

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF LONG NECK WATER COMPANY FOR AN) PSC DOCKET NO. 04-31
INCREASE IN WATER RATES)
(FILED JANUARY 30, 2004))

ORDER NO. 6484

AND NOW, this 5th day of October, 2004;

WHEREAS, the Commission having received and considered the Findings and Recommendations of the Hearing Examiner ("Report") issued in the above-captioned docket, which was submitted after a duly noticed public evidentiary hearing;

AND WHEREAS, the Hearing Examiner recommends that the proposed Settlement Agreement, which is endorsed by all the parties, and which is attached to his Report as "Attachment B", be approved;

AND WHEREAS, the Commission finds that the proposed rates and tariff changes are just and reasonable and that adoption of the Settlement Agreement is in the public interest; now, therefore,

IT IS ORDERED:

1. That, by and in accordance with the affirmative vote of a majority of the Commissioners, the Commission hereby adopts the September 30, 2004 Findings and Recommendations of the Hearing Examiner, appended to the original hereof as "Attachment A".

2. That the Commission approves the proposed Settlement Agreement and the proposed rates and tariff changes, which are set forth in the tariff leaves attached to the Settlement Agreement as

"Exhibit A" and "Exhibit B," effective thirty days from the date of this Order.

3. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae
Chair

Vice Chair

/s/ Joann T. Conaway
Commissioner

/s/ Donald J. Puglisi
Commissioner

/s/ Jaymes B. Lester
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

"A T T A C H M E N T A"

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LONG NECK WATER COMPANY FOR AN) PSC DOCKET NO. 04-31
INCREASE IN WATER RATES)
(FILED JANUARY 30, 2004))

FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER

DATED: SEPTEMBER 30, 2004

WILLIAM F. O'BRIEN
HEARING EXAMINER

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(FILED JANUARY 30, 2004))

FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER

William F. O'Brien, duly appointed Hearing Examiner in this Docket pursuant to 26 Del. C. § 502 and 29 Del. C. ch. 101, by Commission Order No. 6367, dated February 24, 2004, reports to the Commission as follows:

I. APPEARANCES

On behalf of the Applicant, Long Neck Water Company:

SERGOVIC & ELLIS P.A.
BY: STEPHEN P. ELLIS, ESQUIRE.

On behalf of the Public Service Commission Staff:

MURPHY, SPADARO & LANDON
BY: FRANCIS J. MURPHY, ESQUIRE.

On behalf of the Division of the Public Advocate:

G. ARTHUR PADMORE, PUBLIC ADVOCATE.

II. BACKGROUND

1. On January 30, 2004, Long Neck Water Company ("LNWC" or "the Company") filed with the Delaware Public Service Commission ("the Commission") an application for an increase in water service rates and for several changes to its tariffed rules and regulations. The proposed rates were designed to produce additional annual revenue of

approximately \$429,001, which is a 42 percent increase. With its application, the Company filed the direct testimony of four witnesses.

2. On February 24, 2004, the Commission issued Order No. 6367 suspending the Company's application pending the completion of evidentiary hearings and establishing a deadline for intervention petitions. The only party to intervene was the Division of the Public Advocate ("DPA"), who notified the Commission of its intervention on March 1, 2004. The Company did not seek an interim rate increase under 26 Del. C. § 306(c).

3. On the evening of June 3, 2004, a duly noticed public comment hearing was conducted in Millsboro, Delaware. Public comment, both oral and written, is summarized below.

4. On July 30, 2004, after conducting discovery, Commission Staff ("Staff") and DPA each filed the direct testimony of two witnesses, in accordance with the procedural schedule. On August 27, 2004, LNWC filed rebuttal testimony. On September 13, 2004, Staff informed the Hearing Examiner that the parties had reached a proposed settlement agreement, which, if approved, would resolve all of the issues in the case.

5. On September 22, 2004, a duly noticed¹ evidentiary hearing was conducted at the Commission's hearing room in Dover. The parties presented their pre-filed testimonies and introduced the proposed settlement, dated September 22, 2004 ("Settlement Agreement"). Each party called a witness to testify in support of the settlement. At

¹ The affidavits of publication of notice from the *Delaware State News* and *The Sussex Post* are included in the record as Exhibit 1. Exhibits will be cited as "Ex. __ at __" and references to the hearing transcript will be cited as "Tr. at __."

... (footnote continued to next page.)

the conclusion of the hearing, the record consisted of seven exhibits and a verbatim transcript. As there were no matters in dispute, briefs were deemed unnecessary. I have considered the entire record of this proceeding and, based thereon, I submit for the Commission's consideration these Findings and Recommendations.

III. SUMMARY OF PUBLIC COMMENT

6. On the evening of June 3, 2004, I conducted a public comment hearing in Millsboro, Delaware, which is located in the vicinity of LNWC's service territory. Notice of the hearing included publication in the legal classified sections of the *Delaware State News* and the *Sussex Post* (Ex. 1.), a press release issued by Staff (which led to articles published in the *Cape Gazette*, *Long Neck News*, *Coast Press*, and *Sussex Post*), as well as telephone notification by the Company to the presidents of various homeowners associations located within the service territory.

7. Approximately 35 members of the public and one reporter (*Cape Gazette*) attended the hearing. Twenty-five customers signed the sign-in sheet and six customers offered comments. The customers complained of the poor taste of the water, the water wasted in numerous community ponds, a possible subsidization of the operational costs of Baywood Greens Golf Course (which has some common ownership with LNWC) by LNWC,² and the adverse impact of the rate increase on those customers with a fixed income. Based on an informal survey taken by one of the customers at the hearing and a rough count of

² At the evidentiary hearing, a LNWC witness testified that LNWC does not provide water to the Baywood Greens Golf Course and that no cross-subsidies exist.

hands, approximately 90 percent of the customers in attendance indicated that they use either bottled water or a water filtration system in their homes.

8. Seventeen customers offered written comments by letter or by e-mail. Written comments included complaints relating to affordability, the fact that at one time the water was free, poor water quality, the large size of the 42 percent requested increase, and the fact that seasonal customers are billed for twelve months even if they only use the water for six months. A director of the neighborhood association for Pot Nets-Dockside community noted that water quality has improved since LNWC took over their system, that LNWC has made many improvements to the system, and that he therefore supported LNWC's request for a rate increase.

IV. SUMMARY OF THE EVIDENCE

9. **Long Neck Water Company - Direct Testimony.** Robert W. Tunnell, Jr., President of LNWC, testified that, at the end of 2003, LNWC served approximately 4,500 residential and commercial customers in Sussex County, primarily in the Long Neck area, with a system supplied by ten wells. (Ex. 2 (Tunnell Direct).) Mr. Tunnell described the upgrades LNWC has made to its water treatment plants and outlined the upgrades planned over the next five years. He also provided supply and demand forecasts, a description of major utility property, and an overview of operations.

10. Elaine E. Graves, CPA, Director of Jefferson, Urian, Doane & Sterner, P.A., calculated LNWC's revenue requirements and developed many of the Company's required financial schedules. (Ex. 2 (Graves Direct).) Ms. Graves calculated a shortfall in annual operating

revenues of \$429,001. (*Id.* at 3.) The primary factors causing the shortfall are: (1) major investments in the metering program, as ordered in PSC Docket No. 96-63 (costing \$1.7 million), which was only partially recognized in rate base in the last rate case (PSC Docket No. 99-31); and (2) lower than expected residential water usage (and associated revenues). According to Ms. Graves, under present rates, the Company would earn a rate of return of 3.18 percent, while under the proposed rates, the rate of return would be 9.52 percent.

11. Charles H. Sterner, Jr., CPA, CVA, Vice President of Jefferson, Urian, Doane & Sterner, P.A., determined LNWC's cost of capital to be 9.52 percent, which includes a long-term debt cost rate of 6.25 percent and a common equity cost rate of 10.64 percent. (Ex. 2 (Sterner Direct).) He described the Company's capital structure (25.49 percent long-term debt and 74.51 percent common equity) and explained why he found an overall rate of return of 9.52 percent to be appropriate based on the risk associated with a small water company such as Long Neck.

12. David C. Doane, CPA, President of Jefferson, Urian, Doane & Sterner, P.A., provided revenue projections, developed a cost allocation analysis, and designed the proposed rates to cover the revenue requirement. Mr. Doane noted that when LNWC moved from a flat, unmetered rate to metered billings (as a result of PSC Docket No. 99-31), residential water consumption dropped substantially and, consequently, revenue fell well short of projections. (*Id.* at 5.)

13. Mr. Doane also testified that his proposed rate design allocates more of the proposed increase (relative to cost of service) on the flat customer charge than on the volumetric usage rate. Had he allocated the increase on a strict cost of service basis, the impact

on the volume rate would be too dramatic (*i.e.*, over 200 percent increase) and, in addition, too much burden would shift away from seasonal customers. Seasonal customers, Mr. Doane explained, whose vacation homes are vacant for part of the year, do not create water demand throughout the year yet require year-round water service availability. (*Id.* at 6.) Based on his analysis, Mr. Doane proposed a customer charge (for 5/8 inch meters) of \$14.52 per month and a usage charge of \$3.86 per thousand gallons.

14. **Commission Staff - Direct Testimony.** Robert D. Ambrose, P.E., Public Utility Analyst, provided Staff's recommendations regarding revenue requirement, rate base, and rate design. (Ex. 5.) Mr. Ambrose adjusted the Company's proposed revenue requirement downward in the amount of \$116,434 and recommended a reduction in the overall rate of return from 9.52 percent to 9.29 percent. In total, Staff's adjustments served to lower the amount of the rate increase from 42.2 percent, as requested by the Company, to 31.2 percent. Regarding the rate structure design, Mr. Ambrose proposed shifting a greater amount of the increase (relative to cost of service) to the volume rate and a smaller amount to the fixed customer charge. Mr. Ambrose also recommended implementation of a fire hydrant charge to those customers within a Fire Hydrant District.

15. Heidi L. Wagner, Public Utility Analyst, identified Staff's proposed reductions to the Company's payroll expenses (including payroll taxes and pension expense), which totaled \$23,834. (Ex. 7.) Ms. Wagner based her adjustment on a schedule provided by the Company that listed employees and pay rates as of March 2004.

16. **Division of Public Advocate - Direct Testimony.** James D. Cotton, a Principal of The Columbia Group, Inc., made various

adjustments to the Company's claimed base rate (lowering it from \$4,043,100 to \$2,516,410) and to the Company's claimed pro forma operating income (raising it from \$128,772 to \$270,366). (Ex. 3.) Based on these changes and on DPA's recommendation of an 8.57 percent cost of capital (see below), Mr. Cotton recommended a rate decrease to present rates in the amount of \$55,098. Mr. Cotton's adjustments related mainly to the Company's projected revenues, the Company's claim for state and federal income taxes (which, as a limited liability company, it does not pay), the Company's claim for cash working capital, and the Company's claim for plant in service.

17. According to Mr. Cotton, the Company's plant in service should be adjusted downward because, at the inception of the water company, the original plant should have been contributed by the developers (and therefore left out of rate base) rather than purchased by LNWC and included in rate base. (*Id.* at 5-14.) This issue was raised by DPA in the last rate case and was rejected by the Commission without prejudice.

18. Andrea C. Crane, Vice President of The Columbia Group, determined LNWC's cost of equity to be 9.37 percent. (Ex. 4.) Ms. Crane considered both the Discounted Cash Flow ("DCF") model and the Capital Asset Pricing Model ("CAPM"); she applied a small company premium of 75 basis points; and she included a quality of service adjustment of minus 25 basis points. Ms. Crane asserted that her quality of service adjustment reflects the water quality complaints raised at the public comment session, where 90 percent of the customers in attendance indicated that they use either bottled water or a water filtration system.

19. **Long Neck Water Company - Rebuttal Testimony.** LNWC witness Doane responded to Mr. Cotton's contention that the Company's original rate base should not have included the then-existing water system assets. (Ex. 2 (Doane Rebuttal at 1-8)). Mr. Doane noted that in PSC Docket No. 96-63 the original rate base was established and approved (and the inclusion of the existing assets was a key factor in the owners' decision to form a utility) and that in PSC Docket No. 99-31 the Commission rejected a proposed adjustment similar to Mr. Cotton's here. Mr. Doane also asserted that the LNWC owners' tax costs should be recovered because the corporate taxes saved by the company's status as a limited liability company are actually shifted to the owners. Mr. Doane also disagreed with Staff's and DPA's adjustments to revenue asserting that they did not account for the loss of facility charges resulting from seasonal customers who disconnect for portions of the year.

20. Company witness Sterner criticized DPA witness Crane's cost of equity analysis for: (1) her reliance on the DCF model; (2) her choice of water companies for the proxy group; and (3) her adjustment for low water quality, which he asserted was unsupported by the record. (Ex. 2 (Sterner Rebuttal at 1-4).) Company witness Graves, in her rebuttal testimony, agreed with several of Staff's recommendations for various decreases in rate base as well as an adjustment to income to reflect fire hydrant charges (Ex. 2 (Graves Rebuttal at 1-4).) She disagreed, however, with any adjustments to payroll costs, postage, or working capital.

V. THE PROPOSED SETTLEMENT AGREEMENT

21. At the hearing, the parties presented the proposed Settlement Agreement (Ex. 6), which was signed by the parties on the morning of the hearing. Each party presented a witness who testified that adoption of the settlement would be in the public interest because it sets just and reasonable rates, reflects a balanced compromise between the parties on several contested issues, and avoids the cost of further litigation.

22. Under the proposed Settlement Agreement, the additional annual revenue requirement awarded the Company would be \$206,018 (or just under half of the original request) with a rate base of \$3,989,889. In addition, the parties agree to accept the Company's proposed changes to its rules, which would be incorporated in the revised tariff, which is attached to the proposed Settlement Agreement as Exhibit A. The Company, however, agrees: a) to withdraw its request to impose a \$25 late fee charge; and b) to amend its Rules on finance charges for delinquent bills as reflected in Exhibit A.

23. The parties agree to the cost of service analysis and rate design that is attached to the agreement as Exhibit B. Under the agreement, the increase in revenue is recovered at a greater than average percentage from fire protection and at a less than average percentage from general service meter rates consistent with the cost allocation study developed by Staff witness Ambrose and contained in his testimony.

24. In addition, the Company agrees that it will not seek an increase in its water service rates for a period of three years beginning from the date of the filing of this proceeding, which was January 30, 2004. Finally, the parties agree that the settlement,

even if approved, would not set a precedent in future proceedings nor prohibit any party from arguing a different policy or position in future proceedings.

25. After the hearing, Staff informed me that the parties agreed to an effective date for the new rates of 30 days after the date of the Commission order approving such rates.

VI. DISCUSSION

26. The Commission has jurisdiction over this matter pursuant to 26 Del. C. § 201(a).

27. All parties to this proceeding entered into the proposed Settlement Agreement (Ex. 6), which is dated September 22, 2004, and which is attached to this report as "Attachment A." Under the Settlement Agreement, the parties stipulate to an additional annual revenue requirement of \$206,018, or approximately 20 percent (which is just under half of the original request) with a rate base of \$3,989,889. The underlying cost of capital, income tax recovery, and accounting issues, which were contested in the pre-filed testimonies, are not specifically resolved in the terms of the settlement. To this extent, therefore, the agreement constitutes a "black box" settlement.

28. Based upon my review of the entire record, including a consideration of the testimony adduced at the evidentiary hearing and the oral and written public comment offered by LNWC customers, I find that the approval of the Settlement Agreement is in the public interest because it balances the interest of both ratepayers and the Company and obviates the need to fully litigate the complex issues raised in the Company's Application. It is clear from the record that the agreement was a product of extensive negotiation between the parties and that it reflects a mutual balancing of various issues and

positions. While the Company is able to raise rates by roughly 20 percent to cover its additional expenses and capital costs, the ratepayers are assured that LNWC will not seek another rate increase for three years. In addition, I note that settlements are encouraged under Delaware law, particularly when supported by all parties. 26 Del. C. § 512.

VII. RECOMMENDATIONS

26. In summary, and for the reasons discussed above, I propose and recommend to the Commission the following:

- A. That the Commission adopt as reasonable and in the public interest the attached Settlement Agreement ("Attachment A");
- B. That the Commission approve as just and reasonable the rates and rules set forth in the tariff leaves attached to the Settlement Agreement as "Exhibit A" and "Exhibit B" to be effective 30 days from the date of the Order approving such rates.

A proposed Order, which will implement the foregoing recommendations, is attached hereto.

Respectfully submitted,

/s/ William F. O'Brien
William F. O'Brien
Senior Hearing Examiner

Dated: September 30, 2004

“ATTACHMENT B”

SETTLEMENT AGREEMENT
IN THE MATTER OF THE APPLICATION
OF LONG NECK WATER COMPANY, INC.
FOR AN INCREASE IN WATER RATES
(FILED JANUARY 30, 2004)
PSC DOCKET NO. 04-31

This Settlement Agreement (the “Settlement”), is entered into as of this 22nd day of September, 2004, by and among Long Neck Water Company, Inc. (“LNWC” or “the Company”), the Staff of the Public Service Commission (“Staff”) and the Division of the Public Advocate (“DPA”).

WHEREAS, on January 30, 2004, LNWC filed an Application (the “Application”) with the Public Service Commission of the State of Delaware (the “Commission”), pursuant to 26 Del. C. §§ 201, 209, 304 and 306, for a revision to its currently effective water service rates designed to produce approximately \$429,001 in additional annual revenues, applied to a rate base of \$4,043,100, with 9.52% as the overall cost of capital, which includes an equity cost rate of 10.64%, designed to provide an annual revenue increase of 42%; and

WHEREAS, the Company’s revised tariff proposes an increase over rates currently in effect in the water sales charges for all metered customers and the public fire hydrant charge; and

WHEREAS, the Application also sought certain changes to LNWC’s Rules, Regulations, and Service Charges as follows: a) An increase in miscellaneous charges for turn-on/turn-off during and after working hours, and a meter testing fee on 5/8”, 3/4” and 1” meters; b) An amendment to late fees by adding a \$25 charge in addition to the finance charge; c) The addition of new miscellaneous charges for a service call fee, a tampering fee/fine, a hydrant flow test, a winterization fee, and a tapping service charge for 1-1/2” service. Other editorial changes to the Rules and Regulations are also sought, such as replacing “fixed service charge” with “facility charge”; and

WHEREAS, on February 24, 2004, the Commission entered Order No. 6367 through which the Commission determined that LNWC's filing should, pursuant to the authority granted to the Commission by 26 Del. C. § 306(a)(1), be suspended pending full and complete evidentiary hearings into the justness and reasonableness of the proposed new rates and tariffs; and

WHEREAS, the DPA intervened in this proceeding and, on July 30, 2004, filed testimony in which it took the position that a \$55,098 decrease in the Company's base revenue requirement is required. The DPA proposed a rate base of \$2,516,410, with 8.57% as the overall cost of capital, of which the equity cost rate component is 9.37%; and

WHEREAS, on July 30, 2004, Staff filed testimony in which it took the position that LNWC should be allowed an additional revenue requirement of \$334,834, applicable to a rate base of \$3,989,889, with a return on equity of 9.29%; and

WHEREAS, on August 27, 2004, the Company filed rebuttal testimony in further support of the Application; and

WHEREAS, (1) the parties have conducted substantial written discovery; (2) a public comment session was conducted on June 3, 2004 at 7:00 p.m. at the Millsboro Community Center in Millsboro, Delaware; and (3) evidentiary hearings are currently scheduled to be conducted in Dover, Delaware on September 22 and 23, 2004; and

WHEREAS, the parties have conferred in an effort to resolve the issues raised in this proceeding; and

WHEREAS, it is acknowledged that the parties differ as to the proper resolution of many of the underlying issues in the rate proceeding and are preserving their rights to raise those issues in future proceedings, but believe that settlement of the pending rate proceeding on the terms and conditions contained herein, will serve the interest of the public and the Company, while meeting the statutory requirement that rates be both just and reasonable;

IT IS HEREBY STIPULATED AND AGREED by LNWC, Staff, and the DPA that the parties will submit to the Commission for its approval the following terms and conditions for resolution of this rate proceeding:

1. The additional annual revenue requirement awarded the Company will be \$206,018, with a rate base of \$3,989,889. The parties acknowledge that these figures have been agreed to as a compromise of the parties' positions, and Staff and the DPA believe that these proposed awards are within the bounds of the statutory requirement of a fair rate of return, based on circumstances specifically unique to LNWC. Changes will be made to the Company's tariff in order to meet the stipulated revenue requirement increase reflected in paragraph 1 hereof, and to change the Company's Rules and Regulations as reflected in the attached Exhibit A. The increase in revenue is to be applied with a greater than average percentage to be recovered from fire protection and a less than average percentage to be recovered from general service meter rates. Furthermore, the Company's proposed changes to the rules are to be incorporated in the approved tariff. Pursuant to this Settlement Agreement, the Company agrees a) to withdraw its request to impose a \$25 late fee charge, and b) to amend its Rules on finance charges for delinquent bills as reflected in Exhibit A.

2. The parties have agreed to a cost of service analysis and rate design, as reflected in the attached Exhibit B. The Company's rates shall be those that result from the application of the rates to billing units to yield the agreed-upon additional revenue requirement, and to the agreed-upon distribution of revenue burden to fire service, facilities charges and water charge.

3. The Company agrees that it will not seek an increase in the water service rates as set forth herein for a period of three years beginning from the date of the filing of this proceeding, which was January 30, 2004.

4. This Settlement is the product of extensive negotiations, and reflects a mutual balancing of various issues and positions. It is therefore a condition of the Settlement that it be

approved by the Commission in its entirety without modification or condition. If this Settlement is not approved in its entirety, this agreement shall become null and void.

5. This Settlement shall not set a precedent, shall not have issue or claim preclusion effect in any future proceeding, and no party shall be prohibited from arguing a different policy or position before the Commission in any future proceeding. The purpose of this Settlement is to provide just and reasonable rates for the customers of LNWC. In addition, the parties believe that the Settlement is in the public interest because, among other things, it avoids the additional cost of litigation.

6. The terms of this Settlement will remain in effect until changed by an order of the Commission or until mutually agreed by the parties. The Commission retains jurisdiction over this agreement and all statutory procedures and remedies otherwise available to the parties to ensure that rates are just and reasonable, while providing a fair rate of return remain available, including without limitation 26 Del. C. § 304 and 309-311.

DELAWARE PUBLIC SERVICE COMMISSION –
STAFF

Date: 9/22/04

/s/ Connie S. McDowell
Connie S. McDowell

DIVISION OF THE PUBLIC ADVOCATE

Date: 9/22/04

/s/ G. Arthur Padmore
G. Arthur Padmore

LONG NECK WATER COMPANY

Date: 9/22/04

/s/ Robert W. Tunnell, Jr.
Robert W. Tunnell, Jr.
President

“EXHIBIT A”

P.S.C. No. 1 - Water

LONG NECK WATER COMPANY, L.L.C.

**Tariff
for
Water Service**

**Applicable in
The Service Area in Indian River Hundred,
Sussex County, Delaware**

Issued:

Effective: 2004

Issued:

Effective: 2004

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LONG NECK WATER COMPANY

5. **RULES AND REGULATIONS GOVERNING WATER
SERVICE AND SERVICE RATES AND CHARGES**

APPLICATIONS FOR SERVICE

DEFINITIONS:

- (a) “Company”, as used herein, means Long Neck Water Company.
- (b) “Customer”, as used herein, means the owner or lessee of the property, and applies to the entity consuming water through a company authorized connection to the Company’s water source, or any person, firm, association or corporation supplied with water by and through an authorized connection to the water system operated by the Company.
- (c) “New customer” is applicable to a premise requiring a tapping service or a premise that has had a discontinuance of service due to the termination of a water service contract for 30 days or more.
- (d) “Transfer of Service New Customer” means a proposed customer who seeks the transfer of service from an existing customer. These customers are not subject to a tapping service charge.
- (e) “Facility Charge” refers to a charge that is the same each billing period and is based on the size of the meter through which service is furnished. This charge covers costs associated with the facilities that provide water service.
- (f) “Commission” means Delaware Public Service Commission.
- (g) “Office of the Company” means RD 1, Box 291, Long Neck, Delaware 19966.

1.2 **WRITTEN APPLICATION FOR NEW CUSTOMER:**

A new connection shall require an application to be submitted by a new customer. The form of application shall be on a preprinted form supplied by the Company. The new customer application form must be signed and returned, together with the appropriate new customer deposit, if any, as

established by these Rules. Upon receipt of written application signed by the new customer identifying the location to be served and the type of service, together with payment of the tapping service charge and deposit required for such new connection, the application shall be processed by the Company and approved, if it is in proper form. All applications must be reviewed and approved by the Company before connection is made or water furnished.

1.3 WRITTEN APPLICATION FOR TRANSFER OF SERVICE NEW CUSTOMER:

Where a connection has previously been installed and a transfer of service new customer is proposed, an application by the transfer of service new customer shall be submitted to the Company and signed by the transfer of service new customer. The application shall be on the form supplied by the Company and made available to a transfer of service new customer. The transfer of service new customer application form must be signed and returned, together with the appropriate deposit, if any; as established by these Rules.

Unless the transfer of service new customer application has been received and approved, the previous customer at that location shall remain liable for all water fees until the new customer is approved, unless the Company receives a request from the previous customer to discontinue service.

1.4 COMMENCEMENT OF SERVICE:

Upon an approval of an application, water service to the property and periodic billing will commence.

Upon installation of a new connection or the turn-on of water service to a property previously not served, the periodic billing period will commence and the fees due for that period shall be prorated on a daily basis.

1.5 DISCONNECTION OF SERVICE FOR LACK OF COMPLIANCE:

The Company shall have the right upon ten (10) days' notice to turn-off any water supply until any required application has been made and approved. In the event an application is received after a ten (10) day notice is submitted by the Company to disconnect based upon an unauthorized transfer of service customer or new customer without a prior application being submitted, a turn-off charge will be assessed pursuant to the Company's approved rate schedule.

1.6 RENEWAL OF DISCONTINUED SERVICE:

When a service is discontinued for failure to comply with any requirement or rule of the Company, service may only be renewed upon a proper application and the correction of any condition which caused the service to be discontinued and upon the payment of all charges and amounts due as provided in the schedule of rates and rules of the Company.

5. CUSTOMER DEPOSITS AND BILLINGS

2.1 GENERAL:

The Company may require deposits from all new customers to secure payments of bills for water service. If deposits are required, the amount of the deposit shall be equal to the applicable minimum service charge for six months' use.

2.2 INTEREST ON DEPOSITS:

Interest on any deposit will accrue at the rates approved by the Delaware Public Service Commission. Interest accruing on any customer deposit will be applied or credited to the customer's bills annually at the end of each calendar year and applied to the last periodic billing of the calendar year.

2.3 RETURN OF DEPOSITS:

Deposits received from new customers, or transfer of service new customers, will be held by the Company for nine months, provided that there is no delinquency in the deposit account; that is, if all water bills have been paid in full by the due date for the initial nine months of service. Upon meeting the subject condition of the deposit refund, the deposit will be refunded by a credit to the customer's account, including any accrued, non-credited interest, and will be applied to the periodic billings after nine months of service until the deposit is exhausted.

2.4 RETENTION OF DEPOSITS:

A customer deposit will be held by the Company if that customer has failed to make all payments for services rendered by the due date for one or more consecutive billing periods in the first nine months of service.

2.5 BILLING:

Commencing with the first billing date after the date of approval of the Company's rates, or the appropriate placement of the bond with the Delaware Public Service Commission to secure the right to commence billings, the Company shall charge for water service in accordance with its authorized tariff.

2.6 COMMENCEMENT OF CUSTOMER OBLIGATIONS:

All customers served by the Company as of the date of approval of the Company's rates by the Public Service Commission and/or the placement by the Company of a bond authorizing it to charge for services under the Public Service Commission's Rules shall be subject to the charges so established.

5. SERVICE CONNECTIONS

3.1 COMPANY MAINS AND SERVICE LINES:

The Company will make all connections to its mains, furnish and install and maintain all service lines from the main to and including the curb stop and box, or meter stop and meter box, which will be placed inside the curb line, all of which service lines will be the property of the Company and under its control. The Company reserves the right to determine the size and kind of the Company service line which runs from the water main to the curb stop or meter stop which is to be installed by the Company at the rates usually charged for such installation.

3.2 PROPERTY OWNER SERVICE LINE:

The Company will prescribe the size, kind and quality of pipe and approval for all materials laid between the curb stop and the property improvement, forming the water connection to the new connection, which is to be furnished and installed by the owner of the property. All new service lines must have a meter pit with approved yoke and stops installed within ten (10) feet of the property line. All service lines for new connections from the meter box to the property must be laid in a straight line and at least 36" below the surface of the ground.

3.3 STANDBY OR SUPPLEMENTAL CONNECTION:

A customer desiring water service for standby or to supplement their

present water supply shall make application for service and sign a water service contract.

3.4 SEPARATE TRENCH:

No water service pipe shall be laid in the same trench with gas pipe, drain or sewer pipe, or electric cable or any other facility. All sewer connections must be laid in a separate trench having a minimum 10-foot separation from the water line trench.

3.5 SINGLE SERVICE LINE PER USER:

Each service line and each meter, if applicable, shall be designed to serve one customer unless a service line is approved to serve multi-users, which approval must be obtained in writing by the Company. Any customer requesting more than one service line and/or meter, if applicable, shall be considered for billing purposes as a single customer on an individual customer account, unless separate service lines and/or meters are approved by the Company in writing as separate customers. Installation or the continuance of any multiple user system shall be in the discretion of the Company, and the Company shall have the right to reduce, modify or discontinue any such multiple user service, as it deems appropriate.

5. DISCONTINUANCE OF SERVICE

4.1 AT THE REQUEST OF THE CUSTOMER:

All agreements covering service for water supply shall continue in full force until and unless reasonable notice in writing is given of a desire to terminate contract. Water may be turned off from premises temporarily by the Company, upon written request of the owner, if approved by the Company, without in any way affecting the existing agreement for service (except in cases of vacancy, governed by Sec. I.7.5). Water turned off at the request of the customer will not affect the minimum service charges due to the Company.

4.2 BY COMPANY:

Service may be discontinued by the Company for any of the following reasons:

- (a) For the use of water for any other property or purpose other than described in the application.

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- (b) For the willful waste of water through improper or imperfect pipes, fixtures, use or otherwise.
 - (c) For tampering with or damaging any service pipe, meter, curb stop, cock, or seal, or any other equipment or appliance of the Company.
 - (d) In case of abandonment of use of the property.
 - (e) For neglecting to make or renew deposits or for nonpayment of any charge due under the rules or fee schedule of the Company.
 - (f) For refusal of reasonable access to the property for the purpose of inspecting, reading or repairing a meter and for failure to afford Company access to the meter during the Company's regular working hours, Monday through Friday during each periodic billing cycle.
 - (g) For making or refusing to sever any cross-connection between a pipe or fixture carrying water furnished by the Company and a pipe or fixture carrying water from any other source.
 - (h) For nonpayment of water service or repair charges.
 - (i) For extending water lines to other buildings or users without a proper application and refusing to pay water service for the same.
 - (j) For refusal to have water pipes properly arranged for meter installation or connection.
 - (k) If water bills have not been paid in thirty days after submission by the Company, water service may be discontinued in accordance with the delinquent bill procedures provided in these rules. For temporary shut-off either requested by a customer or for the failure to pay past due bills, there will be a charge for turning off and there will be a charge for turning back on the water service.
 - (l) For violation of any rules of the Company as filed with the Public Service Commission or any violation of State or County regulations governing such water service.

4.3 TURNING OFF WATER WITHOUT AUTHORITY:

The customer shall not turn the water on or off at any curb or meter stop

or disconnect or remove the meter or allow its disconnection or removal without the consent of the Company in writing. There will be a charge for unauthorized entry of the Company's meter pit for each occurrence, plus the cost for repair or damage under Section I.5.4.

4.4 TEMPORARY DISCONTINUANCE OF SERVICE:

As necessity may arise in the case of breakdown, emergency or any other unavoidable cause, the Company shall have the right to shut off the water supply temporarily in order to make the necessary repairs, connections, etc.; but the Company will use all reasonable and practical measures to notify the customer in advance of such temporary discontinuance of service. In such case, the Company shall not in any way be liable for any loss or damage or any inconvenience suffered by the customer or be liable on any claim of any nature asserted for interruption in service, lessening of supply, inadequate pressure, poor quality of water, or for any other cause beyond its control. When a supply of water is to be temporarily shut off, notice will be given, when practicable, to all customers affected by the shutting off, stating the probable duration of the interruption of service, and also the purpose for which the shut off is made.

4.5 RESERVATION AND REGULATION OF SUPPLY:

The Company shall have the right to reserve a sufficient supply of water at all times in its reservoirs, storage tanks or other water supplies of the Company to provide for fire service (if applicable) and other emergencies, and may restrict or regulate the quantity or volume of water used by the customer in case of scarcity or whenever the public welfare may require it.

5. METERS

5.1 METERS FURNISHED BY THE COMPANY:

All meters, when provided, will be furnished and installed by the Company and will remain the property of the Company and be accessible to and subject to its control.

5.2 ALL NEW CUSTOMERS SHALL BE CHARGED FOR TAPPING SERVICES:

Each new customer connection shall be charged the appropriate tapping service charge, and the Company reserves the right to determine the size of the meter.

5.3 LOCATION OF METERS:

All meters shall be set in suitable below ground meter boxes as specified by the Company. The box shall be located within ten feet (10') of the curb line.

If it is determined that the meter shall be set within a building on the property to be served, or in an open space as determined to be appropriate by the Company, it may only be in a location approved by the Company so that the meter is accessible at all times for reading and repair. A meter shall never be placed behind an appliance, heating equipment, or other fixtures hindering its free and easy access.

In cases where it is not practical to put a meter within a building, at the discretion of the Company, a brick or concrete pit shall be provided at the owner's cost to house the meter. A suitable water and weather resistant cover, as approved by the Company, shall be provided by the customer.

All meters 3" and larger shall be provided with a by-pass to provide the customer with emergency water.

After plumbing has been installed and tested, the meter bars must be removed, by-passes closed, and the water shut off at the curb so that the water is not available until the meter has been installed.

Construction water service will be supplied through metered connection for all work.

5.4 RESPONSIBILITY FOR DAMAGE:

Meters shall be maintained and repaired by the Company so far as ordinary wear and tear are concerned; but damage due to freezing, hot water, or external damage due to negligence of the customer shall be paid for by the customer, in addition to an unauthorized meter pit charge assessment under Section I.4.3. The Company's judgment shall be final and binding in all matters pertaining to repairs of meters.

5.5 COST OF REPAIR OR REINSTALLATION:

The charge for repair or reinstallation or changing of the meter when removed because of damage in any way due to the negligence of the customer will be charged on the basis of labor and materials to affect the repair as determined by the Company.

5.6 MINIMUM SERVICE CHARGE:

Every meter, which is installed, is subject to a Facility Charge in accordance with the Company's approved rate schedules.

5.7 NOTICE TO COMPANY OF METER PROBLEMS:

The customer shall immediately notify the Company of injury to or the inaccuracy or nonworking of the meter as soon as it comes to his knowledge.

5.8 REGISTRATION CONCLUSIVE:

The quantity of water recorded by the meter shall be conclusive on both the customer and the Company, except when the meter has been found to be registering inaccurately or has ceased to register. In such case the quantity may be estimated, when possible, by the average water usage when the meter is (was) functioning properly.

5.9 DISPUTED ACCOUNT:

In case of a disputed account involving the accuracy of the meter, such meter will be tested upon the request of the customer in conformity with the provisions of the rules and regulations of the Delaware Public Service Commission pertaining to water utilities. In the event that the meter so tested is found to have an error in registration in excess of 2%, slow or fast, the bills will be increased or decreased accordingly, as provided by the aforesaid rules. In the event the meter is within the tolerance of 2%, no adjustment shall be made.

5.10 REQUEST FOR METER TEST:

When meters are tested at the request of the customer for accuracy, a fee will be charged based upon the Company's approved rate schedule.

However, if the test shows that the meter is registering greater than a 2% error, the charge for testing will be rebated.

5.11 PERIODIC METER TESTS:

In order to check the accuracy of registration of meters in service, periodic tests shall be made by the Company at intervals established by the Commission.

6. PUBLIC FIRE SERVICE

6.1 ALLOWABLE USE OF FIRE HYDRANTS:

No person except as authorized by the Company shall take water from any public fire hydrant or hose plug, except for fire purposes or the use of the fire department in case of fire, and no public fire hydrant shall be used for sprinkling streets, flushing sewers or gutters, or for any other purposes except with the approval and consent of the Company.

6.2 MAINTENANCE:

All fire hydrants shall be maintained by the Company.

6.3 CHANGE OF LOCATION:

Upon written request for a change in the location of any fire hydrant, if an approved location can be found, the Company will make such change at the expense of the person making the request. The new location must be approved by the State Fire Marshall's Office. Charges shall be based on the time and material required to make such change.

6.4 INSPECTION:

Upon request of the Fire Marshall or duly authorized officials of any municipality or governing body, the Company will make inspections at convenient times and at reasonable intervals to determine the condition of the fire hydrants, such inspections to be made by a representative of the Company and a duly authorized representative of the Fire Marshall or municipality. The Company will install and operate the fire protection systems in accordance with the PSC and the State Fire Marshall's rules and regulations.

6.5 UNAUTHORIZED USE OF FIRE HYDRANTS:

Taking of water from a fire hydrant, except as authorized by Section I.6.1, shall be charged to the unauthorized user at two times the rate of water consumed based upon the Company's best estimate of the amount consumed.

6.6 LIMITATION OF COMPANY RESPONSIBILITY FOR FIRE HYDRANTS:

It is agreed by the parties receiving fire service and other water

service, that the Company does not assume any liability as insurer of property or person and that the Company does not guarantee any continuing or special service, pressure, capacity, or facility. It is agreed by the parties receiving services that the Company shall be free and exempt of and from any and all claims for loss, damage or injury to any person or property by reason of fire, water leak or flood, failure to maintain water pressure or capacity.

6.7 REQUEST FOR HYDRANT FLOW TEST:

When hydrants are tested at the request of a developer, engineering firm, etc., a fee will be charged based upon the Company's authorized tariff schedule.

7. BILLS AND PAYMENT

7.1 PLACE OF PAYMENT:

Bills are payable at the office of the Company or other designated location, forthwith upon receipt.

7.2 BILLS RENDERED AND DUE:

Bills for general metered water service furnished under this schedule will be rendered either quarterly or monthly, at the option of the Company, and are due immediately upon receipt. The facility charge portion of the bill will be billed in advance. The water charge portion of the bill will be billed in arrears based upon actual meter readings.

7.3 LATE FEES:

The Company may charge a late fee not to exceed 1.5 percent per month on all account balances that are not paid within thirty (30) days from the billing date.

7.4 DELINQUENT BILLS:

If a bill remains unpaid for a period of twenty-five (25) days from the date rendered it shall be classified as delinquent, and a late notice will be sent. If the bill is then not paid within ten (10) days of mailing of the late notice and if payment arrangements are not made, service will be terminated. If service is thus terminated, it will not be restored until all unpaid bills and charges including the turn-off and turn-on charges are paid or satisfactory arrangements are made for payment. If the bill serves a multi-dwelling premise, a tag will be attached to the entrance door and the service will be terminated within forty-eight (48) hours. Should a bill be paid by check that is returned from

the bank for insufficient funds or for any other reason, a service charge based upon the Company's approved rate schedule may be charged for each unpaid check returned from the bank.

7.5 ABATEMENT:

Customers desiring abatement from water bills due to vacancy for at least a year shall give notice in writing at the office of the Company requesting that water service be temporarily shut off. Abatement may be granted for the period of time as approved by the Company if the requested discontinuation of service is due to no usable structure on a previously served property, until the property is replaced into service, or such other event or circumstance which is approved by the Company. Turn-off and turn-on charges will apply. No abatement on water bills will be made for leaks or for water wasted by damaged fixtures within the control of a customer.

7.6 TURN-OFF / TURN-ON OF SUPPLY:

If the Company, at the customer's request, turns "off" and/or "on" service, there shall be no abatement of facility charge, and the turn-off and turn-on charges under the authorized tariff shall apply.

7.7 WINTERIZATION OFF / ON FEE:

The winterization fee under the authorized tariff shall apply for a temporary disconnect for winter season, at the customer's request. This includes a turn-off service, winterize meter and yoke, and turn-on service in the spring. Limit is one winterization request annually. The turn-off / turn-on fee under Section I.7.6 will apply to additional requests.

7.8 SERVICE CALL CHARGE:

A service call charge shall apply, as set forth in the authorized tariff, for frozen service lines, leaks or other service call, that are the customer's responsibility.

8. GENERAL

8.1 COMPLAINTS:

Complaints with regard to the character or quality of service furnished or the reading of meters or the bills rendered must be made at the Company's office. A record of such complaint will be kept by the Company, giving the name and address of the complainant, the date and nature of the complaint, and the date and nature of the remedial action taken by the Company.

8.2 GENERAL:

All pipes, meters and fixtures shall be subject at all reasonable hours to inspection by properly identified employees of the Company. No plumber, owner, or other

unauthorized person shall turn the water on or off at the curb or meter stop or disconnect or remove the meter without the consent of the Company.

No agent or employee of the Company has the authority to bind it to any promise, agreement, or representation not provided for in these rules and regulations.

The Company reserves the right, subject to the approval of the Public Service Commission, to change, take from, or add to, the foregoing rules and regulations.

II RULES GOVERNING EXTENSIONS

1. PURPOSE

- 1.1 The purpose of these rules is to establish a uniform system for the control of all engineering, construction and account procedures used by the Company in making water main extensions.
- 1.2 Any policies or procedures indicated herein which may conflict with the provisions of any written agreement pertaining to the installation of water facilities to or within any property development or subdivision shall be superseded by the terms of such specific agreement. These agreements shall not conflict with applicable PSC, State, and Federal rules.

2. PLANS

- 2.1 The developer shall submit two (2) sets of preliminary plot plans of new developments or subdivisions or of changes within any subdivision or new community to be served by the Company at the same time that such information is presented to other agencies having jurisdiction or control.
- 2.2 Upon approval of the plot plan by other controlling agencies, the developer will furnish the Company with two (2) sets of such approved drawings showing street names and lot numbers. The Company will design and layout the water distribution systems showing the size of mains, location of valves, fittings, hydrants, and other appurtenances at the direct cost to the Company, plus 10% administrative cost, to be paid for by the developer, and will return one (1) set of drawings to the developer for approval.
- 2.3 The developer shall be responsible to furnish the Company with a reproducible drawing showing street names, lot numbers, and the water distribution system as laid out by the Company and approved by the developer, at no cost to the Company.

3. REQUESTS FOR WATER MAIN EXTENSIONS

- 3.1 The developer shall submit to the Company, in writing, all requests for water main extensions. Said requests will indicate the street names and lot numbers proposed to be served by the extension.
- 3.2 Upon receipt of a request for an extension, the Company will prepare and submit to developer an appropriate agreement pertaining to the facilities to be provided and the work proposed to be done.
- 3.3 The developer shall execute said agreement and return same to the Company with a deposit equal to the total estimated cost, including federal tax surcharges to the Company, if any, and the Company administration cost for extension of service, as set forth in the agreement, prior to the time when he desires work to be started. Company shall submit the proposed water service agreement to developer reserving the right to treat the developer's connection as a "contribution in aid of construction", or as a "construction advance" as determined by the Company on a case by case basis.
- 3.4 The developer should take into account the time required to obtain materials and necessary permits. Materials will not be ordered until executed agreements and deposits are received by the Company.

5. PERMITS

- 4.1 The Company will be responsible for obtaining Department of Health, Fire Marshall, State Highway Department, and such other water facility construction permits as may be required.

5. WATER MAIN INSTALLATIONS

- 5.1 The installation of all water mains and appurtenances shall be performed by the Company or the Company's contractor. No developer shall be permitted to enter into a contract for the installation of water mains, nor shall he be permitted to make such installation with his own equipment and personnel, unless approved in advance and inspected by the Company.
- 5.2 The developer shall be responsible to perform and furnish the following:
- (a) Provide a suitable area for stockpiling or stringing of pipe materials so that they may remain in a fixed location until completion of installation.

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- (b) Rough grade the limits of street rights-of-way for the total length of the extension.
 - (c) Provide a water main stake-out on the property line on the same side of the street on which the main is to be laid. Said stake-out shall indicate the off-set distance from the stake to the center line of pipeline, the cut required from the top of state to the invert of the pipeline (the minimum cover from finished grade to top of pipe is four feet (4'0")), the location of valves, fittings and fire hydrants. Stakes are to be set no farther apart than one hundred feet (100') on straight runs and fifty feet (50') on all curves.
- 5.3 When the provisions of Section II.5.2 have been met and materials have been received, construction of water main will begin.
- 5.4 Upon completion of installation, the water main will be tested and disinfected for twenty-four hours prior to being thoroughly flushed, after which time it shall be put into service.

6. REQUESTS FOR SERVICE INSTALLATIONS

- 6.1 All water service lines extending from the main to the property will be installed by the Company or the Company's contractor.
- 6.2 There will be a tapping service charge for each new connection of water services. The tapping service charge for water services shall be the tariff in effect as approved by the Public Service Commission based upon size of service and services provided.
- 6.3 Requests for water service installations will be made in writing by the developer, or the property owner or lessees, at least thirty (30) days in advance of the date on which they are desired to put into service. Said requests will make reference to specific lot numbers for which water service is requested. Payment in accordance with Section II.6.2 shall accompany a request for water service installations.
- 6.4 Water services will not be connected to mains until said mains have been tested, disinfected, flushed and put into service.
- 6.5 The Company shall determine the location of the water service location. Finished grade will be indicated by the developer or owner on a stake so that the meter box can be installed to grade.

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- 6.6 Upon completion of installation the Company or its contractor shall install a stake extending at least three feet (3') above ground level immediately adjacent to the meter box to indicate its location.

III. ADJUSTMENTS TO FACILITIES

- 7.1 Any adjustments of the Company's facilities, which may be necessitated due to changes in grade or due to damage by others, will be done by the Company or its contractor at developer's expense.
- 7.2 If any valve boxes, curb boxes, or meter pits are covered up or damaged by others, these facilities will be located and brought to proper grade by the Company or its contractor at developer's expense.
- 7.3 Developer shall not, under any circumstances, operate or alter or allow others to operate or alter the Company's facilities. Any operation or alteration of the Company's facilities will be done by the Company's personnel upon request.

III. MISCELLANEOUS

1. These rules and regulations supplement all applicable regulations governing service supplied by water companies adopted by the Commission ("Minimum Standards Governing Service Provided by Public Water Companies").
2. The Company reserves the right to amend, change, revoke or add to these rules, and any such change shall have only prospective effect.

GENERAL METERED SERVICE

APPLICABILITY

Applicable for general metered residential, commercial, irrigation, industrial, municipal and sales for resale service throughout the entire territory served by the Company. The charge for general metered service shall consist of the total of the Facility Charge and the Water Charge.

FACILITY CHARGE

All general metered water service customers shall pay a facility charge based on the size of each meter installed by the Company. Customers with multiple meters shall be charged for each meter at the indicated rate. Whenever service is established or is discontinued all applicable facility charges shall be prorated to date of establishment or discontinuance of service.

<u>Size of Meter</u>	<u>Per Month</u>	<u>Per Quarter</u>
5/8"	\$ 13.50	\$ 40.50
3/4"	19.89	59.67
1"	33.79	101.37
1-1/2"	67.75	203.25
2"	108.33	324.99
3"	202.69	608.07
4"	337.81	1,013.43
6"	676.00	2,028.00
8"	1,081.00	3,243.00

WATER CHARGE

In addition to the Facility Charge set forth above, a charge will be made for all water used as registered by the meter.

<u>Gallons Per Month</u>	<u>Gallons Per Quarter</u>	<u>Rate Per 1,000 Gallons</u>
All	All	\$ 2.74

TERMS OF PAYMENT

Bills for general metered water service furnished under this schedule will be rendered either quarterly or monthly, at the option of the Company, and are due immediately upon receipt. The facility charge portion of the bill will be billed in advance. The water charge portion of the bill will be billed in arrears based upon actual meter readings.

PUBLIC FIRE HYDRANT CHARGES

APPLICABILITY

Where fire hydrants are installed, such districts will be termed Fire Hydrant Districts. A service charge of \$ 6.30 per quarter will be added to the regular facility charge as indicated on Revised Sheet No. 17 on all services in these districts. Apartment houses, hotels, motels, and other multiple unit buildings will be charged one such hydrant charge of \$ 6.30 for every four units.

MISCELLANEOUS CHARGES

TURN-OFF AND TURN-ON CHARGES

When temporary shut-off is made at the request of a customer, or by the Company pursuant to the Commission approved rules, a service charge of \$ 25.00 will be made. An additional charge of \$ 25.00 will be made for turning the service back on.

There shall be no discount on these charges. Applicable minimum charges will remain in effect. The service charge of \$ 25.00 will apply during regular working hours, and should it be necessary to perform such work after regular working hours, weekdays 7:30 a.m. to 4:00 p.m., the charge will be \$ 35.00.

WINTERIZATION FEE

A fee will be charged customers who request temporary disconnection for winter season. A fee of \$ 35.00 will be charged upon disconnection, to turn-off service, winterize meter and yoke, and turn-on service in the spring.

RECONNECT FEE

A reconnection fee of \$ 150.00 shall be applicable to a premise that has had a discontinuance of service due to the termination of a water service contract for 30 days or more.

REQUEST FOR METER TEST BY CUSTOMER

<u>Size of Meter</u>	<u>Cost</u>
5/8"	\$ 35.00
3/4"	35.00
1"	35.00
1-1/2"	50.00
2"	100.00
3"	100.00
4"	150.00
6"	150.00
8"	200.00
10"	200.00

MISCELLANEOUS CHARGES - CONTINUED

TAPPING SERVICE CHARGES

<u>Size of Meter</u>	<u>Charge</u>
Direct connection, meter pit and stop existing 3/4" service	\$ 150.00
Installation, meter pit and stop to existing service 3/4" service	350.00
No existing connection or service:	
3/4"	450.00
1"	550.00
1-1/2"	800.00
2"	1,100.00
3"	3,600.00
4"	4,200.00
6"	6,200.00
8"	9,300.00

No tapping service charges shall be applicable in conversion of existing residential users as of date of initial service by the Company.

OTHER MISCELLANEOUS CHARGES:

A late fee not to exceed 1.5% per month (18% annually) may be charged on bills not paid within 30 days of billing.

Check returned for insufficient funds: \$ 25.00

Service call for frozen service lines, leaks or any other service call, that are the customer's responsibility.

The service charge will be \$ 25.00 during regular working hours, weekdays 7:30 a.m. to 4:00 p.m.; after hours calls will \$ 35.00.

For unauthorized entry of meter pit:

The charge will be \$ 75.00, plus the cost for repair or damage for each occurrence.

Request for Hydrant Flow test:

The charge will be \$ 75.00 for each hydrant flow test requested.

LONG NECK WATER COMPANY
DOCKET No. 04-31

SETTLEMENT RATES

FACILITY CHARGE

<u>METER SIZE</u>	<u>PER MONTH</u>	<u>PER QUARTER</u>
5/8	13.50	40.50
3/4	19.89	59.67
1	33.79	101.37
1-1/2	67.75	203.25
2	108.33	324.99
3	202.69	608.07
4	337.81	1013.43
6	676.00	2028.00
8	1081.00	3243.00

WATER CHARGE

Each 1000 Gallons 2.74

PUBLIC FIRE HYDRANT CHARGE

Service Charge per Quarter \$6.30 where fire hydrants are installed
in Fire Hydrant District.

LONG NECK WATER COMPANY
DOCKET No. 04-31

PROOF OF REVENUE WORKSHEET

FACILITY CHARGE	<u>METER SIZE</u>	<u>UNITS</u>	<u>PER QUARTER</u>		
RESIDENTIAL	5/8	4294	40.50	x 4 =	695,628
COMMERCIAL	5/8	73	40.50	x 4 =	11,826
	1-1/2	34	203.25	x 4 =	27,642
	2	1	324.99	x 4 =	1,300
	6	1	2,028.00	x 4 =	8,112
WATER CHARGE PER 1000 GALLONS	<u>RATE</u>				
	<u>PER 1000 GAL</u>	<u>1000 GAL</u>			
RESIDENTIAL	2.74	x 129,112		=	353,767
COMMERCIAL	2.74	x 25,722		=	70,478
REVENUE FROM RATES FOR WATER SERVICE					1,168,753
REVENUE FROM FIRE PROTECTION			265 x 6.30	x 4 =	6,678
OTHER REVENUE					60,500
TOTAL REVENUE PER SETTLEMENT					<u><u>1,235,931</u></u>