

RULE XI**SYSTEM DEVELOPMENT CHARGE****1. RETAIL SYSTEM DEVELOPMENT CHARGE PURPOSE AND AMOUNT:**

For every new retail Service Connection Application received on and after July 1, 1978, such new service connection shall, in addition to the service connection charge to be collected as provided in Rule VIII, be subject also to a System Development Charge to compensate for the applicable costs of investment required for existing and future water supply, treatment, transmission and distribution facilities, including major improvements to existing and future facilities which contribute to system capacity. Any meter enlargement or meter type upgrade for a Retail Customer shall be subject to a Retail System Development Charge equal to the difference in the current Retail System Development Charges for the respective meter sizes and types. The Retail System Development Charge shall vary in increments relating to the size or type of the meter as set forth in the schedule in Rule XVIII. Meter type means any of the three kinds of meters, displacement meter, compound meter or turbine meter, as referenced in the schedule. Meter type and size will be determined as provided in Rule IX Section 2.A.

Retail System Development Charges are to be effective in the amount and as of the dates as indicated in the schedule in Rule XVIII. It is the Board's intention to review and update System Development Charges annually.

- A. **MULTIPLE-METERED SERVICE CONNECTIONS:** On multiple-metered Domestic Service Connections, the Retail System Development Charge shall be based upon the size and type of each individual meter.

B. CANCELLATION OR REFUND: At the option of the Water District, the Retail System Development Charge may be canceled and refunded, or subject to change, if delivery of materials and service connection installation has not been requested by the applicant within 120 days from the date the permit was issued. If the Service Connection Permit has been canceled for any reason, upon later reapplication for a service connection, the applicant shall pay the appropriate System Development Charge according to the applicable schedule of System Development Charges then in effect.

2. WHOLESALE SYSTEM DEVELOPMENT CHARGE PURPOSE AND AMOUNT:

Wholesale System Development Charges will apply to Customers located outside the Water District's retail service boundaries who enter into a Wholesale Agreement with the District. Each Wholesale Customer will be subject to a Wholesale System Development Charge for the right to have access to a specified maximum quantity of Maximum Day Demand and Maximum Hour Demand capacity, with each maximum demand stated on a rate of flow basis of million gallons per day (MGD). The initial specified quantity of Maximum Day and Maximum Hour Demand capacities, based on engineering projections, are intended to be sufficient to meet the Wholesale Customer's future maximum demands from the Water District for a period of 5 years, or an alternate period approved by the Water District, from the date the System Development Charge is contributed to the Water District. The Wholesale Customer's initial estimates of quantities of such maximum demand capacities shall be determined by a registered Professional Engineer in the State of Kansas and based on accepted methods for projection of water consumption and shall be subject to review and approval by the Water District prior to establishing the appropriate Wholesale System Development Charge.

The System Development Charge will be calculated utilizing a cost of service model developed by the Water District's rate consultant and maintained by the Water District, based on generally accepted cost of service principles and methodologies. The Wholesale System Development Charge will be calculated based on the same per-unit costs of service as are used for calculating the Retail System Development Charges. The cost of service for the Water District's functional components that are to be utilized solely by the Water District's Retail Customers (such as infrastructure required to provide fire protection to Retail Customers), as determined by the Water District, will be excluded from the cost of service for purposes of calculating the Wholesale System Development Charge.

In addition to the System Development Charge, each Wholesale Customer will be required to pay for the cost of a metering facility at each delivery point from the Water District to the Wholesale Customer, to be equipped with a demand-recording meter as designed and constructed by the Water District. Any pipelines needed to connect to the District's existing facilities for the required capacity will be at the Wholesale Customer's expense as designed and constructed by the District. All pipeline facilities located before the metered delivery point and all metering facilities will be the property of and be maintained by the District.

Maximum demand data from the demand-recording meter(s) will be utilized by the Water District and the Wholesale Customer to monitor the Wholesale Customer's actual Maximum Day Demands and Maximum Hour Demands. When the maximum demands are approaching and/or have exceeded the maximum capacities as specified in the Wholesale contract, a review of the engineering projections will be triggered. If and when a

Wholesale Customer exceeds either the specified limit of Maximum Day Demand or the Maximum Hour Demand, or both, the Wholesale Customer will be required to contribute an additional increment of System Development Charge to have access to an increased quantity of either Maximum Day and/or Maximum Hour Demand capacity. If the Wholesale Customer requires additional capacity, the specified incremental increase in Maximum Day and/or Maximum Hour Demand capacity is intended to be sufficient to meet the Wholesale Customer's maximum demands from the Water District for a period of 5 years, or an alternative period as approved by the Water District, from the date the additional System Development Charge is contributed to the Water District. A review prior to the beginning of each 5-year period is also required, whether or not maximum demands are approached or exceeded. The additional capacity estimates shall be subject to the same requirements as the initial capacity estimates. The additional Wholesale System Development Charge for the incremental increase in Maximum Day and/or Maximum Hour Demand capacity will be determined based on the per-unit costs of service in effect at that time.

All Wholesale System Development Charges contributed to the Water District are non-refundable.

3. AGREEMENT WITH ANOTHER UTILITY: Where the District enters into an agreement to provide retail service to customers currently served by another utility pursuant to K.S.A. 19- 3512(b), and such agreement provides for the imposition of the System Development Charge on each of the individual customers of this utility, the agreement may provide for an immediate payment by each new Customer within the annexed area in a lump sum or in

installments by permitting Customers within the annexed area to pay the System Development Charge through a surcharge to include interest in even installments to be paid with each billing for regular service and quantity charges over the agreed time period. Where the System Development Charge is paid in installments, continued water service is conditioned upon current payment of such installments, and failure or refusal to timely pay such installments suspends water service under the procedures of Rule XV. Purchasers of property previously served and subjected to the System Development surcharge must resume payment of the installments as a condition for continued or new account service, and complete the full schedule of installments notwithstanding that any delay in resuming installments will extend payment beyond the agreed time period.