

Rule No. 15

Sheet 1 of 11

MAIN EXTENSIONS

A. General Provisions and Definitions

1. Applicability

- a. All extensions of distribution mains, from the utility's basic production and transmission system or existing distribution system, to serve new customers, except for those specifically excluded below, shall be made under the provisions of this rule unless specific authority is first obtained from the Commission to deviate therefrom. A main extension contract shall be executed by the utility and the applicant or applicants for the main extension before the utility commences construction work on said extensions or, if constructed by applicant or applicants, before the facilities comprising the main extension are transferred to the utility.
- b. Extensions primarily for fire hydrant, private fire protection, resale, temporary, standby, or supplemental service shall not be made under this rule.
- c. The utility may, but will not be required to, make extensions under this rule in easements or rights-of-way where final grades have not been established, or where street grades have not been brought to those established by public authority. If extensions are made when grades have not been established and there is a reasonable probability that the existing grade will be changed, the utility shall require that the applicant or applicants for the main extension deposit, at the time of execution of the main extension agreement, the estimated net cost of relocating, raising or lowering facilities upon establishment of final grades. Adjustment of any difference between the amount so deposited and the actual cost of relocating, raising or lowering facilities shall be made within ten days after the utility has ascertained such actual cost. The net deposit representing actual cost is not subject to refund. The entire deposit related to the proposed relocation, raising or lowering shall be refunded when such displacements are determined by proper authority to not be required.

2. Limitation of Expansion

- a. Whenever the outstanding advance contract balances reach 40 percent of total capital (defined for the purpose of this rule, as proprietary capital, or capital stock and surplus, plus debt and advances for construction) the utility shall so notify the Commission within thirty days.
- b. Whenever the outstanding advance contract balances plus the advance on a proposed new extension would exceed 50 percent of total capital, as defined in Section A.2.a. plus the advance on the proposed new extension, the utility shall not make the proposed new extension of distribution mains without authorization of the Commission. Such authorization may be granted by a letter from the Executive Director of the Commission.
- c. Whenever the outstanding advance contract balances reach the above level, the utility shall so notify the Commission within thirty days.

(Continued)

(To be inserted by utility)

Advice Letter No. 1340

Decision No. 91-04-068

Issued by

FRANCIS S. FERRARO

NAME

Vice President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed FEB 25 1994

Effective APR 6 1994

Resolution No. _____

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MAIN EXTENSIONS
(Continued)

A. General Provisions and Definitions (continued)

3. Definitions

- a. A "bona-fide customer," for the purposes of this rule, shall be a customer (excluding any customer formerly served at the same location) who has given satisfactory evidence that service will be reasonably permanent to the property which has been improved with a building of a permanent nature, and to which service has commenced. The provision of service to a real estate developer or builder, during the construction or development period, shall not establish him as a bona-fide customer.
- b. A "real estate developer" or "builder," for the purposes of this rule, shall include any individual, association of individuals, partnership, or corporation that divides a parcel of land into two or more portions, or that engages in the construction and resale of individual structures on a continuing basis.
- c. The "adjusted construction cost," for the purposes of this rule, shall be reasonable and shall not exceed the costs recorded in conformity with generally accepted water utility accounting practices, and as specifically defined in the Uniform System of Accounts for Water Utilities prescribed by the Commission for the installing facilities of adequate capacity for the service requested. If the utility, at its option, should install facilities with a larger capacity or resulting in a greater footage of extension than required for the service requested, the "adjusted construction cost," for the purpose of this rule, shall be determined by the application of an adjustment factor to actual construction cost of facilities installed. This factor shall be the ratio of estimated cost of required facilities to estimated cost of actual facilities installed.

4. Ownership, Design, and Construction of Facilities

- a. Any facilities installed hereunder shall be the sole property of the utility. In those instances which title to certain portions of the installation, such as fire hydrants, will be held by a political subdivision, such facilities shall not be included as a part of the main extension under this rule, and will neither be owned by the utility nor subject to refund under the provisions of Section C.2. of this rule.
- b. The size, type, quality of materials, and their location shall be specified by the utility; and the actual construction shall be done by the utility or by a constructing agency acceptable to it.
- c. Where the property of an applicant is located adjacent to a right-of-way, exceeding 70 feet in width, for a street, highway, or other public purpose, regardless of the width of the traveled way or pavement; or on a freeway, waterway, or railroad right-of-way, the utility may elect to install a main extension on the same side thereof as the property of the applicant, and the estimated and adjusted construction costs in such case shall be based upon such an extension.

(Continued)

(To be inserted by utility)

Advice Letter No. 1340

Decision No. 91-04-068

Issued by

FRANCIS S. FERRARO

NAME

Vice President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed FEB 25 1994

Effective APR 6 1994

Resolution No. _____

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MAIN EXTENSIONS
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A. General Provisions and Definitions (continued)

4. Ownership, Design, and Construction of Facilities (continued)

- d. When an extension must comply with an ordinance, regulation, or specification of a public authority, the estimated and adjusted construction costs of said extension shall be based upon the facilities required to comply therewith.
- e. If the following provisions for water conservation are included in local building codes and/or ordinances, the main extension contract shall contain these provisions.

(1) All interior plumbing in new buildings shall meet the following requirements:

- (a) Toilets shall not use more than 3½ gallons per flush, except that toilets and urinals with flush valves may be installed.
- (b) Shower heads shall contain flow controls which restrict flow to a maximum of approximately 3 gallons per minute.
- (c) Kitchen and lavatory faucets shall have flow controls which restrict flow to a maximum of approximately 2 gallons per minute.

(2) All new parks, median strips, landscaped public areas and landscaped areas surrounding condominiums, townhouses, apartments and industrial parks shall have a well-balanced automatic irrigation system designed by a landscape architect or other competent person, and shall be operated by electric time controller stations set for early morning irrigation.

5. Estimates, Plans, and Specifications

- a. Upon request by a potential applicant for a main extension of 100 feet or less, the utility shall prepare, without charge, a preliminary sketch and rough estimates of the cost of installation to be advanced by said applicant. (N)
- b. Any applicant for a main extension requesting the utility to prepare detailed plans, specifications, and cost estimates shall be required to deposit with the utility an amount equal to the estimated cost of preparation of such material. The utility shall, upon request, make available within 45 days after receipt of the deposit referred to above, such plans, specifications, and cost estimates of the proposed main extension. If the extension is to include oversizing of facilities to be done at the utility's expense, appropriate details shall be set forth in the plans, specifications, and cost estimates.

(Continued)

(To be inserted by utility)

Advice Letter No. 1340

Decision No. 91-04-068

Issued by

FRANCIS S. FERRARO

NAME

Vice President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed FEB 25 1994

Effective APR 6 1994

Resolution No. _____

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MAIN EXTENSIONS

(continued)

A. General Provisions and Definitions (continued)

5. Estimates, Plans, and Specifications (continued)

- c. In the event a main extension contract with the utility is executed within 180 days after the utility furnishes the detailed plans and specifications, the deposit shall become a part of the advance, and shall be refunded in accordance with the terms of the main extension contract. If such contract is not so executed, the deposit to cover the cost of preparing plans, specifications, and cost estimates shall be forfeited by the applicant for the main extension and the amount of the forfeited deposit shall be credited to the account or accounts to which the expense of preparing said material was charged. (L)
- d. When detailed plans, specifications and cost estimates are requested, the applicant for a main extension shall furnish a map to a suitable scale showing the street and lot layouts and, when requested by the utility, contours or other indication of the relative elevation of the various parts of the area to be developed. If changes are made subsequent to the presentation of this map by the applicant, and these changes require additional expense in revising plans, specifications and cost estimates, this additional expense shall be borne by the applicant, not subject to refund, and the additional expense thus recovered shall be credited to the account or accounts to which the additional expense was charged.

6. Timing and Adjustment of Advances

- a. Unless the applicant for the main extension elects to arrange for the installation of the extension himself, as permitted by Section C.1.c., the full amount of the required advance or an acceptable surety bond must be provided to the utility at the time of execution of the main extension agreement.
- b. If the applicant for a main extension posts a surety bond in lieu of cash, such surety bond must be replaced with cash not less than ten calendar days before construction is to commence; provided, however, that if special facilities are required primarily for the service requested, the applicant for the extension may be required to deposit sufficient cash to cover the cost of such special facilities before they are ordered by the utility.
- c. An applicant for a main extension who advances funds shall be provided with a statement of actual construction cost and adjusted construction cost showing in reasonable detail the costs incurred for material, labor, any other direct and indirect costs, overheads, and total costs; or unit costs; or contract costs, whichever are appropriate.
- d. Said statement shall be submitted within sixty days after the actual construction costs of the installation have been ascertained by the utility. In the event that the actual construction costs for the entire installations shall not have been determined within 120 days after the completion of construction work, a preliminary determination of actual and adjusted construction costs shall be submitted, based upon the best available information at that time.

(continued)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 1340

FRANCIS S. FERRARO

Date Filed FEB 25 1994

NAME

Decision No. 93-08-033

Vice President

Effective APR 6 1994

TITLE

Resolution No. _____

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MAIN EXTENSIONS
(continued)

6. Timing and Adjustment of Advances (continued)

- e. Any differences between the adjusted construction costs and the amount advanced shall (L)
be shown as a revision of the amount of advance and shall be payable within thirty days |
of date of submissions of statement. (L)

7. Assignment of Main Extension Contracts

Any contract entered into under Sections B and C of this rule, or under similar provisions of former rules, may be assigned, after settlement of adjusted construction costs, after written notice to the utility by the holder of said contract as shown by the utility's records. Such assignment shall apply only to those refunds which become due more than thirty days after the date of receipt by the utility of the notice of assignment. The utility shall not be required to make any one refund payment under such contract to more than a single assignee.

8. Interpretations and Deviations

In case of disagreement or dispute regarding the application of any provision of this rule, or in circumstances where the application of this rule appears unreasonable to either party, the utility, applicant or applicants may refer the matter to the Commission for determination.

B. Extensions to Serve Individuals

1. Payment

Extensions of water mains to serve new individual customers shall be paid for and contributed to the utility by the individual customer requesting the main extension. Calculation of payment shall be on the basis of a main not in excess of 6" in diameter, except where a larger main is required by the special needs of the new customer. The utility shall be responsible for installing and paying for service pipes, meter boxes and meter to serve the new individual customer; provided, however, a Class C or (N)
Class D utility, or a Class A or Class B utility district or subsidiary serving 2,000 or fewer |
connections, may accept from individual customers amounts in contribution as a connection fee |
calculated pursuant to the Commission's Connection Fee Data Form contained in the utility's tariffs. (N)

2. Refunds

If subsequent applicants for water service are connected directly in the main extension contributed by the original individual customer, such subsequent applicants shall pay to the utility an amount equal to the cost of 100 feet of the original extension. Such amounts shall be immediately refunded (C)
by the utility to the initial customer who originally paid for and contributed the main extension to the utility. Total payments to the initial customer by subsequent applicants for water service who are connected directly to the extension shall not exceed the original cost of the extension. No refunds shall be made after a period of ten years from completion of the main extension.

(continued)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 1340

FRANCIS S. FERRARO

Date Filed FEB 25 1994

NAME

Decision No. 93-08-033

Vice President

Effective APR 6 1994

TITLE

Resolution No. _____

Rule No. 15

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MAIN EXTENSIONS

(continued)

C. Extensions to Serve Subdivisions, Tracts, Housing Projects; Industrial Developments, Commercial Buildings, or Shopping Centers

1. Advances

a. Unless the procedure outlined in Section C.1.c., is followed, an applicant for a main extension to serve a new subdivision, tract, housing project, industrial development, or organized commercial district shall be required to advance to the utility, before construction is commenced, the estimated reasonable cost of the extension to be actually installed, from the nearest utility facility at least equal in size or capacity to the main required to serve both the new customers and a reasonable estimate of the potential customers who might be served directly from the main extension. The costs of the extension shall include necessary service stubs or service pipes, fittings, gates and housing therefor, and meter boxes, but shall not include meters. To this shall be added the cost of fire hydrants when requested by the applicant for the main extension or required by public authority, whenever such hydrants are to become the property of the utility.

b. If special facilities consisting of items not covered by section C.1.a. are required for the service requested and, when such facilities to be installed will supply both the main extension and other parts of the utility's system, at least 50 percent of the design capacity (in gallons, gpm, or other appropriate units) is required to supply the main extension, the cost of such special facilities may be included in the advance, subject to refund, as hereinafter provided, along with refunds of the advance of the cost of the extension facilities described in Section C.1.a. above except as specified in Section C.1.e. below. (N)
(N)

c. In lieu of providing the advances in accordance with Sections C.1.a. and C.1.b., the applicant for a main extension shall be permitted, if qualified in the judgment of the utility, to construct and install the facilities himself, or arrange for their installation pursuant to competitive bidding procedures initiated by him and limited to qualified bidders. The cost, including the cost of inspection and supervision by the utility, shall be paid directly by applicant. The applicant shall provide the utility with a statement of actual construction cost in reasonable detail. The amount to be treated as an advance subject to refund shall be the lesser of (1) the actual cost or (2) the price quoted in the utility's detailed cost estimate. The installation shall be in accordance with the plans and specifications submitted by the utility pursuant to Section A.5.b.

d. If, in the opinion of the utility, it appears that a proposed main extension will not, within a reasonable period, develop sufficient revenue to make the extension self-supporting, or if for some other reason it appears to the utility that a main extension contract would place an excessive burden on customers, the utility may require a non refundable contribution of plant facilities from developers in lieu of a main extension contract.

If an applicant for a main extension contract who is asked to contribute the facilities believes such a request to be unreasonable, such applicant may refer the matter to the Commission for determination, as provided for in Section A.8. of this rule.

e. A special facilities fee for water supply will be included in the advance in lieu of any domestic water supply requirement covered under Section C.1.b. in some areas. The districts and fees (N)
(N)

(continued)

(To be inserted by utility)

Advice Letter No. 1469

Decision No. 99-05-018/
99-05-054

Issued by

FRANCIS S. FERRARO

NAME

Vice President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed MAY 13 1999

Effective MAY 28 1999

Resolution No. _____

Rule No. 15

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MAIN EXTENSIONS
 (continued)

C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers (continued)

1. Advances (continued)
 applicable are shown below.

District	Facilities Fee	Multi-family Fee	District	Facilities Fee	Multi-family Fee
Bakersfield	\$2,500	\$1,250	(1) Marysville	\$450	\$225
Bakersfield (Califarming)*	\$1,050	\$525	Salinas	\$1,200	\$600
Chico	\$1,000	\$500	Selma	\$1,500	\$750
Dixon	\$1,500	\$750	Visalia	\$1,100	\$550
King City	\$1,500	\$750	Willows	\$1,500	\$750

This fee is per equivalent 1-inch service and is applicable to all subdivisions requiring a main extension except those extensions serving four or fewer residential lots or equivalent single-family dwelling units.

The following factors are used to determine equivalents for larger service connections:

Service Size	Factor	Service Size	Factor
1-inch	1.0	6-inch	20.0
2-inch	3.2	8-inch	32.0
4-inch	10.0	10-inch	46.0

*Califarming's reduced fees apply to the first 2,500 services built in NE Bakersfield.

1.a. Advances - Transmission Backbone Installations

District	Unitized Transmission Fee
Visalia*	\$1,100 Per residential lot not to exceed 12,000 square feet
Visalia*	\$4,000 Other development, per acre

*Applicable to all subdivisions within a half-mile of the existing system, except those extensions serving four or fewer residential lots or equivalent single-family dwelling units. This fee is in addition to the source of supply fee in Section C.1. above. It is for the installation of 12" transmission main in 1/4 section roads in the Visalia District.

2. Refunds

- a. The amount advanced under Section C.1.a., C.1.b. and C.1.c. shall be subject to refund by the utility, in cash, without interest, to the party or parties entitled thereto as set forth in the following two paragraphs. The total amount so refunded shall not exceed the total of the amount advanced and for a period not to exceed 40 years after the date of the contract.
- b. Payment of refunds shall be made not later than June 30 of each year, beginning the year following execution of contract, or not later than 6 months after the contract anniversary date if on an anniversary basis.
- c. Whenever costs of main extensions and/or special facilities have been advanced pursuant to Section C.1.a., C.1.b. or C.1.c., the utility shall annually refund to the contract holders an amount equal to 2 1/2 percent percent of the advances until the principal amounts of the contracts have been fully repaid.

Whenever costs of special facilities have been advanced pursuant to Section C.1.a., C.1.b. or C.1.c., the amount so advanced shall be divided by the number of lots (or living units, whichever is greater) which the special facilities are designed to serve, to obtain an average advance per lot (or living unit) for special facilities. When another builder applies for a main extension to serve any lots for which the special facilities extension to serve any lots for which the special facilities are to be used, the new applicant shall, in addition to the costs of his proposed main extension, also advance an amount for special facilities. This amount shall be the average advance per lot for special facilities for each lot to be used less 2 1/2 percent of the average advance for each year in which refunds have been due and payable on the original contract, prorated to June 30 on a monthly basis.

The amount advanced to the utility by the new applicant shall be immediately refunded to the holder of the original contract, which included the cost of the special facilities and the

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MAIN EXTENSIONS

(continued)

C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers (continued)

2. Refunds (continued)

original contract advance will be reduced accordingly. The utility will thenceforth refund 2 1/2 percent (L) annually on each of the contract amounts, as determined above, to the holders of the contracts. |

Advances and refunds based on additional builder participation will be determined in a similar manner. |

In no case shall the refund on any contract exceed the amount advanced. (L)

d. With respect to a contract entered into before the effective date of this tariff sheet if, at any time during the 20-year refund period, 80 percent of the bona fide customers for which the extension or special facilities were designed are being served therefrom, the utility may, with the approval of the contract holder, modify the contract so that the utility shall become obligated to pay, in cash, any balance which may remain unrefunded at the end of said 20-year period. Such balance shall be refunded in five equal annual installments, payable beginning 21 years after the date of the contract.

3. Termination of Main Extension Contracts

a. Any contract whose refunds are based on a percentage of the amount advanced may be purchased by the utility and terminated provided that the terms are mutually agreed to by the parties or their assignees and Section C.3.c. and Section C.3.d. are complied with. The maximum price that may be paid by the utility to terminate a contract shall be calculated by multiplying the remaining unrefunded contract balance times the appropriate termination factor set out below. No contract that has been in effect for less than 10 years shall be terminated without prior Commission approval.

TERMINATION FACTORS

Years		Years		Years		Years	
Remaining	Factor	Remaining	Factor	Remaining	Factor	Remaining	Factor
1	.8929	11	.5398	21	.3601	31	.2608
2	.8450	12	.5162	22	.3475	32	.2535
3	.8006	13	.4941	23	.3356	33	.2465
4	.7593	14	.4734	24	.3243	34	.2399
5	.7210	15	.4541	25	.3137	35	.2336
6	.6852	16	.4359	26	.3037	36	.2276
7	.6520	17	.4188	27	.2942	37	.2218
8	.6210	18	.4028	28	.2851	38	.2136
9	.5920	19	.3877	29	.2766	39	.2111
10	.5650	20	.3729	30	.2685	40	.2061

b. Any contract with refunds based upon percentage of revenues and entered into under Section C. of the former rule, may be purchased by the utility and terminated, provided the payment is not in excess of the estimated revenue refund multiplied by the termination factor in the following table, the terms are otherwise mutually agreed to by the parties or their assignees and Section C.3.c. and Section C.3.d. hereof are complied with. The estimated (continued)

(To be inserted by utility)

Advice Letter No. 1469

Issued by
FRANCIS S. FERRARO
NAME

Decision No. 99-05-018/99-05-054

Vice President
TITLE

(To be inserted by Cal. P.U.C.)

Date Filed **MAY 13 1999**

Effective **MAY 28 1999**

Resolution No. _____

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MAIN EXTENSIONS
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C. Extensions to Serve Subdivisions, Tracts, Housing Projects,
 Industrial Developments, Commercial Buildings, or Shopping Centers (continued)

3. Termination of Main Extension Contracts (continued)

- b. (continued) revenue refund is the amount that would otherwise be refunded, at the current level of refunds, over the remainder of the twenty-year contract period, or shorter period that would be required to extinguish the total refund obligation. It shall be determined by multiplying 22 percent of the average annual revenue per service for the immediately preceding calendar year by the number of bona fide customers at the proposed termination date, times the number of years or fractions thereof to the end of the twenty-year contract period or shorter that would be required to refund the remaining contract balance. (L)

TERMINATION FACTORS

Years Remaining	Factor	Years Remaining	Factor	Years Remaining	Factor
1	.8929	7	.6520	13	.4941
2	.8450	8	.6210	14	.4734
3	.8006	9	.5920	15	.4541
4	.7593	10	.5650	16	.4359
5	.7210	11	.5398	17	.4188
6	.6852	12	.5162	18	.4028
				19	.3877

- c. The utility shall furnish promptly to the Commission the following information in writing and shall obtain prior authorization by a formal application under Sections 816-830 of the Public Utilities Code if payment is to be made other than in cash:
- (1) A copy of the main extension contract, together with data adequately describing the development for which the advance was made and the total adjusted construction cost of the extension.
 - (2) The balance unpaid on the contract and the calculation of the maximum termination price, as above defined, as of the date of termination and the terms under which the obligation was terminated.
 - (3) The name of the holder of the contract when terminated.
- d. Discounts obtained by the utility from contracts terminated under the provisions of this section shall be accounted for by credits to Acc. 265, Contributions in Aid of Construction.

D. Extensions Designed to Include Fire Protection

1. The cost of distribution mains designed to meet the fire slow requirements set forth in Section VIII.1(a) of General Order No. 103 is to be advanced by the applicant. The utility shall refund this advance as provided in Sections B.2. and C.2. of this rule.

(continued)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 1340

FRANCIS S. FERRARO

Date Filed FEB 25 1994

NAME

Decision No. 93-08-033

Vice President

Effective APR 6 1994

TITLE

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MAIN EXTENSIONS

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D. Extensions Designed to Include Fire Protection (continued)

2. Should distribution mains be designed to meet fire flow requirements in excess of those set forth in Section VIII.1(a) of General Order No. 103, the increase in cost of the distribution mains necessary to meet such higher fire flow requirements shall be paid to the utility as a contribution in aid of construction. (L)
3. The cost of facilities other than hydrants and distribution mains required to provide supply, pressure, or storage primarily for fire protection purposes, or portions of such facilities allocated in proportion to the capacity designed for fire protection purposes, shall be paid to the utility as a contribution in aid of construction. (L)

E. Income Tax Component of Contributions and Advances Provision

1. Contributions in Aid of Construction and Advances for Construction shall include, but are not limited to, cash, services, facilities, labor, property and income taxes thereon provided by a person or agency to the utility. The value of all contributions and advances shall be based on the utility's estimates. Contributions and advances shall consist of two components for the purpose of recording transactions as follows:

- a. Income Tax Component (ITC), and
b. The balance of the contribution or advance.

2. The ITC shall be calculated by multiplying the balance of the contribution by the tax factor of:

Prior to January 1, 1992	25.4%
After December 31, 1991	
a. For Contribution	32.7%
b. For Advance	33.1%

3. The tax factor is established by using Method 5 as set forth in Decision No. 87-09-026 in I.86-11-019.

4. The formula to compute Method 5 includes the following factors:

	Prior to <u>1-1-92</u>	After <u>12-31-91</u>
a. Corporate tax rate of:	34.00%	34.00%
b. Franchise tax rate of:		9.30%
c. A discount rate of:	11.69%	11.25%
d. A pretax rate of return of:	15.24%	15.42%

(continued)

(To be inserted by utility)

Advice Letter No. 1340

Decision No. 93-08-033

Issued by

FRANCIS S. FERRARO
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(To be inserted by Cal. P.U.C.)

Date Filed FEB 25 1994

Effective APR 6 1994

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E. Income Tax Component of Contributions and Advances Provision (continued)

5. The ITC tax factor has been derived from the corporate rate and it will remain in effect until the utility's net taxable income changes to the extent the gross-up rate would increase or decrease by five percentage points or more. When and if that occurs, the utility will file an advice letter showing the new rates and cancel out this sheet. (L)
6. If a utility collects a gross-up calculated by using an incremental tax rate that is more than its actual incremental rate, the difference between what was collected and what should have been collected will be refunded to the contributor. (L)

(To be inserted by utility)

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