

1 without utility service. For this reason, the Utility's line extension policy is of
2 paramount importance.

3 Q. Is the current line extension policy of the Utility substantially the same as
4 that proposed by Aqua Lake Holiday Utilities?

5 A. No, they differ in material respects. Under the most recent Rates, Rules, and
6 Regulations of the Utility, accepted for filing by the SCC on December 12, 2002,
7 the line extension policy is set forth in Rule 16. The currently accepted Rule 16
8 provides for the Utility to install at its own expense line extensions to unserved
9 lots, with the Utility's expense capped at three and one half (3 ½) times the
10 estimated annual revenue. Based on current rates, the Utility's contribution is
11 capped at approximately \$2,861 per lot. Any cost over this amount is deposited
12 with the Utility by the customer seeking service, and that deposit can be earned
13 back by that customer over a ten (10) year period as follows: for each lot that
14 requests service on the line serving the original customer, the original customer is
15 entitled to a refund of \$2,861.

16 Under the proposed line extension policy of Aqua Lake Holiday Utilities ("Aqua
17 LH"), this changes in three significant ways. Firstly, Aqua LH proposes to
18 eliminate the Utility's contribution to the cost of a line extension altogether,
19 wiping out the \$2,861 contribution that the Utility presently must supply.
20 Secondly, Aqua LH proposes to reduce the rate at which a customer can recoup
21 its deposit, capping it at a \$1,000 credit per lot that requests service on the line
22 serving the original customer. Thirdly, the proposed time period to obtain this
23 credit is cut in half from that of the Utility's existing tariff, from ten (10) to five