

ORIGINAL

Decision No. 81820

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

KERN RIVER CANAL AND IRRIGATING COMPANY,
a corporation

for an order under section 454 of the
Public Utilities Code authorizing an
increase in rates charged for irriga-
tion and temporary water services and
for water transportation.

Application No. 53591

(Filed September 18, 1972)

In the Matter of the Application of

KERN ISLAND WATER COMPANY,
a corporation

for an order under section 454 of the
Public Utilities Code authorizing an
increase in rates charged for irriga-
tion and temporary water services and
for water transportation.

Application No. 53592

(Filed September 18, 1972)

McCutchen, Doyle, Brown & Enersen,
by Ronald Friend, Attorney at Law,
for applicants.
George W. Nickel, Jr., for Buena
Vista Farms, Inc., interested party.
William C. Bricca, Attorney at Law,
and Andrew Tokmakoff, for the
Commission staff.

O P I N I O N

Kern River Canal and Irrigating Company (Kern River) and
Kern Island Water Company (Kern Island),^{1/} applicants, operate

^{1/} Ashe Water System, which provides domestic water service, was
merged into Kern Island in 1968. Both applicants and the staff
have excluded the results of operating Ashe from present pro-
ceedings.

public utilities water systems for irrigation and for transportation of water via canals near the city of Bakersfield and in adjacent unincorporated territory in Kern County. They sell approximately 130,000 acre-feet of water in a normal year.

Kern River has a single service area. Kern Island serves five separate service areas: Buena Vista, East Side, Farmers, Stine, and Kern Island. Previously the areas were served by separate companies.^{2/} East Side, Farmers, and Stine areas have the same rates at present.

Applicants propose to increase Kern Island's rates for measured irrigation service by \$1.85 per acre-foot, an increase of approximately 31 percent, 50 percent, or 57 percent depending on the service area; and to increase Kern River's rates for measured irrigation service by \$2.75 per acre-foot, an increase of approximately 80 percent. Applicants also propose to increase construction and other temporary service rates 60 percent and transportation service rates 50 percent. Most of the transportation service is for affiliates of applicants and for water districts. Kern Island proposes to delete a \$1,500 per month transportation tariff which was used only for transporting large volumes of water.

Applicants allege that they have not had a permanent rate increase for nearly 13 years and that present rates are not sufficient to meet increased expenses, assure continued adequate and safe service, provide for necessary expansion, and yield a reasonable rate of return on their investment.

The applications were consolidated for hearing and public hearings were held before Examiner Rogers in Bakersfield on April 30 and May 1 and 2, 1973. The parties were given permission to file concurrent briefs, which were filed on June 25, 1973, at which time the matters were submitted. Prior to the

^{2/} Decision No. 71684 dated December 13, 1966 in Application No. 48967 authorized these entities to merge.

hearings, notice thereof was mailed to consumers and published, as required by this Commission.

Applicants' last general rate increase was granted by Decision No. 61142 dated December 6, 1960 in Applications Nos. 41403 to 41407 (58 CPUC 290).

General Information

Applicants' utility properties include water rights, and transmission and distribution channels. The properties and the field of operations which relate to the utility services are specifically described and set forth in the proceedings before the Commission in Decision No. 61142. There have been no substantial changes in these properties since that decision.

The values of applicants' utility assets were the subject of determination in Decision No. 61142. A major portion of the property was acquired or constructed by applicants or their predecessors prior to the creation of the Commission. Some property was acquired prior to 1906, but the records showing its original cost were destroyed in the San Francisco earthquake and fire. Accordingly, original cost could not be determined with any degree of accuracy. In Decision No. 61142 the Commission utilized appraisals which it found reasonable and fixed the rate bases of applicants as of January 1, 1958. Exhibit 2 (Kern River) and Exhibit 5 (Kern Island) show the present gross and net plant investments in service to applicants' service areas. The data in Exhibits 2 and 5 are based upon figures which were established by Decision No. 61142, adjusted to reflect all subsequent additions, betterments, extensions, and replacements (these being recorded at actual cost to applicants), all retirements and other diminishments of plant, and depreciation reserve.

Kern River

Kern River has the following rates:

<u>Measured Irrigation Service Per Acre-Foot</u>	<u>Temporary Service Per Day</u>
\$3.45	\$10.00

Kern River maintains a water transportation service tariff, for transporting water belonging to others, at the rate of \$.10 per acre-foot per mile. The rates were originally authorized by Decision No. 61142.

Kern River proposes the following rates:

<u>Measured Irrigation Service Per Acre-Foot</u>	<u>Temporary Service Per Day</u>	<u>Transportation Service Per Acre-Foot Per Mile</u>
\$6.20	\$16.00	\$.15

Kern Island

Formerly this applicant was named Kern Island Canal Company and is the survivor, after merger into it, of Buena Vista Canal, Inc., Stine Canal, Inc., East Side Canal Company, and Farmers Canal Company. (Decision No. 71684 in Application No. 48967 dated December 13, 1966.) Concurrent with the merger, the name was changed to Kern Island Canal, Inc., and on February 17, 1969, the name was changed to Kern Island Water Company.

Present Rates

Kern Island has separate tariffs for each of its service areas as follows:

<u>Service Area</u>	<u>Measured Irrigation Service Per Acre-Foot</u>	<u>Temporary Service Per Day</u>
Buena Vista	\$3.70	\$10.00
East Side	6.00	10.00
Farmers	6.00	10.00
Kern Island	3.25	10.00
Stine	6.00	10.00

Applicant also has water transportation service tariffs, for transporting water belonging to others, at the rate of \$.10 per acre-foot per mile and, in certain circumstances, of \$1,500 per month. With two exceptions described below, the above rates were originally authorized for applicant by Decision No. 61142. The rate authorized by Decision No. 61142 for measured service was \$3.35 per acre-foot. By Advice Letter No. 13, effective July 1, 1964, that rate was reduced to the present \$3.25 per acre-foot. The transportation tariff of \$1,500 per month was originally established by Advice Letter No. 11 of Buena Vista Canal, Inc., effective October 10, 1965. Decision No. 61142 authorized applicants to refile the tariffs and thus continue them in effect with respect to each of the service areas.

Proposed Rates

The rates which applicant proposes are:

<u>Service</u>	<u>Measured Irrigation Service Per Acre-Foot</u>	<u>Temporary Service Per Day</u>	<u>Transportation Service Per Acre-Foot Per Mile</u>
Buena Vista	\$5.55	\$16.00	\$.15
East Side	7.85	16.00	.15
Farmers	7.85	16.00	.15
Kern Island	5.10	16.00	.15
Stine	7.85	16.00	.15

The \$1,500 per month transportation tariff is to be deleted.

Operating Revenues

The staff made an independent estimate of normalized metered water deliveries and unmetered sales for the test year 1973 using the latest available data. It determined that applicants' estimates are reasonable.

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The 1973 revenue estimates at present and proposed rates are:

Service Area	1973 Estimated	
	Present	Proposed
	Rates	Rates
(Dollars in Thousands)		
Buena Vista	\$ 49.3	\$ 74.0
East Side, Farmers, Stine	58.3	76.6
Kern Island	350.5	547.6
Kern Island-Consolidated	458.1	698.2
Kern River	61.1	108.0
Total Canal System	\$519.2	\$806.2

We find revenues for the year 1973 estimated will be as set forth above at present and proposed rates.

Operation and Maintenance Expenses

The following tabulation is a comparison of staff's and applicants' operation and maintenance expense estimates:

Service Area	1973 Estimated	
	Applicants	Staff
	(Dollars in Thousands)	
Buena Vista	\$ 30.0	\$ 29.5
East Side, Farmers, Stine	79.4	78.1
Kern Island	209.4	206.0
Kern Island-Consolidated	318.8	313.6
Kern River	34.9	29.9
Total Canal System	\$353.7	\$343.5

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The differences between the staff and applicants are due to the following:

(a) Applicants included expenses incurred by the purchase of temporary emergency water while the staff did not. These expenses were compensated for by temporary rate increases authorized by a series of resolutions. All authority for temporary rates has expired.

(b) The staff trended expenses for the years 1968 through 1972 by using the least squares method together with judgment and established a normalized year for 1972. Applicants averaged the expenses for the years 1968 through 1971 and used this average as the normalized year for 1971. At the time applicants' reports were prepared complete expense data for the year 1972 were not available.

(c) Different methods were used by the staff and applicants in projecting expenses to the year 1973. With the exception of salaries and wages, the staff projected expenses of the different account functions to the year 1973 using judgment and the trends previously established through the years 1968 to 1972. The staff used salaries and wages at levels established as of January 1, 1973. Applicants projected total expenses from the established normalized year 1971 to the year 1973 by increasing total expenses for each account 5.5 percent each year.

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We find the staff's estimates are reasonable and they will be used for the purposes of this decision. The adopted figures are:

<u>Service Area</u>	<u>Adopted</u>
Buena Vista	\$ 29,500
East Side, Farmers, Stine	78,100
Kern Island	<u>206,000</u>
Kern Island-Consolidated	313,600
Kern River	<u>29,900</u>
Total Canal System	\$343,500

Administrative and General Expense

The staff reviewed the applicants' estimates of Administrative and General Expenses for the estimated year 1973. It determined they are reasonable for the purpose of this report. Following is a tabulation of these expenses:

<u>Service Area</u>	<u>Adopted</u>
Buena Vista	\$ 3,400
East Side, Farmers, Stine	10,000
Kern Island	<u>30,700</u>
Kern Island-Consolidated	44,100
Kern River	<u>12,600</u>
Total Canal System	\$56,700

We find the 1973 Administrative and General Expenses will be as set forth above.

Regulatory Commission Expense

Applicants' estimate for such expense originally was \$40,000 but during the proceeding, their witness testified that \$38,178 was actually spent. The staff's estimate was \$16,100. Both estimates are spread over a five-year period. Applicants' estimate is based on past experience with a protracted proceeding. The staff anticipated a short proceeding and allowed what was, in its opinion, reasonable amounts for the report and for legal fees, based on allowances by the Commission for Class "A" water utilities. Applicant argues that no increases were requested for 13 years. We find applicants' request is reasonable. We will include \$38,000 for regulatory Commission expense, amortized over a five-year period, divided \$6,700 per year to Kern Island and \$900 per year to Kern River.

Taxes Other Than Income

These cover ad valorem taxes only. Payroll taxes are part of salaries and wages and are included in Operation and Maintenance and Administrative and General Expenses. Applicants' and staff's estimates of Taxes Other Than Income are shown in the following tabulation:

Service Area	1973 Estimated	
	Applicants	Staff
	(Dollars in Thousands)	
Buena Vista	\$ 6.2	\$ 5.1
East Side, Farmers, Stine	17.4	12.5
Kern Island	30.8	28.3
Kern Island-Consolidated	54.4	45.9
Kern River	13.7	10.5
Total Canal System	\$68.1	\$56.4

The differences are explained as follows:

(a) The staff used latest recorded data for ad valorem taxes and possessory interest charges for 1972-1973 while applicants used an estimate. Possessory interest charges for 1972-1973 are \$13,516.

(b) Applicants added an average amount of possessory interest charges for water stored in Lake Isabella backbilled for years 1966 to 1972 while the staff excluded these prior charges.

We find that the staff properly excluded charges related to back billing for a period which predates the test period 1973. Rate making is prospective and back taxes must be excluded. This reduces the differences to an amount which can be accounted for by reason of the application of more current data. We find the staff figures are reasonable and they will be adopted.

Income Taxes

Applicants' and staff's position on income taxes generally concur but differences arise out of:

(a) Estimates of Interest Expense

Interest expense was not included by applicants. The staff computed interest expense at 6.97 percent of estimated debt. Estimated debt was computed as 54.52 percent of staff's rate base, based on the ratio of debt to total capitalization of Tenneco, Inc., applicants' parent corporation.

(b) Estimates of Depreciation Expense

Applicants used book depreciation for income tax determination. The staff used the same straight line remaining life book depreciation rates for the plant installed prior to 1972 and still in service. Tax depreciation, starting with 1972 recorded plant additions, was calculated by the staff using Double Declining Balances (DDB) liberalized depreciation, together with Asset Depreciation Range (ADR) lives. The staff stated that while ADR is not applicable to State tax, the basic State tax depreciation rates are close to ADR rates before DDB.

The issue of liberalized depreciation has been extensively argued before the Commission in other proceedings now submitted to it for decision. In order to avoid conflict with any general policy that might be established, we will not adopt first year's accelerated depreciation nor "asset depreciation range" for the purposes of this decision but will use straight-line depreciation. We have used the staff's estimate of straight-line depreciation expense.

We find income taxes, reflecting deduction of interest expense, will be as set forth in the summaries of earnings.

Rate Base

The following table compares the applicants' and the staff's 1973 estimated rate bases:

Rate Bases
(1973 Estimated)

	Average Utility:				Depreciation :				Average Depre- :	
	Plant		Working Cash		Reserve		Contributions		ciated Rate Base :	
	Appli-		Appli-		Appli-		Appli-		Appli-	
Service Area	cants	Staff	cants	Staff	cants	Staff	cants	Staff	cants	Staff
(Dollars in Thousands)										
Kern Island-Consolidated	2470.6	2452.2	61.4	58.0	625.1	603.8	279.5	282.1	1627.4	1624.5
Kern River	1271.9	1274.1	9.2	7.0	530.3	529.2	506.4	506.4	244.4	245.5
Total Canal System	3742.5	3726.3	70.6	65.0	1155.4	1133.0	785.9	788.5	1871.8	1870.0

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The difference between applicants and the staff in utility plant is due to staff's use of recorded data for capital additions during 1972 while applicants used an estimate, and due to staff's addition of \$9,489 legal expense to 1971 Utility Plant distributed to all service areas.

Working Cash estimates differ because of previous differences in operating expenses. Both applicants and the staff based the estimate for working cash on two months' average operating expenses excluding taxes and depreciation.

The differences between applicants' and staff's estimate for contributions is due to applicants trending contributions from 1971 while the staff trended from 1972 recorded contributions.

The net differences are minor. We find that the staff's estimated rate bases are reasonable and they will be used for the purposes of this decision.

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Summaries of Earnings

On the record we find that applicants' results of operations for the year 1973 at present and proposed rates will be as follows:

Item	Kern Island		Kern River		Total Canal	
	Consolidated				System	
	Present	Proposed	Present	Proposed	Present	Proposed
	Rates	Rates	Rates	Rates	Rates	Rates
(Dollars in Thousands)						
Oper. Revenues	\$458.1	\$698.2	\$ 61.1	\$108.0	\$519.2	\$806.2
<u>Oper. Expenses</u>						
Oper. & Maint.	313.6	313.6	29.9	29.9	343.5	343.5
Admin. & Gen.	44.1	44.1	12.6	12.6	56.7	56.7
Reg. Comm. Exp.	6.7	6.7	0.9	0.9	7.6	7.6
Depreciation	30.6	30.6	5.9	5.9	36.5	36.5
Taxes Other Than Income	45.9	45.9	10.5	10.5	56.4	56.4
Income Taxes	(28.5)	97.9	(4.7)	20.0	(33.2)	117.9
Total Oper. Expenses	\$412.4	\$538.8	\$ 55.1	\$ 79.8	\$467.5	\$618.6
Net Oper. Revenue	\$ 45.7	\$159.4	\$ 6.0	\$ 28.2	\$ 51.7	\$187.6
Average Rate Base	\$1624.4	\$1624.4	\$245.5	\$245.5	\$1870.0	\$1870.0
Rate of Return	2.8%	9.8%	2.4%	11.5%	2.8%	10.0%

Red Figure

Rate of Return

Applicants are entitled to a reasonable rate of return to meet fixed charges of all senior securities and yield a fair return on common equity. Applicants' capital structure contains a large component of interest-free debt obtained from affiliates; the equity capital of Kern River is a deficit. For the purpose of determining a rate of return, the staff used the parent

company's (Tenneco, Inc.) capital structure and imbedded costs of capital. The following tabulation presents the capital ratios, the cost factors, and the weighted cost of capital based on the staff recommended rate of return of 7.60 percent:

<u>Components</u>	<u>Capital Ratios</u>	<u>Cost Factors</u>	<u>Weighted Total</u>
Debt	54.52%	6.97%	3.80%
Preferred Stock	17.52	5.26	0.92
Common Stock Equity	<u>27.96</u>	10.30	<u>2.88</u>
	100.00%		7.60%

In arriving at the recommended rate of return, the staff compared rates of return authorized for water utilities by this Commission since the beginning of 1972. In addition, it took the following factors into consideration:

- a. Applicants are an integral part of a giant corporate structure owned by Tenneco, Inc.
- b. Government efforts to control inflation.
- c. Possibility of strong elasticity of demand through nonaffiliated customers switching to use of their own wells.

After considering the various factors, the staff concluded that a 7.60 percent rate of return is reasonable for Kern Island and Kern River. This return would provide an earnings allowance of 10.30 percent on common stock equity, based upon the capital structure and related costs of Tenneco, Inc.

Applicants state that the use of a single test year precludes the consideration of the effects of slippage in the determination of a reasonable rate of return. The staff agreed. We find that a .3 percent per year allowance for slippage in the return is reasonable. We will authorize rates designed to produce

a rate of return of 7.9 percent during the test year 1973 and which, over a period of three years, should produce an average rate of return of 7.6 percent and a return on common stock equity of approximately 10.30 percent based on the capital structure of Tenneco, Inc. The requested rates will be authorized for East Side, Farmers, and Stine tariff areas. The authorized rates are set out in Appendix A. Based on the adopted rates applicants' summary of earnings is:

Summary of Earnings

Item	Adopted Rates		
	Kern Island : Consolidated	Kern : River	Total Canal Company
(Dollars in Thousands)			
Operating Revenues	\$ 632.7	\$ 89.4	\$ 722.1
Operating Expenses			
Oper. & Maint. Expense	313.6	29.9	343.5
Admin. & Gen. Expense	44.1	12.6	56.7
Regulatory Commission Exp.	6.7	0.9	7.6
Depreciation Expense	30.6	5.9	36.5
Taxes Other Than Income	45.9	10.5	56.4
Income Taxes	63.4	10.2	73.6
Total Operating Expenses	\$ 504.3	\$ 70.0	\$ 574.3
Net Operating Revenues	\$ 128.4	\$ 19.4	\$ 147.8
Average Rate Base	\$1,624.4	\$245.5	\$1,870.0
Rate of Return	7.9%	7.9%	7.9%

Findings

1. During the test year applicants' revenues will be \$519,200 at present rates and \$806,200 at its proposed rates.
2. For the test year 1973 applicants' operating and maintenance expenses, including administrative and general expenses and regulatory Commission expenses, will be \$407,800.
3. For the test year 1973 applicants' nonincome taxes will be \$56,400.
4. For the test year 1973 applicants' depreciation expense will be \$36,500.
5. For the test year 1973 applicants' income taxes will be a negative figure of \$33,200 at present rates and \$117,900 at proposed rates.
6. For the test year 1973 applicants' rate base will be \$1,870,000.
7. Using the foregoing adopted figures, applicants' test year net revenue will be \$51,700 at present rates and \$187,600 at proposed rates.
8. Using the adopted figures applicants' 1973 rate of return at present rates will be 2.8 percent at present rates and 10 percent at proposed rates, which is excessive.
9. Applicants are in need of rate relief.
10. A rate of return of 7.6 percent is reasonable and applicants should be permitted to file rates and charges which will give it an average of such a rate of return over the next three years. Rates and charges during the test year 1973, which will give applicants a return of 7.9 percent, should provide such a return. It is estimated that the 7.6 percent rate of return will provide applicant with a return on common equity of 10.30 percent based on the capital structure of Tenneco, Inc.

11. We find that the increases in rates and charges authorized by this decision are justified and are reasonable; and that the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

Conclusion

Based on the foregoing findings, the Commission concludes that the applications should be granted in part and denied in part and that applicants should be authorized to file schedules of rates in accordance with Appendix A (Kern River) and Appendix B (Kern Island) attached hereto.

O R D E R

IT IS ORDERED that after the effective date of this order, applicants, Kern River Canal and Irrigating Company and Kern Island Water Company, are authorized to file the revised rate schedules attached to this order as Appendices A and B. Such filings shall comply with General Order No. 96-A. The effective date of the revised schedules shall be five days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date of the revised schedules.

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

Dated at San Francisco, California, this 28th day of AUGUST, 1973.

Vernon L. Sturgeon
President
William Lyness

[Signature]
Commissioners

I abstain

J. B. Baker Jr., Commissioner

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 3

Schedule No. 3M

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

The area served by the utility's canal system northwest of, and in the vicinity of, the City of Bakersfield, Kern County.

RATE

Per Acre-Foot

For all water delivered	\$5.10	(I)
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SPECIAL CONDITIONS

1. Applications for water service under this schedule shall be made in accordance with the effective rules on file as part of these tariff schedules.
2. The minimum charge for delivery of water shall be for the delivery of two acre-feet per day.

Schedule No. 9C

CONSTRUCTION AND OTHER TEMPORARY SERVICE

APPLICABILITY

Applicable to all water service, other than measured irrigation service.

TERRITORY

The area served by the utility's canal system northwest of, and in the vicinity of, the City of Bakersfield, Kern County.

RATE

Per Day

For any service under this schedule \$16.00 (I)

SPECIAL CONDITIONS

1. Service under this schedule will be furnished only upon application made at least 48 hours in advance. Deliveries will be made in such quantities as may be available at the desired location.

2. Water supplied under this schedule will be untreated water from open canals, ditches, and conduits. The utility does not represent any water delivered hereunder to be potable nor of a quality suitable for human consumption. Any customer who uses said water or makes it available to others for human consumption shall take all necessary precautions to make it potable and shall assume all risks and liabilities in connection therewith.

APPENDIX A
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Schedule No. 9Y

WATER TRANSPORTATION SERVICE

APPLICABILITY

Applicable to the service of transporting water through the utility's canal system for other public utilities, governmental agencies, or private interests, other than by a duly authorized contract.

TERRITORY

The area served by the utility's canal system northwest of, and in the vicinity of, the City of Bakersfield, Kern County.

RATE

Per Acre-Foot
Per Mile

For all water belonging to others transported as an accommodation, measured at point of delivery	\$0.15	(I)
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SPECIAL CONDITIONS

1. The distance that water is transported shall be measured along the utility's canal from the point of diversion of customer's water into the utility's canal to the point at which such water is delivered from its canal by the utility.
2. The utility will do everything reasonable to minimize transmission losses but it shall not be held liable for such losses in any manner.

APPENDIX B
Page 1 of 3

Schedule No. 3M

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

The areas served by the utility's canal system southeast, south, and southwest of the City of Bakersfield, Kern County.

RATES

Per Acre-Foot

For irrigation water delivered in the Kern Island Canal tariff service area	\$4.50	(I)
For irrigation water delivered in the East Side service area	7.85	
For irrigation water delivered in the Buena Vista service area	4.85	
For irrigation water delivered in the Farmers service area	7.85	
For irrigation water delivered in the Stine service area	7.85	(I)

SPECIAL CONDITIONS

1. Applications for water service under this schedule shall be made in accordance with the effective rules on file as part of these tariff schedules.
2. The minimum charge for delivery of water shall be for the delivery of two acre-feet per day.

Schedule No. 9C

CONSTRUCTION AND OTHER TEMPORARY SERVICE

APPLICABILITY

Applicable to all water service, other than measured irrigation service.

TERRITORY

The area served by the utility's canal system southeast, south, and southwest of the City of Bakersfield, Kern County.

RATE

Per Day

For any service under this schedule \$16.00 (I)

SPECIAL CONDITIONS

1. Service under this schedule will be furnished upon application made at least 48 hours in advance. Deliveries will be made in such quantities as may be available at the desired location.

2. Water supplied under this schedule will be untreated water from open canals, ditches, and conduits. The utility does not represent any water delivered hereunder to be potable nor of a quality suitable for human consumption. Any customer who uses said water or makes it available to others for human consumption shall take all necessary precautions to make it potable and shall assume all risks and liabilities in connection therewith.

APPENDIX B
Page 3 of 3

Schedule No. 9Y

WATER TRANSPORTATION SERVICE

APPLICABILITY

Applicable to the service of transporting water through the utility's canal system for other public utilities, governmental agencies, or private interests, other than by a duly authorized contract.

TERRITORY

The area served by the utility's canal system southeast, south, and southwest of the City of Bakersfield, Kern County.

RATE

Per Acre-Foot
Per Mile

For all water belonging to others transported as an accommodation, measured at point of delivery	\$0.15	(I)
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SPECIAL CONDITIONS

1. The distance that water is transported shall be measured along the utility's canal from the point of diversion of customer's water into the utility's canal to the point at which such water is delivered from its canal by the utility.
2. The utility will do everything reasonable to minimize transmission losses but it shall not be held liable for such losses in any manner.