

when Aqua has fully evaluated the cost structures of the systems in its next general rate filing.

Q15. DOES THE STAFF HAVE ANY COMMENTS ON THE PROPOSED MAIN EXTENSION RULE?

A15. Yes. Aqua proposes a main extension rule where the applicant requesting a main extension would initially pay the full cost of the extension. Subsequently, the applicant would receive reimbursement from Aqua of \$1,000 for each water and \$1,000 for each wastewater customer connecting to the extended main within five years of the extension being made up to a maximum of the total cost of the extension. This main extension rule is a departure from the main extension rules for all water and wastewater utilities currently regulated by this Commission. Furthermore, the main extension rule is also a departure from the electric and gas public utilities regulated by this Commission, in that Aqua will be making no investment in the main extension. The proposed main extension rule also forms the main argument, or at least one that squarely falls within the jurisdiction of this Commission, by the Respondent in this proceeding.

All water and wastewater utilities currently contribute three and half times the annual revenue per customer to the cost of a main extension. If the main extension exceeds three and half times the annual revenue from a customer, the applicant seeking the line extension must pay the utility the amount exceeding three and half times the annual revenue. This money is then held by the utility without interest for 10 years. If another customer avails themselves of the main

extension during this period the utility refunds the original main extension applicant three and one half times current annual revenue per customer.

Aqua has represented that water and wastewater rates will need to be higher if the Commission does not approve the proposed main extension rule. Aqua has also represented that it is not opposed to changing the refund period to ten years from the currently proposed five year period.

Staff is concerned that Aqua's rule differs radically from all other water and wastewater utilities regulated by the Commission. Aqua will be making no investment in main extension in the service territory it is seeking to certificate, and currently all water and wastewater utilities within its certificated service I make some level of investment in main extensions. Therefore, Staff is recommending that Aqua continue to contribute three and half times annual revenue per customer to the cost of a main extension. The fact that Aqua is making significant capital investments does not mitigate the fact that a utility should make some investment in the cost of the main extension.

The refund provision although universal in all water and wastewater main extension policies is not universal for other utilities the Commission regulates. Aqua proposes to refund \$1,000 for both water and wastewater, or \$2,000, to the original main extension applicant. Under LHEUC's current main extension policy, and based on the rates proposed, applicant would be entitled to a refund of \$3,150 for each subsequent customer connecting to the main, which was extended at the request of the original applicant. To provide, Aqua with some level of cost certainty on a going forward basis, Staff recommends that the Commission approve the proposed refund language in Aqua's main extension proposal of

\$1,000 for both water and wastewater, or \$2,000, to the original main extension applicant. Staff also recommends that the refund period be extended to the ten year period as Aqua in its rebuttal testimony suggested it would be amenable to doing so.

Aqua should also delete Subsection II of Rule 20. This subsection relates to main extensions made to Lake Holiday LLC, Lake Holiday Land Inc. and Miller and Smith ("Established Applicant"). If the Established Applicant agrees to a main extension policy by contract that is less beneficial, the Commission should not disturb this arrangement.

Q16. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A16. The Staff recommends the following:

1. a \$32 flat monthly flat rate for water service;
2. a \$40 flat monthly flat rate for wastewater service and a \$5.00 grinder pump maintenance fee;
3. a \$5,000 water connection fee;
4. a \$7,000 wastewater connection fee;
5. Aqua continue to contribute three and half times annual revenue per customer to the cost of a main extension;
6. refund \$1,000 for both water and wastewater, or \$2,000, to the original main extension applicant for a period of ten years from the date of the main extension;
7. certificates of public convenience and necessity authorizing Aqua to provide water and wastewater in the Lake Holiday development be issued pursuant to § 56-265.3 A.

Q17. DOES THIS CONCLUDE YOUR TESTIMONY?

A17. Yes.