, in San Francisco. Three days of public hearing relating to the specific operations of Washington were held on April 26, 27 and 28, 1971, in Sacramento. The matter was submitted subject to the filing of briefs on July 14, 1971; August 13, 1971; and September 15, 1971.

Citizens-Delaware acquired all of Washington's capital stock in 1967. Washington serves over 5,000 flat rate, and 170 metered service customers located in the eastern section of Yolo County just west of Sacramento. The service area includes the communities of West Sacramento, Bryte, Broderick, the Port of Sacramento, and the Arlington Oaks and Linden Acres subdivisions.

Its sources of water supply are 17 wells, 10 of which are located in West Sacramento. The combined pumping capacity of these wells is 18,200 gallons per minute. Storage is provided by four steel tanks which have a combined capacity of 600,000 gallons. The distribution system serving the Arlington Oaks and Linden Acres subdivisions has additional storage capacity of 25,000 gallons.

Washington's present rates were last established in 1961 (Decision No. 61645, dated March 14, 1961, in Application No. 42425), except that an increase was granted in 1970 to offset the federal income tax surcharge (Decision No. 77135, dated April 21, 1970, in Application No. 50568). The rate of return authorized by Decision No. 61645 is 6.25 percent. An interim rate increase in this proceeding was denied by Decision No. 78665, dated May 11, 1971.

Present and Proposed Rates

Applicant proposes that its gross revenues be increased by \$144,267 or 43.6 percent in order to realize a rate of return between 9.3 and 11.5 percent on its net investment rate base. The amount and average percentage of increase for each rate classification, if granted, would be as follows:

General Metered Service	\$ 6,655	or	13.5%
General Flat Rate Service	131,588	or	51.8
Special Flat Rate Service	6,024	or	53.0

The proposed rates are shown below, tabulated with the present rates for customers except those in Arlington Oaks and Linden Acres subdivisions:

General Metered Service

Quantity Rates:

		<u>Per Meter Per Month</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
First	700 cu.ft. or less	\$ 2.40	\$ 2.75
Next	2,300 cu.ft., per 100 cu.ft.	.21	.24
Next	27,000 cu.ft., per 100 cu.ft.	.16	.18
Next	70,000 cu.ft., per 100 cu.ft.	.12	.14
Over	100,000 cu.ft., per 100 cu.ft.	.09	.10

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 2.40	\$ 2.75
For	3/4-inch meter	3.50	4.00
For	1-inch meter	5.00	5.50
For	1-1/2-inch meter	9.00	10.00
For	2-inch meter	12.00	14.00
For	3-inch meter	20.00	23.00
For	4-inch meter	35.00	40.00
For	6-inch meter	60.00	68.00
For	8-inch meter	100.00	113.00

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

General Flat Rate Service

		<u>Per Service Connection Per Month</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
1.	For a single family residential unit, church, firehouse, or public landscaped strip on a single premises served through a 3/4-inch service connection	\$2.80	\$4.30
a.	For each additional single family residential unit on the same premises and served through the same service connection ...	1.50	2.30
b.	In addition, when a 1-inch service connection is provided in lieu of a 3/4-inch service connection	1.50	2.30

General Flat Rate Service--Contd.

		Per Service Connection Per Month	
		<u>Present Rates</u>	<u>Proposed Rates</u>
2.	For each apartment house,* motel, auto court and trailer court, including only the office, manager's living quarters, central bath, utility room and irrigation of adjacent lawn and garden area	\$ 4.00	\$ 6.15
a.	For each additional apartment,* motel unit or trailer unit, including use of water for kitchen, bath and irrigation of adjacent lawn and garden area	1.40	2.15
3.	For each business service, school or industrial service, other than motels, apartment houses or trailer courts:		
	For 3/4-inch service connection	3.50	5.50
	For 1-inch service connection	5.00	7.75
	For 1-1/2-inch service connection	7.50	11.50
	For 2-inch service connection	12.00	18.50
	For 3-inch service connection	18.00	27.50
	For 4-inch service connection	30.00	46.00
	For 6-inch service connection	55.00	85.00
	For 8-inch service connection	95.00*	145.50
a.	For each additional business unit on the same premises and served through the same service connection	2.00*	3.10
b.	For each single family residential unit on the same premises and served through the same service connection	1.50*	2.30

* Not in present tariff.

Special Flat Rate Service

		<u>Present Rates</u>	<u>Proposed Rates</u>
For each	3/4-inch service connection	\$ 5.00	\$ 7.75
For each	1-inch service connection	8.00	12.25
For each	1-1/2-inch service connection	12.00	18.50
For each	2-inch service connection	17.00	26.00
For each	3-inch service connection	24.00	36.75
For each	4-inch service connection	44.00	67.50
For each	6-inch service connection	100.00	153.00
For each	8-inch service connection	180.00	275.50
For each	10-inch service connection	280.00	428.50
For each	12-inch service connection	400.00	612.00

The rates tabulated below are presently in effect in the Arlington Oaks and Linden Acres subdivisions (formerly Port Water Co. service area), and are proposed to be increased to the level of the requested rates for general metered service and general flat rate service tabulated on pages 3 and 4 herein.

GENERAL METERED SERVICE

RATES

Per Meter Per Month
Present Rates

Quantity Rates:

First	700 cu.ft. or less	\$ 2.50
Next	4,300 cu.ft., per 100 cu.ft.	.20
Next	10,000 cu.ft., per 100 cu.ft.	.15
Over	15,000 cu.ft., per 100 cu.ft.	.10

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 2.50
For	1-inch meter	4.00
For	1-1/2-inch meter	7.00
For	2-inch meter	11.00
For	3-inch meter	20.00
For	4-inch meter	40.00
For	6-inch meter	75.00

RESIDENTIAL FLAT RATE SERVICE

Per Service Connection
Per Month
Present Rates

RATES

1. For each residence, including a lot having an area of:

7,500 sq.ft. or less	\$3.00
7,501 to 9,000 sq.ft.	3.25
9,001 to 10,500 sq.ft.	3.50
10,501 to 12,000 sq.ft.	3.75
Over 12,000 sq.ft., each additional 3,000 sq.ft. or fraction thereof	.50

- a. For each additional residence on the same premises receiving service through the same service connection
- | |
|------|
| 2.00 |
|------|

Applicant does not seek any increase in the presently authorized charges for fire protection services.

Summary of Earnings

The following are the applicant's and the staff's adjusted summaries of earnings for the pro forma year 1970:

Item	Applicant		Staff Revised 1970 Estimated ³		Applicant Exceeds Staff	
	Present ₁ Rates	Proposed ₂ Rates	Present Rates	Proposed Rates	Present Rates	Proposed Rates
(Dollars in Thousands)						
Operating Revenues	\$ 330.8	\$ 477.4	\$ 333.0	\$ 477.4	(2.2)	\$ -
Operating Expenses						
Oper. and Maintenance	159.6	181.6	156.6	156.8	3.0	24.8
Admin. and General	50.6	51.3	39.5	40.2	11.1	11.1
Depreciation	48.1	49.3	48.3	48.3	(.2)	1.0
Taxes other than Income	42.1	51.2	45.6	46.7	(3.5)	4.5
Income Taxes	0.1	48.6	(5.4)	68.8	5.5	(20.2)
Total Expenses	300.4 ⁴	382.0	284.6	360.8	15.8	21.2
Net Operating Revenue	30.4	95.4	48.4	116.6	(18.0)	(21.2)
Depreciated Rate Base	1,319.8	1,396.6	1,315.1	1,315.1	4.7	81.5
Rate of Return	2.30%	6.83%	3.68%	8.87%	(1.38)%	(2.04)%

(Red Figure)

- 1 Exhibit No. W-7.
- 2 Tables 1 and 2, Citizens' brief.
- 3 Exhibit No. W-19.
- 4 Does not add exactly due to rounding.

Rate Base

There is a difference of \$4,700 between the applicant's and the staff's estimates of Washington's rate base at present rates and \$81,500 at proposed rates. During the hearing the staff revised its estimate of rate base to include \$119,700 of plant additions completed at the time of submission of the application. This

recommendation was based on the fact that 1970 was adopted as the test year in order to eliminate the delay which would have occurred if 1971 had been utilized. The staff indicated that its position is an exception to its usual position in this regard, and that a lack of consideration of known improvements would have been unfair to Washington under these circumstances.

The major differences in the estimates of rate base result from the staff's exclusion of: (1) \$33,000 for the replacement of 3,000 feet of 8-inch steel distribution main scheduled for completion by November 1971; (2) \$8,000 for sodium silicate treatment facilities at 11 well sites because the method is in the experimental stage and because the matter was introduced into the hearing too late for the staff to ascertain the reasonableness of an individual well treatment program as compared to a central treatment operation, and (3) the exclusion of \$31,034 from working cash, including \$26,608 as Washington's allocated share of Citizens-Delaware's minimum bank balances required to secure prime rate financing of short-term corporate borrowings.

The staff's position on the two uncompleted items is reasonable. It has included various items which were installed by the time of submission of this application. The exclusion of the main replacement and the water treatment facilities are justified since the completion and total cost for each was not definite at the time of submission. Moreover, it is not clear that the treatment facilities will be permanent.

The staff's allowance for working cash is less than requested by applicant because the company made an error in calculating its figure, and because Washington included noninterest bearing minimum bank balances required in order that Citizens-Delaware can obtain short-term bank financing at the prime rate. Applicant cites cases in other jurisdictions where inclusion of such balances in addition to operational working cash has been permitted. It urges that such balances are a cost of doing business which permits it to acquire prime rate financing. The banks in which these deposits are held include Midland Marine Bank of New York, Chemical Bank of New York, Bank of Hawaii, and the Bank of America. The short-term borrowings are utilized by Citizens-Delaware for such purposes as construction or tax payments, and other general corporate purposes.

The staff objects because the deposits in out-of-state banks are not directly related to the day-to-day operations of Washington, since it does not make any short-term borrowings. In the Commission's recent decision regarding the rate increase application for operations in the Guerneville District of Citizens-California, the staff's position was adopted (Decision No. 76996, dated March 24, 1970, in Application No. 48905, hereinafter referred

to as Guerneville decision, pp. 45, 46 mimeo.) Therefore, the Commission's prior position will be adhered to.

We find that the staff's average depreciated rate base for the applicant for the 1970 test year is \$1,315,100. We find this rate base to be reasonable.

Operating Revenues

There is a difference between the staff and applicant of \$2,200 in estimated revenues at present rates and of \$27 at proposed rates. The difference at present rates was largely eliminated because the applicant accepted the staff's estimate during the hearing. Consequently, the staff's figures will be adopted.

Operation and Maintenance Expenses

The staff excluded three major items from the applicant's calculation of operation and maintenance expenses. These are \$19,645 for the annual cost of chemicals utilized with the sodium silicate treatment process; and the 5-year amortization of warehousing costs and street repairs amounting to \$5,282 and \$6,007, respectively.

Applicant's expenses for chemicals during the test year totaled \$5,855. It sought inclusion for rate-making purposes of an additional amount of \$19,645. This increase is expected as a result of the N sodium silicate treatment which has been commenced during 1971 on an experimental basis in part of Washington's service area.

The staff objects to inclusion of all the estimated chemical expenses because they were first revealed at the hearing; and consequently there was no opportunity to investigate the reasonableness of the amount or the method of treatment. Moreover, the staff also objects because the treatment process appears to be in an experimental stage and not yet fully adopted and installed throughout the system.

However, in its brief the staff states that it does not oppose the inclusion of a small percentage of the additional cost of chemicals in applicant's operating expenses, since the experimental

program is continuing and is designed to improve the very serious problem of iron and manganese in the water.

The staff's position is reasonable in light of the uncertainty surrounding this experimental program. We will allow about 20 percent of the requested amount, or \$3,750, in applicant's operating expenses for this new program.

Similarly, applicant's witness presented the additional cost estimates for warehousing and street repairs for the first time at the hearing because they had been overlooked. It desires that they be included in the test year and amortized over a 5-year period, thereby increasing operating and maintenance expenses \$2,258 for the test year.

The staff complains that these two items have been included too late for it to evaluate their accuracy or reasonableness. Applicant's witness did not know why they were not included in the original cost figures presented to the Commission. (Tr. 235.)

The primary objection by the staff is that it has not had the opportunity to review either of these items. Applicant points out, however, that the Finances and Accounts Division witness did include them in his exhibit (Tr. 545, 546; Exhibit No. W-8, Table B, page 9.) The Utilities Division witness, on the other hand, expressed the view that the figures appeared excessively high. (Tr. 543.) Since it was not possible for the staff to review either of these items, they will be excluded from operating and maintenance expenses.

The staff's estimate of operating and maintenance expenses will be adopted with the adjustment accepted above, and the adjustment for the water engineer position as discussed below:

Administrative and General Expenses

The applicant and the staff differ in their estimates of these expenses in the amount of \$11,100 as follows:

	Applicant's Estimate Exceeds Staff Estimate
Mutual Service Accounts	\$ 7,200
Common Plant Expenses	200
Legal and Regulatory Expenses	1,700
Welfare and Pensions	1,200
Miscellaneous and Per Diem	800
Total Administrative and General Expense - Difference	11,100

The primary dispute between the applicant and the staff relates to the allowance of expense for managerial and executive services from Citizens-California's headquarters at Redding and from Citizens-Delaware's at Stamford, Conn. The issues raised by the difficulty of determining appropriate allocations of these mutual expenses to specific water districts of the applicant for rate-making purposes was discussed in detail in the Guerneville decision. The staff maintains that the Guerneville decision's methodology should be followed unless the applicant justifies a revision by clear and convincing new proof. The staff also points out that it and the applicant are discussing other possible solutions to this problem, and that given the recent date of the Guerneville decision it should be followed.

As a consequence the staff's allowance for these mutual service expenses adheres to the Guerneville approach with two adjustments: (1) the staff has included in the allowance for Stamford mutual service expense the salary cost for two assistant vice-president positions which were not allowed in the Guerneville decision because they were vacant; and (2) the staff has allowed certain engineering salaries that were disallowed in Guerneville.

Applicant, on the other hand, contends that an allowance should be accepted for the salary and expenses of Citizens-Delaware's

chief executive officer. It argues that applicant's and California's consumers have directly benefited from his unique services, as well as from those performed by other Stamford personnel.

The staff has completely disallowed any portion of salary expense for the chief executive officer in the operating costs of Washington. This officer was formerly president of Citizens-Delaware and is now its chairman of the board. The staff has allowed salary expense, based upon the actual salaries paid as of October 15, 1970, for the services of Citizens-Delaware's new president, whose title formerly was executive vice-president and chief operating officer, its treasurer and three assistant vice-presidents. (Tr.283-4.) In applying this one disallowance, the staff followed the Guerneville decision, in which the Commission disallowed any such salary expense because the information as to the amount and value of time devoted by the chief executive officer to the problems of the Guerneville water district was too vague to permit a reasonable allocation of his salary for rate-making purposes. (Decision No. 76996, p. 39-40 mimeo.) Applicant's witness testified that there has not been any substantial change in the chief executive officer's duties since the Guerneville proceeding. (Tr. 551.) We agree with the staff that the Guerneville decision should be followed in light of the absence of new evidence on this question, the appointment of a new president of Citizens-Delaware, and the discussions now taking place between the applicant and the staff to resolve the mutual service question.

Applicant disputes one adjustment by the staff for mutual services provided by the Redding office, i.e., by Citizens-California. This adjustment relates to the salary of a water engineer hired in 1970. The staff included \$2,000 of the \$3,824 actually paid to this engineer during 1970. The staff witness agreed, however, that this engineer works only on water operations and that his salary should be charged to water operations. (Tr. 314-18.)

Inclusion of the operating expense portion of the engineer's annual salary of \$8,000 to the water properties in California results in \$1,554 of additional operating expenses allocated to Washington. Although the test year is 1970 and the engineer was employed for only one quarter of that year, applicant's position is reasonable and will be adopted. Operating and maintenance expenses will, therefore, be increased by this amount.

The staff has disallowed \$1,692 for legal and regulatory expenses. The staff reduced applicant's estimate of expenses for five days of hearing on the general phase of the consolidated hearing to two days, and it reduced the number of days for preparation from five days for a senior counsel and three days for an associate counsel to two and one half and two days, respectively. It included an allowance for only one copy of the hearing transcript instead of two copies as requested by Washington. It also reduced the expense for trips from Stamford from six to three. Finally, the staff reduced applicant's expense estimates for the hearing held in Sacramento from seven days with three days of preparation for two attorneys to three days for preparation and three days for hearing for one attorney.

Applicant argues that these disallowances are unreasonable on the ground that an associate counsel is needed to assist in preparing testimony, exhibits, cross-examination and briefs. It also maintains that two transcripts are necessary, and that the other expenses are reasonable estimates of the actual costs involved in conducting the proceeding. The staff, on the other hand, argues that the hearing did not present any unduly complex or intricate matters which justify the proposed expenses. Furthermore, it asserts that to whatever extent the hearings were prolonged as the result of customer dissatisfaction with the applicant's service, the costs attributable to this factor should not be borne by the ratepayers.

The Commission accepts the staff's position in this regard. Its estimates, which more closely reflect the actual number of

hearing days involved, are reasonable after considering that nearly half the hearing time during the Sacramento phase of the proceeding concerned service complaints.

Taxes other than Income

At present rates the staff's calculation of ad valorem taxes is \$3,500 above the applicant's revised figure. At the proposed rates the applicant's estimate is \$4,500 above the staff's.

Applicant originally calculated its property taxes on the assumption that the proposed rates were in effect for the years 1966-1969. On this basis applicant maintains that the 1970 taxes would have been \$33,339 higher than originally estimated in its cost of service analysis. The staff refused to accept this theoretical increase on the ground that the local tax assessor considers the historical cost less depreciation method along with the capitalized earnings method in determining this tax; and therefore a reasonable continuity would be maintained. Subsequently, applicant's witness recalculated the estimated tax under the historical cost method. He concluded that the original estimate was \$3,500 less than the actual taxes paid because both the assessment value and the tax rate were increased in November 1970; and, furthermore, that an additional \$4,500 should be included in the tax allowance to cover future increases resulting from future rate increases.

According to the staff its original estimate of property taxes for 1970 is \$400 above the actual taxes paid during the test year. (Tr. 247.) The applicant points to the 1970 assessment and contends that under it the taxes for 1970-1971 are greater than the staff's estimate. It argues that the Commission should consider the taxes to be paid in 1971-1972 because it will be paying these taxes when the new rates become effective. In this manner any attrition will be avoided. Thereafter, the staff adjusted its estimate of ad valorem taxes by increasing it \$2,800. (Exhibit W-19; Tr. 545.)

Tax expense should reflect as nearly as possible actual taxes paid during the test year. Adjustments for future tax changes are speculative and uncertain. The staff has adjusted its estimate of ad valorem taxes to reflect the November 1970 increase in both assessment and taxes. Therefore, the staff position will be adopted.

Income Tax

The staff's calculation of income tax is computed on an as-paid basis which applicant accepted during the hearing (Tr.215). Under this method Washington's 1970 share of income tax expense would be a negative figure of \$6,100 at present rates and \$67,400 at proposed rates.

Depreciation Expense

The staff's estimate for depreciation expense exceeds the applicant's by \$200 at present rates. The applicant's claimed expense, at proposed rates, exceeds the staff calculation by \$1,000.

The staff's revised figures show an increase of \$2,500 for this expense in recognition of the inclusion of plant additions in the applicant's rate base as discussed above. The remaining difference results because the staff did not include \$33,000 for 3,000 feet of main replacement not expected to be completed before November 1971.

For the same reasons set forth above in our discussion of rate base, the staff's estimate of depreciation expense will be adopted.

We find that the applicant's results of operations for the 1970 test year, at present and proposed rates, are as follows:

	1970 Test Year	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues	\$ 333,000	\$ 477,400
<u>Expenses</u>		
Operation and Maintenance	161,900	162,100
Administrative and General	39,500	40,200
Depreciation	48,300	48,300
Taxes other than Income	45,600	46,700
Income Taxes	(6,100)	67,400
Total Expense	<u>289,200</u>	<u>364,700</u>
Net Operating Revenue ...	43,800	112,700
Rate Base	1,315,100	1,315,100
Rate of Return	3.3%	8.6%

(Red Figure)

Rate of Return

A public utility is constitutionally entitled to an opportunity to earn a reasonable return on its investment which is lawfully devoted to the public use. It is a percentage expression of the cost of capital utilized in providing service. Within this context, a fair and reasonable rate of return applied to an appropriately derived rate base quantifies the earnings opportunity available to the enterprise after recovery of operating expenses, depreciation allowances and taxes.

Ultimately, the rate of return determination in this proceeding must represent the exercise of informed and impartial judgment by the Commission, which must necessarily give equal weight to consumer and investor interests in deciding what constitutes a fair and reasonable rate of return. Such balancing of interests is directed toward providing water consumers with the lowest rates practicable, consistent with the protection of the utility's capacity to function and progress in furnishing the public with satisfactory, efficient service and to maintain its financial integrity, attract capital on reasonable terms and compensate its stockholders appropriately for the use of their money.

Citizens-Delaware contends that the appropriate range for its rate of return is between 9.3-11.5 percent, but that in no event should it be less than 10 percent. This results in a return on common equity in the range of 12 to 14 percent, which Citizens-Delaware asserts is required by the upward trend in bond yields.

Citizens-Delaware's rate of return witness, Mr. Jack Sanders, who is its rate manager, presented a study which includes an analysis and summary of the Federal Reserve Bank discount rate, yields on U.S. long term bonds, yields on corporate bonds, the prime rate, the return on various utility common stocks, and the average annual return on Moody's 125 industrial common stocks.

In recommending a rate of return no lower than 10 percent Citizens-Delaware maintains that for rate of return purposes it is most comparable with a group of combination gas and electric utilities whose median return on equity was 12.54 percent during 1965-69 and 12.20 percent during 1970. (Exhibit No. 10, Table 3 and Exhibit 11.) It urges that utility investors should be offered "investment opportunities comparable with those available among the industrials". (Citizens-Delaware's brief, p. 23.) It also points to recent decisions by the Commission involving California water utilities in which it has authorized rates of return which result in returns on equity ranging from 11.25-11.75 percent.

The Commission staff maintains that a reasonable rate of return for Citizens-Delaware is between 7.6 and 7.9 percent. This will result in a return on equity between 8.39 and 8.93 percent. The staff states that its recommendation is based upon: (1) the effective interest rate on long term debt of 6.61 percent for Citizens-Delaware (Exhibit No. 10, Table 2); (2) recognition of Citizens-Delaware's conservative and less risky capital structure, consisting of an equity ratio of 55 percent; and (3) an allowance for return on equity which is consistent with recent decisions and prevailing economic conditions.

The staff criticizes Citizens-Delaware's study on the ground that it overemphasizes current cost of debt, and de-emphasizes Citizens-Delaware's lower imbedded cost of debt. It argues that no definite long-term trend regarding interest rates can be ascertained under present economic conditions. Furthermore, the staff disputes applicant's exclusion of its low cost REA Notes from consideration of its effective interest rate.

After evaluating the rate of return evidence and testimony, the Commission concludes that the staff's recommended range is more reasonable.

Citizens-Delaware's rate of return request is high in that it seeks a return on equity equivalent with industrial companies. On cross-examination its witness admitted that considering Citizens-Delaware's high equity capital structure and using its imbedded cost of debt in place of the current cost of debt at the time of hearing, its return on equity would be in the range of 15.8 to 16.6 percent. (Tr. 561-3.) This level of equity return is superior to that of many industrial companies in today's highly volatile economy. Comparison of industrial companies' returns on equity with water utilities' returns is inappropriate since the former are in the high risk sector of the economy. Water utilities, on the other hand, deal in a basic commodity without competition and their rates are protected by public utilities commissions. Consequently they are a less risky investment than industrial companies, and a lower return is normally expected and accepted by the investment community. (See App. So. Calif. Edison Co., Decision No. 78802, dated June 15, 1971, in Application No. 52336.)

The Commission further agrees with the staff that considerable weight should be given to the fact that Citizens-Delaware's capital structure is less risky than most utilities in that its 55 percent equity ratio is well above the common utility level of 40 percent. Moreover the strength of its financial position is well demonstrated by its dividend distribution record. According to its 1969 Annual Report, the most recent available in the record, Citizens-Delaware increased its annual dividend distribution in 1969 for the twenty-fourth time in the past 24 years. The effective dividend rate was \$1.10 per share, an increase of 8 percent over the 1968 dividend rate. Finally, the exclusion by Citizens-Delaware of its two percent REA Notes from its study is unreasonable. All debt should be considered in determining the effective interest rate. After considering all the evidence, including the current lower interest rates, and recognizing the fact that the approved rates will not become effective

until 1972, we conclude that a 7.7 percent rate of return is fair and reasonable. This produces an 8.57 return on common equity before considering the quality of service.

Quality of Service

Approximately forty of applicant's ratepayers appeared at the hearings to present complaints about its service and the quality of the water. Many asked for an explanation why Washington's water was so poor while the City of Sacramento's water was excellent in quality. Specifically, their complaints related to low pressure, discoloration of the water; its odor and poor taste; and the presence of sediment and sand. (Tr. 57-67, 116-137, 335-353.) Some residential customers stated that they could not obtain clean clothes when using the water in their washing machines. Several of these customers presented stained or yellow clothing which they stated had been washed with applicant's water prior to the hearing. As a consequence, some of them have resorted to using purchased bottled water for washing white shirts, etc., and for drinking purposes.

In addition, there were complaints that the water caused operational and maintenance problems with water softeners, dishwashers, and washing machines. Others complained that water softeners are useless because the water is too hard.

Both residential and commercial customers complained about large quantities of fine sand in the water. One exhibit of this sand was introduced at the hearing. Bottles of brown colored water were also brought to the hearing. Another customer stated that during May and June, 1970, sand in the water system rendered the drinking fountains and rest rooms at an elementary school inoperable. (Tr. 102.) A representative of a water softener company testified that he encountered difficulty with his equipment in Washington's service area as a result of the water.

Furthermore, Yolo County (Yolo) appeared as a protestant. It did not protest the necessity of a rate increase, provided that Washington is required to take affirmative action to improve its

service before any rate increase becomes effective. Representatives of two local chambers of commerce requested a similar order.

A member of the Yolo County Board of Supervisors testified that during the summer months of the last two years he has received frequent complaints from applicant's customers about low pressure, and that he has received complaints about poor quality water during the entire year. He further testified that he was not aware of any substantial improvement in service since Citizens-Delaware acquired Washington, and that the last two years had been the most serious as far as the number of complaints were concerned. (Tr. 326.) The local assemblyman, whose district encompasses the service area, testified that the volume of customer complaints received by his office indicates that the quality of service is poor. (Tr. 278-9.)

Yolo presented the assistant director of the county department of public works, who testified that in comparison to other utilities in the area, Washington has had a very large number of street repair work orders caused by water leaks in its distribution lines. According to his testimony, there were 325 work orders issued by his department for street repairs resulting from leaks in Washington's mains during the period July 1, 1970 to April 10, 1971; and 370 such work orders between July 1, 1969 and July 1, 1970. (Tr. 423.) Yolo also presented the chief engineer of the Port of Sacramento, who complained about the quality of the water.

The Commission staff conducted a field investigation of Washington's system, and interviewed some customers about the service. According to the applicant's records, the number of complaints received by the company has increased from 145 in 1965 to 909 in 1970. Most of these complaints concerned odor, discoloration, sediment and sand.

The staff's report indicates that the quality of the water is poor because there are significant quantities of iron, manganese, sodium chloride, and some methane gas present in the water. It states that fine sand is a continual problem in the applicant's system despite the presence of sand traps on the wells which produce sand.

Washington presented two expert witnesses: Mr. Lyle N. Hoag, a civil and hydroelectric engineer who is a consulting engineer with Brown and Caldwell. He testified about the distribution system and methods of water treatment. The second witness was Dr. John C. Manning, a consulting geologist and ground water hydrologist, who testified about the source and nature of the water present in the applicant's service area.

Each witness made a study for the applicant. Their testimony shows that there is an adequate supply of water in the service area because the ground water tapped by applicant's wells is re-charged by water from the Sacramento River. The chemical qualities of the water, particularly in the older wells near the river, is poor in that the water has high levels of iron and manganese, as well as some sodium chloride and methane gas.

After drilling two test holes, it was learned that the worst water is above 400 feet in depth and near the river. Water below 600 feet in depth is also poor in quality. The best water is between these depths. But based upon the results of drilling a new well, 520 feet deep, the water still requires treatment, particularly for manganese. (Tr. 78.) The water was described as "moderately hard", although one or two of the wells produce soft water. (Tr. 81; Exh. W-6.) The poor taste of the water was attributed to the presence of methane gas, and the odor was attributed to hydrogen sulfide. (Tr. 95, 99.)

The consulting geologist stated that sand is being produced by the old, poorly constructed wells, but that sand traps can eliminate the sand now present in the system. (Tr. 88.) He did not recommend that any of the old wells be replaced immediately, but relocation of the wells to inland points is desirable over a period of time.

The consulting engineer's firm had first studied Washington's plant and distribution system in January, 1953, and it developed a

master plan at that time for the prior owner and operator. This plan was updated in March, 1961 (Exh. W-6). The witness explained that a good part of the distribution system is 75 years old, and therefore inadequately designed for present times. This fact contributes to the pressure problem. It also contributes to the problem of dirty water because corrosion of the old pipes permits sediment to enter the system.

The updated report recommended various improvements designed to meet future growth and to enhance the water quality. The report indicates that sand, methane, iron, and manganese are the primary causes of the water quality problems. It also noted that sand traps were installed at six stations; that aerators were operating at two wells to remove methane gas; and that a chemical, calgon, was being utilized to reduce the iron and manganese problem.

The report specifically recommended that two filtration plants be constructed in addition to the one under construction in 1961. One plant was to serve four wells; and the other, one present well and two future wells. (Exh. No. W-6, p. 38.) The plant constructed by the prior owner of Washington was built in 1961-62; it treats water from three wells. Since Washington was acquired by Citizens-Delaware, one of the two additional recommended plants was built in 1968 and commenced operations in 1969. It serves only one well. The iron and manganese in the water that is treated by these two plants is substantially removed. However, the quantity of water treated is small.

As for other improvements the witness indicated that few, if any, steps were taken by the preceeding owner to correct the deficiencies reported in the system because he lacked financial resources after completing the expansion necessary to serve the rapidly growing service area. Between 1953 and 1961, the population of the service area grew from 8,700 to an estimated total of 20,000; and the amount of pipe in the distribution system increased from

37 miles to over 58 miles. Despite the construction of the two filtration plants during the 1960's, the witness stated that there has not been any significant improvement in the overall quality of the water during the past five or ten years. (Tr. 48-9.) Finally, the consulting engineer estimated that the cost of a filtration plant and the necessary mains in order to utilize river water in place of the well water would be from 3.5 to 4 million dollars.

Washington and the consulting engineer presented considerable testimony concerning the action taken to improve the system since Citizens-Delaware acquired ownership in 1967. It was stated that under Citizens-Delaware's control, approximately \$450,000 in improvements have been undertaken. (Tr. 47.) In its brief, Citizens-Delaware states that \$538,000 has been made in capital investment. These improvements include the filtration plant built in 1968, the new well under construction, and a large amount of pipe replacement. Several hundred feet of 8- and 10-inch main are being cleaned and relined.

The applicant's systems engineer, an employee of Citizens-California, testified that Washington plans to introduce a new treatment program to correct the iron and manganese problem. This program involves treatment with the chemical, N sodium silicate. This treatment process was developed in Canada, and it is still in the experimental stage. The chemical has been used in water from one well. According to the witness the quality of the water has been improved and the number of customer complaints has decreased in the area involved.³ (Tr. 183.) The capital cost for well station

3 Apparently the presence of iron and manganese in drinking water does not present a health hazard. (Tr. 26.) The U.S. Public Health Service's standards for good water are 0.3 parts per million for iron and 0.05 parts per million for manganese. The levels at Well No. 4 of applicant were stated to be .22 parts per million of iron and .56 parts per million of manganese. The primary problem appears to be the high level of manganese. (Tr. 23-26.)

improvements at 11 wells is estimated to be quite low, about \$8,000; and the annual cost of chemicals is estimated to be \$25,000. Although substantial improvement in water quality is expected from this new treatment program, it was emphasized that it is in an experimental stage.

The Commission staff recognizes that applicant cannot be blamed for all of these long-standing problems. However, it is critical of Washington under Citizens-Delaware's control in that no significant improvements have been made during the four years of Citizens-Delaware's ownership. It asserts that the experimental chemical program is a crash program undertaken at the last moment before the current rate proceeding. The staff urges that Washington be required to continue its program for water quality improvement, including the requirement that it make semi-annual reports through 1973 as to progress on the program and the customer complaint situation. Moreover, it recommends that a one percent penalty be applied against Washington's rate of return until after a further hearing is held and it is shown that satisfactory service has been achieved.

Yolo requests that the Commission order Washington to do the following: (1) install sand traps on all wells; (2) install aeration equipment to remove hydrogen sulfide; (3) submit a plan to the Commission for periodic flushing of its water mains and replacement of undersized and corroded mains within a reasonable time; (4) construct a new well at Harbor Boulevard and Rice Avenue; and (5) test the new N sodium silicate treatment process at each well instead of conducting a field test at a few wells.⁴

4 Yolo also requested that Washington provide its customers with a list of bleaches which are effective with its water. According to Washington's late-filed exhibit which deals with complaints, it has complied with this request. (See Exh. No. 18.)

Citizens-Delaware opposes imposition of any penalty on the ground that it would be unfair to penalize it for the chemistry of the water in this area. It points to the large expenditures on the system that it has made since acquiring Washington. It also states that it has now installed the N sodium silicate treatment process at six of its wells.

Until the recent efforts undertaken by Washington after Citizens-Delaware acquired control, little or nothing has been done to improve the quality of service in its service area even though the facts were known from the 1953 and 1961 reports. During most of these years Citizens-Delaware was not involved. Nevertheless, even by the testimony of its own consultant little has been done in the last five years, during four of which Citizens-Delaware was in control, to improve the service significantly. The 1968 treatment plant is a major exception, but it serves only one well.

The Commission agrees with the staff and Yolo that some positive action to improve the service should be required at the time Washington seeks increases in its rates. However, we also agree with the staff that it is not desirable to endeavor to set out the specific methods which should be utilized.⁵ Nor is it prudent for the Commission to direct that a new well should be drilled at a particular point. These are matters better left to the applicant's technical personnel and their superior knowledge of the actual operating conditions.

On the other hand, the ratepayers are entitled to some assurance that some improvement will be forthcoming; or if such improvement is not possible, they are entitled to an explanation.

5 According to a letter from Brown and Caldwell to Washington dated April 8, 1971, regarding field work at two wells with the N sodium silicate process, the results were encouraging at one well, but inconsistent and inconclusive at the other. (See Exh. No. W-18.)

Therefore, the Commission will require in its order that Washington initiate a program to improve the quality of its service, particularly with regard to treatment of the iron and manganese problem, the sand problem and low pressure problem. We will require semi-annual reports through 1974. We will issue at this time only an interim order in this proceeding, so that the parties, including applicant, may easily request further hearings in order to review the situation in the near future.

Furthermore, in order to insure that a plan and corrective action will be forthcoming promptly, and in recognition of the fact that applicant appears to be commencing positive action in this regard, the Commission will reduce Washington's authorized rate of return by only .5 percent. By imposing a smaller penalty than advocated by the staff, we give recognition to the expenditures already made by the applicant on its distribution system. On the other hand, the imposition of the penalty serves notice that the next improvements should deal with the primary complaints of consumers; namely, the sand, iron and manganese problems. When the service problems have been either eliminated or substantially improved, Washington may request removal of this penalty. (App. General Tel. Co. (1969) 69 Cal. P.U.C. 601; App. Monterey and Pac. Grove Railway Co. (1921) 19 C.R.C. 646)

Applying this adjusted rate of return of 7.2 percent to the 1970 estimated rate base of \$1,315,100 produces net operating revenues of \$94,687, or an increase of \$50,387 over those at present rates. This level of return produces an 8.01 percent return on equity. Therefore, gross revenues will be increased to \$439,200 resulting in a 31.9 percent increase in these revenues.

Motion to Intervene

On November 15, 1971 the Legal Aid Society of Yolo County, the East Yolo Senior Citizens Broderick-Bryte Community Councils, the East Yolo Salud Medical Facility, and the Citizens Ad Hoc Committee for Clean Water (hereinafter referred to as petitioners), filed a motion to intervene in order to present newly discovered evidence regarding Washington's service.

The petitioners allege that Washington's water fails to meet State Department of Health standards. The petitioners recommend that the Commission take action to insure that the applicant immediately improves the quality of its water. They seek to have the Commission hold Citizens-Delaware's general manager for California water operations to his word regarding construction of a central treatment plant for Washington's system. They also request that if service improvements are not promptly made, the Commission impose an additional .5 percent penalty on Washington's rate of return every three months until a maximum penalty of 6 percent is applied. Finally, they urge that the Commission resort to the legal action provided in Section 2110 of the Public Utilities Code if improvement in the water quality is not forthcoming.

Washington filed a response opposing petitioners motion to intervene on the grounds that it does not reveal any new evidence and that the motion is untimely now that the application is under submission.

The Commission agrees with Washington that petitioners evidence was available during the hearing and is not new. The evidence relates to the fact that applicant's water has a high degree of manganese in it. In support of this point, the petitioners have attached laboratory test reports on the water from 14 of applicant's wells performed during February and March, 1970. These reports show that the level of manganese is above the suggested limit at all the wells, and that the level of iron is excessive at five wells. However, Washington's expert witnesses readily admitted this fact during the hearing.

The only evidence presented by petitioners which was not available at the time of the hearings is a letter from the Supervising Sanitary Engineer of the State Department of Public Health (Department), dated August 17, 1971, requesting Washington "to take immediate steps to (1) provide effective removal of manganese from the water supply; (2) eliminate those water sources containing

excessive amounts of manganese; or (3) provide other means of assuring that water supplied to users meets acceptable quality criteria at all times."

Petitioners argue that this letter shows that Washington is in violation of Section 4031 of the Health and Safety Code and of the Commission's General Order No. 103.⁶ This argument appears to be erroneous. General Order No. 103 states that compliance with the regulations of the Department constitutes compliance with General Order No. 103. The State Board of Public Health has the authority under Section 4022 of the Health and Safety Code to suspend or revoke a utility's water permit at any time if it determines that the water is or may become impure or unwholesome. Under this section, and in accordance with General Order No. 103, it is not appropriate for the Commission to determine this question. Petitioners should direct their allegations on this question to the Department.

6 Section 4031 provides as follows:

"§ 4031. Furnishing impure water

It is unlawful for any person to furnish or supply to a user water used or intended to be used for human consumption or for domestic purposes which is impure, unwholesome, unpotable, polluted, or dangerous to health."

Title II, paragraph 1.a. of General Order No. 103 reads as follows:

"General. Any utility serving water for human consumption or for domestic uses shall provide water that is wholesome, potable, in no way harmful or dangerous to health and, insofar as practicable, free from objectionable odors, taste, color and turbidity. Any utility supplying water for human consumption shall hold or make application for a permit as provided by the Health and Safety Code of the State of California, and shall comply with the laws and regulations of the state or local Department of Public Health. It is not intended that any rule contained in this paragraph II 1 shall supersede or conflict with an applicable regulation of the State Department of Public Health. A compliance by a utility with the regulations of the State Department of Public Health on a particular subject matter shall constitute a compliance with such of these rules as relate to the same subject matter except as otherwise ordered by the Commission."

This conclusion is equally applicable to the petitioners charge that Washington's water is impure because it fails to meet the U.S. Public Health Service's suggested maximum limit of only 0.05 parts per million of manganese set forth in 42 C.F.R. Sec. 72.205 (b) (1). This limit appears to be only a recommended one, and not mandatory. (See 42 C.F.R. Sec. 72.205(b) (2).)

In short, the record demonstrates that Washington's water has a higher level of iron and manganese in it than is suggested by the U.S. Public Health Service. By our order herein, the Commission has, pursuant to Section 451 of the Public Utilities Code and General Order No. 103, provided that Washington initiate corrective action to render its water more suitable in all respects than it is at the present time. However, we do not agree that a higher rate of return penalty is appropriate. Although three years of inaction have passed since Citizens-Delaware acquired Washington, it has indicated that it is ready to initiate a program to correct the long standing deficiencies.

Although the Commission rejects the position taken by the petitioners, we will grant their motion to intervene so as to make them parties in this proceeding, in order that they may appear and participate in any further hearings which may be necessary.

Findings of Fact

The Commission finds that:

1. Washington Water and Light Company (applicant) is a public utility water corporation under the jurisdiction of this Commission furnishing water service to over 5,000 customers.
2. The adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test year 1970 reasonably indicate the results of applicant's operations for the future.
3. Applicant's rate of return for the 1970 test year is 3.3 percent. It is in need of additional revenues, but the proposed rates set forth in the application are excessive.

4. A rate of return of 7.70 percent on the adopted rate base for the year 1970 and return on common equity of 8.57 percent is reasonable before adjustment for the poor quality of service being provided.

5. The quality of water distributed by applicant is very poor with regard to taste, odor, and low pressure. There is considerable sand present in the water delivered in the distribution system. There is a high content of iron and manganese in the water, which causes staining of clothes, dishes, fixtures and appliances. Although little has been done up to the present time to reduce these problems and to improve the quality of water, applicant has announced that it will undertake a program of improvements to correct this situation. Therefore, in order to assure that this program is promptly carried out, it is reasonable to require applicant to report on its progress to all parties to this proceeding, and to impose a .5 percent penalty on applicant's rate of return until such corrective action has been accomplished.

6. 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 unjust and unreasonable for the future.

7. There is no significant new evidence presented in the motion to intervene filed on November 15, 1971 by the Legal Aid Society of Yolo County, the East Yolo Senior Citizens Broderick-Bryte Community Councils, the East Yolo Salud Medical Facility, and the Citizens Ad Hoc Committee for Clean Water.

The Commission concludes that the application should be granted to the extent herein set forth, and in all other respects it should be denied.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order, Washington Water and Light Company, a subsidiary of Citizens Utilities Company of Delaware, is authorized to file the revised rate schedules attached to this order as Appendix A, and concurrently to cancel its present Schedules Nos. 1, L-2, H-2, P-1 and P-2. Such filings shall comply with General Order No. 96-A. The effective date of the new and revised tariff sheets shall be four days after the date of filing. The new and revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Washington Water and Light Company is directed to develop and to execute a plan to improve the quality of the water produced from its wells with regard to the presence of sand in the system, low pressure, the level of iron and manganese in the system, and taste and odor. Washington Water and Light Company is further directed to report on the progress, or lack of progress, in achieving improvement in the quality of its water and service to all the parties in this proceeding every six months after the effective date of this decision through 1974. These reports shall describe in detail the actions planned to be taken, and whatever past action has been taken with a description of the results attained.

3. If Washington Water and Light Company determines that it is not possible to improve the quality of the water as directed to do in paragraph 2 of the order herein, it shall file a report with a full explanation with the Commission, serving all the parties to this proceeding.

4. The rates authorized in Appendix A attached to this order meet the criteria established by the Price Commission of the United States in Section 300.16(e), (1)-(6) or Part 300 of Title 6 of the Code of Federal Regulations, as set forth below:

- a. The former rates, or prices, are set forth on pages 3 and 4 of the opinion, supra. The new rates, or prices, are set forth in Appendix A attached to this order. The percentage increase in gross revenues produced

by the new rates is 31.9 percent above the gross revenues adopted for the test year.

- b. The dollar amount of increase in gross revenues provided by the rates authorized herein is \$106,200. The dollar amount increase in net operating revenues provided by the rates authorized herein is \$50,887.
- c. The amount the increase in net operating profit will increase the applicant's profits as a percentage of its total sales is 8.41 percent.
- d. The increase in the applicant's overall rate of return on rate base is 3.90 percent.
- e. Sufficient evidence was taken in the course of the proceedings held herein to determine that the criteria set forth in Section 300.16(d), (1)-(4) of Part 300 of Title 6 of the Code of Federal Regulations are met by the rate increase authorized by this order. The rates authorized herein are cost-based and do not reflect future inflationary expectations; are the minimum required to assure continued adequate operations; and they provide the minimum rate of return needed to attract capital at reasonable costs and not impair the credit of applicant.

5. The motion to intervene filed by the Legal Aid Society of Yolo County, the East Yolo Senior Citizens Broderick-Bryte Community Councils, East Yolo Salud Medical Facility, and the Citizens Ad Hoc Committee for Clean Water is granted to the extent that these petitioners are made parties in this proceeding for the purpose of

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participating in any future hearings held in this proceeding. In all other respects the motion to intervene is denied.

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

Dated at San Francisco, California, this 14th day of APRIL, 1972.

[Signature]
Chairman
William Lyndon
[Signature]
Thomas L. Sturgeon
[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Broderick, Bryte, West Sacramento, Arlington Oaks, and Linden Acres, (T)
and vicinity, Yolo County. (T)

RATES

Quantity Rates:		Per Meter Per Month	
First	700 cu.ft. or less	\$ 2.75	(I)
Next	2,300 cu.ft., per 100 cu.ft.24	
Next	27,000 cu.ft., per 100 cu.ft.18	
Next	70,000 cu.ft., per 100 cu.ft.14	
Over	100,000 cu.ft., per 100 cu.ft.10	
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$ 2.75	
For	3/4-inch meter	4.00	
For	1-inch meter	5.50	
For	1-1/2-inch meter	10.00	
For	2-inch meter	14.00	
For	3-inch meter	23.00	
For	4-inch meter	40.00	
For	6-inch meter	68.00	
For	8-inch meter	113.00	(I)

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

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Schedule No. I-2

GENERAL FLAT RATE SERVICEAPPLICABLE

Applicable to general flat rate water service.

(T)

TERRITORY

Broderick, Bryte, West Sacramento, Arlington Oaks, and Linden Acres, (T)
and vicinity, Yolo County. (T)

RATES

Per Service Connection
Per Month

1. For a single family residential unit, church, firehouse, or public landscaped strip on a single premises served through a 3/4-inch service connection	\$3.90	(I)
a. For each additional single family residential unit on the same premises and served through the same service connection	2.10	
b. In addition, when a 1-inch service connection is provided in lieu of a 3/4-inch service connection	2.10	
2. For each apartment house, motel, auto court and trailer court, including only the office, manager's living quarters, central bath, utility room and irrigation of adjacent lawn and garden area	5.50	
a. For each additional apartment motel unit, including use of water for kitchen, bath and irrigation of adjacent lawn and garden area	1.95	(I)

(Continued)

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Schedule No. L-2

GENERAL FLAT RATE SERVICE

RATES—Contd.

Per Service Connection
Per Month

3. For each business service, school or industrial service, other than motels or trailer courts:

For 3/4-inch service connection	\$ 4.85	(I)
For 1-inch service connection	6.90	⋮
For 1 1/2-inch service connection	10.35	⋮
For 2-inch service connection	16.60	⋮
For 3-inch service connection	25.00	⋮
For 4-inch service connection	41.50	⋮
For 6-inch service connection	76.00	(I)
For 8-inch service connection	131.00	(N)
a. For each additional business unit on the same premises and served through the same service connection	2.75	⋮
b. For each single family residential unit on the same premises and served through the same service connection	2.10	(N)

SPECIAL CONDITIONS

1. All service not covered by the above classifications shall be furnished only on a metered basis.

2. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.

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Schedule No. H-2I

SPECIAL FLAT RATE INDUSTRIAL SERVICE

(T)

APPLICABILITY

Applicable to special flat rate industrial water service.

(T)

TERRITORY

Sacramento-Yolo Port District and related industrial areas, Yolo County.

RATES

Per Service Connection
Per Month

For each 3/4-inch service connection	\$ 7.00	(I)
For 1-inch service connection	11.00	
For 1 1/2-inch service connection	16.50	
For 2-inch service connection	23.50	
For 3-inch service connection	33.00	
For 4-inch service connection	60.00	
For 6-inch service connection	135.00	
For 8-inch service connection	245.00	
For 10-inch service connection	380.00	
For 12-inch service connection	545.00	(I)

SPECIAL CONDITIONS

1. All service not covered by the above classifications shall be furnished only on a metered basis.

2. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.