

**CALIFORNIA PUBLIC UTILITIES COMMISSION**  
Water Division

STANDARD PRACTICE FOR  
COLLECTING AND PROCESSING  
CUSTOMER RATES, FEES AND CHARGES  
UNDER GENERAL ORDER 96-B

Standard Practice U-28-W

**SAN FRANCISCO, CALIFORNIA**  
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**STANDARD PRACTICE FOR COLLECTING AND PROCESSING USER, CONNECTION  
AND FACILITIES FEES AND LATE PAYMENT CHARGES UNDER  
GENERAL ORDER 96-B**

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**A--PURPOSE AND SCOPE**

1. The purpose of this standard practice is to provide guidance to utilities and Water Division staff on the collection and processing of various fees a utility is allowed or required to charge its customers.

**B--BACKGROUND**

2. Fees and charges are used for various purposes.

- a. User fees for water and sewer system utilities were approved by the legislature in 1982. The Commission calculated the initial fee and imposed it by Commission resolution M-4722, November 24, 1982 to be effective January 1, 1983. In 1983 the legislature extended this funding source to all regulated utilities, effective on July 1, 1983. Sections 401 through 410 and Section 431 of the Public Utilities Code describe this fee. The purpose of this fee was to remove the Commission from general fund funding.

- b. Late Payment Charges are imposed on customers who are late in paying their bills. The purpose is to change behavior and induce more timely payment<sup>1</sup>. Yermo Water Company (Yermo) was the first water utility to receive authority from the Commission to charge a late fee of \$5.00 on delinquent bills in 1993<sup>2</sup>. This provision was instituted as part of its general rate case due to significant delinquent payment problems for Yermo. In 1996, Cobb Mountain Water Company (Cobb Mountain), with 17% of accounts delinquent, declined a staff proposed \$5.00 late charge in favor of a pilot study for late charges of 1.5% of the overdue bill with a minimum charge of \$1.00.<sup>3</sup> This was due to the unique nature of the rate structure of Cobb Mountain, which serves a resort area with few year-round residents. After a one-year pilot study, Cobb Mountain determined that the late fee was effective in reducing delinquent payments and the late charge was made permanent<sup>4</sup>. Later, Havasu Water Company (Havasu) received the same treatment<sup>5</sup>. Other water utilities criticized this late fee structure because it only addressed the carrying cost of late payments and not the additional costs incurred. Havasu pointed out that these costs would be paid by other customers of the water company. Also the 1.5% late charge with a minimum of \$1.00 effectively put in a \$1.00 late charge since the water bill would have to exceed \$66.67 for the \$1.00 minimum charge to be exceeded. At the California Water Association meeting in October, 1996, the small water utilities specifically requested a different late charge and cited the additional costs involved in justifying a different late charge. The Branch requested some cost studies for the late charge, and, on January 27, 1997, Ponderosa Water Company (Ponderosa) sent cost calculations for additional costs due to late payments for staff review. Ponderosa's calculations justified a \$5.00 late charge. The costs incurred were typical of the costs incurred by a small water utility for labor and materials involved including notification and collection of the delinquent account and the charge was approved by Resolution W-4035, April 9, 1997.
- c. Returned Check Charge. Resolution W-2638, May 20, 1980, revised Rule 9 to establish a \$5.00 charge for bad checks or electronic fund transfer procedures not honored. At that time, the Commission found that the additional cost to the utility for processing returned checks varied and the \$5.00 charge was in the mid-range. Since that time banks fees increased, writing a bad check was made illegal,<sup>6</sup> and the costs of processing and collection increased. The \$5.00 charge was no longer sufficient to cover the costs. At the California Water Association meeting in 1997, many water utilities requested a higher returned check charge and cited increased charges by banks and the additional costs involved in reversing bookkeeping entries, collecting the check and reentering the amount. Part of the higher cost

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<sup>1</sup> Resolution number 11, March 22, 1935, of the Railroad Commission of the State of California authorized Sierra Water Service Company to offer a discount of fifty cents to customers who paid their bill by the 20<sup>th</sup> of the month.

<sup>2</sup> Resolution W-3812, November 23, 1993, Finding 10.

<sup>3</sup> Resolution W-3875, November 7, 1994

<sup>4</sup> Advice letter 23, June 18, 1996, effective June 24, 1996

<sup>5</sup> Resolution W-3940, September 7, 1995

<sup>6</sup> Under California Civil Code, Chapter 522, Section 1719, the maker of a bad check may be liable for three times the amount of the check or \$100.00, whichever is greater, plus the face value of the check and court costs.

was due to the practice of customers paying with a bad check to avoid the disconnection of water service for non-payment or to avoid the charge for reconnection. In its letter of January 24, 1997 Ponderosa sent cost calculations for additional costs due to processing and collecting which justified a \$20.00 returned check charge as representative of the costs incurred by a small water utility. Resolution W-4035, April 9, 1997, allowed all Class C and D water utilities to file to assess this charge.

- d. Reconnection charges (see Tariff Rule 11) represent the cost to the utility of performing disconnection and reconnection and keep other ratepayers from paying costs caused by one customer. Rule 11 allows water utilities to charge for reconnecting water service that has been disconnected due to non-payment or violation of rules. General Order 103 states that utilities may charge \$10.00 for reconnection of service during regular working hours and \$15.00 for reconnection of service at other than regular working hours when the customer has requested that the reconnection be made at other than regular working hours. This fee has been in effect for a long time while labor and processing costs have increased. Class A and B water utilities have justified and established higher reconnection charges in conjunction with general rate cases; however, small utilities do not have general rate case proceedings as often and do not have the time or resources to devote to calculation of costs of reconnection. At the California Water Association meeting, small water utilities requested a higher reconnection charge and cited increased costs as justification. Ponderosa provided a cost basis for a charge of \$25.00 during regular working hours and for \$40.00 for other than regular working hours. The Water Division found that these costs were representative of those for small utilities. Because the majority of these costs are associated with the travel and preparation for disconnection, not the disconnection itself, the division recommended that the charge be levied even when the customer attempts to pay the overdue bill at the time the disconnection is being attempted.
- e. A Collection charge may be assessed when the water company employee arrives at the site to disconnect service and the customer pays the past due bill in full.<sup>7</sup> The water company must justify the amount of this charge. Imposition of this charge may be initiated by advice letter.
- f. Deposits may be required of new customers, until those customers have established credit with the utility.
- g. Facilities fees were originally approved for smaller water companies and smaller districts of large water companies by Decision (D.) 91-04-068, April 24, 1991, which stated (Ordering Paragraph 2):

“2. A Class C or Class D utility, or a Class A or Class B utility district or subsidiary serving 2,000 or fewer connections, may accept from individual customers amounts in contribution as a facilities fee pursuant to tariffs approved by the Commission.”

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<sup>7</sup> D.83-06-064, June 15, 1983, Ordering Paragraph 3.

This order was supplemented by a settlement adopted by D. 93-11-066, November 23, 1993, which allowed the filing of proposed facilities fees by advice letter and required all monies collected to be kept in a separate bank account and used only for infrastructure replacement. The settlement also proclaimed that (Section II. A. 1):

“The Stipulating Parties agree that small water companies may submit requests to Water Branch for establishment of facilities fees as authorized by D. 91-04-068, so long as such facilities fees are based on a need for additional operating facilities resulting from actual or projected customer growth. Such requests shall be supported by either a formula method which reflects actual or projected customer growth or by a method utilizing customer growth projection and estimates of need additional operating facilities and the costs thereof which are related to such projections.”

On September 3, 1998 the Commission approved Resolution No. W-4110 which allowed Sierra City Water Works, Inc. and all other Class D water utilities to file to charge facilities fees to fund replacement of plant. It established generic tariffs for facilities fees ranging from \$2,000 for 5/8 inch by 3/4 inch metered water customers to \$16,000 for customers requiring a 2 inch meter (see Appendix A).

- h. Connection charges allow a utility to recover the cost of hooking a new customer into an already existing distribution main<sup>8</sup>. This fee covers the costs of installing new service connections, including service pipe, meter box and meter, and labor, but is based on typical length and excavation times, so that all customers are charged an “average” amount. As an alternative, the customer may contract separately with a contractor approved by the utility, for the installation of the service lateral and meter box.
- i. Franchise fees, business license fees or utility taxes are charges levied by a local governmental entity on the utility that serves within an area controlled by that governmental entity. These charges may be recovered in two ways. (1) If the utility only serves within one governmental entity, or within areas controlled by multiple governmental entities where the franchise fees, business license fees or utility taxes are about the same, the recovery should be included in base rates at the aggregate amount. (2) If one governmental entity significantly exceeds the aggregate, or if one governmental agency raises the rate, the recovery of that fee should be by surcharge levied on only the customers within the area controlled by that governmental entity.<sup>9</sup>
- j. Monthly Plant Replacement Fees Resolution No. W-4221, September 7, 2000 authorized Curtis Water Company to collect a Monthly Plant Replacement Fee from its customers. The fee was authorized because:

“CWC's plant is fully depreciated and is being operated by a receiver until its customers can begin to receive service from the adjacent

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<sup>8</sup> D.91-04-068, 39 CPUC 2d 594 (1991)

<sup>9</sup> D.89-05-063, May 26, 1989, Ordering Paragraph 1.

municipal utility. The fees are estimated to produce \$23,000 in additional revenue or 85% more than produced by present rates. The funds are to be placed in a reserve account to help defray the cost of obtaining service from the municipal utility. Withdrawals from the account will subject to further order of the Commission.”

## C—PROCEDURE

3. User Fees The Commission determines the amount of the user fee by management resolution. The latest management resolution concerning user fees was M-4786, July 16, 1997. It set the charge for water and sewer system utilities at 1.4% of revenues. Water and sewer system utilities pay user fees that are proportional to their gross intrastate revenues<sup>10</sup>. Revenues means all money collected for the furnishing of utility service, including principal and interest surcharge on loans (including Drinking Water State Revolving Fund (DWSRF) and Safe Drinking Water Bond Act (SDWBA)<sup>11</sup> loans). This is because the facilities constructed by DWSRF and SDWBA loans would have resulted in a return if they had been built by the utility and included in rate base. That return revenue would be subject to user fees, so the loan revenues should be subject to user fees. It does not include utility taxes or other revenues that are passed through to governmental agencies. This fee is usually referred to in the special conditions on the rate schedules and described on a separate rate Schedule Number UF.
4. The law requires utilities earning \$750,000 or less to pay the fee by January 15 of the following year and utilities earning over \$750,000 to pay the fee quarterly between the 1<sup>st</sup> and 15<sup>th</sup> day of July, October, January and April.<sup>12</sup>
5. If the user fee isn't paid within 30 days of the due date the Commission may impose a 25% penalty and suspend the utility's certificate of public convenience and necessity until it is paid<sup>13</sup>.
6. Late Payment Charge Late payment charges may be imposed when the customer doesn't pay the bill within 19 days of it being mailed (see Public Utilities Code Section 779.1). The charge is described on a separate schedule LC (see Appendix B). Normally, the utility allows an amount of time in excess of 19 days before the charge is imposed, for example, for monthly billers, if the last month's bill has not been paid by the time the next month's bill is sent, the charge is imposed on the next month's bill. Resolution W-4035, April 9, 1997 authorizes Ponderosa Water Company and all Class C and D water utilities to charge a late payment charge of \$5.00 after they file an advice letter and tariff describing the charge (see Appendix C). These funds should be booked as Other Utility Revenues.
7. Returned Check Charge Resolution W-4035 authorizes Class C and D water utilities to charge \$20.00 for processing a returned check. These funds should be booked as Other Utility Revenues.

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<sup>10</sup> Public Utilities Code Section 432 (c) (4)

<sup>11</sup> Letter from Milton J. DeBarr to Class B, C and D Water Companies, September 5, 1986

<sup>12</sup> Public Utilities Code Section 433

<sup>13</sup> Public Utilities Code Section 405

8. Reconnection Charge Tariff Rule 11 allows water utilities to charge for reconnecting water service that has been disconnected due to nonpayment or violation of rules. Resolution W-4035 authorizes Class C and D water utilities to file an advice letter to charge a reconnection fee of \$25.00 during regular working hours and \$40.00 for other than regular working hours. Because the majority of these costs are associated with the travel and preparation for reconnection, not the reconnection itself, this charge should also be levied even when the customer attempts to pay the overdue bill at the time the disconnection is being done, in an attempt to avoid the reconnection fee. Other amounts may be used if justified. The reconnection charge should be based on an analysis of the average time required to perform these functions. Reconnection charges should be booked as Other Utility Revenue.

9. Facilities fees are available for Class A districts that serve less than 2000 service connections, and B and C and D utilities and may be based on any reasonable analysis as developed in the GRC<sup>14</sup>. Class A water companies have to show that their need for a facilities fee outweighs the ratemaking principle that shareholders, rather than ratepayers, should bear the cost of plant facilities<sup>15</sup>. Eligible utilities may file by advice letter to institute a facilities fee schedule F (see Appendix A). All fees collected must be kept in a segregated bank account and credited to contributions in aid of construction (CIAC) at the time the fees are spent for additional plant.

10. The Commission addressed facilities fees for Class D utilities generically in Resolution No. W-4110, September 3, 1998, for Sierra City Water Works. It authorized all Class D water utilities to file an advice letter to make effective Schedule F (Appendix A), or to charge lower rates based on the same proportional meter size. To provide accountability of the funds, any utility filing to implement the authorized facilities fees is required to place the funds in an interest bearing account and to show the balances in its annual report to the Commission. Fund balances should be listed as debits to (for Class D companies) Account 132, Special Deposits, and as credits to Account 253, Other Credits. Interest should also be debited to Account 132, and credited to Account 421, Non-utility Income. When plant is replaced using funds from these deposits, a debit would be made to the appropriate plant account and a credit made to Account 271, Contributions in Aid of Construction.

11. Connection Fees. In Decision (D.) 90-20-020 in Southern California Water Company's general rate case application (A.) 88-05-021, the Commission authorized the utility to charge a connection/facilities fee on an experimental basis in its Desert District. Because this fee was a

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<sup>14</sup> Authority to charge facilities fees was established by Commission Decision (D.)92-03-093, March 31, 1992, Ordering Paragraph 10, which ordered workshops within 75 days to discuss, among other items, allowing Class C and D utilities to charge facilities fees. As a result of the workshop, staff issued suggested procedures that required the utility to develop a list of expected new facilities' costs and divide by the number of expected new customers. This, or any other method, was to be requested by Advice Letter (D.93-11-066, November 23, 1993).

<sup>15</sup> 39 CPUC2d at 602: "We do not preclude water utilities like [Southern California Water Company's] Desert District from also seeking a facilities fee as part of a rate case, but such districts will *not* have a rebuttable presumption that such a fee is appropriate. As in D.90-02-020, they will have to show that their need for a facilities fee outweighs the ratemaking principle that shareholders, rather than ratepayers, should bear the cost of plant facilities." (emphasis in original)

major deviation to General Order 103, the Commission opened Order Instituting Rulemaking (R.) 90-07-004, July 6, 1990. In the final decision in that proceeding (D.91-04-068, April 21, 1991) the Commission adopted a Connection Fee Data Form (Appendix C) that was to be added to the “Forms” section of their tariffs by smaller water companies and districts that want to charge the fee. This form is filled in and presented to the customer at the time the customer requests connection. The customer must be told that he or she can complain about the fee to the Commission, and that the customer has the option of retaining a qualified contractor to install the connection, subject to inspection by the utility. Section V.2.a.(2) of General Order 103 authorizes the utility to charge for the cost of the meter also, as provided in Water Code Section 525.

12. Deposits. Section 779.5 of the Public Utilities Code requires that deposits be based solely on the credit worthiness of the applicant. Deposits (see Tariff Rule No. 7) are required when a new customer requests service, and are refunded, with interest, after the customer has received twelve months of service, if all bills have been paid on time during that time (see Tariff Rule No. 6). The standard deposit is two times the average bill for metered customers and one bill for flat rate customers. This is because metered customers are billed after the service has been received and flat rate customers are billed prior to the service being received.

13. Plant Replacement Fee Resolution W-4035, September 7, 2000, allowed Curtis Water Company, which was being operated by a court-appointed receiver, to collect a monthly plant replacement fee of \$14.00 per customer per month to help defray the cost of rebuilding the system and aid in the interconnection of the system with an adjacent water utility. The fees were to be deposited within five days in a separate bank account paying interest. The fees were booked as Contributions-in-Aid-of-Construction and the utility was to report in its annual report to the Commission, the fees collected, interest, and balance in the account. Withdrawal of funds from the account are subject to approval granted by a further resolution of the Commission and Curtis Water Company was authorized to file an advice letter to request such withdrawal.

APPENDIX A

Schedule F

FACILITIES FEES

APPLICABILITY

Applicable to all customers applying for service from the Utility in the territory served for premises not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of service connections to existing premises due to change in use.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

Initial Fee for each Service Connection:

For 5/8 x 3/4-inch meter . . . . .	\$ 2,000
For 3/4-inch meter . . . . .	3,000
For 1-inch meter . . . . .	5,000
For 1 1/2-inch meter . . . . .	10,000
For 2-inch meter . . . . .	16,000

SPECIAL CONDITIONS

1. Facility fees are payable in addition to and do not limit any charges for extensions of mains that may be applicable under Rule 15, Main Extensions.
2. These fees are not subject to the Public Utility Commission Reimbursement Fee surcharge in schedule UF.
3. These fees shall be used only for the repair and replacement or the installation of new infrastructure.
4. These fees shall be deposited in a separate trustee account and used only upon permission of the Water Division or its successor.

APPENDIX B

Schedule LC

LATE PAYMENT CHARGE

APPLICABILITY

Applicable to all service.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

Late charge: A late charge of 1.5% on unpaid balance subject to special conditions and minimum charge below:

Minimum Charge: The minimum Charge is \$1.00

SPECIAL CONDITIONS

1. The balance is unpaid if it is not received by the end of the billing period. This will always provide at least 19 days to pay the bill and avoid a late charge.
2. The late charge should be imposed only once on a delinquent bill because the account will be shut off before a subsequent bill and then subject to the reconnection fee authorized by Tariff Rule No. 11.
3. All bills shall be subject to the reimbursement fee as set for in Schedule No. UF.

APPENDIX C

\_\_\_\_\_  
(Name of Water Company)

Connection Fee Data Form for Service to \_\_\_\_\_  
(Name of Customer)

\_\_\_\_\_, \_\_\_\_\_  
(Address) (Telephone)

I. Local Government Permits and Fees

<u>Line</u>	<u>Name of Agency</u>	<u>Name of Fee</u>	<u>Cost</u>
1	_____	_____	\$ _____
2	_____	_____	_____
3	_____	_____	_____
4	_____	_____	_____
5	Total (Add lines 1 through 4)		\$ _____

II. Materials

A. Service Pipe

6 Type (e.g., copper) \_\_\_\_\_

7 Unit cost = \$ \_\_\_\_\_ per foot of length

8 Length of service pipe = \_\_\_\_\_ feet  
(Use typical connection in your service area)

9 Service

Pipe Cost = Unit cost (Line 7) x Length (Line 8)

Pipe Cost = \$ \_\_\_\_\_ /ft. x \_\_\_\_\_ ft. = \$ \_\_\_\_\_

APPENDIX C

II. Materials (continued)

B. Other than Service Pipe

<u>Line</u>		
10	Saddle tap	\$ _____
11	Valve (corp stop)	_____
12	Valve (meter stop)	_____
13	Cast concrete box	_____
14	Meter	_____
	Other (describe)	_____
15	_____	_____
16	_____	_____
17	Subtotal (Add Lines 10 through 16)	_____
18	Miscellaneous allowance (5% of Line 17)	_____
19	Total (Add Lines 17 and 18)	\$ _____

III. Installation

A. Tapping

Labor for tapping main, installing valves, setting meter and meter box (not applicable to flat rate service), and all other hardware work regardless of the length of service pipe.

Tapping cost = Avg. time for tapping x hourly rate

For metered service:

20 Tapping cost = \_\_\_\_\_ hr. x \$ \_\_\_\_\_ /hr. = \$ \_\_\_\_\_

For flat-rate service:

21 Tapping cost = \_\_\_\_\_ hr. x \$ \_\_\_\_\_ /hr. = \$ \_\_\_\_\_

B. Earth Work

Labor and Equipment for trenching and compaction of backfill.

22 Length of trench = \_\_\_\_\_ feet  
(Use typical connection in your service area)

APPENDIX C

III. Installation (continued)

B. Earth Work (continued)

1. Labor

Cost = Avg time x hourly rate

Line

23 Operator cost = \_\_\_\_\_ hr. x \$ \_\_\_\_\_/hr. = \$ \_\_\_\_\_

24 Laborer cost = \_\_\_\_\_ hr. x \$ \_\_\_\_\_/hr. = \$ \_\_\_\_\_

25 \_\_\_\_\_ = \_\_\_\_\_ hr. x \$ \_\_\_\_\_/hr. = \$ \_\_\_\_\_  
(other)

26 Total Labor (Add Lines 23 through 25) \$ \_\_\_\_\_

2. Equipment

Cost = Avg. time x hourly rate

27 Backhoe cost = \_\_\_\_\_ hr. x \$ \_\_\_\_\_/hr. = \$ \_\_\_\_\_

28 Compactor cost = \_\_\_\_\_ hr. x \$ \_\_\_\_\_/hr. = \$ \_\_\_\_\_

29 \_\_\_\_\_ = \_\_\_\_\_ hr. x \$ \_\_\_\_\_/hr. = \$ \_\_\_\_\_  
(other)

30 \_\_\_\_\_ = \_\_\_\_\_ hr. x \$ \_\_\_\_\_/hr. = \$ \_\_\_\_\_  
(other)

31 Total Equipment (Add Lines 27 thru 30) \$ \_\_\_\_\_

C. Pavement replacement (including base)

32 Pavement type (e.g., asphalt/concrete) \_\_\_\_\_

33 Unit cost = \$ \_\_\_\_\_ /ft.

34 Length of pavement = \_\_\_\_\_ feet  
(Use typical connection in your service area)

35 Cost = Unit cost (Line 33) x Avg. Length (Line 34)

36 Pavement Cost = \$ \_\_\_\_\_ / ft. x \_\_\_\_\_ = \$ \_\_\_\_\_  
(Line 33) (Line 34)

IV. Total Cost of Service Connection

Cost = Local Gov't Fees + Materials + Installation

Local Gov't Fees + (Service Pipe = Other than Service Pipe)  
+ (Tapping + Labor for Earth Work + Equipment for Earth Work  
+ Pavement Replacement)

37 = \_\_\_\_\_ + ( \_\_\_\_\_ + \_\_\_\_\_ ) +  
(Line 5) (Line 9) (Line 19)

( \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ + \_\_\_\_\_ )  
(Line 20 or 21) (Line 26) (Line 31) (Line 36)

38 = \$ \_\_\_\_\_ (rounded to nearest \$10)



## APPENDIX C

1. This Connection Fee Data Form is available to Class C and Class D water utilities and Class A and Class B utility districts of subsidiaries serving 2,000 or fewer connections. The blank Connection Fee Data Form must be filed in the tariffs of a utility seeking to assess a connection fee.
2. When the Connection Fee Data Form is filed in a utility's tariffs, the completed form showing costs of installation must be presented to all new individual customers seeking installation of a connection.
3. At the time a completed Connection Fee Data Form is presented to a customer, the utility must advise the customer, in writing, of the following:
  - a. An applicant for a water utility connection who disputes the fees set forth by the utility in its Connection Fee Data Form may file a complaint with the California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94102-3298
  - b. An applicant for a water utility connection may, as an alternative to connection by the utility, have the connection performed by a contractor deemed qualified by the utility. Such installation must be done in accordance with utility specifications. Such installation is subject to inspection and approval of a utility, at an inspection fee rate of \$ \_\_\_\_\_ per hour. At completion of the installation, applicant must provide the utility with a copy of the contractor's invoice for the installation.
4. The Total Service Connection Cost (Line 38) represents a typical service connection in your service area for one service size. A separate calculation is required for each size.
5. Separate calculations are required for metered and flat rate service.
6. It is assumed that if procedures and equipment other than those included above are selected for a particular (but typical) installation (e.g., boring rather than trenching), it is because it is more economical for that particular installation. There is no need for special provisions for such cases.
7. The utility may request a deviation from its Connection Fees tariff and charge the actual cost of installation for any service for which the Total Cost of Service Connection exceeds the typical cost (Line 38) by three times.
8. Connection fees are assumed to be in the first \$50,000 of income for which the federal income tax rate is 15%.