



1265 S. Bascom Avenue
San Jose, CA 95128-351

Writer's Direct Line: (408) 279-7874
Email: jim.bariteau@sjwater.com

March 12, 2021

Rosamaria Llanos-Popolizio
City of San Jose
Department of Public Works
City Facilities Architectural Division
200 East Santa Clara Street, 6th Floor
San Jose, CA 95113-1905

REFERENCE: Proposed Fire Training & OEM Offices & Emergency Operations Center
1591 Senter Road, San Jose
APN 477-38-016

Dear Ms. Llanos-Popolizio:

As requested, our Engineering Department has prepared final plans and a final estimate of cost to install water facilities for your project as indicated below. Our estimated cost does not include the relocation of the existing 16" water main in South 10th Street that may be in conflict with the proposed 15" RCP Storm Lateral since it is our understanding that the potholing of our water main would not occur until April of this year. If a relocation is required, that work will have to be done under a separate agreement and significant time delays for engineering design. Our plans and cost estimate are subject to review and revision after 30 days.

The total estimated cost is \$186,840. Your \$12,000 engineering deposit will be credited against this total if you sign our agreement and have us proceed with construction within six months from the date of this letter. Please review our final plan that is attached for your information. The following table is a breakdown of our estimated costs:

1 – 10" Private Fire Protection Service	\$141,080
1 – 3" General Metered Service	15,142
CIAC Gross-up	<u>30,618</u>
TOTAL	\$186,840

We want to make you aware of the revision to the Internal Revenue Code with the passage of the 2018 Tax Cuts and Jobs Act. This act requires that all Contributions in Aid of Construction (CIAC) and Advances for Construction (AIC) received after January 1, 2018 be taxed as income to the utility. The CIAC Gross-up tax rate is 19.6% and applies to the installation of the Private Fire Protection Service and the General Metered Service requested for this job. Information regarding this federal tax rate can be found in the modified Rule 15 indicated on Exhibit B attached to the agreement, which is also on file with the California Public Utilities Commission.

Attached is an Agreement covering the work outlined above. If you would like to proceed with this proposal, **PLEASE DIGITALLY SIGN**, and return via DocuSign with a deposit in the amount of **\$174,840** (final estimate less \$12,000 engineering deposit previously submitted by the previous property owner, AV San Jose LLC) via an ACH or Wire Transfer (a PDF copy of the instructions is attached for your information). Upon acceptance and execution of the agreement by this company, a copy will be returned to you via DocuSign. In addition, **PLEASE SIGN, DATE, AND RETURN TO US THIS LETTER WITH YOUR DIGITAL SIGNATURE AS YOUR ACKNOWLEDGMENT OF YOUR FURTHER OBLIGATIONS TO EFFECTIVELY COMPLETE THIS PROJECT.** Also, indicate where monthly billings should be sent.

Monthly billings for Private Fire Protection Service commence at completion of our installation. Monthly billings for General Metered Service commence upon installation of the meters. A copy of our rate schedules are indicated on the website link <https://www.sjwater.com/customer-care/help-information/billing-schedules> for your information.

Please be aware that your design indicates an existing recycled water main with a proposed 2" service owned by the City of San Jose South Bay Water System. Please contact them to arrange for this installation.

As noted on the plans, it will be your responsibility to install an approved Reduced Pressure Principle (RPP) type backflow prevention assembly on the proposed 10" Private Fire Protection Service. This assembly must be installed above ground immediately following the service connection. You also need to install an approved RPP type backflow prevention assembly on the proposed 3" General Metered Service. This assembly must also be installed above ground immediately following the connection (manifold). Any deviation from the locations indicated must be approved in advance by our Backflow Prevention Department. SJW requires that all backflow devices be lead free and USC Foundation for Cross Connection Control and Hydraulic Research approved. Important information about backflow requirements including a link to Foundation for Cross Connection Control and Hydraulic Research's approved device list can be found on our website at the link https://www.sjwater.com/for_your_business/builders_contractors/backflow.

Note: If fire sprinklers are required, and you plan to integrate your fire department connection (FDC) into the backflow prevention assembly, make sure the location is acceptable to the fire department. It may be that the required location of the FDC differs from the required location of the backflow assembly, thereby making the integration infeasible.

The RPP assemblies must be installed before we will allow water use through the services. To initiate service you must contact our Backflow Prevention Department, at (408) 279-7872, who will perform a field inspection and test. Please provide them with 24-hour notice. A field inspection will be made by this company prior to commencement of service.

So we can avoid preliminary inspections, we would appreciate your written notice as to when curb and gutter and lot line boundary stakes will be completed. No schedule can be established for installation of the facilities until such preliminary work is completed.

Also, please furnish us site address (e-mail submittal acceptable) if different from the address indicated above. Since you may already have a building permit, the site address is available at the local building department in charge of your construction. The site address is needed to produce the installation orders that our contractor will need prior to the start of work.

Finally, please submit one PDF copy of the **OFF-SITE CIVIL IMPROVEMENT PLANS APPROVED BY THE CITY OF SAN JOSE** and one PDF copy of the **FIRE SPRINKLER UNDERGROUND PIPING PLANS APPROVED BY THE CITY OF SAN JOSE FIRE DEPARTMENT** or a **LETTER OF INDEMNIFICATION ACCEPTING FULL AND FINANCIAL RESPONSIBILITY FOR THE SIZE AND LOCATION OF THE PRIVATE FIRE PROTECTION SERVICE**. Your job will not be released for scheduling without this information. Furthermore, since our plan and estimate are based on unapproved plans, any changes made to this item due to approval requirements may result in the need for us to re-engineer our installation. You will be responsible for the cost of additional engineering and water facilities, if so required, and associated time delays.

In summary, if you would like us to proceed with the installation, please provide us with the following:

- 1) An ACH or Wire Transfer in the amount of \$174,840.
- 2) A digitally signed and dated copy of this letter that includes the address where monthly billings should be sent.
- 3) The attached agreement, digitally signed, but left undated.
- 4) Site Address, if applicable.
- 5) A PDF Copy of the Off-site Civil Improvement Plans approved by the City of San Jose.
- 6) A PDF copy of the Fire Sprinkler Underground Piping Plans approved by the City of San Jose Fire Department or a Letter of Indemnification accepting full and financial responsibility for the size and location of the Private Fire Protection Service.

The installation work will begin approximately 8 - 12 weeks after the aforementioned items are received by this company. This time is needed to secure labor, materials and a Utility Encroachment Permit from the Utilities Section. Once the permit is received and provided there are no construction delays, our Engineering Department will then prepare a job release package to our Construction Department who will set up a Pre-Construction Meeting with you and/or your Construction Representative prior to scheduling the installation work. Causes beyond our control shall include halting of work to prevent threatened damage, injury or loss due to a widespread epidemic, pandemic, or other public health emergency.

As a final note, please be aware that you cannot make pressure tests of your piping against our facilities. If you are required to make pressure tests of your underground piping, please cap the piping to perform the test, and do not use our valving to test against. This applies to both the Private Fire Protection Service and General Metered Service connections.

If you have any questions, please contact this office at (408) 279-7874.

Sincerely,



JAMES R. BARITEAU
Senior Water Services Representative

JRB:
NB18-008 (Agreement Letter).pdf.
Enclosures

cc: Domenic Onorato, City of San Jose (e-mail copy only)
Keith Palmer, BKF Engineers (e-mail copy only)

ACKNOWLEDGED AND AGREED

MONTHLY BILLINGS TO:

Firm (Responsible Party)

Name

Signature

Address

Print Name

City

Title

Zip Code

Date

Phone Number

AGREEMENT

Between

City of San Jose

and

San Jose Water Company

Est. No. _____
Date Received _____

SAN JOSE WATER COMPANY
FIRE MAIN EXTENSION, HYDRANT
AND/OR
PRIVATE FIRE PROTECTION SERVICE
(may include work on general metered service)

AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____, 20____, by and between the person or persons listed in paragraph 1 hereof, hereinafter collectively referred to as "Applicant," and SAN JOSE WATER COMPANY, a California corporation, hereinafter referred to as "Utility,"

WITNESSETH

WHEREAS, Applicant is the owner of certain real property situated in the County of Santa Clara, State of California; and

WHEREAS, Utility is presently legally operating and maintaining certain water facilities owned by Utility in an area in said County of Santa Clara, as more particularly shown on that certain map attached hereto marked Exhibit "A" and by this reference made a part hereof, said facilities being hereinafter referred to as the "Old Facilities"; and

WHEREAS, Applicant desires to have made available mains and/or appurtenances needed to meet various local fire protection requirements involving the relocating, removing or abandoning of the Old Facilities and/or the installation of certain new water facilities, hereinafter referred to as the "New Facilities" substantially as shown on that certain map attached hereto, marked Exhibit A, to be installed in accordance with Utility's usual practices; and

WHEREAS, upon the terms and conditions herein set forth Utility is willing to accomplish such work upon the New and Old Facilities, said facilities being hereinafter sometimes referred to collectively as the "Total Facilities", provided that the actual total installed cost of the same shall be borne by Applicant as more particularly set forth below; and

WHEREAS, Utility is willing to furnish water service through and by means thereof at the rates and in accordance with the rules of Utility now in force, or that may from time to time hereafter be lawfully established; and

WHEREAS, such work is not covered by Utility's Rule 15, a copy of which is attached hereto as Exhibit "B"; and

WHEREAS, Utility will supply only such water at such pressures as may be available from time to time as a result of its normal operations of its system;

NOW, THEREFORE, for and in consideration of the mutual covenants, agreements, terms and provisions herein contained, it is agreed as follows:

1. **Applicant.** The names and addresses of the person or persons herein collectively referred to as "Applicant" are as follows:

Name: City of San Jose

Address: 200 East Santa Clara Street
San Jose, CA 95113

2. **Applicable Form.** This agreement is entered into pursuant to the requirements and in accordance with the form of agreement in effect and on file with the California Public Utilities Commission (Commission). This Agreement does not, therefore, require specific authorization of the Commission to carry out its terms and conditions.

3. **Applicant's Deposit.** The estimated total installed cost of Total Facilities, hereinafter referred to as the "Estimated Cost," is **\$186,840.00**. Applicant has advanced to Utility an amount equal to the Estimated Cost, receipt of which amount is hereby acknowledged by Utility.

The Estimated Cost shall include any income tax component authorized by the Commission at the date of execution of this agreement.

4. **Installation of Facilities.** Utility agrees that it will, as soon as necessary materials and labor are available, and necessary permits, franchises, licenses or other governmental authorizations, easements and right of way satisfactory to Utility have been executed by Applicant and delivered to Utility, commence and prosecute to completion with all reasonable diligence the work of installing the Total Facilities. Utility reserves the right to make such changes in design or materials as it may deem necessary. If such change results in a 10% or greater increase in the Estimated Cost, Utility shall give written notice to Applicant of the amount of such cost increase and will demand an additional deposit to cover the increased cost. If within ten (10) days of giving such notice of cost increase, Applicant gives Utility written notice to discontinue such work upon the Total Facilities, Utility shall discontinue the same and shall forthwith refund to Applicant the unexpended portion, if any, of Applicant's deposit. If Applicant does not give Utility written notice to discontinue such work within ten (10) days after such notice of cost increase, Utility may proceed with such work at its option. Within sixty (60) days after Utility has ascertained its actual costs of installing the Total Facilities, it will provide Applicant with a statement of the same showing in reasonable detail the costs incurred for material, labor and other direct and indirect costs, overheads and total costs, or unit costs or contract costs, whichever are appropriate. If such actual construction costs shall not have been

determined within one hundred twenty (120) days after completion of construction work, a preliminary determination of actual costs shall be submitted, based upon the best available information at that time. Upon completion of the work upon the Total Facilities, if the actual total installed cost thereof including applicable income taxes is greater or less than the total amount deposited by Applicant hereunder, the difference shall forthwith be paid by Applicant to Utility or refunded by Utility to Applicant as the case may be. It is expressly agreed that there shall be included in said actual total installed cost any sums paid for materials used in such work upon the Total Facilities by reason of price increases applicable to such materials. Subject to the provisions of this paragraph, no other refund will be made to the Applicant, for any sums deposited or to be deposited by the Applicant with the Utility hereunder.

5. Grades. If at the Applicant's request the New Facilities are installed in easements or rights of way where final grades have not been established or in streets whose grades have not been brought to those established by public authority, Applicant, upon written notice by Utility, shall deposit with Utility forthwith the estimated cost, including applicable income taxes, as determined by Utility, of relocating, raising or lowering the New Facilities upon establishment of final grades. Adjustment of any difference between the amount so deposited and the actual cost of relocating, raising or lowering the New Facilities shall be made within thirty (30) days after Utility has ascertained such actual cost. Utility will refund the entire deposit including applicable income taxes relating to such proposed relocation, raising or lowering when appropriate authority determines that such displacements are not required.

6. Applicant's Agreements. Applicant agrees to use its best efforts to assist Utility to obtain any and all permits or other governmental authorizations which may be required for the installation of the Total Facilities. If for any reason any additional easements are required for the installation of the Total Facilities, Applicant will cause the same to be procured in the name of Utility if such is located on private property, and will cause evidence of such fact to be furnished to Utility or will cause such easements to be conveyed to Utility, as the case may be. Applicant's agreement in this paragraph 6 is in no way limited to those easements and rights of way provided for in paragraph 4 hereof.

7. Ownership. The Total Facilities to be installed hereunder and all construction work in connection therewith shall be and remain at all times the property of Utility, and Applicant shall have no right, title or interest whatsoever in or to the same.

8. Construction Delay. Utility shall not be responsible for any delay in construction resulting from any cause beyond its control, including, without limiting the generality of the foregoing, any delay resulting from inability to obtain sufficient proper materials and supplies, labor disturbances or shortages, or weather conditions, or inability to obtain necessary permits, licenses, franchises or other governmental authorizations. In the event Utility is unable to obtain sufficient materials to meet all construction requirements necessary to provide adequate service to all its customers, it shall be entitled to allocate materials obtained by it to such construction projects as in its sole discretion it deems most important to service needs of its customers, and any delay in construction of the Facilities resulting from any such allocation of materials by

Utility shall be deemed to be a cause beyond its control and it shall not be responsible for such delay.

9. **Notices.** Any notice which may or shall be given by either party to the other shall be deemed to have been duly given when deposited in the United States mail, registered or certified, postage prepaid and addressed to the party to whom such notice is given at the following addresses:

To Applicant: City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

To Utility: San Jose Water Company
110 West Taylor Street
San Jose, CA 95110

Either party, by notice, may change the address to which notice shall thereafter be addressed.

10. **Nature of Obligation of Applicant.** If more than one person is named in paragraph 1 hereof, the obligations of the persons executing this agreement as Applicant shall be joint and several obligations. Until Applicant shall notify Utility in writing to the contrary, all refunds hereunder shall be paid by Utility to:

City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

without recourse.

11. **Successors and Assigns.** This agreement shall inure to the benefit of and shall bind the respective heirs, executors, administrators, successors and assigns of the parties hereto.

12. **Utility's Right to Offset.** In the event Applicant shall become entitled to a repayment or refund under the provisions of this Agreement, Utility shall have the right at such time to offset against the amount then due Applicant hereunder the total amount of any indebtedness then due or owing by Applicant to Utility.

13. **Jurisdiction of Public Utilities Commission.** This agreement shall at all times be subject to such changes or modifications by the California Public Utilities Commission as said Commission may from time to time direct in the exercise of its jurisdiction.

IN WITNESS WHEREOF, the Parties hereto have executed this agreement in duplicate the day and year first above written.

"APPLICANT"

APPROVED AS TO FORM

CITY OF SAN JOSE, a municipal corporation

Glenn Schwarzbach
Senior Deputy City Attorney

By _____
Matt Cano
Director of Public Works
200 East Santa Clara Street
San Jose, CA 95113

"UTILITY"

SAN JOSE WATER COMPANY

By _____
James R. Bariteau
Senior Water Services Representative

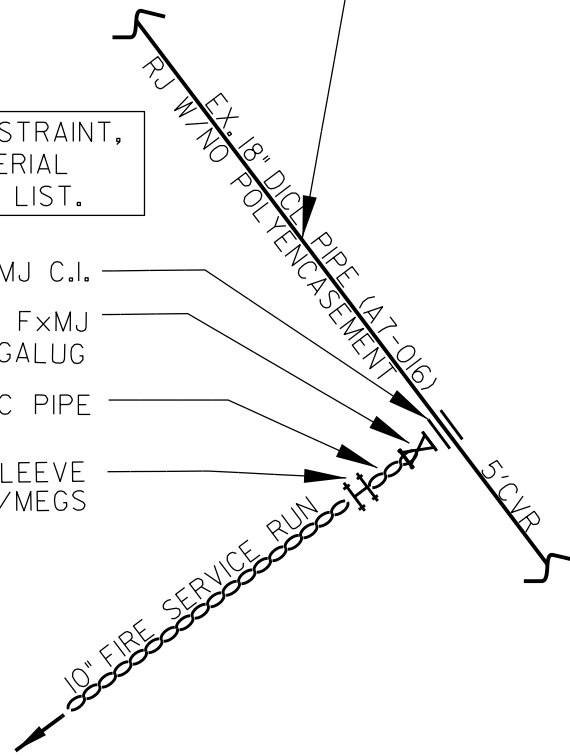


PIPE CONDITION ASSESSMENT:
SIZE: _____
MATERIAL: _____
INTERIOR LINING (IL): _____
IL CONDITION*: _____
EXTERIOR COATING (EC): _____
EC CONDITION*: _____
OVERALL CONDITION*: _____
EX. PAVEMENT THICKNESS: _____
CVR: _____

*IF CORROSION IS PRESENT OR THE PIPE IS FOUND TO BE IN BAD CONDITION RETURN A SAMPLE AND PICTURES OF PIPE TO SJWC ENGINEERING DEPARTMENT

FOR PVC PIPE RESTRAINT, SEE SJW MATERIAL SPECIFICATIONS LIST.

- 18"x10" SLV TAP MJ C.I.
- 10" VALVE GATE FxMJ w/ MEGALUG
- 10" AWWA C900-DRI4 PVC PIPE 2'-4" LONG
- 10" SOLID SLEEVE w/MEGS



1 10" FIRE SERVICE CONNECTION DETAIL

NOT TO SCALE

LEAKING UNDERGROUND STORAGE TANK NOTE

A LEAKING UNDERGROUND STORAGE TANK IS LOCATED AT THIS ADJACENT PARCEL PER GEOTRACKER.WATERBOARDS.CA.GOV:

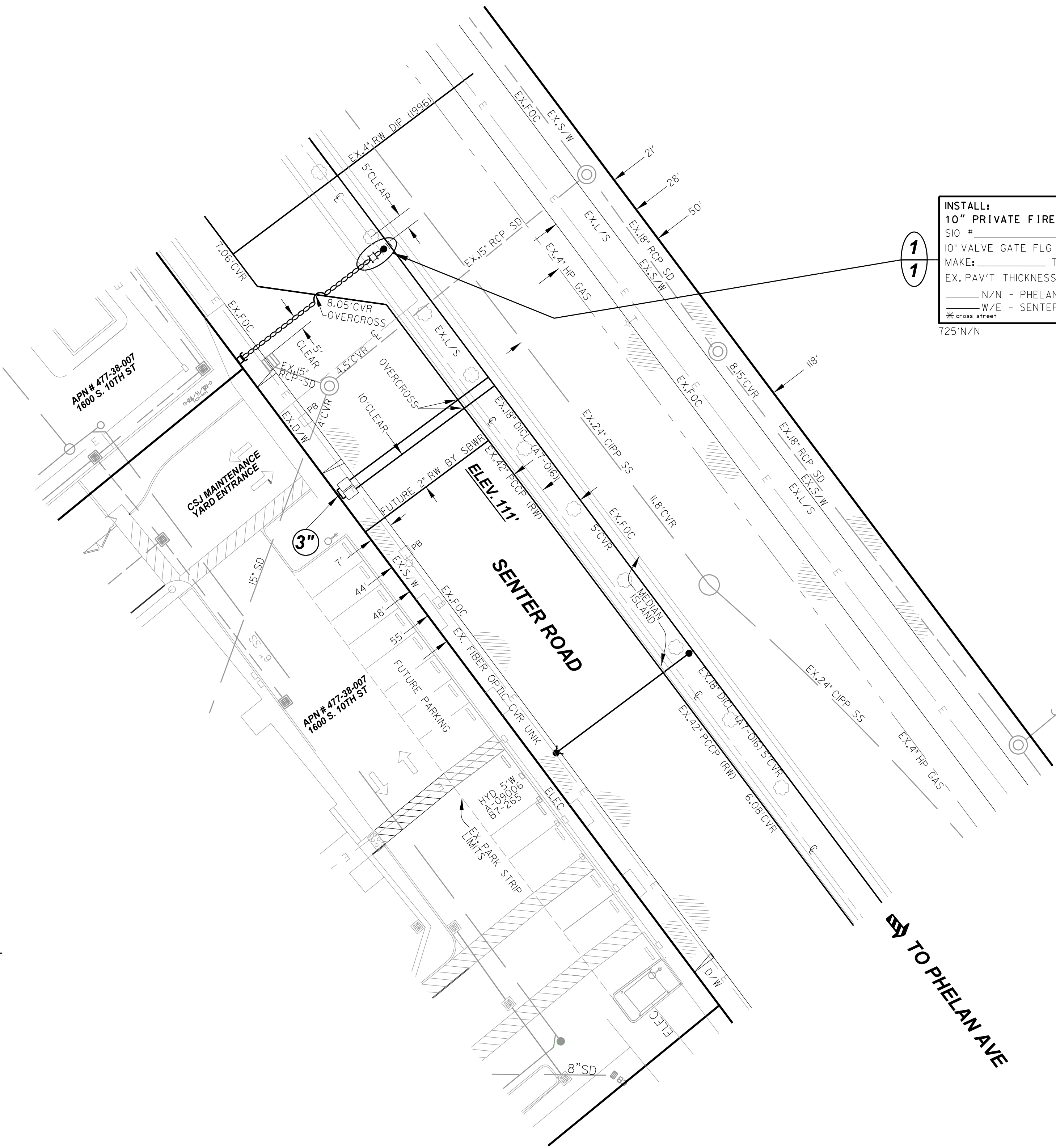
NAME: CITY OF SAN JOSE FIRE TRAINING FACILITY
ADDRESS: 1591 SENTER ROAD
SAN JOSE, CA 95106

SEE WEBSITE FOR INFORMATION. IT IS THE CONTRACTOR S RESPONSIBILITY TO TRAIN AND NOTIFY WORKERS ON HOW TO RECOGNIZE POTENTIALLY HAZARDOUS MATERIAL AND PROTECT WORKER SAFETY PER OSHA AND OTHER LEGAL REQUIREMENTS. NOTIFY SJWC WATER QUALITY DEPT.IMMEDIATELY IF ENCOUNTERED. HAZARDOUS MATERIALS AND CONTAMINATED SOIL SHALL BE IDENTIFIED,HANDLED, MANIFESTED,REPORTED AND DISPOSED OF IN COOPERATION WITH THE WQ DEPARTMENT USING THE CONTRACTOR S PROPERLY LICENSED SUBCONTRACTOR.

LEGEND:

- RESTRAINED JOINT PIPE w/ FIELD LOK GASKETS*
- ACTIVE WATER MAIN

*USE MEGALUGS w/MJ FITTINGS AND VALVES ON RESTRAINED PIPE.



GENERAL PLAN

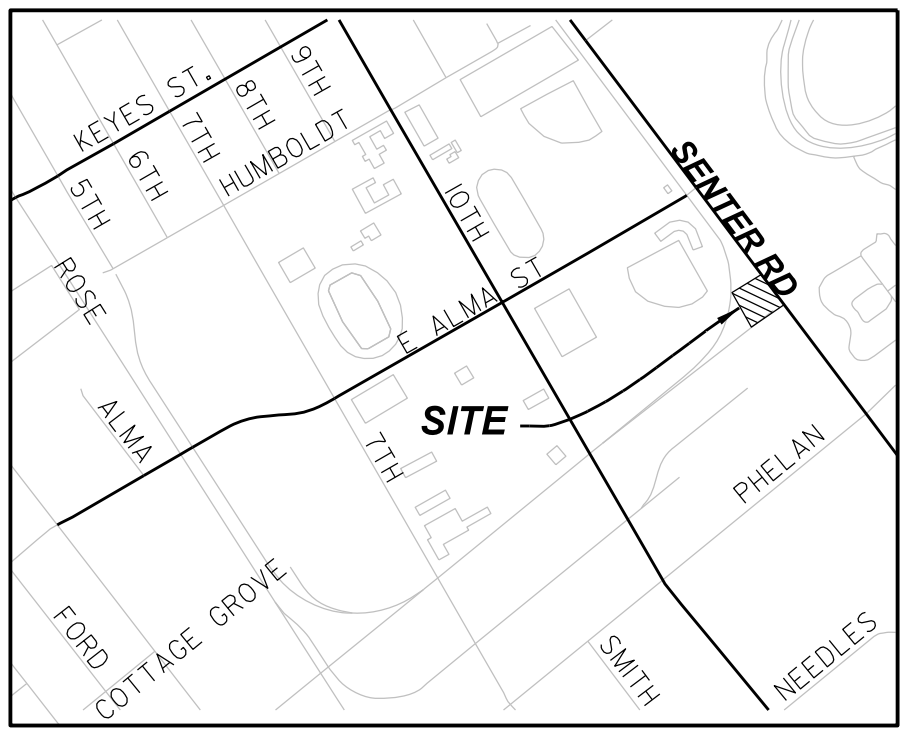
0 10 20 40 60
SCALE: 1" = 20'

LIST OF DRAWING

01) GENERAL PLAN & DETAIL



SITE LOCATION
2008 THOMAS GUIDE
PAGE 854 - E1



PM #2325, 2326 SITE LOCATION
NO SCALE

INSTALL: J1 -

0111- 10" PRIVATE FIRE PROTECTION SERVICE

INSTALL: J1 - 503

0111- 3" MANIFOLD SERVICE; 2 - 2" METERS

PRIVATE FIRE PROTECTION SERVICE WITH SPRINKLERS, PUMPER CONNECTION AND ON-SITE HYDRANT. DEVELOPER SHALL INSTALL A SJW APPROVED REDUCED PRESSURE PRINCIPLE BACKFLOW PREVENTER (RPP) ON THE PRIVATE FIRE PROTECTION AND DOMESTIC SERVICES. BACKFLOW DEVICES MUST BE INSTALLED AS NEAR AS POSSIBLE TO THE SERVICE CONNECTIONS AT LOCATIONS APPROVED BY THE SAN JOSE WATER BACKFLOW DEPT. SJWC RECOMMENDS THAT PRESSURE REGULATORS BE INSTALLED ON DOMESTIC SERVICES WHERE PRESSURE EXCEEDS 80 PSI.

IN ORDER TO AVOID POTENTIAL TIME CONSTRAINT FOR N18-008, CITY OF SAN JOSE PUBLIC WORKS DEPARTMENT MUST ADDRESS STORM DRAIN CONFLICT ALONG THE PROJECT SITE'S FRONTAGE ON SOUTH 10TH STREET UNDER A FUTURE AND SEPARATE ENGINEERING DEPOSIT AND AGREEMENT.

THE (SJW) CONTRACTOR SHALL:

- NOTIFY CONSUMERS OF SHUTDOWN.
 - FOLLOW METHODS AND PROCEDURES OF SHUTDOWN AS DIRECTED BY THE SJW CONSTRUCTION DEPT.
 - NOTIFY UNDERGROUND SERVICE ALERT (U.S.A.) AT 811, 48 HOURS PRIOR TO EXCAVATION.
 - ESTABLISH PIPE GRADES USING EX. PAVEMENT.
 - NOTE THAT EXISTING PAVEMENT IS SHOWN SHADED ON THE GENERAL PLAN.
 - MAINTAIN A MINIMUM VERTICAL CLEARANCE OF 12" WHEN CROSSING UTILITIES, UNLESS OTHERWISE NOTED ON THE PLANS.
 - INSTALL SERVICES SUCH THAT CONSUMERS' LINES DO NOT CROSS DRIVEWAYS.
 - USE STD. DWG. SER-3 FOR SERVICE INSTALLATIONS.
 - USE STD. DWG. FS FOR PRIVATE FIRE PROTECTION SERVICE.
 - USE STD. DWG. MAIN-RPM FOR RESTRAINED PIPE MARKING.
 - USE STD. DWG. MAIN-TW FOR COPPER TRACER WIRE INSTALLATION.
 - USE BOXES HAVING VANDAL RESISTANT BOLT-DOWN COVERS w/ READING LIDS FOR ALL SERVICES WHERE BOXES ARE INSTALLED IN CONCRETE 5'/W.
 - USE STD. DWGS. MAIN-VSE, MAIN-PN & MAIN-VB FOR VALVE EXTENSIONS & VALVE BOX INSTALLATIONS. ALL VALVE EXTENSION LENGTH SHALL BE VERIFIED PRIOR TO PLACEMENT.
 - COMPLY WITH THE SANITARY SEWER & STORM DRAIN DISCHARGE REQUIREMENTS COMPLIANCE POLICY DOCUMENTS WQ-5030, WQ-5040, WQ-510, WQ-5140A AND WQ-5140B.
- ZONE: DOW ZONE
PRESSURE: 86 PSI - 96 PSI
PERMIT: CITY OF SAN JOSE
REQUIRED FIRE FLOW: 2,818 GPM
DEVELOPER: CITY OF SAN JOSE
PUBLIC WORKS DEPARTMENT
CITY FACILITIES ARCHITECTURAL SERVICES DIVISION
200 EAST SANTA CLARA STREET, 6TH FLOOR
SAN JOSE, CA 95113
ROSIE LLANOS-POPOLIZIO, PROJECT MANAGER (818) 730 - 5351
DOMINIC ONORATO PROGRAM MANAGER- CAPITAL PROJECTS DELIVERY (408) 535 - 8407

CONSTRUCTION CONTACT:

PROJECT 9084

City of San Jose Permit #
Was issued on:
CSJ stamped Improvement Plans
are located in the Engineering folder.

AS BUILT STAMP ONLY

SAN JOSE WATER

10" FIRE SERVICE INSTALLATION SENTER ROAD.

TRANG MINH		PLANNING / DATE		REF. NOS.	
CHECK / DATE				N18-008	
		ENGINEERING / DATE		J1 -	
		SUBJECT OF ENGINEERING		SHEET 1 OF 1	

Rule No. 15

MAIN EXTENSIONS

A. General Provisions and Definitions

1. Applicability

- a. All extensions of distribution mains, from the utility's basic production and transmission system or existing distribution system, to serve new customers, except for those specifically excluded below, shall be made under the provisions of this rule unless specific authority is first obtained from the Commission to deviate therefrom. A main extension contract shall be executed by the utility and the applicant or applicants for the main extension before the utility commences construction work on said extensions or, if constructed by applicant or applicants, before the facilities comprising the main extension are transferred to the utility.
- b. Extensions primarily for fire hydrant, private fire protection, resale, temporary, standby, or supplemental service shall not be made under this rule.
- c. The utility may, but will not be required to, make extensions under this rule in easements or rights-of-way where final grades have not been established, or where street grades have not been brought to those established by public authority. If extensions are made when grades have not been established and there is a reasonable probability that the existing grade will be changed, the utility shall require that the applicant or applicants for the main extension deposit, at the time of execution of the main extension agreement, the estimated net cost of relocating, raising or lowering facilities upon establishment of final grades. Adjustment of any difference between the amount so deposited and the actual cost of relocating, raising or lowering facilities shall be made within ten days after the utility has ascertained such actual cost. The net deposit representing actual cost is not subject to refund. The entire deposit related to the proposed relocation, raising or lowering shall be refunded when such displacements are determined by proper authority to be not required.

2. Limitation of Expansion

- a. Whenever the outstanding advance contract balances reach 40 percent of total capital (defined, for the purpose of this rule, as proprietary capital, or capital stock and surplus, plus debt and advances for construction) the utility shall so notify the Commission within thirty days.
- b. Whenever the outstanding advance contract balances plus the advance on a proposed new extension would exceed 50 percent of total capital, as defined in Section A.2.a. plus the advance on the proposed new extension, the utility shall not make the proposed new extension of distribution mains without authorization of the Commission. Such authorization may be granted by a letter from the Executive Director of the Commission.
- c. Whenever the outstanding advance contract balances reach the above level, the utility shall so notify the Commission within thirty days.

A. General Provisions and Definitions (continued)

3. Definitions

- a. A "bona-fide customer," for the purposes of this rule, shall be a customer (excluding any customer formerly served at the same location) who has given satisfactory evidence that service will be reasonably permanent to the property which has been improved with a building of a permanent nature, and to which service has commenced. The provision of service to a real estate developer or builder, during the construction or development period, shall not establish him as a bona-fide customer.
- b. A "real estate developer" or "builder," for the purposes of this rule, shall include any individual, association of individuals, partnership, or corporation that divides a parcel of land into two or more portions, or that engages in the construction and resale of individual structures on a continuing basis.
- c. The "adjusted construction cost," for the purposes of this rule, shall be reasonable and shall not exceed the costs recorded in conformity with generally accepted water utility accounting practices, and as specifically defined in the Uniform System of Accounts for Water Utilities prescribed by the Commission for installing facilities of adequate capacity for the service requested. If the utility, at its option, should install facilities with a larger capacity or resulting in a greater footage of extension than required for the service requested, the "adjusted construction cost," for the purpose of this rule, shall be determined by the application of an adjustment factor to actual construction cost of facilities installed. This factor shall be the ratio of estimated cost of required facilities to estimated cost of actual facilities installed.

4. Ownership, Design, and Construction of Facilities

- a. Any facilities installed hereunder shall be the sole property of the utility. In those instances in which title to certain portions of the installation, such as fire hydrants, will be held by a political subdivision, such facilities shall not be included as a part of the main extension under this rule, and will neither be owned by the utility nor subject to refund under the provisions of Section C.2. of this rule.
- b. The size, type, quality of materials, and their location shall be specified by the utility; and the actual construction shall be done by the utility or by a constructing agency acceptable to it.
- c. Where the property of an applicant is located adjacent to a right-of-way, exceeding 70 feet in width, for a street, highway, or other public purpose, regardless of the width of the traveled way or pavement; or on a freeway, waterway, or railroad right-of-way, the utility may elect to install a main extension on the same side thereof as the property of the applicant, and the estimated, and the adjusted construction costs in such case shall be based upon such an extension.

A. General Provisions and Definitions (continued)

4. Ownership, Design, and Construction of Facilities (continued)

- d. When an extension must comply with an ordinance, regulation, or specification of a public authority, the estimated and adjusted construction costs of said extension shall be based upon the facilities required to comply therewith.
- e. If the following provisions for water conservation are included in local building codes and/or ordinances, the main extension contract shall contain these provisions.
 - (1) All interior plumbing in new buildings shall meet the following requirements:
 - (a) Toilets shall not use more than 3 ½ gallons per flush, except that toilets and urinals with flush valves may be installed.
 - (b) Shower heads shall contain flow controls which restrict flow to a maximum of approximately 3 gallons per minute.
 - (c) Kitchen and lavatory faucets shall have flow controls which restrict flow to a maximum of approximately 2 gallons per minute.
 - (2) All new parks, median strips, landscaped public areas and landscaped areas surrounding condominiums, townhouses, apartments and industrial parks shall have a well-balanced automatic irrigation system designed by a landscape architect or other competent person, and shall be operated by electric time controller stations set for early morning irrigation.

5. Estimates, Plans, and Specifications

- a. Upon request by a potential applicant for a main extension of 100 feet or less, the utility shall prepare, without charge, a preliminary sketch and rough estimates of the cost of installation to be advanced by said applicant.
- b. Any applicant for a main extension requesting the utility to prepare detailed plans, specifications, and cost estimates shall be required to deposit with the utility an amount equal to the estimated cost of preparation of such material. The utility shall, upon request, make available within 45 days after receipt of the deposit referred to above, such plans, specifications, and cost estimates of the proposed main extension. If the extension is to include oversizing of facilities to be done at the utility's expense, appropriate details shall be set forth in the plans, specifications, and cost estimates.
- c. In the event a main extension contract with the utility is executed within 180 days after the utility furnishes the detailed plans and specifications, the deposit shall become a part of the advance, and shall be refunded in accordance with the terms of the main extension contract. If such contract is not so executed, the deposit to cover the cost of preparing plans, specifications, and cost estimates, shall be forfeited by the applicant for the main extension and the amount of the forfeited deposit shall be credited to the account or accounts to which the expense of preparing said material was charged.

A. General Provisions and Definitions (continued)

5. Estimates, Plans, and Specifications (continued)

- d. When detailed plans, specifications, and cost estimates are requested, the applicant for a main extension shall furnish a map to a suitable scale showing the street and lot layouts and, when requested by the utility, contours or other indication of the relative elevation of the various parts of the area to be developed. If changes are made subsequent to the presentation of this map by the applicant, and these changes require additional expense in revising plans, specifications, and cost estimates, this additional expense shall be borne by the applicant, not subject to refund, and the additional expense thus recovered shall be credited to the account or accounts to which the additional expense was charged.

6. Timing and Adjustment of Advances

- a. Unless the applicant for the main extension elects to arrange for the installation of the extension himself, as permitted by Section C.1.c., the full amount of the required advance or an acceptable surety bond must be provided to the utility at the time of execution of the main extension agreement.
- b. If the applicant for a main extension posts a surety bond in lieu of cash, such surety bond must be replaced with cash not less than ten calendar days before construction is to commence; provided, however, that if special facilities are required primarily for the service requested, the applicant for the extension may be required to deposit sufficient cash to cover the cost of such special facilities before they are ordered by the utility.
- c. An applicant for a main extension who advances funds shall be provided with a statement of actual construction cost and adjusted construction cost showing in reasonable detail the costs incurred for material, labor, any other direct and indirect costs, overheads, and total costs; or unit costs; or contract costs, whichever are appropriate.
- d. Said statement shall be submitted within sixty days after the actual construction costs of the installation have been ascertained by the utility. In the event that the actual construction costs for the entire installation shall not have been determined within 120 days after completion of construction work, a preliminary determination of actual and adjusted construction costs shall be submitted, based upon the best available information at that time.
- e. Any differences between the adjusted construction costs and the amount advanced shall be shown as a revision of the amount of advance and shall be payable within thirty days of date of submission of statement.

7. Assignment of Main Extension Contracts

Any contract entered into under Sections B and C of this rule, or under similar provisions of former rules, may be assigned, after settlement of adjusted construction costs, after written notice to the utility by the holder of said contract as shown by the utility's records. Such assignment shall apply only to those refunds which become due more than thirty days after the date of receipt by the utility of the notice of assignment. The utility shall not be required to make any one refund payment under such contract to more than a single assignee.

A. General Provisions and Definitions (continued)

8. Interpretations and Deviations

In case of disagreement or dispute regarding the application of any provision of this rule, or in circumstances where the application of this rule appears unreasonable to either party, the utility, applicant or applicants may refer the matter to the Commission for determination.

B. Extensions to Serve Individuals

1. Payment

Extensions of water mains to serve new individual customers shall be paid for and contributed to the utility by the individual customer requesting the main extension. Calculation of payment shall be on the basis of a main not in excess of 6" in diameter, except where a larger main is required by the special needs of the new customer. The utility shall be responsible for installing and paying for service pipes, meter boxes, and meters to serve the new individual customer; provided, however, 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 connection fee calculated pursuant to the Commission's Connection Fee Data Form contained in the utility's tariffs.

2. Refunds

If subsequent applications for water service are connected directly to the main extension contributed by the original individual customer, such subsequent applicants shall pay to the utility an amount equal to the cost of 100 feet of the original extension. Such amounts shall be immediately refunded by the utility to the initial customer who originally paid for and contributed the main extension to the utility. Total payments to the initial customer by subsequent applicants for water service who are connected directly to the extension shall not exceed the original cost of the extension. No refunds shall be made after a period of ten years from completion of the main extension.

C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers

1. Advances

- a. Unless the procedure outlined in Section C.1.c. is followed, an applicant for a main extension to serve a new subdivision, tract, housing project, industrial development, commercial building, or shopping center shall be required to advance to the utility, before construction is commenced, the estimated reasonable cost of the extension to be actually installed, from the nearest utility facility at least equal in size or capacity to the main required to serve both the new customers and a reasonable estimate of the potential customers who might be served directly from the main extension. The costs of the extension shall include necessary service stubs or service pipes, fittings, gates and housing therefore, and meter boxes, but shall not include meters. To this shall be added the cost of fire hydrants when requested by the applicant for the main extension or required by public authority, whenever such hydrants are to become the property of the utility.

C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers (continued)

1. Advances (continued)

- b. If special facilities consisting of items not covered by Section C.1.a. are required for the service requested and, when such facilities to be installed will supply both the main extension and other parts of the utility's system, at least 50 percent of the design capacity (in gallons, gpm, or other appropriate units) is required to supply the main extension, the cost of such special facilities may be included in the advance, subject to refund, as hereinafter provided, along with refunds of the advance of the cost of the extension facilities described in Section C.1.a. above.
- c. In lieu of providing the advances in accordance with Sections C.1.a. and C.1.b., the applicant for a main extension shall be permitted, if qualified in the judgment of the utility, to construct and install the facilities himself, or arrange for their installation pursuant to competitive bidding procedures initiated by him and limited to the qualified bidders. The cost, including the cost of inspection and supervision by the utility, shall be paid directly by applicant. The applicant shall provide the utility with a statement of actual construction cost in reasonable detail. The amount to be treated as an advance subject to refund shall be the lesser of (1) the actual cost, or (2) the price quoted in the utility's detailed cost estimate. The installation shall be in accordance with the plans and specifications submitted by the utility pursuant to Section A.5.b.
- d. If, in the opinion of the utility it appears that a proposed main extension will not, within a reasonable period, develop sufficient revenue to make the extension self-supporting, or if for some other reason it appears to the utility that a main extension contract would place an excessive burden on customers, the utility may require nonrefundable contributions of plant facilities from developers in lieu of a main extension contract.

If an applicant for a main extension contract who is asked to contribute the facilities believes such request to be unreasonable, such applicant may refer the matter to the Commission for determination, as provided for in Section A.8. of this rule.

2. Refunds

- a. The amount advanced under Sections C.1.a., C.1.b., and C.1.c. shall be subject to refund by the utility, in cash, without interest, to the party or parties entitled thereto as set forth in the following two paragraphs. The total amount so refunded shall not exceed the total of the amount advanced and for a period not to exceed 40 years after the date of the contract.
- b. Payment of refunds shall be made not later than June 30 of each year, beginning the year following execution of contract, or not later than 6 months after the contract anniversary date if on an anniversary date basis.

C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers (continued)

2. Refunds (continued)

- c. Whenever costs of main extensions and/or special facilities have been advanced pursuant to Section C.1.a., C.1.b., or C.1.c., the utility shall annually refund to the contract holders an amount equal to 2-1/2 percent of the advances until the principal amounts of the contracts have been fully repaid.

Whenever costs of special facilities have been advanced pursuant to Sections C.1.b. or C.1.c., the amount so advanced shall be divided by the number of lots (or living units, whichever is greater) which the special facilities are designed to serve, to obtain an average advance per lot (or living unit) for special facilities. When another builder applies for a main extension to serve any lots for which the special facilities are to be used, the new applicant shall, in addition to the costs of his proposed main extension, also advance an amount for special facilities. This amount shall be the average advance per lot for special facilities for each lot to be used less 2-1/2 percent of the average advance for each year in which refunds have been due and payable on the original contract, prorated to June 30, or the contract anniversary date on a monthly basis.

The amount advanced to the utility by the new applicant shall be immediately refunded to the holder of the original contract, which included the cost of the special facilities, and the original contract advance will be reduced accordingly. The utility will thenceforth refund 2-1/2 percent annually on each of the contract amounts, as determined above, to the holders of the contracts.

Advances and refunds based on additional builder participation will be determined in a similar manner.

In no case shall the refund on any contract exceed the amount advanced.

3. Termination of Main Extension Contracts

- a. Any contract whose refunds are based on a percentage of the amount advanced may be purchased by the utility and terminated provided that the terms are mutually agreed to by the parties or their assignees and Section C.3.c. and Section C.3.d. are complied with. The maximum price that may be paid by the utility to terminate a contract shall be calculated by multiplying the remaining unrefunded contract balance times the appropriate termination factor set out below. No contract that has been in effect for less than 10 years shall be terminated without prior Commission approval.

C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers (continued)

3. Termination of Main Extension Contracts (continued)

Termination Factors							
<u>Years</u> <u>Remaining</u>	<u>Factor</u>	<u>Years</u> <u>Remaining</u>	<u>Factor</u>	<u>Years</u> <u>Remaining</u>	<u>Factor</u>	<u>Years</u> <u>Remaining</u>	<u>Factor</u>
1	.8929	11	.5398	21	.3601	31	.2608
2	.8450	12	.5162	22	.3475	32	.2535
3	.8006	13	.4941	23	.3356	33	.2465
4	.7593	14	.4734	24	.3243	34	.2399
5	.7210	15	.4541	25	.3137	35	.2336
6	.6852	16	.4359	26	.3037	36	.2276
7	.6520	17	.4188	27	.2942	37	.2218
8	.6210	18	.4028	28	.2851	38	.2136
9	.5920	19	.3877	29	.2766	39	.2111
10	.5650	20	.3729	30	.2685	40	.2061

- b. Any contract with refunds based upon percentage of revenues and entered into under Section C. of the former rule, may be purchased by the utility and terminated, provided the payment is not in excess of the estimated revenue refund multiplied by the termination factor in the following table, the terms are otherwise mutually agreed to by the parties or their assignees and Section C.3.c. and Section C.3.d. herein are complied with. The estimated revenue refund is the amount that would otherwise be refunded, at the current level of refunds, over the remainder of the twenty-year contract period or shorter period that would be required to extinguish the total refund obligation. It shall be determined by multiplying 22 percent of the average annual revenue per service for the immediately preceding calendar year by the number of bona fide customers at the proposed termination date, times the number of years or fractions thereof to the end of the twenty-year contract period or shorter period that would be required to refund the remaining contract balance.

Termination Factors			
<u>Years</u> <u>Remaining</u>	<u>Factor</u>	<u>Years</u> <u>Remaining</u>	<u>Factor</u>
1	.8929	11	.5398
2	.8450	12	.5162
3	.8006	13	.4941
4	.7593	14	.4734
5	.7210	15	.4541
6	.6852	16	.4359
7	.6520	17	.4188
8	.6210	18	.4028
9	.5920	19	.3877
10	.5650		

C. Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial Developments, Commercial Buildings, or Shopping Centers (continued)

3. Termination of Main Extension Contracts (continued)

- c. The utility shall furnish promptly to the Commission the following information in writing and shall obtain prior authorization by a formal application under Sections 816-830 of the Public Utilities Code if payment is to be made other than in cash:
 - (1) A copy of the main extension contract, together with data adequately describing the development for which the advance was made and the total adjusted construction cost of the extension.
 - (2) The balance unpaid on the contract and the calculation of the maximum termination price, as above defined, as of the date of termination and the terms under which the obligation was terminated.
 - (3) The name of the holder of the contract when terminated.
- d. Discounts obtained by the utility from contracts terminated under the provisions of this section shall be accounted for by credits to Ac. 265, Contributions in Aid of Construction.

D. Extension Designed to Include Fire Protection

- 1. The cost of distribution mains designed to meet the fire flow requirements set forth in Section VIII.1(a) of General Order No. 103 is to be advanced by the applicant. The utility shall refund this advance as provided in Sections B.2. and C.2. of this rule.
- 2. Should distribution mains be designed to meet fire flow requirements in excess of those set forth in Section VIII.1(a) of General Order No. 103, the increase in cost of the distribution mains necessary to meet such higher fire flow requirements shall be paid to the utility as a contribution in aid of construction.
- 3. The cost of facilities other than hydrants and distribution mains required to provide supply, pressure, or storage primarily for fire protection purposes, or portions of such facilities allocated in proportion to the capacity designed for fire protection purposes, shall be paid to the utility as a contribution in aid of construction.

E. Income Tax Component of Contributions and Advances Provision

- 1. Contributions in Aid of Construction (CIAC) and Advances for Construction (AIC) shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided by a person or agency to the utility. The value of all contributions and advances shall be based on the utility's estimates. Contributions and advances shall consist of two components for the purpose of recording transactions as follows:
 - a. Income Tax Component, and
 - b. The balance of the contribution or advance.

E. Income Tax Component of Contributions and Advances Provision (continued)

2. Starting from January 1, 2018, the Income Tax Component shall be calculated by multiplying the following tax factors times the taxable portion of the contribution or advance:

For Service Connection Component:

For CIAC 19.60%

For AIC 20.72%

3. The tax factors are established by using Method 5 as set forth in Decision No. 87-09-026 in I.86-11-019.
4. The formula to compute Method 5 includes the following factors:
- a. Corporate tax rate of: 21.00%
 - b. Franchise tax rate of: 8.84%
 - c. A discount rate of: 7.64%
 - d. A pre-tax rate of return of: 9.48%
5. The Income Tax Component factor has been derived from the federal and state corporate income tax rates and will remain in effect until changes to those rates would increase or decrease the gross-up rate by five percentage points or more as reflected in Ordering Paragraph No. 7 of I.86-11-019/D.86-09-026. When and if that occurs, the utility will file an advice letter showing the new rates and cancel out this sheet.
6. In the event that the Utility collects a gross-up using an incremental tax rate that is more than its incremental tax rate as determined on a taxable year basis, without consideration of a tax credit or tax loss carry forward, the difference between what was and what should have been collected will be refunded to the Applicant.