

NOTICE OF PUBLIC HEARING

The Board of Water Supply of the County of Kauai (“Board”) will hold a public hearing at its Board Room located on the second floor of the Kauai County Department of Water’s Microbiology Lab Building, 4398 Pua Loke Street, Lihue, Kauai, Hawaii, on Thursday, December 8, 2011 at 6:00 p.m, or soon thereafter, for purposes of hearing and receiving public testimony and comments from all interested persons regarding the following item:

PROPOSED AMENDMENTS TO THE RULES AND REGULATIONS OF THE BOARD OF WATER SUPPLY, COUNTY OF KAUAI, STATE OF HAWAII

Part IV – Fixing Rates For The Furnishing of Water Service in the County of Kauai

Section I – General Use Rates - Section Revisions related to Service Charges and Use Charges

Section III – Agricultural Rates – Section Revisions related to Service Charges and Consumption Charges

Section V – Private Fire Service Charges - Section Revisions related to Service Charges

Section VI – Public Fire Service Charges – Section Revisions related to Service Charges

Section X – Cost of Power Adjustment Clause – Section Revisions related to Schedule A, Anticipated Unit Power Costs

A copy of the proposed rule amendment will be mailed to any interested person who requests a copy and pays the required fees for the copy and the postage. Requests may be made by calling the Water Manager’s Office at (808) 245-5408, or by submitting facsimile requests to (808) 246-8628. Requests may also be made up to and including the date of the public hearing.

The proposed rule amendments may be reviewed in person between the hours of 8:00 a.m. to 4:15 p.m., Monday through Friday (excluding State of Hawaii holidays), at the Water Manager’s Office, 4398 Pua Loke Street, Lihue, Kauai, Hawaii. Proposed rule amendments may be reviewed any time up to and including the date of the public hearing.

All interested persons may submit data, views, arguments, or other testimony orally or in writing, or both, concerning the proposed rule amendments. Data, views, arguments, or other testimony may be submitted any time up to and including the date of the public hearing, or at the public hearing itself. Data, views, arguments, or testimony may be submitted by e-mail to cbeardmore@kauaiwater.org, by facsimile to (808) 246-8628 or by U.S. mail to the Water Manager’s Office, whose address is Kauai Department of Water, 4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766.

The Board may impose a time limit for each person presenting testimony at the hearing. Should you have any questions, please do not hesitate to call the Water Manager’s Office at (808) 245-5408. The Water Manager’s facsimile number is (808) 246-8628.

BY ORDER OF THE BOARD: Roy Oyama, 2011 Chairperson

PART 4
FIXING RATES FOR THE FURNISHING OF WATER SERVICE IN THE
COUNTY OF KAUAI

SECTION I - GENERAL USE RATES

1. **Service Charge.** For each service there shall be a charge per month imposed based on the size of the meter, or its service capacity equivalence in the case of parallel meters, as follows:

<u>Meter Size</u>	[Amount (per month):	Amount (per month):
	<u>Effec. January 1, 2008</u>	<u>Effec. July 1, 2010</u>
5/8" \$ 10.00 plus first 1,000 gal. consumption.....	= \$ 10.00.....	13.20
3/4" \$ 14.00 plus 2,500 gal. consumption.....	= \$ 14.00.....	22.00
1" \$ 20.00 plus 3,500 consumption = \$ 20.00 ...		31.20
1 1/2" \$ 40.00 plus 10,000 consumption = \$ 40.00 ...		72.00
2" \$ 60.00 plus 12,500 consumption = \$ 60.00 ...		100.00
3" \$120.00 plus 50,000 consumption = \$120.00 ..		280.00
4" \$190.00 plus 175,000 consumption = \$190.00 ..		750.00
6" \$360.00 plus 225,000 consumption = \$360.00 ..		1,080.00
8" \$580.00 plus 250,000 consumption = \$580.00 ..		1,380.00

<u>Meter Size</u>	<u>Effective</u> <u>January 1</u> <u>2012</u>	<u>Effective</u> <u>July 1</u> <u>2012</u>	<u>Effective</u> <u>July 1</u> <u>2013</u>	<u>Effective</u> <u>July 1</u> <u>2014</u>
<u>5/8"</u>	<u>\$12.00</u>	<u>\$14.40</u>	<u>\$16.00</u>	<u>\$17.75</u>
<u>3/4"</u>	<u>16.75</u>	<u>20.00</u>	<u>22.25</u>	<u>24.75</u>
<u>1"</u>	<u>24.25</u>	<u>29.50</u>	<u>32.75</u>	<u>36.50</u>
<u>1-1/2"</u>	<u>46.00</u>	<u>53.00</u>	<u>59.00</u>	<u>65.50</u>
<u>2"</u>	<u>70.00</u>	<u>81.00</u>	<u>90.00</u>	<u>100.00</u>
<u>3"</u>	<u>132.00</u>	<u>146.75</u>	<u>163.00</u>	<u>181.00</u>
<u>4"</u>	<u>216.00</u>	<u>240.00</u>	<u>267.00</u>	<u>297.00</u>
<u>6"</u>	<u>420.00</u>	<u>475.00</u>	<u>528.00</u>	<u>587.00</u>
<u>8"</u>	<u>680.00</u>	<u>755.00</u>	<u>840.00</u>	<u>934.00</u>

2. **Use Charge.** In addition thereto, there shall be a consumption charge imposed per 1,000 gallons as follows:

	[Effective January 1, 2009	Effective January 1, 2010
1 st Block.....	\$2.90	\$3.20
2 nd Block.....	\$3.70	\$4.00
3 rd Block.....	\$5.40	\$6.00
4 th Block.....	Effective July 1, 2010	\$6.25]

<u>Use</u>	<u>Effective</u>	<u>Effective</u>	<u>Effective</u>	<u>Effective</u>
<u>Rate</u>	<u>January 1</u>	<u>July 1</u>	<u>July 1</u>	<u>July 1</u>
<u>Block</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
0th Block	\$3.20	\$3.40	\$3.60	\$3.80
1st Block	3.50	3.90	4.35	4.85
2nd Block	4.25	4.50	5.05	5.65
3rd Block	6.85	7.60	8.50	9.50
4th Block	7.20	8.05	8.95	10.00

The 0th, 1st, 2nd, 3rd, and 4th block consumption thresholds vary with the size of each meter, and shall be as follows in thousands of gallons per monthly billing:

<u>Meter Size</u> <u>(inches)</u>	<u>[First Rate Block</u> <u>(1,000 gal.) used</u> <u>bi-monthly</u>	<u>Second Rate Block</u> <u>(1,000 gal.) used</u> <u>bi-monthly</u>	<u>Third Rate Block</u> <u>(1,000 gal.) used</u> <u>bi-monthly</u>	<u>Fourth Rate Block</u> <u>(1,000 gal.) used</u> <u>bi-monthly</u>
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	<u>From - To</u>	<u>From - To</u>	<u>From - To</u>	<u>Over</u>
5/8"	2 - 14	14 - 28	28 - 35	35
3/4"	5 - 58	58 - 114	114 - 130	130
1"	7 - 137	137 - 274	274 - 350	350
1 1/2"	20 - 338	338 - 675	675 - 775	775
2"	25 - 800	800 - 1,500	1,500 - 1,850	1,850
3"	100 - 1,200	1,200 - 2,400	2,400 - 3,500	3,500
4"	350 - 2,000	2,000 - 5,000	5,000 - 5,500	5,500
6"	450 - 8,000	8,000 - 15,000	15,000 - 20,000	20,000
8"	500 - 2,000	2,000 - 5,000	5,000 - 25,000	25,000]

<u>Meter</u> <u>Size</u>	<u>0th</u> <u>Rate</u> <u>Block</u> <u>Minimum</u>	<u>1st</u> <u>Rate</u> <u>Block</u> <u>From-To</u>	<u>2nd</u> <u>Rate</u> <u>Block</u> <u>From-To</u>	<u>3rd</u> <u>Rate</u> <u>Block</u> <u>From-To</u>	<u>4th</u> <u>Rate</u> <u>Block</u> <u>Over</u>
5/8"	1	1-7	7-14	14-18	18
3/4"	2	2-29	29-57	57-65	65
1"	3	3-68	68-137	137-175	175
1-1/2"	10	10-169	169-337	337-387	387
2"	12	12-400	400-750	750-925	925
3"	50	50-600	600-1,200	1,200-1,750	1,750
4"	175	175-1,000	1,000-2,500	2,500-2,750	2,750
6"	225	225-4,000	4,000-7,500	7,500-10,000	10,000
8"	250	250-1,000	1,000-2,500	2,500-12,500	12,500

3. Wharfage Fee. Where applicable, the Department of Transportation's wharfage fee shall be charged in addition to the above use and service charges.

SECTION II - BULK RATES

Bulk rates for specified areas may be established by the Board providing the following conditions are met:

1. The area consists of existing dwellings or business establishment with bulk rates built prior to September 11, 1992.
2. The system has been offered to the Board but refused because of substandard or obsolete pipeline and fixtures.
3. The lots or parcels are under diversified ownership and not under a single or limited number of owners (three (3) and less).
4. There is a savings to the Board in maintenance and operating costs in contrast to accepting the system.
5. All bulk rates shall be renegotiated biennially and may continue upon concurrence of both parties.

SECTION III - AGRICULTURAL RATES

1. Service Charge. For each agricultural service there shall be a charge per month imposed based on the size of the meter, or its service capacity equivalence in the case of parallel meters, as follows:

Meter Size	[Amount (per month) Effective January 1, 2008]
5/8"	\$ 15.00
3/4"	\$ 20.00
1"	\$ 30.00
1 1/2"	\$ 55.00
2"	\$ 90.00
3"	\$ 160.00
4"	\$ 260.00
6"	\$ 500.00
8"	\$ 800.00

Meter Size	Effective	Effective	Effective	Effective
	January 1 2012	July 1 2012	July 1 2013	July 1 2014
<u>5/8"</u>	<u>\$15.00</u>	<u>\$15.00</u>	<u>\$16.00</u>	<u>\$17.75</u>
<u>3/4"</u>	<u>20.00</u>	<u>20.00</u>	<u>22.25</u>	<u>24.75</u>
<u>1"</u>	<u>30.00</u>	<u>30.00</u>	<u>32.75</u>	<u>36.50</u>
<u>1-1/2"</u>	<u>55.00</u>	<u>55.00</u>	<u>59.00</u>	<u>65.50</u>
<u>2"</u>	<u>90.00</u>	<u>90.00</u>	<u>90.00</u>	<u>100.00</u>
<u>3"</u>	<u>160.00</u>	<u>160.00</u>	<u>163.00</u>	<u>181.00</u>
<u>4"</u>	<u>260.00</u>	<u>260.00</u>	<u>267.00</u>	<u>297.00</u>
<u>6"</u>	<u>500.00</u>	<u>500.00</u>	<u>528.00</u>	<u>587.00</u>
<u>8"</u>	<u>800.00</u>	<u>800.00</u>	<u>840.00</u>	<u>934.00</u>

2. In addition to the agricultural service charge described in this Section III, for all water drawn, where such water is used for agriculture, stock raising, or dairy farming on a commercial basis, the following consumption charge shall be imposed for each 1,000 gallons used, as of the following effective dates:

~~Effective January 1, 2009: \$1.45~~
~~Effective January 1, 2010: \$1.60~~

<u>Use</u>	<u>Effective</u>	<u>Effective</u>	<u>Effective</u>	<u>Effective</u>
<u>Rate</u>	<u>January 1</u>	<u>July 1</u>	<u>July 1</u>	<u>July 1</u>
<u>Block</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1st Block	\$1.75	\$1.90	\$2.05	\$2.20

3. In order to qualify for the charges and rates described in this Section III, the applicant shall file annually with the Department of Water a written application, shall furnish annually satisfactory proof, including State of Hawaii General Excise Tax License for the engagement of business in agriculture, stock raising or dairy farming on a commercial basis and shall have a DOW approved reduced pressure backflow preventer installed on the customers side of the meter with a current inspection certificate. The applicant for agricultural rates must agree to accepting service from the Department of Water on an interruptible basis; i.e., the Department retains the right to limit or restrict water flow for agricultural uses in the event of water shortage or in the event water service to domestic users is curtailed due to agricultural uses. The agricultural rates shall not apply to processing activities, such as canneries, mills, markets or other establishments engaged in the conversion, treatment or packaging of agricultural products.

SECTION IV - SHIPPING RATES

1. For each ship or vessel served, there shall be both an opening charge and a closing charge imposed as follows:

- A. Opening and Closing Charges:
1. Charges applicable during regular Water Department working hours: \$53.00
 2. Charges applicable during Saturdays, Sundays, State of Hawai'i holidays, and hours other than regular Water Department working hours: \$123.00

2. Additionally, for all water drawn by ships and vessels, there shall be a consumption charge imposed for each 1,000 gallons of water drawn, as follows:

Effective January 1, 2009: \$3.70
Effective January 1, 2010: \$4.00

3. Additionally, for all water drawn by ships and vessels, there shall be a State of Hawai'i Department of Transportation wharfage fee which is the current approved rate as per the

Hawai'i Department of Transportation Approved Rate imposed for each 1,000 gallons of water drawn.

SECTION V - PRIVATE FIRE SERVICE CHARGES

For each service connection for the sole purpose of automatic fire sprinklers or other private fire protection, there shall be a charge for a Private Fire Service Inlet Line per month based on the diameter of the inlet line connection as follows:

~~[Effective January 1, 2008~~

Two-inch (2")	\$ 11.00
Three-inch (3")	\$ 20.00
Four-inch (4")	\$ 35.00
Six-inch (6")	\$ 75.00
Eight-inch (8")	\$135.00]

<u>Inlet Line Diameter</u>	<u>Effective January 1 2012</u>	<u>Effective July 1 2012</u>	<u>Effective July 1 2013</u>	<u>Effective July 1 2014</u>
2"	\$20.50	\$22.75	\$25.25	\$28.25
3"	35.50	39.50	44.00	49.00
4"	58.00	64.50	71.75	80.00
6"	212.00	134.50	149.50	166.00
8"	206.00	229.00	255.00	283.00

Consumption Charges:

Detector check and full flow meters used for the sole purpose of fire fighting will not be charged a consumption charge in the case of an actual fire that is verified in writing by the County Fire Chief stating the time the fire fighting started and ended.

Detector Check Meters:

In addition to the Private Fire Service Inlet Line Charge there will be a meter reading service charge equal to the service charge imposed in Section I. based on the detector check meter size. Any consumption, including consumption for annual line testing and line leakage, on the detector check meter will be billed at the normal rate for water service times the ratio between the area of the detector check meter cross-sectional area and the cross-sectional area of the inlet line listed below in the Area Ratio Table.

Full Flow Meters on Dual Use Lines:

In addition to the Private Fire Service Inlet Line Charge there will be a meter reading charge equal to the service charge imposed in Section I. based on the full flow meter size. Any consumption, including consumption for annual line testing and line leakage, measured on the meter will be billed at the general use rate for water in Section I. Removal of the security tag shall result in a fine of \$2,000.00.

AREA RATIO TABLE

<u>Line Diameter</u>	<u>5/8 meter to line size dia ratio</u>	<u>3/4 meter to line size dia ratio</u>	<u>1" meter to line size dia ratio</u>	<u>1 1/2" meter to line size dia ratio</u>	<u>2" meter to line size dia ratio</u>	<u>3" meter to line size dia ratio</u>	<u>4" meter to line size dia ratio</u>
<u>2.000</u>	<u>10.24</u>	<u>7.1</u>	<u>4.0</u>	<u>1.8</u>			
<u>3.000</u>	<u>23.04</u>	<u>16.0</u>	<u>9.0</u>	<u>4.0</u>	<u>2.3</u>		
<u>4.000</u>	<u>40.96</u>	<u>28.4</u>	<u>16.0</u>	<u>7.1</u>	<u>4.0</u>	<u>1.8</u>	
<u>6.000</u>	<u>92.16</u>	<u>64.0</u>	<u>36.0</u>	<u>16.0</u>	<u>9.0</u>	<u>4.0</u>	<u>2.25</u>
<u>8.000</u>	<u>163.84</u>	<u>113.8</u>	<u>64.0</u>	<u>28.4</u>	<u>16.0</u>	<u>7.1</u>	<u>4</u>

SECTION VI - PUBLIC FIRE SERVICE CHARGES

For each fire hydrant or standpipe connected to operating pipelines of the Department of Water, there shall be a charge imposed against the County of Kauai as follows:

~~[Effec. January 1, 2008 – Effec. July 1, 2010]~~

6-inch hydrant.....	\$31.00 per month	\$34.00 per month
4-inch hydrant.....	\$11.25 per month	\$12.40 per month
Standpipes less than 4 inch — but greater than 2 inch.....	\$5.25 per month	\$ 5.75 per month]

<u>Type and Size</u>	<u>Effective January 1 2012</u>	<u>Effective July 1 2012</u>	<u>Effective July 1 2013</u>	<u>Effective July 1 2014</u>
<u>2-1/2" Standpipe</u>	<u>\$7.75</u>	<u>\$8.75</u>	<u>\$9.75</u>	<u>\$10.75</u>
<u>4" Hydrant</u>	<u>16.50</u>	<u>18.50</u>	<u>20.50</u>	<u>23.00</u>
<u>6" Hydrant</u>	<u>48.50</u>	<u>54.00</u>	<u>60.00</u>	<u>67.00</u>

SECTION VII - FACILITIES RESERVE CHARGE

1. The water system facilities reserve charge shall be assessed against all new developments and subdivisions requiring supply of water from the County of Kauai, Department of Water, and existing developments requiring additional supply of water from the Department’s system. The facilities reserve charge must be paid before water services are made available to the new or existing development.
2. The water system facilities reserve charge shall be paid by all applicants for water service, including but not limited to the following:
 - a. All irrigation services and/or meters.

- b. Additional buildings to be connected to existing services where additional demands or supplies are indicated. The charges shall be based on the meter sizes required if the buildings were metered separately.
 - c. Additional units connected to existing services and meters under the categories of single family and multi-family residential units. The charges will be based on the established schedule of charges for the respective categories.
3. The water system facilities reserve charges shall apply to all applicants for water service as follows:
- a. For each parcel created by subdivision, including the first lot created; and for every new single family residential dwelling unit not yet metered and a facilities reserve charge has not yet been paid, the charge shall be \$4,600.00.
 - b. For each unit or hotel room in a multi-family residential development and/or resort development, which applies to each unit or hotel room, the charge shall be \$4,600.00.
 - c. For all other uses, the facilities reserve charge shall be determined by the size of the meter as follows:

<u>Meter Size</u>	<u>Amount</u>
5/8"	\$ 4,600.00
3/4"	\$ 14,300.00
1"	\$ 26,400.00
1 1/2"	\$ 53,200.00
2"	\$ 90,700.00
3"	\$ 170,000.00
4"	\$ 283,400.00
6"	\$ 566,800.00
8"	\$ 907,000.00

Meter sizes shall be determined by the Department and not by the Developer or Applicant. The facilities reserve charge for multi-family and/or resort development will be determined by the approved meter size or the number of units, whichever number is larger. Facilities reserve charges are periodically adjusted by the Department. These adjustments may increase or decrease existing facilities reserve charge amounts. Where adjustments to facilities reserve charges result in decreases of such charges, no refund will be made of the difference between the higher, pre-existing charges and the lower, adjusted charges.

4. FRC Offsets.
- a. Definitions and construction of words. As used in this paragraph 4, the following definitions shall apply:
 - “Applicant” means any person, individual, corporation, partnership, business, organization, association, or other entity whatsoever that applies for water service from the Department.
 - “Consumer” has the meaning ascribed to it under Section I of Part 2 of the Department’s Rules and Regulations.

“FRC” means the facilities reserve charges described in section VII of Part 4 and Section III of Part 3 of the Department’s rules.

“Offset” means reduced or reduction.

“Subdivider” has the meaning ascribed to it under section I of Part 3 of the Department’s Rules and Regulations.

“Subdivision” has the meaning ascribed to it under section I of Part 3 of the Department’s Rules and Regulations.

“Water transmission main” or “main” means a main extension under Paragraph 2.d [2.a.(4)] of Section II of Part 2 of the Department’s Rules and Regulations.

As used in this Paragraph 4, the following rules of construction shall apply:

Number. Words in the singular or plural number signify both the singular and plural number.

"Or", "and". Each of the terms "or" and "and", has the meaning of the other or of both.

- b. When an applicant, consumer, or subdivider is required to construct and dedicate water source or water storage facilities, or water transmission mains, to the Department, the following rules shall apply.

Subject to the provisions of this paragraph 4, the applicable FRC liability of such applicants, consumers, or subdividers shall be offset by up to 33% each where water source or water storage improvements are constructed, and up to 50% where water transmission mains are constructed; provided that the total amount of all offsets that an applicant, consumer, or subdivider receives shall not exceed 100% of the applicant’s, consumer’s, or subdivider’s FRC liability, and provided further that the offset for any source or storage improvement or transmission main shall not exceed the actual cost of the source or storage improvement or transmission main.

The Department, and not the applicant, consumer, or subdivider, shall calculate and determine the total amount of an applicant’s, consumers, or subdivider’s FRC offset in any given case. The Department may require the applicant, consumer, or subdivider to submit documentation verifying the actual cost of a source or storage improvement or transmission main.

- c. The offsets described in this Paragraph 4 “FRC Offsets” shall not apply to water transmission mains constructed by a subdivider, applicant or consumer which are within or adjacent to a subdivision or lands either 1) owned by the applicant or consumer, or 2) developed by the applicant or consumer for uses such as, but not limited to, residential, agricultural, commercial, resort, industrial, governmental, religious, or educational uses. Where water transmission mains are constructed within, adjacent to, or outside of such subdivisions or lands, the offsets shall apply only to mains constructed outside of and off-site from such subdivisions or lands.”

SECTION VIII - OTHER CHARGES

1. **Restoration of Water Service.** If a consumer's water service is turned off for failure to pay a bill, for violation of any of the provisions of these rules and regulations, or for other reasons, all outstanding accounts against said consumer plus the charge for reopening, reinstallation or reconnection must be paid before water service be restored. Said charges shall be as established by the Department.
2. **Fire Hydrant and Other Temporary Meters.** In addition to regular meter service charge and water consumption charge, there shall be installation, removal, testing and user charges for all Fire Hydrant and other temporary meters as established by the Department.
3. **Pass Through of Private Charges.**
 - a) As used in this Paragraph 3:

"Private charge" or "private charges" means charges, fees, assessments, exactions, and all other moneys a private water company may require the Department to pay to permit the Department to purchase water from the company. The terms include contribution-in-aid-of-construction charges that a company may assess against the Department.

"Private water company" or "company" means any department or agency of the federal government or the State of Hawaii, any private person, trust, association, corporation, partnership, or business, and any water utility regulated by the Hawaii Public Utilities Commission.

(b) Whenever the Department purchases water from a private water company for end use by any of the Department's consumers or prospective consumers and the company imposes private charges in excess of any similar charge or fee imposed under the Department's administrative rules, the Department shall require a consumer or prospective consumer to pay, in addition to the Department's charge or fee, the difference between the charge or fee imposed under the Department's rules and the similar private charge imposed by the company. If the private charge imposed is less than the similar charge or fee imposed under the Department's administrative rules, the consumer or prospective consumer shall not be entitled to the difference between the private charge imposed and the similar charge or fee imposed under the Department's rules.

Whenever the Department purchases water from a private water company for end use by any of the Department's consumers or prospective consumers and the company imposes private charges that are dissimilar to any charge or fee imposed under the Department's administrative rules, the Department shall require a consumer or prospective consumer to pay an amount equal to the dissimilar private charge imposed by the company."

SECTION IX - TEMPORARY GRANTS OF WATER

1. **Purpose.** The purpose of this section is to establish standards for temporary grants of water to support the initial development of county or state public beautification projects or the initial or further development of county or state public parks and public ways.
2. **Temporary Grants of Water.** The Board of Water Supply may, in its discretion, authorize temporary grants of water to support the initial development of county or state public beautification projects or the initial or further development of county or state public parks and public ways.

Any county or state department, office, or agency wishing to receive such temporary grants of water shall apply to the Board of Water Supply for such temporary grants. The application shall explain or describe in detail the contemplated project, why a temporary grant of water from the Department is necessary, what other efforts the applicant has made to obtain water from other sources, for what specific purposes the water will be used, and how the water provided will yield public benefits. The applicant shall also certify that there were no other available sources which can be used to support the project in question.

For each application, the Board shall determine and establish a maximum time limit that water may be provided to an applicant and a quantity limit on the amount of water that may be drawn.

The Board and the Manager and Chief Engineer may prescribe conditions under which water may be drawn so that the provision of water to the applicant does not adversely affect the Department's ability to provide water to its other users.

SECTION X - COST OF POWER ADJUSTMENT CLAUSE

[Cost of Power Adjustment]

All water consumption (for general use, agriculture use and ships) shall be subject to the imposition of a Cost of Power Adjustment as part of all water consumption charges.

~~[As part of the Department's annual budget review process, t]~~ The Department will review the actual unit costs of power for each twelve month period ending March 31st **as part of the Department's annual budget review process.** ~~[At this time, t]~~ The power cost adjustment for the upcoming fiscal year will be calculated as the sum of the following two components:

- 1) The difference (plus or minus) between budgeted unit power costs for the upcoming fiscal year and the projected unit power cost ~~[shown in Schedule A below]~~, and
- 2) The difference (plus or minus) between the actual unit power costs incurred during the twelve-month period ending March 31st as previously described and the projected unit power cost ~~[effective for the same twelve month periods as shown in Schedule A below]~~.

The sum of these two components, calculated on a dollar[s] per thousand gallons basis, will be applied to all water consumption. Any power cost adjustments will be implemented on July 1st of each year.

[Schedule A Anticipated Unit Power Costs

Implementation Date	Projected Power Cost (per 1,000 gallons) ¹
July 1, 2005	\$ 0.45
July 1, 2006	\$ 0.47
July 1, 2007	\$ 0.48
July 1, 2008	\$ 0.50
July 1, 2009	\$ 0.51

¹ ~~Projections based on July 2005 power cost assumptions. Actual unit power cost in each fiscal year is calculated as described in this Section.]~~