

Decision 97-09-001 September 3, 1997

SEP 4 1997

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Santa Clarita Water Company, for a rate increase of 12.1% or \$1,052,100 for test year 1997; 8.7% or \$842,500 for test year 1998; 7.4% or \$799,500 for attrition year 1999; and 6.4% or \$720,800 for attrition year 2000; applicant also requests recovery of undercollected balances in authorized balancing and memorandum accounts in the amount of \$1,544,700 for test year 1997; and \$1,561,600 for test year 1998; and \$578,600 for attrition year 1999; and \$1,578,600 for attrition year 2000; and to charge a \$10 fee on returned checks; and to change the grossup percent charged on contributions in aid of construction from 35.4% to 40.6%.

**ORIGINAL**

Application 96-07-005  
(Filed July 10, 1996)

Steefel, Levitt & Weiss, by Lenard G. Weiss, Attorney at Law, for Santa Clarita Water Company, applicant.  
Peter G. Fairchild, Attorney at Law, and Daniel R. Paige, for the Office of Ratepayer Advocates.  
Warren K. Johnson, John Steffen, Walter A. Cameron, Robert C. Sagehorn, Jack Ancona, interested parties.

**O P I N I O N**

**Summary**

This decision authorizes revenue changes for Santa Clarita Water Company (SCWC or applicant).

SCWC rates are reduced by -8.5% for 1997, and increased as follows: 2.7% for 1998, 1.7% for 1999, and 1.7% for 2000. Authorized rate of return (ROR) on rate base is 10.09% for 1997, 10.07% for 1998, and 10.07% for 1999.

Additionally, a surcharge of \$0.102 per Ccf is authorized for a 36-month period to recover undercollections in the authorized balancing and memorandum accounts.

SCWC is permitted to establish a \$10.00 charge for returned checks.

In reaching this decision, the Commission grants a Motion for Adoption of Settlement and accepts and adopts a settlement of all disputed issues, with the exception of rate spread, which were jointly prepared and presented by SCWC and the Office of Ratepayer Advocates (ORA).

#### **Procedure**

Decision (D.) 90-01-026, January 24, 1996, in Case 95-04-018, entitled *Warren K. Johnson, et al., vs. Santa Clarita Water Company*, ordered SCWC to file a general rate proceeding with respect to all aspects of its operations. This application was filed in consonance with that Commission directive.

A well-attended public participation hearing (PPH) was held in Canyon Country on September 3, 1996, and evidentiary hearings were held in Los Angeles on December 17, 1996, and February 19 and 20, 1997.

On November 15, 1996, ORA issued its Results of Operation and Cost of Capital reports which recommended a 20% reduction in rates for applicant's 20,000 customers as opposed to the 29% increase asked by SCWC.

Negotiations between ORA and SCWC resulted in an agreement between these parties to recommend Commission approval of a 1% rate increase. This settlement proposal was put forward orally at the first evidentiary hearing on December 17, 1996, and ratepayers in attendance objected that they had insufficient information on the issues to allow them to comment.

To effectuate full disclosure of the proposed settlement, the parties agreed to file the settlement and to respond to all pertinent questions asked by any interested party. An evidentiary hearing with respect to the terms of the settlement was held on February 19 and 20, 1997, in which interested parties in attendance participated.

At these last hearings, ORA testified to a different rate spread than that contained in the application, and SCWC presented evidence in opposition to staff.

As the interested parties in this proceeding did not join in the settlement proposed for adoption by the Commission, the parties were given until April 4, 1997, to

file comments contesting all or part of the settlement. (Rule 51.4, Commission Rules of Practice and Procedure.) No comments were filed.

Further, the parties were given until April 4, 1997, to brief the contested rate spread issue, and until April 18, 1997, to file reply briefs. ORA and SCWC made timely filings, and the matter was submitted for decision on April 18, 1997.

### **Background**

The last rate increase for SCWC was authorized by D.82-08-019, August 4, 1982. The decision adopted an increase in rates of 41.05% in 1982, 9.28% in 1983, and 4.98% in 1984. Also adopted was a rate of return on rate base of 13.01% which included a return on equity of 13.50%.

On July 10, 1996, SCWC filed this application requesting authorization to increase revenues over present rates for water services by \$1,052,100 (12.1%) in 1997; \$842,500 (8.7%) in 1998; \$799,500 (7.4%) in 1999; and \$720,800 (6.4%) in 2000. The requested return on equity is 11.40%, with a rate of return on rate base of 11.31% in 1997, 11.28% in 1998, and 11.27% in 1999.

Table 1 is the Summary of Earnings for test years 1997 and 1998 prepared by ORA showing proposed and recommended rates of the parties. Also, SCWC requested recovery of balancing, memorandum, and other accounts amounting to an additional \$1,544,700 in 1997, \$1,561,600 in 1998, \$1,578,699 in 1999, and \$1,578,600 in 2000.

ORA's Results of Operations Report lists the following balances in SCWC special accounts maintained since the last rate decision in 1982:

Purchased Water Balancing Account	\$4,592,000
Power Purchased Balancing Account	3,110,000
Catastrophic Memorandum Account	184,000
Water Quality Memorandum Account	31,000
Tax Initiative Account	<u>813,000</u>
Total	\$8,730,000

Total requested rate increases are \$2,596,900 (29.9%) in 1997, \$859,300 (7.6%) in 1998, \$796,600 (6.6%) in 1999, and \$720,800 (5.6%) in 2000.

TABLE 1  
Santa Clarita Water Company

SUMMARY OF EARNINGS

<u>Item</u>	<u>Wtr Div's Analysis</u>		<u>Utility's Analysis</u>		<u>Wtr Div's</u>
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>	<u>Recommended</u>
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
(Dollars in Thousands)					
Test Year 1997					
Oper. Revenues	9,271.7	10,360.8	8,677.0	9,729.2	7,418.0
Oper. & Maint.	3,997.9	4,000.1	5,277.6	5,279.7	4,000.1
Admin. & Gen.	1,238.1	1,238.1	1,726.4	1,726.4	1,238.1
Taxes O/T Income	287.6	287.6	302.5	314.1	287.6
Depreciation Exp	381.5	381.5	476.9	476.9	381.5
CCFT	275.0	371.1	57.4	153.9	110.9
FIT	<u>1,044.3</u>	<u>1,415.2</u>	<u>180.5</u>	<u>541.2</u>	<u>444.8</u>
Total Expenses	7,224.4	7,693.5	8,021.3	8,492.3	6,463.0
Net Income	2,047.3	2,667.3	655.7	1,236.9	955.0
Rate Base	9,528.2	9,528.2	10,940.0	10,940.0	9,528.2
Rate of Return	21.49%	27.99%	5.99%	11.31%	10.02%

<u>Item</u>	<u>Utility's Analysis</u>		<u>Utility's Analysis</u>		<u>Wtr Div's</u>
	<u>97 Prop.</u>	<u>98 Prop.</u>	<u>97 Prop.</u>	<u>98 Prop.</u>	<u>Recommended</u>
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
(Dollars in Thousands)					
Test Year 1998					
Oper. Revenues	10,459.3	11,469.7	9,821.3	10,571.6	7,664.0
Oper. & Maint.	4,111.0	4,113.0	5,857.2	5,858.7	4,113.0
Admin. & Gen.	1,270.6	1,270.6	1,892.6	1,892.6	1,270.6
Taxes O/T Income	330.2	330.2	321.9	330.2	330.2
Depreciation Exp	388.2	388.2	508.4	508.4	388.2
CCFT	368.8	458.0	89.8	158.7	121.6
FIT	<u>1,337.0</u>	<u>1,681.0</u>	<u>311.5</u>	<u>558.6</u>	<u>500.1</u>
Total Expenses	7,805.8	8,241.1	8,981.4	9,307.2	6,723.7
Net Income	2,653.4	3,228.6	839.8	1,264.5	940.3
Rate Base	9,393.0	9,393.0	11,208.1	11,208.1	9,393.0
Rate of Return	28.25%	34.37%	7.49%	11.28%	10.01%

### Settlement

On November 7, 1997, applicant and ORA entered into a settlement of this general rate case proceeding. A Motion for Adoption of Settlement and Settlement were entered into evidence on February 19, 1997.

The annual percentage revenue increases proposed by the parties and those agreed to in the settlement are as follows:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
SCWC	12.1%	8.7%	7.4%	6.4%
ORA	-20.0%	2.4%	4.3%	4.0%
Settlement	-8.5%	2.7%	1.7%	1.7%

In order to reach a settlement on the undercollected balances in authorized balancing and memorandum accounts, SCWC agreed to close the Balancing Accounts for Power Purchased and Purchased Water and to waive recovery of the amounts recorded in the Catastrophic Event and Water Quality Cost Memorandum Accounts prior to December 31, 1996. In consideration, ORA agreed to allow SCWC to collect a surcharge of \$0.102 per Ccf for 36 months.

Taking into account both the changes in revenue requirements in the test years and the undercollected balances in memorandum accounts, the net result of the settlement is an increase in overall revenues of approximately 1%. The distribution of this increase among customers is considered under the rate spread issue.

The Motion for Adoption of Settlement and Settlement are Attachment 1 of this decision.

The Summary of Earnings is Appendix A of Attachment 1 of this decision.

Adopted Quantities and Income Tax Calculations are Appendix B of Attachment 1 of this decision.

### Reasonableness of Settlement

Rule 51.1 of the Commission's Rules of Practice and Procedure sets forth the standards for evaluating settlements. Rule 51.1 provides that the Commission shall not approve a settlement, whether contested or not, unless the settlement is: (1) reasonable in light of the whole record; (2) consistent with the law; and (3) in the public interest.

Our settlement rules distinguish between those settlements and stipulations which command the allegiance of all active parties to the proceeding (i.e., an all-party settlement) and those which are contested.

In this case, several customer parties did not join in the settlement nor did they file comments on the proposal. As Rule 51.5 of the Commission's Rules of Practice and Procedure states that any failure by a party to file comments constitutes waiver by that party of all objections to the settlement, the settlement in this proceeding may be treated as an all-party settlement.

In D.93-12-019, we stated that we are prepared to adopt all-party settlements that meet our sponsorship and content criteria which pertain to both the identity and capacity of the sponsoring parties and the terms of their recommendations. Our criteria may be summarized as follows:

- a. The settlement commands the unanimous sponsorship of all active parties to the instant proceeding.
- b. The sponsoring parties are fairly reflective of the affected interests;
- c. No terms of the settlement contravenes statutory provisions or prior Commission decisions; and
- d. The settlement conveys to the Commission sufficient information to permit us to discharge our future regulatory obligations with respect to the parties and their interests.

In evaluating whether the settlement is reasonable in light of the whole record, we focus on the overall result achieved. The stipulation involved an ongoing give-and-take among the parties which reflects interrelated tradeoffs that may not be apparent to a reviewer who did not participate in the settlement discussions. For that reason, we shall not delve deeply into every detail of the stipulation and attempt to second guess the parties' negotiating posture, so long as the stipulation as a whole is reasonable and in the public interest.

Rule 51.1 calls for the presentation of a comparison exhibit as a basis to evaluate the overall reasonableness of the stipulation in light of the whole record. As we previously stated regarding the standards for such a comparison, "[a]t a minimum, a settlement should clearly lay out the substance of the agreements reached by the parties

and the effect of those agreements on the positions previously taken by parties to the proceeding...." (37 CPUC2d at 354.) Parties have satisfactorily met this requirement. ORA has offered into evidence its exhibits on the results of operations (R/O) and cost of capital which set forth its original presettlement position compared with that of applicant. Between the mailing of ORA's R/O report and submission of the settlement, the parties engaged in discussions and exchanged data which resulted in miscellaneous updates, corrections, and revisions in the test year estimates of both parties.

We conclude that the overall results of the settlement are reasonable in light of the record as a whole. Since there were only two active parties to this proceeding, and they both support the settlement, the first precondition for approval regarding unanimous support is satisfied. Since ORA represents customer interests in the proceeding, the second precondition for approval is also satisfied in that the sponsoring parties are fairly reflective of the affected interests. Likewise, no term of the stipulation explicitly contravenes any statutory provisions or prior Commission decisions. Regarding the fourth precondition, we conclude that the results of operations comparison exhibit and the underlying explanation of supporting assumptions conveys sufficient information to permit us to discharge our future regulatory obligations with respect to the parties and their interests. The results of operations as sponsored by the stipulation and adopted herein provides a sufficient starting point for evaluating future applications for rate relief.

Based upon the entire record in this proceeding, including the underlying exhibits setting forth parties' presettlement positions, we find that the settlement is reasonable, consistent with law, and in the public interest. We accordingly adopt it on the terms specified by the sponsoring parties.

#### **Rate Spread**

An unresolved issue between SCWC and ORA in this proceeding relates to the matter of design of rates among applicant's customers and whether this case should remain open to consider ORA's proposal that private fire protection rates should be elevated by several hundred percent.

Table 2 presents a comparison of the effect on customers' average bills under staff and company proposed rate schedules.

In its brief, SCWC argues that its rate design proposal best implements the following Commission principles of rate design:

- a. No customer should receive an increase more than twice the overall increase.
- b. No customer class should receive a decrease if all other customer classes are receiving an increase.
- c. Class A water utilities should strive to achieve a rate design whereby the service charge would be based on the ratio of the rated capacity of one size of meter to every other size.
- d. Rate increases should not materially exceed those noticed in the proceeding.

For its part, ORA contends that the paramount governing Commission policy is the meter ratio policy set forth in (c) above which was enunciated in 1991. ORA believes that the meter ratio policy should be fully implemented in the next two years. Staff would impose the escalation of rates set forth in Table 2 in 1997. It has filed a Motion to Defer Resolution of Issues Relating to Private Fire Protection in order to allow affected customers (schools, churches, retirement communities) to express their views on ORA's proposal.



TABLE 2

Santa Clarita Water Company - A. 96-07-005

1997 Increase In Average Bill (1.3%)

<u>Meter Size</u>	<u>Staff Proposal</u>	<u>Company Proposal</u>
5/8 x 3/4	0.18%	1.06%
3/4	-4.37%	1.00%
1	1.13%	1.05%
1.5	6.38%	1.84%
2	7.40%	1.78%
3	6.60%	1.95%
4	8.81%	1.95%
6	8.80%	1.95%
8	19.52%	1.93%

<u>Fire Service</u>	<u>Staff Proposal</u>	<u>Company Proposal</u>
2"	405%	2.0%
3"	407%	2.0%
4"	406%	2.0%
6"	406%	2.0%
8"	406%	2.0%
10"	710%	2.0%
12"	828%	2.0%

### Discussion

The settlement in this general rate case produces a revenue requirement only slightly higher than the yield of existing rates. This one percent increase has been allocated among customer classes by applicant in a manner which complies with each of the Commission's rate design principles set forth above.

As ORA raised the rate design dispute only after the settlement was negotiated, this record contains no evidence that SCWC customers with smaller-sized meters have unduly subsidized customers with larger meters, as contended by staff. We therefore agree with ORA that due process considerations require a fresh opportunity for all parties to be heard if this general rate case is to be converted into a revenue-neutral rate design proceeding.

While adhering to the meter ratio policy, we find no compelling reason to conduct further hearings in an effort to redesign applicant's rates within a two-year period.

The Administrative Law Judge for this application requested the Water Division (WD) to examine the rate schedules with the purpose of shifting more of the revenue requirement to customers with larger meters. As a result of this examination, the rate schedule for privately-owned fire protection systems has been increased from the existing \$1.00 per inch of diameter to \$1.30 per inch in 1997, \$1.40 per inch in 1998, \$1.45 per inch in 1999, and \$1.50 per inch (150%) in 2000. This increased revenue has been applied to reduce the service charge for  $\frac{5}{8}$ -x- $\frac{3}{4}$  inch meter customers from SCWC's proposed \$7.10 to \$7.05.

These adjustments are consistent with Commission rate design policies. New tariffs are attached as Exhibit C.

We will deny staff's Motion to Defer, and we will deny staff's accompanying Motion to Introduce Exhibit consisting of a page from a WD memo containing meter ratios as the information in the proposed exhibit is already in evidence.

### Comments

Pursuant to the Commission's Rules of Practice and Procedure, the proposed decision of the assigned Administrative Law Judge for this proceeding was filed with the Commission and mailed to the parties on July 14, 1997.

Applicant filed comments on August 3, 1997, resulting in the following nonsubstantive changes being made to the proposed decision.

The proposed decision states that the surcharge of \$0.102 per Ccf for 36 months will equal \$2,578,954. Applicant points out that this slightly misstates the terms of its settlement agreement with ORA. The Summary of Decision and Finding of Fact 8 are revised to eliminate the precise sum and substitute, in its stead, more descriptive wording of the parties' agreement.

There is no dispute respecting the aforesaid clarification.

### Findings of Fact

1. On July 10, 1996, SCWC filed this application requesting authorization to increase revenues over present rates for water services by \$1,052,100 (12.1%) in 1997; \$842,500 (8.7%) in 1998; \$799,500 (7.4%) in 1999; and \$720,800 (6.4%) in 2000. The requested return on equity was 11.40%, with a rate of return on rate base of 11.31% in 1997, 11.28% in 1998, and 11.27% in 1999.
2. Also, SCWC requested recovery of balancing, memorandum, and other accounts amounting to an additional \$1,544,700 in 1997; \$1,561,600 in 1998; \$1,578,699 in 1999; and \$1,578,600 in 2000.
3. Requested rate increases totaled \$2,596,900 (29.9%) in 1997; \$859,300 (7.6%) in 1998; \$796,600 (6.6%) in 1999; and \$720,800 (5.6%) in 2000.
4. ORA conducted a review of the application and supporting exhibits and issued its own reports on the results of operations and ROR of applicant.
5. As set forth in staff reports, ORA initially recommended that applicant's rates be reduced by 20% in 1997, rate of return being set at 10.02%.

6. On November 7, 1997, applicant and ORA entered into a settlement of this general rate case proceeding. A Motion for Adoption of Settlement and Settlement were entered into evidence on February 19, 1997.

7. The annual percentage revenue increases proposed by the parties and those agreed to in the Settlement are as follows:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
SCWC	12.1%	8.7%	7.4%	6.4%
ORA	-20.0%	2.4%	4.3%	4.0%
Settlement	-8.5%	2.7%	1.7%	1.7%

8. In order to reach a settlement on the undercollected balances in authorized balancing and memorandum accounts, SCWC agreed to close the Balancing Accounts for Power Purchased and Purchased Water and to waive recovery of the amounts recorded in the Catastrophic Event and Water Quality Cost Memorandum Accounts prior to December 31, 1996. In exchange for SCWC's agreements, ORA agreed to allow SCWC to collect a surcharge of \$0.102 per Ccf for 36 months.

9. Customers of SCWC who are parties in the proceeding did not join in the settlement and all parties were given 30 days from the date of mailing of the settlement to file comments. No comments were filed.

10. The Summary of Earnings set forth in Appendix A of Attachment 1 compares the final presettlement positions of parties with the stipulated settlement for 1997 and 1998.

11. The stipulated Summary of Earnings is calculated to yield a return on common equity of 10.20% through the test period 1997-1998 based upon a debt-to-equity capital ratio of 35%/65% in 1997 and 40%/60% in 1998 and 1999.

12. The 10.20% return on equity will produce overall rates of return of 10.09% in 1997 and 10.07% in 1998.

13. The summaries of earnings for test years 1997 and 1998, included in the Attachment 1 settlement agreement, set forth reasonable estimates of the levels of revenues and expenses likely to occur in those years.

14. The Attachment 1 settlement agreement does not contravene Commission policy or statutory law. It represents the interests of the sponsoring parties and a compromise

on their part. It provides sufficient information for the Commission to carry out its regulatory obligations in the future. The terms of the agreement are reasonable and it is in the public interest to adopt it.

15. An unresolved issue between SCWC and ORA in this proceeding relates to the matter of design of rates among applicant's customers and whether this case should remain open to consider ORA's proposal that private fire protection rates should be elevated by several hundred percent.

16. Table 2 presents a comparison of the effect on customers' average bills under staff and company proposed rate schedules.

17. ORA suggests that Commission policy is that Class A water utilities should strive to achieve a rate design whereby the service charge would be based on the ratio of the rated capacity of one size of meter to every other size.

18. To effectuate this policy in two years, as proposed by ORA, would require that some customers receive a rate increase more than twice the overall increase and that some customer classes would receive a rate decrease while other classes were receiving rate increases. These results are contrary to Commission policy.

19. The rate schedules in Attachment 2 increase the service charge for large-size meter customers over that proposed by applicant and advance the Commission's several rate design policies applicable to this case.

#### **Conclusions of Law**

1. The settlement presented by parties (attached as Attachment 1) conforms to our guidelines for approval of all-party settlements as prescribed in the Commission's Rules of Practice and Procedure (Rule 51.1), and parties' motion for its adoption should be granted.

2. The adopted 1997-1998 Summaries of Earnings set forth in Appendix A of Attachment 1 are reasonable and should be adopted.

3. The adoption of the terms of the settlement should not be construed as admissions or concessions by any party as to any fact or matter of law in dispute in this proceeding.

## O R D E R

**IT IS ORDERED that:**

1. The settlement agreement between Santa Clarita Water Company (SCWC) and the Office of Ratepayer Advocates (ORA), attached as Attachment 1, is approved.
2. ORA's Motion to Defer and Motion to Introduce Exhibit are denied.
3. SCWC is authorized to file on or after the effective date of this order the revised rate schedules for 1997 shown in Attachment 2. This filing shall comply with General Order (GO) 96-A. The effective date of the revised shall be five days after the date of filing. The revised schedules shall apply to service rendered on or after the effective date.
4. On or after November 5, 1997, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increase for 1998 included in Attachment 2, or to file a proportionate lesser increase for those rates in Attachment 2 in the event that a rate of return on rate base, adjusted to reflect rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1997, exceeds the lesser of (a) the rate of return found reasonable for SCWC during the corresponding period in the then-most-recent rate decision, or (b) 10.07%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the Commission's Water Division (WD) to determine their conformity with this order or other Commission orders and shall go into effect upon WD's determination of conformity. WD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission decisions. The effective date of the revised schedules shall be no earlier than January 1, 1998, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.
5. On or after November 5, 1998, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increase for 1999, included in Attachment 2, or to file a proportionate lesser increase for those rates in Attachment 2 in the event that a rate of return on rate base, adjusted to reflect rates then in effect and

normal ratemaking adjustments for the 12 months ended September 30, 1998, exceeds the lesser of (a) the rate of return found reasonable for SCWC during the corresponding period in the then-most-recent rate decision, or (b) 10.07%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by WD to determine their conformity with this order or other Commission orders and shall go into effect upon WD's determination of conformity. WD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission decisions. The effective date of the revised schedules shall be no earlier than January 1, 1999, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

6. On or after November 5, 1999, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increase for 2000, included in Attachment 2, or to file a proportionate lesser increase for those rates in Attachment 2 in the event that a rate of return on rate base, adjusted to reflect rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1999, exceeds the lesser of (a) the rate of return found reasonable for SCWC during the corresponding period in the then-most-recent rate decision, or (b) 10.07%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by WD to determine their conformity with this order or other Commission orders and shall go into effect upon WD's determination of conformity. WD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission decisions. The effective date of the revised schedules shall be no earlier than January 1, 2000, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

7. This docket is closed.

This order is effective today.

Dated September 3, 1997, at San Francisco, California.

P. GREGORY CONLON  
President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners



ATTACHMENT 1  
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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

**FILED**  
PUBLIC UTILITIES COMMISSION

FEB 13 1997

In the Matter of the Application of  
Santa Clarita Water Company (U 345-W)  
for authority to increase rates for  
water service

)  
) SAN FRANCISCO  
) Application  
) No. 96-07-005  
)

MOTION FOR ADOPTION

OF SETTLEMENT

The parties to the accompanying Settlement ("Parties") are the Office of Ratepayer Advocates--Water Division ("ORA") and Santa Clarita Water Company ("SCWC"). The Parties have agreed on a resolution of each of the issues set forth in the accompanying Settlement which they now submit for adoption pursuant to Rule 51 et seq. of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission").

In particular, the Parties represent to the Commission as follows:

(a) That this Settlement commands the sponsorship of the Parties to this proceeding as listed above;

(b) That the Parties are fairly representative of all affected interests;

(c) That no term of this Settlement contravenes any statutory provision or any decision of the Commission; and

ATTACHMENT 1

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(d) That this Settlement together with the record in this proceeding conveys to the Commission sufficient information to permit the Commission to discharge its regulatory obligations with respect to the Parties and their interests.

The Parties believe that this Settlement is reasonable in light of the whole record, consistent with applicable law, and in the public interest.

In addition, the Parties have entered into this Settlement on the basis that the Commission's adoption not be construed as an admission or concession by any party regarding any fact or matter of law in dispute in this proceeding.

Furthermore, the Parties intend that the Commission's adoption of this Settlement not be construed as any statement of precedent or policy of any kind for or against them in any current or future proceeding.

Finally, this Settlement represents an integrated agreement, so that if any portion of it is rejected by the Commission, each Party has the right to withdraw.

WHEREFORE the Parties request that the Commission adopt the accompanying Settlement in its entirety as a complete resolution of all issues in the present proceeding.

By Peter G. Fairchild  
Peter G. Fairchild  
Attorney for ORA

By Leonard G. Weiss  
Leonard G. Weiss  
By Daryl Landy  
Daryl Landy  
Attorneys for SCWC

Dated: February 11, 1997

Dated: February 11, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
Santa Clarita Water Company (U 345-W)  
for authority to increase rates for  
water service

**Application  
No. 96-07-005**

## SETTLEMENT

**1.00      Introduction**

1.01 The parties to this Settlement ("Parties") are the Office of Ratepayer Advocates--Water Division ("ORA") and Santa Clarita Water Company ("SCWC").

1.02 The Parties agree that no signatory hereto nor any member of the staff of the Public Utilities Commission assumes any personal liability as a result of this Settlement. The Parties agree that no legal action may be brought in any state or federal court, or in any other forum, against any individual signatory representing the interests of ORA, its staff, its attorneys, or the ORA itself regarding this Settlement. All rights and remedies are limited to those available before the California Public Utilities Commission.

1.03 The Parties acknowledge that ORA is charged with representing the interests of customers of public utilities in the State of California, as required by Public Utilities Code Sec-

## ATTACHMENT 1

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tion 309.5, and nothing in this Settlement is intended to limit the ability of ORA to carry on that responsibility.

1.04 The Parties' negotiations have resulted in the resolution of all issues raised in Application 96-07-005 and in ORA's report dated November 18, 1996. In summary, the annual increases proposed by the Parties and those agreed to in the Settlement are as follows:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
SCWC	12.1%	8.7%	7.4%	6.4%
ORA	-20.0%	2.4%	4.3%	4.0%
Settlement	-8.5%	2.7%	1.7%	1.7%

1.05 Attached to this Settlement are the following appendices showing the calculations, and quantities that have been agreed to by the Parties:

Appendix A--Summary of Earnings

Appendix B--Adopted Quantities and Income Tax Calculations

## 2.00 Sales and Revenues

2.01 Consumption: The Parties agree that consumption for residential customers will be 351 Ccf. The Parties base their estimate on the use of historical data for the period of 1982 to 1995 and disregard older data that was recorded when some service was provided under flat rates.

2.02 Charge for Returned Checks: The Parties agree that SCWC should be authorized to establish a charge for returned checks in the amount of \$10.00 in its tariffs.

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3.00 Expenses of Operation and Maintenance

3.01 Production: The Parties agree that power purchased should be based on the rates of Southern California Edison Company in effect on December 31, 1996, and should not be escalated for recovery in the test years.

3.02 Based on the current rates of the Castaic Lake Water Agency, the Parties agree to calculate the expense for purchased water at \$145.00 per acre-foot rather than basing the expenses for the test years on estimates of future price.

3.03 The Parties further agree that SCWC will provide notice to the Commission six months in advance of the effective date of any increase in rates for purchased water to allow time for any investigation or hearing that may be warranted.

3.04 The Parties agree that the expenses of purchased water and power should be based on the purchase by SCWC of 45% of its total supply, based on an average of the last 10 years.

3.05 Payroll: To derive estimates for the test year, the Parties agree to use SCWC's payroll adjusted to incorporate ORA's escalation factors, omit the salaries of four employees who are directors of SCWC, and add the salary for a rate analyst. In addition, ORA now agrees that SCWC has demonstrated that its salaries are comparable with those prevailing in the industry.

3.06 Transmission and Distribution: The Parties agree to add \$160,500 per year for coating the inside of storage tanks. The Parties also agree to add the expense of a program for an outside consultant to monitor the condition of SCWC's tanks.

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3.07 Treatment of Water: The Parties agree to base the estimate of the cost of treating water for the test years on information provided by the Department of Health Services as to the number and type of tests required in lieu of using escalation factors.

3.08 Other Expenses: The Parties agree to base estimates of Pumping Maintenance and Customer Accounts on recorded data increased to reflect ORA's escalation factors.

4.00 Administrative and General Expenses

4.01 Payroll: Overall Payroll is allocated between Operations and Maintenance and Administrative and General Expenses. The discussion under Operation and Maintenance applies equally to this paragraph.

4.02 Pensions and Benefits: The Parties agree to calculate Pensions and Benefits on the basis of 10% of payroll, which is the current basis on which SCWC calculates pensions.

4.03 Medical Insurance: The Parties agree that medical insurance should be based on bids from competent providers rather than on comparisons with Valencia Water Company, which has the advantage of purchasing insurance through its corporate parent.

4.04 Regulatory Expense: The Parties agree to a Regulatory Expense of \$60,000 to be amortized over three years at \$20,000 year.

4.05 Banking Charges: The Parties agree that the most economical method for compensating the expense of maintaining SCWC's bank account is to provide for an allowance of \$12,700 in 1997 for bank charges in lieu of including \$278,400 in the working cash.

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4.06 Other Expenses: The parties agree to base estimates of Injuries and Damages, Capitalized Labor, and Capitalized Expense on recorded data increased to reflect ORA's escalation factors.

5.00 Plant

5.01 Wells and Land: The Parties agree that SCWC should replace one well in 1998 on land to be acquired. The well will serve an area that cannot presently be served adequately by other sources of supply.

5.02 Replacement of Mains: Based on more recent information, the Parties agree that the cost of SCWC's program to replace mains which are developing leaks or are breaking should be reduced by \$100,000 to a funding level of \$400,000 per year.

5.03 Furniture and Equipment for the Office: The Parties agree that SCWC should replace its mainframe computer for \$60,000 in 1998 rather than having it upgraded and reprogrammed.

5.04 Transportation: The Parties agree that three automobiles are required in SCWC's operations with an allowable cost of \$21,000 for each. The Parties further agree that SCWC requires eight new trucks ranging in price from \$21,000 to \$32,000.

6.00 Ratebase

6.01 Working Cash: The Parties agree that the proceeds from the settlement of a lawsuit (Paragraph 7.01) and a minimum bank balance (Paragraph 4.05) should be excluded from the calculation of working cash. The Parties further agree that SCWC's

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present method of paying accounts due two times per month is reasonable and that increasing its oversight of its accounts payable to reduce the working cash would result in unreasonable additional expense.

7.00 Recovery of Legal Expenses

7.01 SCWC received \$500,000 in settlement of a lawsuit against the Castaic Lake Water Agency in 1994. Based on further investigation, the Parties agree that \$400,000 of the proceeds represented reimbursement of expenses of the suit and that the balance of \$100,000 should be refunded to ratepayers in the form of a reduction to SCWC's Balancing Account for Power Purchased as noted in Paragraph 8.01.

8.00 Balancing and Memorandum Accounts

8.01 Balancing Accounts for Purchased Power and Water: The Parties agree that the Balancing Accounts for Power Purchased and Purchased Water established pursuant to Section 792.5 of the Public Utilities Code should be closed as of December 31, 1988. This date is the end of the period of five years from SCWC's last test year. The Parties further agree that the accounts will remain closed until such time as the Commission may authorize their reestablishment. The recovery of the Balancing Account for Power Purchased will be further reduced by \$100,000, representing the proceeds from the lawsuit described in Paragraph 7.01.

8.02 Catastrophic Event and Water Quality Cost Memorandum Accounts: The expenses recorded in the Catastrophic Event Memorandum Account are due to the Northridge Earthquake that occurred in 1994 and the expenses recorded in the Water Quality



## ATTACHMENT 1

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Memorandum Account are for tests and inspections performed beginning in 1992. SCWC agrees to waive recovery of the amounts recorded in these accounts prior to December 31, 1996.

8.03 Tax Initiative Account: The Parties agree that the amounts recorded in the Tax Initiative Account are due to refunds ordered by the Commission that were not terminated on a timely basis and that their recovery is not warranted.

8.04 Surcharge to Rates: The Parties agree that recovery of the Balancing Accounts should be accomplished by a surcharge to SCWC's commodity rates over a period of 36 months, calculated as follows:

Purchased Water Balancing Account	
Balance as of Dec. 31, 1988:	\$1,542,019
Power Purchased Balancing Account	
Balance as of Dec. 31, 1988:	524,328
Subtotal:	\$2,066,347
Interest from July 1, 1994, to,	
August 31, 2000, at 5.59% Average:	607,260
Allowance for Uncollectibles	5,347
Total:	\$2,678,954
Less: Lawsuit Recovery:	100,000
Total Amount to be Recovered:	\$2,578,954
Sales of Water in 36 months, Ccf:	25,247,400
Rate per Ccf:	\$0.102

9.00 Cost of Capital:

9.01 Rate of return is a function of capital structure, cost of debt, and return on equity. The various elements of this function requested by SCWC, recommended by ORA, and agreed to by the Parties are shown in the following table:

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Page 101997:

	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
SCWC:			
Debt	7.38%	10.14%	0.75%
Common Equity	92.62%	11.40%	10.56%
Total	100.00%		11.31%
ORA:			
Debt	35.00%	9.88%	3.46%
Common Equity	65.00%	10.10%	6.57%
Total	100.00%		10.02%
Settlement:			
Debt	35.00%	9.88%	3.46%
Common Equity	65.00%	10.20%	6.63%
Total	100.00%		10.09%

1998:

	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
SCWC:			
Debt	9.35%	10.14%	0.95%
Common Equity	90.65%	11.40%	10.33%
Total	100.00%		11.28%
ORA:			
Debt	40.00%	9.88%	3.95%
Common Equity	60.00%	10.10%	6.06%
Total	100.00%		10.01%
Settlement:			
Debt	40.00%	9.88%	3.95%
Common Equity	60.00%	10.20%	6.12%
Total	100.00%		10.07%

1999:

	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
SCWC:			
Debt	10.47%	10.14%	1.06%
Common Equity	89.53%	11.40%	10.21%
Total	100.00%		11.27%
ORA:			
Debt	45.00%	9.88%	4.44%
Common Equity	55.00%	10.10%	5.56%
Total	100.00%		10.00%
Settlement:			
Debt	40.00%	9.88%	3.95%
Common Equity	60.00%	10.20%	6.12%
Total	100.00%		10.07%

ATTACHMENT 1

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10.00 Summary of Earnings

10.01 The Parties agree that the summary of earnings attached to this Settlement as Appendix A reflects all the items, conditions, and adjustments to which the Parties have agreed and that this schedule should be included in the Commission's decision in this proceeding.


10.02 The Parties agree to use the factors recommended by ORA in Attachment A of its report for escalating expenses from year to year.

By



Daniel R. Paige  
Program and Project  
Supervisor for ORA

By

  
W. J. Manetta, Jr.  
President of SCWC

Dated: February 7, 1997

Dated: February 7, 1997

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## ATTACHMENT 1

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APPENDIX A  
SANTA CLARITA WATER COMPANY  
SUMMARY OF EARNINGS

Sheet 1 of 2

(\$000)

FOR TEST YEAR 1997 AT PROPOSED RATES

Description	Utility	Water Div.	Settlement
OPERATING REVENUES	9,729.2	7,418.0	7,977.0
OPERATION AND MAINTENANCE EXPENSES			
PAYROLL	778.5	592.1	662.5
SOURCE OF SUPPLY	8.6	8.4	8.4
PURCHASED WATER	1,961.3	988.3	1,312.7
MAINTENANCE OF WELLS	10.6	10.6	10.6
PUMPING	136.0	134.5	134.5
POWER PURCHASED	1,460.6	1,617.3	1,481.0
WATER TREATMENT	71.4	71.1	71.4
TRANSMISSION & DISTRIBUTION	699.2	425.3	608.4
CUSTOMER ACCOUNTS	134.3	131.8	131.8
UNCOLLECTIBLES	19.2	20.7	15.7
TOTAL O&M EXPENSES	5,279.7	4,000.1	4,437.0
ADMINISTRATIVE & GENERAL EXPENSE			
SALARIES	598.0	516.7	578.1
OFFICE SUPPLIES & EXPENSES	109.7	108.2	108.2
PROPERTY INSURANCE	53.8	53.6	53.8
INJURIES AND DAMAGES	174.0	160.2	160.2
PENSIONS & BENEFITS	651.9	255.1	401.9
FRANCHISE REQUIREMENTS	1.7	1.7	1.7
REGULATORY EXP.	22.5	11.7	20.0
OUTSIDE SERVICES	108.0	108.0	108.0
DUES, MEMBERSHIPS & EMPLOYEE EXP.	31.1	30.7	30.7
BANK CHARGES	0.0	12.7	12.7
RENT	8.2	8.2	8.2
MAINTENANCE EXPENSES	31.0	30.9	30.9
A & G TRANSFER - LABOR	(45.0)	(41.5)	(41.5)
- OTHER	(18.5)	(18.1)	(18.1)
TOTAL A&G & MISC. EXPENSES	1,726.4	1,238.1	1,454.8
TOTAL OPERATING EXPENSES	7,006.1	5,238.2	5,891.8
DEPRECIATION & AMORTIZATION	476.9	381.5	384.6
TAXES OTHER THAN ON INCOME	314.1	287.6	317.6
INCOME TAXES			
STATE INCOME TAXES	153.9	110.9	65.7
FEDERAL INCOME TAXES	541.2	444.8	247.0
TOTAL OPERATING REVENUE DEDUCTIONS	8,492.2	6,463.0	6,906.7
OPERATING INCOME	1,237.0	955.0	1,070.3
RATEBASE	10,940.0	9,528.2	10,609.6
	11.31%	10.02%	10.09%

## ATTACHMENT 1

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## APPENDIX A

SANTA CLARITA WATER COMPANY  
SUMMARY OF EARNINGSSheet 2 of 2  
(\$000)

FOR TEST YEAR 1998 AT PROPOSED RATES

Description	Utility	Water Div.	Settlement
OPERATING REVENUES	10,571.6	7,664.0	8,264.9
OPERATION AND MAINTENANCE EXPENSES			
PAYROLL	817.4	609.8	682.4
SOURCE OF SUPPLY	8.7	8.5	8.5
PURCHASED WATER	2,382.9	1,024.0	1,327.0
MAINTENANCE OF WELLS	10.8	10.8	10.8
PUMPING	140.0	138.2	138.2
POWER PURCHASED	1,514.5	1,662.4	1,493.2
WATER TREATMENT	104.9	72.6	104.9
TRANSMISSION & DISTRIBUTION	721.3	429.3	626.1
CUSTOMER ACCOUNTS	137.3	134.5	134.5
UNCOLLECTIBLES	20.9	22.9	16.3
TOTAL O&M EXPENSES	5,858.7	4,113.0	4,541.9
ADMINISTRATIVE & GENERAL EXPENSE			
SALARIES	627.9	532.2	595.5
OFFICE SUPPLIES & EXPENSES	112.6	110.8	110.8
PROPERTY INSURANCE	55.1	54.1	55.2
INJURIES AND DAMAGES	182.7	165.0	165.0
PENSIONS & BENEFITS	771.9	259.8	435.9
FRANCHISE REQUIREMENTS	1.7	1.7	1.7
REGULATORY EXP.	22.5	11.7	20.0
OUTSIDE SERVICES	112.2	112.2	112.2
DUES, MEMBERSHIPS & EMPLOYEE EXP.	31.7	31.1	31.1
BANK CHARGES	0.0	12.8	12.8
RENT	8.3	8.3	8.3
MAINTENANCE EXPENSES	32.1	32.0	32.0
A & G TRANSFER - LABOR	(47.3)	(42.7)	(42.7)
- OTHER	(18.8)	(18.4)	(18.4)
TOTAL A&G & MISC. EXPENSES	1,892.6	1,270.6	1,519.4
TOTAL OPERATING EXPENSES	7,751.3	5,383.6	6,061.3
DEPRECIATION & AMORTIZATION	508.4	388.2	413.0
TAXES OTHER THAN ON INCOME	330.2	301.4	311.0
INCOME TAXES			
STATE INCOME TAXES	158.7	121.6	70.2
FEDERAL INCOME TAXES	558.6	500.1	306.0
TOTAL OPERATING REVENUE DEDUCTIONS	9,307.2	6,694.9	7,161.5
OPERATING INCOME	1,264.4	969.1	1,103.4
RATEBASE	11,208.1	9,393.0	10,957.6
	11.28%	10.32%	10.07%

## ATTACHMENT 1

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APPENDIX B  
SANTA CLARITA WATER COMPANY

Sheet 1 of 2

ADOPTED QUANTITIES AND INCOME TAX CALCULATIONS

Net - to Gross Multiplier	1.687
Uncollectibles	0.2%
Franchise Rate	1.1%
Federal Tax Rate	34.12%
State Tax Rate	8.84%

<u>WATER CONSUMPTION (Kccl)</u>	<u>1997</u>	<u>1998</u>
Water Sales	8,324.5	8,415.8
Unaccounted Water	438.5	443.2
Total Water Production	8,763.0	8,859.0

POWER PURCHASED

Electric		
Total Cost (\$000)	1,481.0	1,493.2
Total kWh	14,321.7	14,465.7
\$/kWh	\$ 0.1034	\$ 0.1032
\$/Ccf	\$ 0.1690	\$ 0.1686

WATER CONSUMPTION (Ccf/Cust.)

Residential	351.0	351.0
Business	928.1	928.1
Industrial	5,509.3	5,509.3
Public Authorities	5,340.5	5,340.5
Other Water Utilities	10,545.0	10,545.0
Construction Metered	752.4	752.4

ADOPTED AVERAGE SERVICES BY METER SIZE

5/8 x 3/4"	6,476	6,476
3/4"	10,041	10,173
1"	2,118	2,176
1 1/2"	372	371
2"	628	636
3"	12	12
4"	80	80
6"	13	13
8"	5	5
Fire Service		
2"	1	1
3"	2	2
4"	15	15
6"	55	55
8"	57	59
10"	7	7
12"	2	2

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APPENDIX B  
SANTA CLARITA WATER COMPANY  
INCOME TAX CALCULATION

Sheet 2 of 2

	1997	1998
Operating Revenues	\$7,976,963	\$8,264,850
Less: Deferred Revenue CIAC	96,081	84,394
Total Taxable Operating Revenue	7,880,882	8,180,456
<u>Deductions</u>		
O&M Expenses	4,437,026	4,541,892
A&G Expenses	1,454,848	1,519,393
Taxes Other Than Income	317,600	311,000
Interest Expense	366,700	432,800
Total Deductions	6,576,174	6,805,085
State Tax Depreciation	561,960	581,229
Net State Taxable Income	742,748	794,143
State Corp. Franchise Tax 8.84%	65,659	70,202
Federal Tax Depreciation	612,800	633,199
State Franchise Tax Prior Year	196,057	65,659
Net Taxable Income	495,850	676,513
Federal Tax Rate 34.12%	169,184	230,826
Plus: Deferred Income Tax	77,856	75,136
Total Federal Income Tax	247,040	305,962
Total Income Tax	312,699	376,164

(END OF ATTACHMENT 1)

## ATTACHMENT 2

Page 1

## SANTA CLARITA WATER COMPANY

Schedule No. 1

## METERED SERVICE

## APPLICABILITY

Applicable to all metered water service.

## TERRITORY

Bouquet Canyon and Vicinity, Near Saugus, Los Angeles County.

## RATES

## Quantity Rates:

For all water delivered, per 100 cu. ft. ....	\$0.6480	(C)
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## Service Charge:

For 5/8 X 3/4 inch meter .....	\$7.05	(R)
For 3/4 inch meter .....	9.95	
For 1 inch meter .....	12.55	(R)
For 1-1/2 inch meter .....	18.00	(I)
For 2 inch meter .....	25.30	
For 3 inch meter .....	47.90	
For 4 inch meter .....	66.70	
For 6 inch meter .....	123.30	
For 8 inch meter .....	153.75	
For 10 inch meter .....	192.00	(I)

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

## SPECIAL CONDITIONS

1. A surcharge of \$0.102 per Ccf will be added to the above quantity rate for amortization of undercollections in the balancing and memorandum accounts. This surcharge will be in effect for 36 months starting with the effective date of Advice Letter No. \_\_\_\_\_

(D)  
(N)  
|  
(N)

2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.



## ATTACHMENT 2

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## SANTA CLARITA WATER COMPANY

The following increases in rates can be put into effect by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

## Schedule No. 1 - General Metered Service

## Quantity Rates:

Jan. 1, 1998 Jan. 1, 1999 Jan. 1, 2000

For all water delivered, per 100 cu. ft. ....	0.0198	0.0120	0.0119
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## Service Charge:

For 5/8 X 3/4 inch meter .....	0.00	0.05	0.00
For 3/4 inch meter .....	0.05	0.10	0.15
For 1 inch meter .....	0.35	0.35	0.30
For 1-1/2 inch meter .....	1.25	0.55	0.70
For 2 inch meter .....	2.00	1.05	0.90
For 3 inch meter .....	4.10	2.00	3.00
For 4 inch meter .....	6.30	3.00	4.00
For 6 inch meter .....	15.70	4.00	5.00
For 8 inch meter .....	10.25	5.00	10.00
For 10 inch meter .....	13.00	7.00	13.00

## Schedule No. 4 - Private Fire Service

For each inch of diameter of service connection	0.10	0.05	0.05
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ATTACHMENT 2  
Page 3

SANTA CLARITA WATER COMPANY

Schedule No. 4

SERVICE TO PRIVATELY OWNED FIRE PROTECTION SYSTEMS

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Bouquet Canyon and Vicinity, Near Saugus, Los Angeles County.

RATES

For each inch of diameter of service connection ..... \$1.30 (I)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility with the cost thereof paid by the applicant. Such payment shall not be subject to refund.
2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
3. Service hereunder is for private fire protection systems to which no connections for other than fire protection are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water, and the cost paid by the applicant.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.
5. Any unauthorized use of water, other than for fire extinguishing purposes, shall be charged for at the regular established rate as set forth under Schedule No. 1, and/or may be the grounds for the immediate disconnection of the service without liability to the company.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF ATTACHMENT 2)