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ORIGINAL

Decision No. 82612

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of VANDENBERG UTILITIES COMPANY, a California corporation, for authorization to increase its rates charged for water service and for authority to issue evidence of indebtedness (Promissory Note).	Application No. 53609 (Filed September 26, 1972; amended October 3, 1972)

Chris S. Rellas, Attorney at Law, and Cass Strelinski, for Vandenberg Utilities Company, applicant.
Charles E. Johnson, for himself, protestant.
Andrew Tokmakoff and Ichiro Nagao, for the Commission staff.

OPINION

PRELIMINARY AND DESCRIPTIVE MATTERS

Background

Vandenberg Utilities Company (Vandenberg) is seeking authority to increase its rates for water service in two steps. The first step rates would, in the opinion of the Commission staff, produce an additional $64,000 in gross revenues, an increase of 34 percent. The second step would produce an additional $67,000, a further increase of 36 percent. The first step would become effective as soon as possible, and the second after proposed water treatment plants were placed in service. The proposed increases are the first to be requested by Vandenberg since it commenced service in 1960.

The application states that Vandenberg also is seeking permission to issue a promissory note for an amount not to exceed $385,000. This request was withdrawn at the hearing because of Vandenberg's impending merger with Park Water Company.

On October 3, 1972, Vandenberg amended its application to supply additional factual data.

Hearings

The staff's report on the results of operation of Vandenberg was issued on August 14, 1973 and public hearings were held before Examiner Boneysteele at Vandenberg Village on August 28 and 29, 1973. Transcripts were filed September 25 and 26, 1973.

Service Area and Water System

Vandenberg's service area consists of Vandenberg Village, an unincorporated community in Santa Barbara County, located approximately three miles north of the city of Lompoc. The service area is principally residential in character, and covers approximately 1,500 acres. As of December 31, 1972, there were approximately 1,465 active service connections, all of which were metered.

Water supply for the system is provided from three wells, two of which are located near the southern edge of the service area, and the third in the northern half of the service area. A 500,000-gallon storage tank is installed at each well site, together with booster pumps as required to deliver the water throughout the system. An additional small booster pump has been installed near the northeast corner of the system to provide pressure for this portion of the service area.

Water is pumped from the wells into ground level storage tanks and then pumped into the system from these tanks by booster pumps. The system is operated as three separate subsystems with water from Well No. 1 serving the southwest portion of the service area, Well No. 3 serving the northwest portion, and Well No. 2 serving the northeast portion. Manually operated valves between the booster discharge lines at Wells No. 1 and 3 and a check valve at Well No. 2 allow the system to be served by any two of the three wells in the event that one of the wells has to be shut down.

At the present time, water treatment consists of chlorination to prevent bacteria growth. While the water so treated is safe for human consumption and has been approved by the State Department of Health, the water contains excessive amounts of iron, manganese, and hydrogen sulfide. To improve the quality of the water, Vandenberg is considering the installation of greensand filtration plants to filter all water being supplied.

Associated Companies

Vandenberg Disposal Company: The Vandenberg Disposal Company is a privately owned sewer company under the Commission's jurisdiction which serves the same service area and is controlled by the same Board of Directors as Vandenberg Utilities Company. Accounting, billing, collecting, and operation of the Disposal Company are performed by the same personnel using the same facilities as for the Vandenberg Utilities Company. Labor costs are assigned to either the disposal company or the water company on the basis of time card records, and the costs of purchased items are assigned to the company for which items were purchased. Common costs are allocated between the disposal company and water company in proportion to use made of the facilities.

Park Water Company: Henry H. Wheeler, Jr., president of Vandenberg Utilities Company, is also president of Park Water Company (Park) which operates in Los Angeles and San Bernardino Counties under the jurisdiction of the Commission. Operations of the two water companies have been completely separate, with the exception that, from time to time, material and supplies were purchased from each other.

Henry H. Wheeler, Jr., is the majority stockholder of all three companies. The stock ownership of the three affiliates is shown in the following table:

Item	Shares Outstanding	Percentage of Ownership
Vandenberg Utilities Company		
Henry H. Wheeler, Jr.	497½	83.61%
George A. Bjorklund	97½	16.39
Total	595	100.00%
Vandenberg Disposal Company		
Henry H. Wheeler, Jr.	500	83.33%
George A. Bjorklund	100	16.67
Total	600	100.00%
Park Water Company		
Henry H. Wheeler, Jr.	16,983	62.50%
Title Ins. & Trust Co. (Under will of Helen Mae Wheeler)	10,190	37.50
Total	27,173	100.00%

By Decision No. 81891 dated September 14, 1973 in Application No. 54231, Vandenberg Utilities Company and Vandenberg Disposal Company were authorized to merge into Park Water Company and Park was authorized to issue a promissory note of an amount not exceeding $1,300,000. Park was directed, not less than five days before the date of actual merger, to file a notice of adoption of the tariff schedules then in effect for Vandenberg Utilities Company and Vandenberg Disposal Company. The effective date of the notice of adoption is to be concurrent with the date of actual date of merger. The notice of adoption has not been filed and it can be presumed that Park and Vandenberg are awaiting the outcome of this rate case so that Park could receive the benefit of any increase that might be granted.

At the request of the staff, Application No. 54231 and the file associated with that proceeding were incorporated into the record of this application by reference.

SERVICE AND WATER QUALITY

Records of the Commission indicate that, from January 1, 1970 to June 30, 1973, only two informal complaints had been filed with the Commission. Both complaints were about high bills. The staff checked Vandenberg's file and found additional complaints to the utility dealing with odor, iron, and manganese, and low pressure.

Of the seven public witnesses who testified, four had complaints about water quality. They seemed more concerned with hardness than with iron, manganese, and hydrogen sulfide. There was much opposition to, and no positive support for, the proposed filter plants.

The District Engineer of the Water Sanitation Section of the State Department of Health, Albert L. Ellsworth, confirmed that the water purveyed by Vandenberg met the mandatory standards of the Department of Health, but he also said that it did not meet the department's customer acceptance limits, which limits are commonly referred to as aesthetic standards.1/ He said that Vandenberg has cooperated with the Department of Health to the extent they could physically, but now the department has officially requested and recommended that Vandenberg install equipment to remove iron and manganese, but not hardness. The department has not, however, ordered that such filter plants be installed.

1/ The witness quoted what he said was Section 7020 of the Health and Safety Code. This code section deals with "Cemetery business; cemetery businesses; cemetery purposes." Apparently, the quote was actually from Title 17, California Administrative Code, Section 7020, Customer Acceptance Limits.

RATES

Vandenberg's present rates for metered service are minimum charge type rates with quantity rates being the same for all meter sizes. Quantity rates presently in effect have been essentially unchanged since original rate filings were made in 1960 for General Metered Service and in 1963 for Limited Metered Irrigation Service.

As mentioned previously, Vandenberg proposed in the application that rates for Schedule No. 1, General Metered Service be increased in two steps, the second step to become effective when greensand filtration plants were placed in service to remove iron and manganese.

At the hearing Vandenberg modified its request by proposing that a survey be taken to discover whether the customers prefer to pay higher rates in order to cover the costs and return associated with the plants.

Vandenberg proposed that the structure of the rates be changed as follows:

1. Rates for Schedule No. 1, General Metered Service would be changed from minimum charge type rates to a service charge type, and the overall level of rates would be increased.
2. Rates would be increased for Schedule No. 3ML, Limited Metered Irrigation Service.
3. No changes would be made to Schedule No. 4, Private Fire Hydrant Service, Schedule No. 4F, Non-metered Fire Sprinkler Service, Schedule No. 5, Public Fire Hydrant Service, and Schedule No. 9CM, Construction and Other Temporary Metered Service.
4. Schedule No. 9CF, Construction and Other Flat Rate Service would be cancelled and eliminated. Vandenberg states that it has the capability of metering all construction and other temporary service and has not provided service under this schedule for the past several years.

The staff, while not agreeing to the overall level of rates proposed by Vandenberg, did not object to the service charge type structure proposed for the first step rates. It disagreed with Vandenberg over the structure of the proposed second step rates.

Vandenberg Village Development Company (Development Company), a subsidiary of Utah Construction and Mining Company, presented a letter protesting the increase proposed for Schedule No. 3ML, Limited Irrigation Service. The representative of the Development Company did not wish to testify so the examiner read the letter into the record as a statement.

REVENUE REQUIREMENT

Overall Estimated Results

Vandenberg's operational results and financial requirements have been analyzed by Vandenberg's witness, Daniel M. Conway of Brown and Caldwell, consulting engineers, and also by Raymond Charvez, Public Utility Financial Examiner, and David Brown, Assistant Utilities Engineer, of the Commission staff.

The differences between Vandenberg and staff analyses are shown in the following table:

RESULTS OF OPERATIONS AT PRESENT RATES

Item	Vandenberg	Staff	Difference	Effect on Rate of Return
	1972 Estimated			
Operating Revenues	$184,890	$184,900	(10)	-
Operating Expenses	169,450	156,100	$13,350	(2.72)%
Taxes Based on Income	300	3,800	(3,500)	0.71
Net Revenue	15,140	25,000	(9,860)	(2.01)
Rate Base	490,190	467,000	23,190	(0.25)
Realized Rate of Return	3.09%	5.35%	(2.26)%	(2.26)%
	1973 Estimated			
Operating Revenues	$191,710	$191,100	$ 610	0.12%
Operating Expenses	178,130	159,800	18,330	(3.75)
Taxes Based on Income	120	4,600	(4,480)	0.92
Net Revenue	13,460	26,700	(13,240)	(2.71)
Rate Base	489,180	465,000	24,180	(0.28)
Realized Rate of Return	2.75%	5.74%	(2.99)%	(2.99)%

(Red Figure)

It can be seen from comparing the realized rates of return that Vandenberg predicts that the rate of return will decline by 0.34 percent between the two test years. The staff analysis, on the other hand, indicates that the rate of return is improving by 0.39 percent between the two test years. The divergence between the two trends in rate of return amounts to almost 3/4 of a percent.

Revenue estimates are not an issue. At the hearing, Vandenberg's witness, Mr. Conway, conceded that he had made an error in estimating 1973 revenues and concurred with the $191,100 forecast by the staff.

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Trends of expenses, and comparison expense estimates, are shown in the following two tables:

TREND OF EXPENSE ESTIMATES AT PRESENT RATES
YEARS 1972 AND 1973 ESTIMATED

	Vandenberg			Staff		
Expense Item	1972 Estimated	1973 Estimated	Ratio 1973 to 1972	1972 Estimated	1973 Estimated	Ratio 1973 to 1972
Payroll	$37,100	$39,000	105.1%	$33,800	$33,800	100.00%
Power	36,910	38,100	103.2	39,470	40,740	103.2
Regulatory	5,000	5,000	100.0	3,000	3,000	100.0
Administrative Expense Transf. to Plant	-	-	-	(2,700)	(2,800)	103.7
Other Operating Expense	43,870	45,950	104.7	35,630	36,260	101.8
Taxes Other than on Income	19,480	21,490	110.3	19,100	19,300	101.0
Depreciation	27,090	28,590	105.5	27,800	29,500	106.1
Total Expenses	$169,450	$178,130	105.1%	$156,100	$159,800	102.4%

(Red Figure)

COMPARISON OF EXPENSE ESTIMATES AT PRESENT RATES

Expense Item	Vandenberg	Staff	Difference	Effect on Rate of Return
	1972 Estimated			
Payroll	$37,100	$33,800	$3,300	(0.67)%
Power	36,910	39,470	(2,560)	0.52
Regulatory	5,000	3,000	2,000	(0.41)
Administrative Expense Transferred to Plant	-	(2,700)	2,700	(0.55)
Other Operating Expense	43,870	35,630	8,240	(1.68)
Taxes Other Than Income	19,480	19,100	380	(0.08)
Depreciation	27,090	27,800	(710)	0.15
Total Expenses	$169,450	$156,100	$13,350	(2.72)%
	1973 Estimated			
Payroll	$39,000	$33,800	$5,200	(1.06)%
Power	38,100	40,740	(2,640)	0.54
Regulatory	5,000	3,000	2,000	(0.41)
Administrative Expense Transferred to Plant	-	(2,800)	2,800	(0.57)
Other Operating Expense	45,950	36,260	9,690	(1.98)
Taxes Other Than Income	21,490	19,300	2,190	(0.45)
Depreciation	28,590	29,500	(910)	.18
Total Expenses	$178,130	$159,800	$18,330	(3.75)%

(Red Figure)

From the trend table it can be seen that Vandenberg predicted a 5.1 percent increase in expenses, whereas the staff only predicted 2.4 percent.

Part of the apparent difference is caused by the fact that the staff "rolled back" wage rates and electric power rates so that results for 1972 reflected 1973 conditions. The staff recommended in Exhibit 4, that "no consideration be given to trend in rate of return in this proceeding." The staff engineer conceded, in questioning by the examiner, that an upward trend in rate of return most likely would not actually occur.

The staff engineer's (Mr. Brown's) estimates were based on later information than Vandenberg's, and also the staff was able to correct several errors that they discovered in Vandenberg's figures. The staff amortized regulatory expense over five years, instead of three years as used by the utility. The staff also transferred $2,700 of expense to plant as capitalized overhead.

The staff's payroll estimate was derived mathematically as a "backout number", and did not give consideration to the actual number of employees required and their wage rates.

The staff's estimate of rate base was based on actual plant installed by Vandenberg in 1972 and on the 1973 budgeted amounts.

None of the staff engineers' results were challenged by Vandenberg except for the estimate for payroll expense. Vandenberg's attorney suggested that the staff's estimate would require the elimination of one and a half positions. The staff engineer, while not agreeing that payroll reductions would require the elimination of employees, did not specify exactly how his projected payroll savings could be realized.

The staff's showing, except for the effects of its payroll adjustment, appears reasonable and will be adopted. For payroll, we will adopt Vandenberg's estimate of $39,000, and modify income and payroll taxes accordingly.

Adopted operating expenses for the estimated year 1973, without consideration of costs associated with the filter plants, are as follows:

Payroll	$39,000
Power	43,290
Regulatory	3,000
Adm. Exp. Transf.	(2,800)
Other Operating Exp.	36,260
Taxes Other than Income	19,310
Depreciation	29,500
Total	$167,560

(Red Figure)

Adopted results of operations, with taxes based on income reflecting the adopted expenses, are:

Operating Revenues	$191,100
Operating Expenses	167,560
Taxes Based on Income	2,360
Net Revenue	21,180
Rate Base	465,000
Realized Rate of Return	4.55%

Because of the virtual total lack of support by the public for expanded treatment facilities, we will not go through the apparently futile process of considering the effects on results of operations of including the plant required for additional treatment.

<u>Rate of Return</u>

Vandenberg's witness, in his report, Exhibit 1, determined his recommended rate of return to be applied to rate base by assuming the addition of $350,000 of long term debt at 9 percent to its December 31, 1971 capital structure. Choosing a 12 percent return on equity as reasonable, and Vandenberg's December 31, 1971 capital ratios, he determined a 10.72 percent rate of return as follows:

Equity cost	0.5906 x 12.00%	=	7.09%
Embedded debt cost	.0141 x 5.25	=	0.07
New debt cost	.3953 x 9.00	=	3.56
			10.72%

The Vandenberg witness explained that the figure of 12 percent return on equity was chosen as being in general agreement with a debt interest cost of 9 percent when considering the greater risk inherent in the equity investment. Another major consideration in choosing a return on equity of 12 percent was the return required to support the 9 percent loan, both in terms of the risk being taken by the lender, and in terms of the cash flow required to amortize the loan. The witness also testified that, in his opinion, a reasonable rate of return considering today's money market would be in the 11½ percent to 11-3/4 percent range.

The staff's financial witness (Mr. Charvez) in the staff report, Exhibit 4, recommended an 8.4 percent return on the staff rate base of $465,000 for 1973 estimated, excluding the proposed filter plant. He said that this would yield 8.5 percent on common equity. In arriving at this rate of return he considered capital structure, recently authorized rates of return for California water utilities, quality of service, and refund obligations due on advances for construction.

At the conclusion of the hearing Exhibit 3 was received into evidence. This exhibit, prepared by Cass Strelinski, Treasurer of Park, indicated a pro forma composite cost of debt for Park of 9.41 percent as of December 31, 1973.

In considering rate of return we must remember that rates are made for the future, and unless unforeseen events intervene Vandenberg will, in the near future, become a part of the Park Water combine. Attraction of capital will be to Park, not Vandenberg. Fortunately, because of the staff's initiative in obtaining the inclusion of Application No. 54231, by reference, into this record, we have the Park combine's pro forma capital structure as of June 30, 1973 before us, as:

Common Equity	$5,536,941
Long Term Debt	3,131,733
	$8,668,674

From the exhibits attached to Application No. 54231, and Exhibits 1 and 3 in this proceeding, we can reconstruct the June 30, 1973 cost of debt as follows:

Park Water Bonds due 5/1/90	$2,910,000	@ 9.83%
Park Water Note due 12/12/79	210,000	@ 8.00%
Vandenberg Mortgage due 1975	11,773	@ 5.25%
	$3,131,773	

By Decision No. 81891 dated September 14, 1973 in Application No. 54231, Park was authorized to issue a note in a principal amount not exceeding $1,300,000 at 8½ percent, with a maturity of 25 years and a 3 percent sinking fund. This note would bring the pro forma composite cost of debt of the Park Water combine to 9.41 percent, the same cost of debt as derived in Exhibit 3.

Considering the issuance of the authorized $1,300,000 note, the Park combine's pro forma capital structure as of June 30, 1973 would have been:

Common Equity	$5,536,941	55.5%
Long Term Debt	4,431,773	44.5
Total	$9,968,714	100.0%

Vandenberg's principal witness, Mr. Conway, presented, as Exhibit 2, a study of the optimum capital structure for the lowest overall cost of money, including income tax. He concluded that, under his assumptions, the lowest cost of money, including the income tax effect, would be 13.50 percent, at a debt to equity ratio of 60 percent to 40 percent. At this ratio, the rate on debt would be 9.5 percent and the return on equity would be 13 percent.

If we were to accept the pro forma cost of debt of 9.41 percent, and apply the requested 12.0 percent cost of equity to the capital ratios derived above, we would obtain an overall cost of capital of 10.9 percent, as compared to the 10.72 percent proposed by Vandenberg.

We will adopt as reasonable the combined capital structure and the related 9.41 percent cost applicable to the debt of the merged companies. We view a 12 percent return on common equity as excessive in this instance, particularly in light of the strong common equity position, which will constitute approximately 56 percent of total capital after the merger. But we cannot accept as reasonable the 8.5 percent earnings allowance for common equity urged by the staff for Vandenberg on a pre-merger basis.

After considering the matter, we find that a rate of return of 9.5 percent applied to the adopted rate base will produce a return of 9.57 percent on common equity. Such returns are reasonable for the future.

ADOPTED RESULTS

Based on the above, we will find that Vandenberg is entitled to an increase in gross revenues of $32,040, or 16.8 percent, for the year 1973 estimated, instead of the $64,800 that, according to the staff, the proposed rates would yield. The adopted results are summarized in the following tabulation:

SUMMARY OF EARNINGS
TEST YEAR 1973
AT ADOPTED RATES

Operating Revenues	$223,140
Operating Expenses	167,560
Taxes Based on Income	11,410
Net Revenue	44,170
Rate Base	465,000
Realized Rate of Return	9.50%

We will adopt the service charge type rates as reasonably representing the cost to serve. In considering the protest of the Development Company, we see no reason why irrigation service should not also bear its proper share of the cost of the utility service.

In view of the marked lack of support for additional treatment facilities supported by higher rates, we will not authorize step two rates. Should Vandenberg wish, as a result of a customer survey that it proposed at the hearing, to proceed with the construction of such plant, it may file a supplemental application in this proceeding.

In the absence of additional treatment facilities we will expect Vandenberg to strive diligently to provide the best service possible, under the circumstances, and to pay particular attention to the problems of hydrogen sulfide and odor.

OTHER STAFF RECOMMENDATIONS

The staff, in addition to other recommendations already discussed, suggests that Vandenberg be ordered to refund $238,500 in accrued unpaid refunds due on advances for construction. The staff did not, in its direct showing, suggest where the cash to make these refunds was to come from, especially at the staff's recommended rate of return of 8.4 percent, nor did the staff adjust rate base to reflect the effect of making these refunds. Since advances for construction are a rate base deduction, the refund of $238,500 would increase rate base by a corresponding amount, and increase revenue requirement proportionally.

The staff also recommended that Vandenberg be ordered to use the straight-line remaining life depreciation rates used in Vandenberg's results of operations report, Exhibit 1, amended to reflect staff adjustments.

A third staff recommendation was that Vandenberg be ordered to make accounting adjustments, as proposed by the staff, to Vandenberg's books of account.

In the absence of a more definitive showing by the staff, we will not order the recommended refunds. Vandenberg's creditors are undoubtedly aware of the remedies that they may invoke to enforce their rights and evidently they have not felt it desirable to do so. We also will not order the changes in depreciation rates. The staff, through the periodic reviews inherent in the remaining life depreciation process, can certainly secure any needed revisions without assistance of a formal order.

The staff recommendation concerning accounting adjustments has merit. The staff has discovered unrecorded retirements and errors of allocation. These should be corrected and we will so order.

Findings and Conclusion

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

2. The estimates of revenues, expenses, taxes, and rate base adopted herein for the test year 1973 reasonably indicate the results of Vandenberg's operations for the future.

3. A return on that portion of common equity applicable to utility operations of 9.57 percent and a 9.5 percent rate of return on the adopted rate base are reasonable.

4. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

5. The increase in gross revenues is $32,040.

6. Schedule No. 9CF, Construction and Other Flat Rate Service, should be cancelled.

7. Vandenberg should revise its books of account to reflect the staff adjustments shown in Tables II-A and II-B of Exhibit 4.

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

ORDER

IT IS ORDERED that:

1. After the effective date of this order, Vandenberg Utilities Company is authorized to file the revised rate schedules and rules attached to this order as Appendix A, and concurrently to withdraw and cancel presently effective Schedule No. 1, General Metered Service, Schedule No. 3ML, Limited Metered Irrigation Service, and Schedule No. 9CF, Construction and Other Temporary Flat Rate Service. Such filing shall comply with General Order No. 96-A. The effective date of the revised rules and rate schedules shall be four days after the date of filing. The revised rules and rate schedules shall apply only to service rendered on and after the effective date thereof.

2. Vandenberg Utilities Company shall make appropriate entries to its books of account to reflect the adjustments recommended by the staff in Tables II-A and II-B of Exhibit 4, and shall, within

thirty days after the effective date of this order, file with the Commission a copy of each journal entry used to record the adjustment.

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

Dated at San Francisco, California, this 19th day of MARCH, 1974.

President

Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to general metered water service. (T)

TERRITORY

Vandenberg Village and vicinity, three miles north of Lompoc, Santa Barbara County. (T) (T)

RATES

	Per Meter Per Month	
Service Charge:		
For 5/8 x 3/4-inch meter	$ 3.00	(C)
For 3/4-inch meter	3.30	
For 1-inch meter	4.50	
For 1½-inch meter	6.00	
For 2-inch meter	8.00	
For 3-inch meter	15.00	
For 4-inch meter	20.00	
For 6-inch meter	34.00	
For 8-inch meter	50.00	(C)
For 10-inch meter	62.00	(N)
Quantity Rates:		
First 2,500 cu.ft., per 100 cu.ft.	$0.270	(I)
Over 2,500 cu.ft., per 100 cu.ft.	0.204	(C)

The Service Charge is applicable to all general metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

Schedule No. 3ML

LIMITED METERED IRRIGATION SERVICE

APPLICABILITY

Applicable to measured irrigation service. (T)

TERRITORY

Vandenberg Village Country Club Golf Course. (T)

RATES

	Per Meter Per Month	
Quantity Rate:		
For all water delivered, per 100 cu.ft.	$0.15	(I)
Minimum Charge:		
For all meter sizes	$100.00	

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

SPECIAL CONDITIONS

1. Service under this schedule is limited to water for irrigation of Vandenberg Village Country Club Golf Course.

2. All water taken under this schedule will be taken between the hours of 8 P.M. and 7 A.M. the following day unless authorized for other periods of time by the Vandenberg Village Division Service Manager. (N)

3. Service under this schedule will be subject to interruption or a reduced delivery rate whenever the utility determines that it will interfere with service to other customers. (T)