



PRINCEVILLE UTILITIES COMPANY, INC.

November 11, 1999

Re: Contribution In Aid of Construction

Dear Customer:

There have been a growing number of inquiries regarding Princeville Utilities Company, Inc.'s (PUCI's) Contribution In Aid of Construction (CIAC). This letter is being sent to explain what the CIAC is, to whom it is charged, and why it is charged.

Our tariff states that "as a condition of receiving water service, or of significantly increasing water service to an existing customer, owners, subdividers and developers shall pay a non-refundable CIAC to PUCI to offset the acquisition, improvement or construction costs of facilities intended to increase the capacity, efficiency or quality of PUCI's water systems." Our CIAC is based upon the proposed use by the customer, not the size of the water meter, or number of water meters. That way, the customer is charged based upon his or her demands on the water system and therefore pays for his or her fair share of the costs of the water system, without impacting existing ratepayers.

For certain developments on PUCI's water system, the developer has already paid – or contributed in-kind water improvements – for a certain amount of CIAC 'credit'. Property owners served by PUCI's water system who are planning to build on their property, or develop their property by subdividing into lots, or develop by Condominium Property Regime should contact PUCI to determine how our CIAC would impact them.

The current cost used in computation of the CIAC is \$7.27 per gallon per day. For example, the CIAC for an 'agricultural dwelling unit', for which the estimated consumption is 1,500 gallons per day, would be $\$7.27 \times 1,500 = \$10,905$ (plus a Consumer Price Index adjustment).

CIAC payments received from customers are not income to us; rather, they are set aside to offset the costs of our next capital improvement project. As costs for capital improvements eventually get translated into water rates, the CIAC payments ultimately help to keep existing customers' water rates down.

If you have any questions regarding the CIAC, or would like to obtain a copy of our tariff, please contact me at 826-3330.

As always, Princeville Utilities remains committed to providing you with a reliable supply of clean, safe drinking water. Please help us to conserve and protect our precious resource.

Very truly yours,

Larry Dill, P.E.
Manager