

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION OF</b>	)	
<b>CAPITOL WATER CORPORATION FOR</b>	)	<b>CASE NO. CAP-W-95-1</b>
<b>AUTHORITY TO INCREASE ITS RATES</b>	)	
<b>AND ALTERNATIVE APPLICATION FOR</b>	)	
<b>INTERIM RATES.</b>	)	<b>ORDER NO. 26247</b>
<hr/>		

On July 11, 1995, Capitol Water Corporation (Capitol Water; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to increase its tariff rates and charges for water utility service. The Company in its principal application proposed a 25.8% increase. The requested increase was suspended by the Commission so as to provide sufficient time and opportunity for intervention, investigation and public hearing. Reference Order No. 26121. Following an expedited hearing in Capitol Water's alternative Application for an interim rate increase, the Commission approved an interim annual increase (subject to refund) in the amount of \$5,889 (a 2.29% surcharge to residential and commercial customers). Reference Order No. 26163.

A public hearing on the Company's request for a permanent increase in rates in Case No. CAP-W-95-1 was held in Boise, Idaho on October 13, 1995. The following parties appeared by and through their respective counsel.

Capitol Water Corporation	Barton L. Kline
Commission Staff	Scott D. Woodbury

Public testimony was also received.

At hearing the parties presented a Settlement Stipulation (see Attachment A) for Commission consideration as being in the public interest and a fair, just and reasonable resolution to this case. Reference Commission Rules of Procedure, Rules 272-276. The proposed Settlement Stipulation was supported by testimony. The testimony of the Commission Staff can be summarized as follows:

Terri Carlock, Accounting Section Supervisor

Ms. Carlock reviewed the Settlement Stipulation between Capitol Water Corporation and the Commission Staff and presented the capital structure and costs for Capitol Water used in the Stipulation.

Under the Settlement Stipulation:

- Rates will be set to recover additional revenues of \$26,533 above 1994 adjusted base revenue levels.
- Capitol Water agrees that it will install meters to measure flows from all of its wells.
- Capitol Water will adequately document vehicle expenditures by vehicle.
- Capitol Water will institute reasonable procedures to maintain written records of all customer inquiries and complaints it receives.
- Capitol Water will continue to promote water conservation efforts.
- Capitol Water will restructure its capital financing to more accurately reflect its debt.

The Stipulation establishes fair and reasonable rates for Capitol Water customers. It also implements improvements with the Company's record-keeping practices and operations without litigating the arguments and concerns during the hearing.

The revenue increase recommended is based upon a 12 percent return on equity, with an overall 10.78 percent rate of return. The agreement is based upon a capital structure of 51.79 percent debt and 48.21 percent equity.

Kathy L. Stockton, Utility Auditor

Ms. Stockton presented the results of the Commission Staff's audit of Capitol Water. These results reflect the operating expenses, rate base, revenue requirement, effective tax rate and net-to-gross multiplier calculations. Based on the audit, the rate base, using a 1994 test year adjusted for 1995 known and measurable changes is \$597,276. The revenue requirement is \$407,247, and the revenue deficiency is \$26,533.

Don Oliason, Utility Engineer

Mr. Oliason reviewed the general design of the water system and its operational problems, discussed customer metering and supported the new rates agreed to in the Settlement Stipulation.

He concluded that:

- The water system is properly designed and is adequate to serve existing customers.
- The pressure problem encountered this past summer will be improved by the return of Well No. 3 to production.
- The iron problem needs the attention of a consultant.
- Installation of residential meters is not cost effective.
- Well metering should be repaired and made operational as agreed to in the Settlement Stipulation.
- New rates should be established by adding a uniform, 6.97 percent percentage to the company's tariffs.

Judy Stokes, Utilities Compliance Investigator

Ms. Stokes discussed the complaints and inquiries received by the Commission. She recommended that the Company provide information to customers on water-quality issues and that it continue its efforts to promote water conservation. Customers need to be aware that the cost to the company for pumping water from its wells ultimately affects customer rates. She encouraged the Company to keep a record of complaints it receives from customers, as required by Commission rules.

Public Testimony

Public testimony was received regarding the high iron content of the Company's water. The customer testified that the Company's water has ruined her clothes and china and that she is afraid to drink it. The customer contends that the Commission should not grant the Company a rate increase without requiring it to improve the quality of its water. As testified by Staff witnesses, the Idaho Division of Environmental Quality (DEQ) reports that iron and manganese are the source of the discoloration and that neither, under EPA guidelines, pose a

health threat. Staff has recommended that the Company hire an experienced consultant. In its rebuttal testimony the Company suggests that based on preliminary discussions with Ed Squires of United Water Idaho, the most cost effective solution would be to drill a new well.

### COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. CAP-W-95-1 including the Application, testimony transcript and proposed Settlement Stipulation. The Commission commends the parties for their time and effort in negotiating a proposed resolution to this case. We find the agreements of Company and Staff set forth in the Settlement Stipulation on rates and other matters to be supported by the record and testimony and to be in the best interest of the Company and its customers.

The Commission notes that the Company uses a flat fee for unmetered customers and a minimum bill for metered customers. We find it reasonable given the Company's small size and annual revenues, for purpose of administrative ease and to also avoid unnecessary customer confusion for the Company to employ a rounding method in the calculation of flat and minimum rates. To accomplish this result we approve an estimated increase in annual revenue for Capitol Water slightly higher than that proposed in the Settlement Stipulation. To do so in this case we find neither jeopardizes nor violates ratemaking or allocation principles. We approve an increase of \$27,558 or 7.27% and find the resultant rates set forth in Attachment B to be fair, just and reasonable. We further find a December 1, 1995 effective date to be appropriate for implementation of these rates.

Except as adjusted and qualified above regarding the annual revenue requirement and resultant rates (reference Settlement Stipulation ¶¶ A through C) the Commission finds it reasonable to require the Company and Staff to fulfill the commitments set forth in ¶¶ E through I of the Settlement Stipulation.

The Commission further finds it reasonable to require the Company to continue with its commitment and efforts to improve the aesthetic quality of its water through viable cost effective means.

## CONCLUSIONS OF LAW

The Commission has jurisdiction in this matter and over Capitol Water Corporation, a water utility, pursuant to the authority granted under Title 61, *Idaho Code* and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

## ORDER

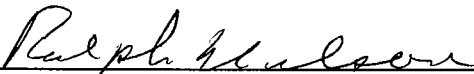
In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED that the proposed Settlement Stipulation submitted in Case No. CAP-W-95-1 as a just and reasonable settlement of the issues presented be approved and the parties are directed to comply with the terms of the agreements set forth therein.

IT IS FURTHER ORDERED that the attached Schedules 1, 2 and 4 tariff rates for Capitol Water be approved effective December 1, 1995. The Company is directed to file conforming and signed tariff sheets.

IT IS FURTHER ORDERED and the Company is directed to continue with its commitment and efforts to improve the aesthetic quality of its water through viable cost effective means.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. CAP-W-95-1 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. CAP-W-95-1. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

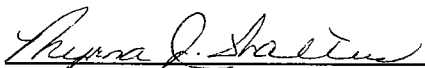
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this  
27<sup>th</sup> day of November 1995.

  
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RALPH NELSON, PRESIDENT

  
\_\_\_\_\_  
MARSHA H. SMITH, COMMISSIONER

  
\_\_\_\_\_  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
\_\_\_\_\_  
Myrna J. Walters  
Commission Secretary

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IDAHO PUBLIC  
UTILITIES COMMISSION

**Attorneys for Capitol Water Corporation**

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF  
CAPITOL WATER CORPORATION FOR AU-  
THORITY TO INCREASE ITS RATES AND  
ALTERNATIVE APPLICATION FOR INTER-  
IM RATES**

Case No. CAP-W-95-1

**SETTLEMENT  
STIPULATION**

Pursuant to Rules 271-277 of the Commission's Rules of Procedure (IDAPA 31.01.01), Capitol Water Corporation ("Capitol" or "Company"), and the Staff of the Idaho Public Utilities Commission ("Staff"), herein collectively referred to as the "Parties", by and through their respective counsels of record, hereby stipulate as follows:

**I.**

**BACKGROUND**

On July 11, 1995, Capitol filed an Application with the Commission for authority to increase its rates and charges for water utility service. At the time of its filing, the Company requested that if the Commission decided to suspend the Company's Application for permanent rates, an interim rate increase be implemented.

On August 17, 1995, the Commission, in Order No. 26121 suspended the Company's permanent rate Application, and scheduled the Company's request for an interim rate increase for public hearing on August 31, 1995.

At the August 31, 1995, public hearing, by bench ruling, the Commission authorized the Company to implement interim rates in amounts sufficient to recover an interim annual revenue requirement in the amount of \$5,889, to be collected by way of a 2.29% surcharge to residential and commercial customers with an effective date of September 1, 1995. The Commission bench ruling was confirmed on September 11, 1995, in Order No. 26163. Since the issuance of the Order No. 26163, the Staff completed its investigation of the issues raised by Capitol's Application. Based on that investigation and negotiations between the Parties, the Parties have reached an agreement on rates and other matters that they believe is in the public interest and that implementation of the agreement will result in water rates for Capitol that are fair, just and reasonable. In conformance with the Parties' settlement discussions, the Parties hereby submit this Settlement Stipulation to the Commission, and request the Commission accept and approve the settlement as presented.

## **II.**

### **AGREEMENTS**

A. Capitol will increase its rates to recover an additional \$26,533 per year over and above the 1994 adjusted base revenue levels identified in the Company's testimony and exhibits accompanying its Application.

B. Staff's proposed adjustments to Capitol's revenue requirement filing in this case are set out in Attachment No. 1 to this Settlement Stipulation.

C. The spread and design of the rates to recover the increased revenue requirement specified in paragraph A will be in accordance with Attachment No. 2 to this Settlement Stipulation.

D. The Parties have negotiated this Settlement Stipulation as an integrated document and recommend that the Commission adopt it in its entirety. The parties will file testimony and exhibits in support of this Settlement Stipulation. Accordingly, this Settlement Stipulation is expressly conditioned upon its acceptance by the Commission without modification. To the extent that the Application and its accompanying testimony and exhibits conflict with the terms of the Settlement Stipulation, the terms of the Settlement Stipulation shall prevail.

E. Capitol agrees that it will install meters to measure flows from all of the Company's wells, and will take those steps necessary to maintain the meters in good working condition. The Company will consult with the Commission Staff as to the additional metering to be installed so that the Parties understand the timing of the installation and the metering configuration that will be implemented by Capitol Water. Should the metering of any well prove to be impracticable, the Company will notify the Commission in writing. In that event, Capitol will work with Commission Staff to jointly devise a reasonable alternative method for measuring the flow from any unmetered well.

F. Capitol will take those steps necessary to insure that all employees adequately document, by written receipt and repair bill, the expenses attributable to Company usage of each of the Company's vehicles. These procedures include but are not limited to identification, on each gas credit card receipt and repair bill, the vehicle for which gasoline is being purchased or on which the repairs were made.

G. The Company will institute reasonable procedures for maintaining written records of all customer inquiries and complaints received by the Company.

H. The Company will continue to use its best efforts to promote water conservation by its customers. Those efforts will include the use of periodic bill stuffers and other reasonable methods to promote the wise use of water. The Company will consult with the Staff on a periodic basis to advise the Staff as to the efforts undertaken by the Company to promote water conservation.

I. Capitol will move expeditiously to restructure its capital financials to more accurately reflect Company debt. Commission Staff will assist the Company in working with potential long-term lenders to explain to such lenders the regulatory process and the security of regulatory assets.

J. The parties understand that this settlement is not binding on the Commission in ruling on Capitol's Application in this case.

K. This Settlement Stipulation shall be binding on the parties, their assigns, and/or successors in interest.

DATED this 24<sup>th</sup> day of October, 1995.

CAPITOL WATER CORPORATION

By: B. L. Kline  
Barton L. Kline, Its Attorney

STATE OF IDAHO, Idaho Public Utilities Commission

By: Scott Woodbury  
Scott Woodbury, Deputy Attorney General

**CAPITAL WATER CORPORATION  
RECONCILIATION BETWEEN APPLICATION RATEBASE AND STAFF RATEBASE**

APPLICATION RATEBASE			STAFF RATEBASE		
PLANT IN SERVICE	12/31/94	\$1,811,843			\$1,811,843
ADD 1995 ADDITIONS		\$73,500 (a)	ADJUSTMENTS		\$192,680 (b)
		\$1,885,343			\$2,004,523
ACCUMULATED DEPR		\$912,506			\$912,506
ADD 1995 DEPR		\$5,601 (c)	ADJUSTMENTS		\$66,533 (d)
		\$918,107			\$845,973
NET PLANT IN SERVICE		\$967,236			\$1,158,550
LESS			LESS		
CONTRIBUTION IN AID		\$89,836 (e)	CIAC		\$139,193 (f)
DEVELOPER ADVANCES		\$321,731	DEVELOPER ADVANCES		\$452,594 (g)
ADJUSTED PLANT IN SERVICE		\$555,669			\$566,763
ALLOWANCE FOR WORKING CAPITAL					
1/8 OF O & M		\$35,908 (h)			\$30,513 (i)
TOTAL RATE BASE		\$591,577			\$597,276

(a) ADDITIONS FOR WELL NO. 3 \$49,200  
WELL NO. 2 \$9,200  
NEW AUTO \$15,000  
The amount for Well No. 3 is an estimate. The actual amount for the work performed is available. \$73,400  
The amount for Well No. 2 is an estimate. The actual amount for the work performed is available.  
The amount for the auto is an estimate. The auto has not been purchased.

(b) ADJUSTMENTS FOR WELL NO. 3 ACTUAL \$49,183  
WELL NO. 6 ACTUAL \$9,820  
WELL NO. 2 ESTIMATE \$9,200  
1994 CONTRACT ACCOUNTS \$130,864  
CORY LANE LOWERING \$11,384  
SADDLE REMOVALS \$6,208  
PERSONAL VEHICLE (\$23,979)  
\$192,680

The actual amounts are for actual work performed on the wells. The wells are currently in-service and meet the "used and useful" criteria. The 1994 Contract Accounts represent distribution mains and services that are in-service and meet the "used and useful" criteria. The amount for the personal vehicle deduction from Plant in Service represents the personal use portion of the Ford Ranger and the Chevrolet Suburban.

(c) ADDITIONS FOR 1995 DEPR \$5,601  
This is depreciation for additions during 1995.

(d) ADJUSTMENTS TO ACCUMULATED DEPRECIATION  
Contributions in Aid of Construction are not depreciated, therefore this amount was deducted. \$49,357  
Accumulated Depreciation on Personal portion of Autos is deducted. \$21,449  
Accumulated Depreciation for 1994 Contract Accounts using a 25 year life, half-year convention was added (\$2,617)  
Accumulated Depreciation for 1995 Well Additions using a 25 year life, half-year convention was added. (\$1,363)  
\$66,826

(e) CIAC \$89,836  
Contributions in Aid of Construction are not depreciated. This Company figure is net of depreciation.

(f) CIAC \$139,193  
Contributions in Aid of Construction are not depreciated. This Staff figure is CIAC without an adjustment for depreciation.

(g) ADDITIONS TO DEVELOPER ADVANCES \$452,594  
This amount includes the 1994 Contract Accounts not previously included in the developer advances figure.

(h) WORKING CAPITAL \$35,908  
Company working capital is based on operating expenses of \$250,085.

(i) WORKING CAPITAL \$30,513  
Staff working capital is based on adjusted operating expenses of \$244,106.

**CAPITOL WATER CORPORATION**  
**RECONCILIATION BETWEEN APPLICATION REVENUE DEFICIENCY AND STAFF REVENUE DEFICIENCY**

**APPLICATION REVENUE DEFICIENCY**

**STAFF REVENUE DEFICIENCY**

TOTAL RATE BASE	\$591,577	TOTAL RATE BASE	\$597,276
		RATE OF RETURN - EQUITY	5.79%
		EQUITY EARNINGS REQUIRED	\$34,582
		NET TO GROSS MULTIPLIER	127.88%
RETURN REQUIREMENT ON EQUITY AT 14%	\$71,462	RETURN REQUIREMENT ON EQUITY INCLUDING TAXES	\$44,224
		RATE OF RETURN - DEBT	4.99%
DEBT EARNINGS REQUIRED	\$26,297	DEBT EARNINGS REQUIRED	\$29,804
TOTAL RETURN REQUIREMENT INCLUDING TAXES	\$97,759	TOTAL RETURN REQUIREMENT INCLUDING TAXES	\$74,028 (A)
EXPENSES:		ALLOWABLE EXPENSES:	
OPERATING EXPENSES	\$287,266 (E)	OPERATING EXPENSES	\$244,105 (B)
TOTAL DEPRECIATION AND AMORTIZATION	\$59,679	TOTAL DEPRECIATION AND AMORTIZATION	\$56,702 (C)
TAXES OTHER THAN INCOME TAX	\$32,437	TAXES OTHER THAN INCOME TAX	\$32,412 (D)
TOTAL EXPENSES	\$379,382	TOTAL EXPENSES	\$333,219
REVENUE REQUIREMENT	\$477,141	REVENUE REQUIREMENT	\$407,247
TOTAL OPERATING REVENUES	\$380,714	OPERATING REVENUES	\$380,714
REVENUE DEFICIENCY	\$96,427	REVENUE DEFICIENCY	\$26,533

(A)  
Staff total return requirement including taxes differs from company application because Staff used a different overall rate of return than Company; also, Staff grossed up the return requirement on equity. Staff separated out the rate of return - equity, and rate of return - debt.

(B)  
The Staff Operating Expenses are calculated as follows:

1994 COMPANY OPERATION EXPENSES	\$250,085
ADDITIONAL SALARIES TO BRING TO CURRENT LEVEL	\$4,904
DEDUCTION FOR DISALLOWED EXPENSES	(\$16,126)
DEDUCTION FOR PERSONAL TRANSPORTATION EXPENSES	(\$5,792)
DEDUCTION FOR PERSONAL VEHICLE INSURANCE	(\$576)
DEDUCTION FOR LATE POWER CHARGES	(\$123)
DEDUCTION FOR PERSONAL TELEPHONE CHARGES	(\$258)
ADDITIONAL SALARIES	\$10,000
AMORTIZATION OF DEQ REQUIRED 3-YEAR TESTS	\$1,991
	\$244,105

(C)  
The Staff Depreciation Expense is calculated as follows:

1994 DEPRECIATION EXPENSE FROM ANNUAL REPORT	\$49,078
ADDITION FOR AMORTIZATION OF RATE CASE	\$5,000
DEDUCTION FOR PERSONAL AUTO DEPR. EXPENSE	(\$1,709)
ADDITION FOR DEPRECIATION ON 1994 CONTRACT ACCOUNT	\$2,617
ADDITION FOR SADDLES AND MAIN LOWERING	\$352
ADDITION FOR DEPRECIATION ON 1995 WELL ADDITIONS	\$1,364
	\$56,702

(D)  
This Staff figure is the current year's taxes plus additional property taxes relating to the increase in Plant in Service from the work done on Well no. 6 and Well No. 3, minus \$25 for Centennial special plate fee included in vehicle registrations.

(E)  
The Company Operating Expenses is calculated as follows:

1994 Operating Expenses	\$250,085
Increase in Salaries	\$24,862
Increase in Electricity costs for Well #3	\$14,019
Reduced rates for Electricity	(\$1,700)
Application Operating Expenses	\$287,266

CAPITOL WATER CORPORATION  
CAP-W-95-1, STAFF PROPOSED RATES

Staff 1994 Pro Forma Revenue Requirement.....	\$407,247
Staff 1994 Pro Forma Operating Revenue.....	\$380,714
Staff Proposed Increase.....	6.97%

Residential Schedule No. 1, Monthly Flat Rates

Service Size	Rates Prior to Interim Rates	Interim Rates	Proposed New Rates
3/4"	\$8.06	\$8.24	\$8.62
1"	\$9.78	\$10.00	\$10.46
1-1/4"	\$10.89	\$11.04	\$11.65
Sprinkler	\$10.34	\$10.34	\$11.06

Commercial Schedule No. 2, Monthly Metered Rates

Quantity	Rates Prior to Interim Rates \$ / 100 cu. ft.	Interim Rates \$ / 100 cu. ft.	Proposed New Rates \$ / 100 cu. ft.
1st 1000 cu. ft.	\$0.79	\$0.81	\$0.85
Next 1000 cu. ft.	\$0.45	\$0.46	\$0.48
Next 2000 cu. ft.	\$0.34	\$0.36	\$0.36

Minimum Charges: The monthly minimum charges for service under this schedule shall be not less than the following.

3/4" & smaller	\$5.15	\$5.15	\$5.51
1"	\$7.27	\$7.27	\$7.78
1-1/2"	\$10.59	\$10.59	\$11.33
2"	\$18.34	\$18.34	\$19.62
3"	\$32.88	\$32.88	\$35.17

Private Fire Sprinkler and Hose Service, Schedule 4

Service Size	Rates Prior to Interim Rates	Interim Rates	Proposed New Rates
3"	\$5.67	\$5.67	\$6.07
4"	\$7.93	\$7.93	\$8.48
6"	\$18.14	\$18.14	\$19.40
8"	\$29.47	\$29.47	\$31.52
10"	\$45.34	\$45.34	\$48.50

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Order No. 26247  
Case No. CAP-W-95-1  
Attachment B

**CAPITOL WATER CORPORATION**

**SCHEDULE NO. 1**

**APPLICABLE:** To all non-metered customers for domestic use and lawn sprinkling.

**RATE:** Flat rate per month as follows:

<u>Service Size</u>	<u>Base Monthly Rate</u>	<u>3% Franchise Tax</u>	<u>DEQ Fee</u>	<u>Total Monthly Base Rate</u>
¾"	8.65	.26	.34	9.25
1"	10.45	.31	.34	11.10
1 ¼"	11.66	.35	.34	12.35

**Sprinkling Charge.** From May 1 through September 30 the following rates will be added to the base monthly rates.

<u>Monthly Sprinkling Rate</u>	<u>3% Franchise Tax</u>	<u>DEQ Fee</u>	<u>Total Monthly Sprinkling Rate</u>
11.07	.33	-0-	11.40

Issued: Per Order No. [ ]

Effective; [ ]

CAPITOL WATER CORPORATION

H. Robert Price, President

**CAPITOL WATER CORPORATION**

**SCHEDULE NO. 2**

APPLICABLE: To all Metered Customers

RATE: For the first 1,000 cu. feet per month  
per 100 cubic feet \$ .85  
For the next 1,000 cu. feet per month  
per 100 cubic feet \$ .48  
For the next 2,000 cu. feet per month  
per 100 cubic feet \$ .36

MINIMUM CHARGE: The monthly minimum charge for service  
under this schedule shall not be less than the  
following:

<u>Service Size</u>	<u>Flat Minimum Charge</u>	<u>3% Franchise Tax</u>	<u>DEQ Fee</u>	<u>Total Monthly Minimum Charge</u>
¾" and smaller	5.54	.17	.34	6.05
1"	7.78	.23	.34	8.35
1½"	11.37	.34	.34	12.05
2"	19.62	.59	.34	20.55
3"	35.20	1.06	.34	36.60

Issued: Per Order No. [ ]

Effective; [ ]

CAPITOL WATER CORPORATION

H. Robert Price, President

**CAPITOL WATER CORPORATION**

**SCHEDULE NO. 4**

**APPLICABLE:** To all customers who have fire sprinkler systems and/or inside hose connections for fire fighting purposes.

**RATE:** For service through a separate line for fire fighting purposes, as follows:

<u>Service Size</u>	<u>Flat Monthly Rate</u>	<u>3% Franchise Tax</u>	<u>DEQ Fee</u>	<u>Total Monthly Rate</u>
3"	6.08	.18	.34	6.60
4"	8.50	.26	.34	9.10
6"	19.43	.58	.34	20.35
8"	31.56	.95	.34	32.85
10"	48.50	1.46	.34	50.30

**MISCELLANEOUS:** If the installation of a private fire service requires an extension of the existing mains of the utility, the costs of such extension shall be borne by the customer.

All private fire service shall be equipped with sealed gate valves or thermal automatic openings.

Meters may be placed on fire services by the utility at any time, however, metered rates will not apply unless improper use of water is disclosed. In that event, usage will be billed to the consumer under rate Schedule No. 2.

Issued: Per Order No. [ ]

Effective; [ ]

CAPITOL WATER CORPORATION

H. Robert Price, President