

CDS RAINMAKERS UTILITIES, L.L.C.

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ORIGINAL RULE NO. 19

LINE EXTENSION POLICY

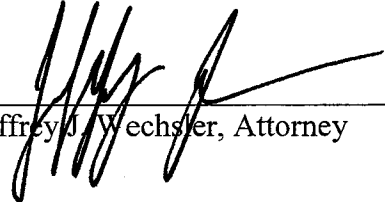
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NEW SEWER SERVICE

When an extension of a Company's lines is required to serve an individual applicant or a group of applicants or a commercial enterprise or residential subdivision with the understanding that reasonably consistent applications will be expected, extension shall be made under the following terms and conditions.

1. All line extensions shall be sized to provide adequate sewer service. In cases where the utility determines that a larger line is required to meet utility expansion requirements, the applicant will only be responsible for that portion of the line extension costs necessary to provide adequate sewer service to the applicant. The minimum pipe diameter that will be installed to provide adequate sewer service is _____ inches.
2. Costs of the line extension required to serve the applicant will be required to be paid by the applicant requesting the extension in the form of an Advance for Construction ("AFC"). Such costs shall include applicable income taxes at a rate approved by the Commission.
3. The Company shall not under any condition make an extension that would be unprofitable and thereby cause undue financial burden to existing customers, which means that there shall result no increase in rates for service to existing customers which is unduly discriminatory.
4. All lines shall be installed in existing public roads, alleys, or easements. The applicant shall furnish such rights-of-way, as required, without charge to the Company.

Advice Notice No. 1



Jeffrey D. Wechsler, Attorney**EFFECTIVE**

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5. When the applicant is to pay for an extension by an Advance for Construction, the original applicant will be refunded the Advance by the following method: (Utility shall choose one of these methods or may utilize a different method subject to Commission approval).

- A. Advances for Construction may be refunded to the original applicant on the following basis.
 - I. The estimated annual revenue for actual service will be determined using rates currently in effect.
 - II. The refund to the original customer shall be no greater than three (3) times the estimated annual revenue determined in paragraph 5.A.I. if no new customers connect to the original extension.
 - III. For each new customer connected to the original extension a refund of no greater than three (3) times the estimated annual revenue for that new customer will be made if a refund is not provided for under paragraph B below.
 - IV. In no event may refunds to an applicant total more than the Advance for Construction.

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V. Up to ten (10) years after the original request for extension the remaining advances shall become Contribution and will no longer be subject to refund.

B. Or:

- I. The pro rata cost of a line extension incurred by reason of its installation along property owned by others who will benefit from such extension may be computed for all such parcels and recorded for future collection when sewer service is requested to any such parcel. The pro rata cost of facilities installed along each abutting or benefited property may be computed on a front foot basis for individual lots or on an acreage basis for undeveloped tracts and may be recorded to be charged against that property.
- II. The total construction cost for the line extension may be paid as an advance in aid of construction by the applicant, but the advance may be subject to future refunds to that applicant when sewer service is connected to each abutting or benefited property up to ten (10) years.

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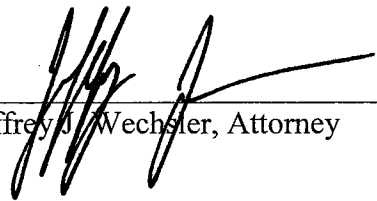
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III. When a request for sewer service to any such abutting property is received by Company, the pro rata cost originally computed and recorded as applicable to that property may be billed to and paid by the party when requesting service, before sewer service will be provided to the abutting or benefiting property. This amount may then be refunded to the original applicant or customer if it can be determined that such applicant or customer still exists as such and if within ten (10) years of the date of the original line extension agreement.

IV. Refunds made under this provision shall not exceed the original advance less that portion needed to serve the original applicant.

6. Parties requesting subsequent connections or extensions to lines already installed by the Company at its expense may be required to reimburse the Company for a pro rata share of the cost of the lines at the time connection is completed. This will be based on lines and appurtenances sized to serve the new applicant with adequate domestic and fire protection service, if required. Total collections by the Company under this provision shall not exceed the total cost of the lines.

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7. In the instance of residential subdivisions, commercial enterprises, or where special circumstances warrant in the case of residential line extensions otherwise includable under paragraph 5, a line extension may be under a specific contract provided that all contract terms shall be such that no adverse financial burden will be imposed on existing utility customers. This means that the effect of a specific contract shall not cause an increase in rates for service to existing customers which is unduly discriminatory.

All such line extension contracts shall be filed with the Public Regulation Commission. Any special or unusual conditions which affect the cost of furnishing adequate sewer service for a line extension, such as elevation, terrain, construction conditions, the quantity and quality of effluent to be treated or any other conditions which would result in increased cost to the Company, shall be included in the cost of all line extensions. Such special contracts shall be entered into with residential customers otherwise includable under paragraph 5 when the cost of such line extensions includes such special or unusual conditions.

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