

ORIGINAL

Decision No. 90495 JUL 3 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of the CALIFORNIA CITIES WATER)
COMPANY for an order authorizing)
an increase in water rates in its)
Clearlake District.)

Application No. 57969
(Filed March 31, 1978)

O'Melveny & Myers, Attorneys at Law, by Guido R. Henry, Attorney at Law, for applicant.
Peter Fairchild, Attorney at Law, and Arthur Mangold, for the Commission staff.

O P I N I O N

By this application California Cities Water Company (applicant), a wholly owned subsidiary of Southern California Water Company (SCWC),^{1/} seeks authority to increase water rates in its Clearlake District by \$120,600 and requests a 10.38 percent rate of return on adopted rate base. Applicant estimates that its proposed rates would yield an average 15 percent return on common equity for the three-year period 1979 through 1981.

SCWC is a California corporation rendering water service in the counties of Contra Costa, Imperial, Lake, Los Angeles, Orange, Sacramento, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura and electric service in the vicinity of Big Bear Lake in San Bernardino County.

^{1/} All of applicant's stock was acquired by SCWC on April 14, 1976 pursuant to authorization granted by Decision No. 85622 dated March 23, 1976 in Application No. 56311.

Applicant's Clearlake District serves unincorporated portions of Lake County near the community of Clearlake Highlands. The area is primarily residential with small industrial and commercial areas. As of December 31, 1977, Clearlake was providing water service to 1,743 customers. Of the customers served, over 99 percent were in applicant's commercial classification.^{2/} All service except fire protection is metered.

The service area for the Clearlake District includes two independently developed but interconnected systems: Clearlake and Parkwood. The operation of both systems has been merged. The source of supply consists of two intakes which draw water from Clear Lake into filtration plants. As of December 31, 1977 there were 171,305 feet of distribution mains ranging in size up to 10 inches in diameter with storage facilities, booster pumps, and purification equipment.

After due notice, hearings in this matter were held before Administrative Law Judge Banks in Clear Lake on December 20, 1978 at which time the matter was submitted.

Testimony^{3/} was presented on behalf of applicant by its operations vice president, its manager of the rate and valuation department, a rate analyst in the rate and valuation department, and its executive vice president. The Commission staff presentation was made through a senior utility engineer and an assistant utility engineer from the Operations Division.

2/ Applicant's commercial classification consists of both residential and business customers.

3/ Testimony and exhibits relating to the allocation of general office expense, rate base, cost of money, and capitalization ratios for SCWC's operations were presented by witnesses for SCWC in Application No. 57970 for its Los Osos District. These exhibits, together with related testimony and cross-examination thereof, were included in this record by reference as Exhibits 8, 9, 10, and 11, respectively. Staff testimony and exhibits on these subjects were also presented in Application No. 57970 and were incorporated in this record as Exhibits 16 and 17.

The base rates currently in effect were set by Decision No. 82650 ✓ dated April 1, 1974 in Application No. 53973. That decision provided a return on rate base of 7.9 percent and a return on common equity of 9.05 percent. The rates currently in effect were set by Resolution No. W-171. dated April 20, 1975, pursuant to Advice Letter No. 35-W, by which an offset rate increase in the amount of \$4,470 was authorized.^{4/}

Upon advising its Clearlake District customers of its pending application to increase water rates, applicant received many letters of protest. In order to expedite the hearing, applicant and members of the Commission staff met with the public December 19, 1978 to receive customers' comments relative to the application.

Mr. Arthur Mangold, who attended the meeting on behalf of the staff, reported the results at the hearing. He stated there were approximately 60 persons in attendance, or roughly 2½ percent of applicant's customers and that the majority in attendance expressed an objection to applicant's proposal to change from a minimum charge type rate schedule to a service charge type rate schedule. A second objection was that under the company-proposed rate schedule, customers using minimal quantities of water would receive a much higher rate increase than the requested 62 percent. He stated that the customers presented a comparative cost study of rates of several other water utilities in the Clear Lake area to show applicant's request to be out of line with the norm. There were also questions and/or comments regarding main line extension contracts,

^{4/} On September 8, 1978, SCWC filed Advice Letter No. 74-W to establish rates to offset the effects of increases in certain water production expenses and reductions in property taxes resulting from the enactment of Article XIII-A of the California Constitution. There was no change in rates because increased costs were offset by the reduction in taxes. Advice Letter No. 74-W became effective November 28, 1978 by Resolution No. W-2454.

speculative development, distribution main deficiencies, the high quantity of water used to flush mains, and water leaks. Finally, he stated there were comments to the effect that the proposed increase would impose a financial hardship, particularly on persons with fixed incomes, and that the magnitude of the proposed increase exceeded the President's guidelines. At the hearing a member of the public stated that Mr. Mangold accurately reported the substance of the meeting.

Results of Operation

The following table compares the test year 1979 summary of earnings estimates of applicant and the staff at present and proposed rates, together with the adopted summary of earnings.

Southern California Water Company
Clearlake District
Summary of Earnings

<u>Item</u>	<u>At Present Rates</u>		<u>Proposed Rates</u>		<u>Adopted</u>
	<u>Staff</u>	<u>Utility</u>	<u>Staff</u>	<u>Utility</u>	
(Dollars in Thousands)					
<u>Operating Revenues</u>					
Sales Revenue	\$196.9	\$193.6	\$320.9	\$314.2	\$ -
Total Operating Revenues	196.9	193.6	320.9	314.2	257.5
<u>Operating Expenses</u>					
Operation & Maintenance	95.0	107.0	95.4	107.4	90.6
Administrative & General	27.5	30.5	27.5	30.5	28.6
General Office Prorated	12.4	11.9	12.4	11.9	12.4
	134.9	149.4	135.3	149.8	131.6
Depreciation Expense	25.2	31.9	25.2	31.9	25.2
Taxes Other Than Income	10.1	17.3	10.1	17.3	10.1
State Corp. Franchise Tax	(1.7)	(3.6)	9.4	7.2	4.0
Federal Income Tax	(18.1)	(28.4)	35.9	24.1	9.1
Total Operating Expenses	150.4	166.6	215.9	230.3	180.0
Net Operating Revenues					
Adjusted	46.5	27.0	105.0	83.9	77.6
Rate Base	\$34.7	808.3	834.7	808.3	834.7
Rate of Return	5.57%	3.34%	12.58%	10.38%	9.28%

(Red Figure)

Certain changes have occurred since the applicant and staff estimates appearing in the table were made. The adopted summary of earnings reflects stipulation made during the hearing and current income tax rates.

Operating Revenues

The staff operating revenue estimates, as contained in Exhibit 20, are reasonably close to the estimates contained in the application. The difference is because of the staff's higher estimate of commercial customers. The staff's estimate of 1,839 commercial customers was based on recorded data as of June 30, 1978 while applicant used a judgmental estimate.

Since the staff's estimate is based on more recent, as well as recorded data, we will adopt the staff's revenue estimate as reasonable for test year 1979.

Operating Expenses

The staff's estimates of operating expenses are approximately \$12,000 less than applicant's. This difference is explained by different estimating techniques and by the staff's using more recent data.

Items of significant differences were:

Purchased Water: Applicant's estimated cost of purchased water exceeds the staff's by \$900, even though the staff estimated higher customer sales. The reason for this is that the staff put an upper limit on the amount of allowable lost water. Historically, this system has lost approximately 30 percent of its water due to leaks and back-flushing operations. Staff feels that this is too high. Staff estimated purchased water of 316.8 acre-feet compared with 358.1 acre-feet estimated by applicant.

Purchased Power: Both applicant's and staff's estimates were based on power rates effective January 1, 1978; however, applicant's estimate includes a downward adjustment of \$800 for anticipated power rate reductions during 1978, while staff updated its estimate for power rates effective October 3, 1978. The difference of \$1,500 between applicant and staff is caused by: (1) The staff's lower estimate of pumped water, (2) staff's adjustment for low pump efficiency, and (3) applicant's adjustment for anticipated 1978 power rate reductions. Staff's estimate is based on an annual power consumption of 316,600 kWh for pumping 103 MG of water from Clear Lake.^{5/}

^{5/} Power rates effective February 2, 1979 reduced rates \$0.00308/kWh from October 3, 1978 rates. The adopted purchased power expense is based on rates in effect February 2, 1979.

Purchased Chemicals: Applicant and staff both used the same cost per acre-foot for chemicals. However, since the staff estimated less purchased water, the estimated chemical cost is \$1,700 less than applicant's.

Payroll: The staff's estimate for operation and maintenance (O&M) payroll was \$3,800 less than applicant's. Applicant used recorded 1977 payroll figures, increased them 9.13 percent to get a 1978 figure, and then increased the 1978 figure by 7.00 percent to get a 1979 figure.

For its 1978 estimate of total payroll, staff used the current salaries of district personnel and allocated a portion of the salary of the Northern Division manager. The total payroll was adjusted for overtime, temporary help, and capitalization. The adjusted 1978 payroll was increased by 7 percent to arrive at the test year 1979 total adjusted payroll. This total payroll was then split by historical data into O&M and administrative and general (A&G) payrolls.

Uncollectibles: The staff and applicant both used 0.0031 as the uncollectible rate, and the difference is caused by the staff's having higher revenue estimates.

Allocated Customer Account Expenses: Prior to the merger with SCWC, applicant's customer billing was done under contract by Xerox Corporation. Currently, customer billings for all former districts of applicant are being fully integrated with SCWC's EDP facilities in the Los Angeles general office. Staff's estimate is an allocation taken from staff's "General Report on the Results of Operations of Southern California Water Company", November 9, 1978, which is an exhibit in Application No. 57970, for the Los Osos District. Staff's estimate is based on the integrated billing system. This estimate is \$600 less than applicant's.

Other: Other expenses include all O&M expenses not itemized for staff's report. Applicant's estimate for test year 1979 is the 1977 recorded amount which is unusually high. Applicant could not offer an explanation for the 1977 recorded amount when queried by the staff. After considering all data available, staff used the average for the two-year period 1976 and 1977.

We believe the staff's estimates for operating expenses more reasonably reflect future operating costs than do applicant's and will be adopted.

A&G Expense

The difference between staff's and applicant's A&G expense estimates amounted to only \$3,000. This difference was principally because the staff used a percentage of the total payroll calculated in the O&M section, which was lower than applicant's, and therefore results in a lower A&G payroll expense. We believe the staff's estimate and method is reasonable and should be adopted. The adopted results also include \$1,100 for an increased insurance expense stipulated to by the staff.

Depreciation Expense

The staff's depreciation expense differed from applicant's by \$6,700 due to the application of a different accrual rate. At the request of the staff, applicant prepared an updated 1978 depreciation study which the staff reviewed and found to be adequate. Using this updated information, the staff applied a composite depreciation accrual rate of 2.32 percent while applicant calculated depreciation based on the old rate of 2.93 percent. We believe staff's determination, based on later information is more reliable and should be adopted.

General Office Prorated

Staff's estimate of general office prorated expense appears in Exhibit 16 which, along with testimony and cross-examination, was incorporated by reference from SCWC's Los Osos proceeding in Application No. 57970. Staff's estimate was not at issue in either proceeding and will be adopted.

Taxes Other Than Income

There was a significant difference between staff's and applicant's estimate of ad valorem taxes because applicant used an assessment ratio based on the 1977-78 tax bill whereas the staff's estimate was based on the implementation of Article XIII-A (Proposition 13)^{6/} of the State Constitution which limits the amount of property tax that can be levied.

^{6/} On June 27, 1978, the Commission opened Order Instituting Investigation No. 19 (OII 19) to determine the effect of Proposition 13 on rates of public utilities and transportation companies in this State.

In its calculation the staff used the latest assessed full cash value, as determined by the Lake County Assessor, plus the plant additions for 1977 and 1978 and multiplied by 1.125 percent as determined by applicant's Advice Letter No. 74-W made pursuant to OII 19 dated June 27, 1978.

The staff's estimate reflects the estimated effect of Proposition 13 and will be adopted.

Utility Plant in Service

Applicant's estimate for average plant in service exceeded staff's estimate by \$7,700. The staff report states that in estimating test year 1979 utility plant, it analyzed applicant's 1978 and 1979 construction budget and the 1978 construction expenditures. From this later data it was determined that actual construction costs were higher than applicant originally estimated.

The difference of \$7,700 between the staff's estimate and applicant's is due primarily to the fact that applicant did not include any plant retirements for 1978 and test year 1979 while the staff, using later cost data, estimated 1978 and test year 1979 retirements to be \$12,500.

We will adopt as reasonable the staff's estimate since its study relied on more recent data than was available to applicant.

Rate Base

The staff's rate base figures differed from applicant's primarily due to availability of recorded data and differences in weighing factors. The components of the staff's estimated rate base included utility plant, materials and supplies, working cash allowance, customer advances for construction, contributions, general office allocated rate base, and depreciation reserves.

We will adopt as reasonable the staff's rate base estimates because they are more reflective of normal conditions.

Income Tax

The criteria used by both the staff and applicant to calculate income taxes were: (1) Liberalized depreciation using asset depreciation range for both state and federal taxes; (2) full flow-through, including investment credit; (3) interest expense based on the composite cost of debt and rate base; and (4) a federal tax rate of 48 percent.

In 1978 the Congress approved and the President signed the Revenue Act of 1978 which, among other things, reduced the corporate tax rate from 48 to 46 percent effective January 1, 1979. Because this will reduce applicant's federal income tax liability, the results adopted herein will reflect the new tax rate.

One difference of importance for tax purposes between the staff and applicant is the treatment of investment tax credit (ITC). It is applicant's position that ITC varies, depending on the gross improvements to utility plant; i.e., it is roughly a 10 percent credit on taxes based on certain qualifying improvements. Applicant states that it has uniformly used a five-year average as a way to estimate future ITC for ratemaking purposes and that this average has been adopted by the Commission. Further, it is alleged that the five-year average is superior to the staff's requested three-year average in that it is less volatile since small districts' construction budgets fluctuate widely from year to year.

While acknowledging that a five-year average has been used in prior proceedings for applicant, the staff contends that the use of a three-year average is more appropriate because it better matches the period between rate proceedings and that optimum ratemaking matches estimates of revenues, expenses, and rate base with the period for which rates are in effect.

Barring unusual circumstances, we conclude that the average of the last three years is a better indicator of the next three years for ratemaking purposes than is the average of the past five years. We will adopt the staff's recommendation.

Rate of Return

Applicant is seeking authorization to increase its rates in its Clearlake District to produce a return on rate base of approximately 10.38 percent. Applicant estimates that this rate of return would yield an average 15.0 percent on equity for the three-year period 1979-1981 and is considered to be the minimum rate of return required to enable it to continue to raise capital in amounts and at rates reasonable enough to allow it to fulfill its obligations as a public utility.

In making its estimates, applicant considered a common stock equity ratio of 35 percent and, as testified to by Mr. Caveney, while the acquisition of CCWC has caused the debt equity ratio to drop to the 31 percent level, it is SCWC's intention to ultimately develop a common equity ratio approaching the traditional 35 percent.

The staff initially recommended a 9.18 percent rate of return estimated to provide a 12.85 percent return on common equity. In making its recommendation, the staff witness stated he considered such things as SCWC's capital structure and financial history, its capital requirements for construction, funds available from advances and contributions, the increase in the embedded cost of fixed charge securities, trends in interest rates, interest coverage, comparative earnings of other water utilities, characteristics of the service area, and the general economic climate. The financial witness also stated that while the company's common stock equity ratio dropped to 31.78 percent with the acquisition of CCWC, he concluded that it was of a temporary nature and that the 33.36 percent ratio recommended herein is attainable.

In making its rate of return recommendation, the staff realized that SCWC's capital ratios are changing due to the conversion of subordinated debentures to common stock. The staff favors a rate of return escalating over two years, which will lessen the need for major utilities to file annually for major rate relief. Based on a return of 13.00 percent on common equity (common stock equity of 33.36 percent in 1979 and 34.00 percent in 1980), the staff recommends a rate of return on rate base of 9.28 percent for 1979 and 9.38 percent for 1980.

Rates of return on rate base authorized by this Commission for Class A water utilities since June, 1976 have ranged from a low of 8.50 percent, with a return on common equity of 11.19 percent, to 10 percent, with a return on common equity of 10.80 percent to 12.83 percent. The last authorized rate of return for SCWC was 9.0 percent in Decision No. 88761 dated May 2, 1978 to provide a 12.83 percent return on equity based on a 35.00 percent equity ratio.

In Decision No. 82650 dated March 26, 1974 in Application No. 53973, the Commission authorized the Clearlake District of the then California Cities Water Company a 7.9 percent rate of return to produce an estimated 9.05 percent return on equity.

Although some increase in return on common equity appears to be reasonable, we are of the opinion that an increase from 9.05 percent to the three-year average of 15.0 percent requested by applicant is not warranted. Taking everything into consideration, we concur with the staff recommendation and find that an increase from 9.05 percent to 13.00 percent return on common equity is reasonable and will therefore authorize a 9.28 percent rate of return on rate base for 1979 and 9.38 percent for 1980. This will also provide applicant's investors with a reasonable return and provide after tax interest coverage of 2.32 and 2.31 times for 1979 and 1980.

Attrition in Rate of Return

Although applicant requests a 10.38 percent rate of return on rate base for the 1979 test year, it states that due to the decline in rate of return between estimated years 1978 and 1979, "the proposed rates would allow an average of approximately 9.80 percent in rate of return from 1979 through 1981."

The problem of decline in rate of return has been partially alleviated for utilities, or districts of a utility, with annual revenues of less than \$750,000 by the amendment of General Order No. 96-A^{7/} which allows a general rate increase by the advice letter procedure as often as once every two years. The Clearlake District qualifies for general rate increases by advice letter.

Staff Exhibit 20 states it is reasonable to assume that operational efficiencies for Clearlake will continue to improve under SCWC's management and therefore recommends that a 0.55 percent attrition in rate of return be considered in setting rates for the Clearlake District. Staff also recommends that the adopted rates be in the form of step rates for 1979 and 1980, and that the utility be required to file an advice letter at the end of 1979 test year to justify the next step increase based on the adopted normalized consumption.

^{7/} G.O. 96-A as amended by Resolution No. M-4701 dated August 8, 1978.

The attrition rate considered here is operational attrition and, while distinguishable from the financial attrition discussed under Rate of Return, is not independent. Since we are allowing a financial attrition of 0.10 percent between 1979 and 1980, it is our opinion that an allowance of 0.50 percent for operational attrition is reasonable and should be adopted.

Rate Design

Applicant proposes to increase its annual metered service and its private fire protection service rates. It further proposes to consolidate the Parkwood and Clearlake General Metered Service Schedule into one general metered service schedule and simplify the public fire hydrant service schedule.

Finally, the present multi-block minimum rate scheme would be restructured and converted to a service charge structure and the first block would set aside a "lifeline" consumption level of 300 cubic feet and a second block for all consumption over 300 cubic feet per month.

The staff made the following recommendations:

1. Accept the utility's proposal to combine the Clearlake General Metered Service Schedule and the Parkwood General Metered Service Schedule into one general metered service schedule to serve both areas.
2. From a review of a water use analysis supplied by the utility, the staff noted that a great majority of customer bills fell within the 0-2 Ccf minimum block usage. Since the utility also receives approximately 73 percent of its revenues from sales of 3 Ccf per month per customer or less, the staff's preliminary analysis indicates that in this proceeding the minimum charge rates should be retained in lieu of changing to a service charge rate.
3. The staff usually recommends a two-quantity block rate schedule with inverted rates. However, this could result in an excessively large increase to the higher-use customer. Staff concluded that a two-quantity block rate schedule with declining rates is preferable at this time for the rate structure for the Clearlake District.

4. The rate structure for the general metered service schedule to be developed should recognize the lifeline principle so there would be a lesser percentage increase in billed costs for very small usage than for average and larger usage.
5. The minimum charges for the 3/4-inch and 1-inch meters should be rounded to the nearest 10 cents. The minimum charges for meters larger than 1 inch should be rounded to the nearest dollar.

We will adopt the staff's recommendations since they are more reasonable under the circumstances in this district and would result in the most equitable rates.

Service

Staff Exhibit 20 summarizes applicant's complaint file for 1977 and the first seven months of 1978. The exhibit shows the following:

<u>Item</u>	<u>1977</u>	<u>As of July 1978</u>
Meter problems/high bills	33	15
Leaks	0	1
Low pressure	6	3
Taste and odor	8	4
Dirty water	45	1
No water	21	6
Other	<u>11</u>	<u>5</u>
Total	124	35

The report states that all of the above complaints appear to have been satisfactorily resolved.

It is clear from the above that with the acquisition of CCWC by SCWC, the number of complaints have declined dramatically. Based on this we conclude that overall service provided to the Clearlake District is satisfactory and expect that the number and severity of service complaints will continue to decline.

Findings of Fact

1. SCWC is in need of additional revenues for its Clearlake District, but the proposed rates set forth in the application are excessive.

2. The adopted estimates previously discussed herein of operating revenues, operating expenses, and rate base for test year 1979 reasonably indicate the results of SCWC's operations in its Clearlake District in the near future.

3. The adopted estimates for ad valorem taxes included in "Taxes Other Than Income" include the estimated effect of Article XIII-A of the California Constitution (known as the Jarvis-Gann initiative). Any difference between allowed ratemaking and actual property tax expense can be adjusted through the balancing account provided in OII 19.

4. The proposed rate of return on rate base of 10.38 percent, which is estimated to produce a 15.0 percent return on common equity is excessive.

5. A rate of return of 9.28 percent for 1979 and 9.38 percent for 1980 on the adopted rate base, which is estimated to produce a return on common equity of 13.00 percent is reasonable. It balances the interest of the ratepayers while providing a reasonable return to investors.

6. The authorized increase in rates for 1979 at the 9.28 percent rate of return for test year 1979 is expected to provide increased revenues of approximately \$60,600 (30.8 percent) for SCWC's annual metered service and private fire protection service compared to a requested increase of \$120,600 (62.3 percent on applicant's estimate of revenue at present rates).

7. Estimates of financial attrition of 0.10 percent and operational attrition of 0.50 percent between 1979 and 1980 are reasonable.

8. An additional step increase in rates for 1980 is expected to provide increased revenues of approximately \$10,100 (5.1 percent).

9. The quality of service rendered by SCWC in its Clearlake District is adequate.

10. The increases in rates and charges authorized by this decision are justified and are reasonable; and the present rates and charges, insofar as they differ from those prescribed by this decision, are for

the future unjust and unreasonable. These rates are consonant with the wage and price standards promulgated by the President's Council on Wage and Price Stability.

Conclusion of Law

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

O R D E R

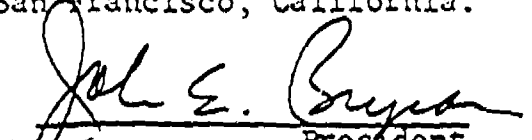
IT IS ORDERED that:

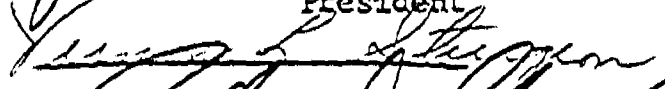
1. After the effective date of this order, Southern California Water Company is authorized to file the revised rate schedules attached to this order as Appendix A, and concurrently to withdraw and cancel its presently effective schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised filing shall be four days after the date of the filing. The revised schedules shall apply only to service rendered on and after the effective date hereof.


2. On or before November 15, 1979, Southern California Water Company is authorized to file step rates attached to this order as Appendix B or to file a lesser increase which includes a uniform cents-per-hundred-cubic-feet of water adjustment from Appendix B for consumption over 200 cubic feet per month in the event that the Clearlake District rate of return on rate base, adjusted to reflect the rates then in effect and normal rate-making adjustments for the twelve months ending September 30, 1979, exceeds 9.38 percent. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be January 1, 1980. The revised schedule shall apply only to service rendered on and after the effective date hereof.

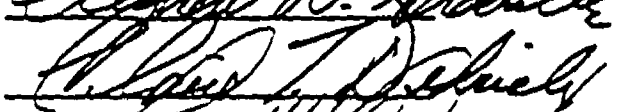
The effective date of this order shall be thirty days after the date hereof.


Dated JUL 3 1979, at San Francisco, California.



President








Commissioners

APPENDIX A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Clearlake Park and vicinity, and Parkwoods Area, Lake County. (C)

RATES

Monthly Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 200 cu.ft. or less	\$ 6.50	(I)
Next 4,800 cu.ft., per 100 cu.ft.	1.27	(I)(C)
Over 5,000 cu.ft., per 100 cu.ft.78	(I)

Annual Minimum Charge:	<u>Per Meter</u> <u>Per Year</u>	
For 5/8 x 3/4-inch meter	\$ 78.00	(I)
For 3/4-inch meter	116.40	
For 1-inch meter	166.80	
For 1 1/2-inch meter	288.00	
For 2-inch meter	420.00	
For 3-inch meter	708.00	
For 4-inch meter	996.00	(I)

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

Offset Cost Adjustment:

The Offset Cost Adjustment is a quantity charge per 100 cu.ft. added to each monthly bill for all water used over 300 cu.ft. The costs and revenues associated with the offset cost adjustment will be maintained in Balancing Accounts pursuant to Section 792.5 of the Public Utilities Code and Ordering Paragraph No. 4 of Commission OII 19.

<u>Offset Cost</u> <u>Item</u>	<u>Resolution</u> <u>No.</u>	<u>Advice</u> <u>Letter No.</u>	<u>Cost Per</u> <u>100 Cu.Ft.</u>
Basic Supply		74-W	10.2¢
Ad Valorem Tax		74-W	(10.2¢)
Total Offset Cost Adjustment		74-W	-

APPENDIX B

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Clearlake Park and vicinity, and Parkwoods Area, Lake County. (c)

RATES

Monthly Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 200 cu.ft. or less	\$ 6.80	(I)
Next 4,800 cu.ft., per 100 cu.ft.	1.30	(I)(c)
Over 5,000 cu.ft., per 100 cu.ft.84	(I)

Annual Minimum Charge:	<u>Per Meter</u> <u>Per Year</u>	
For 5/8 x 3/4-inch meter	\$ 81.60	(I)
For 3/4-inch meter	122.40	
For 1-inch meter	175.20	
For 1 1/2-inch meter	300.00	
For 2-inch meter	444.00	
For 3-inch meter	744.00	
For 4-inch meter	1,044.00	

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

Offset Cost Adjustment:

The Offset Cost Adjustment is a quantity charge per 100 cu.ft. added to each monthly bill for all water used over 300 cu.ft. The costs and revenues associated with the offset cost adjustment will be maintained in Balancing Accounts pursuant to Section 792.5 of the Public Utilities Code and Ordering Paragraph No. 4 of Commission OII 19.

<u>Offset Cost</u> <u>Item</u>	<u>Resolution</u> <u>No.</u>	<u>Advice</u> <u>Letter No.</u>	<u>Cost Per</u> <u>100 Cu.Ft.</u>
Basic Supply		74-W	10.2¢
Ad Valorem Tax		74-W	(10.2¢)
Total Offset Cost Adjustment		74-W	-