STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: AMENDMENTS TO GAS AND ELECTRIC LINE EXTENSION RULES [199 IAC 19.3(10) AND 20.3(13)]	DOCKET NO. RMU-06-6 (NOI-05-2)

ORDER COMMENCING RULE MAKING

(Issued August 23, 2006)

Pursuant to the authority of Iowa Code §§ 17A.4, 476.1, 476.2, and 476.8, the Utilities Board (Board) proposes to amend 199 IAC 19.3(10) and 20.3(13) to revise the requirements for natural gas and electric line extensions as described in the "Notice of Intended Action" attached hereto and incorporated herein by reference. The amendments are being proposed based upon suggested changes and comments in Docket No. NOI-05-2, Review of Natural Gas and Electric Line Extension Rules 199 IAC 19.3(10) and 20.3(13). This rule making has been identified as Docket No. RMU-06-6.

The Board opened the inquiry in Docket No. NOI-05-2 on July 5, 2005, to determine if the current standards established in those subrules are still reasonable. Linn County Rural Electric Cooperative, MidAmerican Energy Company (MidAmerican), Aquila, Inc., d/b/a Aquila Networks (Aquila), the Iowa Association of Electric Cooperatives, the Consumer Advocate Division of the Department of Justice

(Consumer Advocate), and Interstate Power and Light Company participated in the inquiry.

The Board allowed participants to file comments and held a workshop to allow participants to discuss the various issues raised by proposed changes to the rules. Based upon the comments, the Board is proposing certain changes to the line extension rules to clear up confusion concerning distribution and service line extensions, to eliminate redundancy, and to simplify the rules. Additionally, the proposed changes update the rules to better reflect today's economy and current working conditions.

The proposed changes to the Board's rules are discussed below. The Board has not included those provisions where no changes are proposed. The provisions in the rules where changes are proposed are in bold with strikeouts where language is being deleted and underlined where language is being added.

GAS EXTENSION RULES

19.3(10) ~~*Extensions and service line extensions to customers*~~ *Plant additions, distribution main extensions, and service lines.*

The Board is proposing a new title to reflect the new definitions for natural gas distribution main extensions and service lines and the addition of a definition and separate provision for plant additions. The Board has attempted to amend the rules to make them easily understood and consistent. As will be seen in these natural gas extension rules and the electric extension rules, the Board is proposing to change the

definitions of the extensions made to provide service to customers to clarify the options for paying for distribution main extensions and service lines and when a refund is required. These changes are based upon the comments of the parties to the inquiry and Board staff review.

> **a. Definitions. The following definitions shall apply to the terms as used in this subrule ~~these rules~~.**
>
> ***"~~Advances~~ Advance for construction ~~costs~~,"* as used in this subrule ~~these subrules~~, ~~are~~ means cash payments~~, or surety bonds,~~ or equivalent surety made to the utility by an applicant for a distribution main ~~an~~ extension, portions of which may be refunded depending on any subsequent service line ~~connections made~~ attached to the distribution main extension. Cash payments~~, surety bonds,~~ or equivalent surety ~~sureties~~ shall include a grossed-up amount for the income tax effect of such revenue.**

The Board attempted to simplify this subrule by first making the definitions clearer and by removing language or provisions that appear ambiguous or unnecessary. Based upon comments from the utilities, the reference to surety bond has been removed here and in later provisions so there is no longer a requirement that the utility accept a surety bond for payment of an advance for construction. The Board has not removed the reference to "equivalent surety" to give a utility the option of accepting a surety bond or other form of surety where the utility and the customer have reached an agreement for a payment arrangement other than cash. The Board also attempted to make a clear distinction between constructing a distribution main extension and a service line. The current rule contains several ambiguous

references to "extensions" and the new definitions are designed to remove the ambiguity.

> ***"Contribution in aid of construction,"*** **as used in this subrule, means a nonrefundable cash payment grossed-up for the income tax effect of such revenue covering the costs of a distribution main ~~an~~ extension or service line that are in excess of costs paid by the utility~~-funded allowances~~. The amount of tax shall be reduced by the present value of the tax benefits to be obtained by depreciating the property in determining the tax liability.**

The Board proposes to include the new references to "distribution main extension" and "service line" in this definition and to change the language referring to those costs paid by the utility from "utility-funded allowances" to "costs paid for by the utility."

> ~~***"Customer advances for construction records,"*** **as used in this subrule, means a separate record established and maintained by the utility, which includes, by depositor, the amount of advance for construction provided by the customer, whether the advance is by cash or surety bond, or equivalent surety and if by surety bond or equivalent surety, all relevant information concerning the bond or surety, the amount of the refund, if any, to which the depositor is entitled, the amount of refund, if any, which has been made to the customer, the amount unrefunded, and the construction project or work order the extension was installed on.~~

Consumer Advocate suggested that the definition for record keeping be deleted and a new subparagraph be adopted in 19.3(10)"b"(6) containing the record keeping requirements. The Board is proposing the change that Consumer Advocate suggested. The Board will also simplify the record keeping for advances for

construction to a record of the amount of the advance, the amount of any refunds, and on which project the advance was made.

> ***"Distribution main extension,"*** **as used in this subrule, means a segment of pipeline installed to convey gas to individual service lines or other distribution mains.**

The Board proposes this new definition for a distribution main extension that will distinguish a distribution main extension from a service line.

> ***"Estimated base revenues,"*** **as used in this subrule, shall be calculated by subtracting the cost of purchased gas and energy efficiency charges from estimated annual revenues.**

The Board proposes to add energy efficiency charges to those items subtracted from estimated annual revenues to determine estimated base revenues. The Board understands that this reflects the current practice.

> **"*Estimated construction costs,"* as used in this ~~the~~ subrule, shall be calculated using average current costs in accordance with good engineering practices and upon the following factors: amount of service required or desired by the customer requesting the distribution main extension or service line; size, location, and characteristics of the distribution main extension or service line, including appurtenances; and whether the ground is frozen or whether other adverse conditions exist. ~~The average cost per foot shall be computed utilizing the prior calendar year costs, to the extent such cost basis does not exceed the current costs using current construction cost methodologies, resources and material, and working conditions, divided by the total feet of extensions by size of pipe for the prior calendar year.~~ In no event shall estimated construction costs include costs associated with facilities built for the convenience of the utility. Permit fees may be included**

by the utility in the calculation of estimated construction costs.

The Board proposes to change the references to distribution main extension and service line connection to be consistent with those changes in other provisions. In order to better represent the utility's actual costs, the Board is proposing that average cost per foot can be calculated using current costs rather than prior calendar year costs and that the utility may include permit fees in the estimated construction costs. MidAmerican suggested that the sentence itemizing the average cost per foot be deleted, the Board accepts this suggestion. Finally, the proposed language allows the inclusion of permit fees imposed on utilities. This latter provision was suggested by the participants because it is common for utilities to be charged the fees for construction of distribution main extensions and service lines.

~~"Extension"~~ **~~means a distribution main extension.~~**

The Board proposes to delete this definition of "extension" because a new definition for "distribution main extension" is being proposed and use of the term "extension" in the current rules created some ambiguity.

"Plant addition" as used in this subrule means any additional plant, other than a distribution main or service line, required to be constructed to provide service to a customer.

The Board is proposing a definition for "plant additions" and a separate provision in paragraph 19.3(10)"b" because the participants in Docket No. NOI-05-2 indicated that the Board should keep the provisions in the rule.

> ***"Service line ~~extension~~,"*** **as used in this subrule, means the piping that extends from the distribution ~~gas~~ main to the meter set riser.**

The Board changed "service line extension" to "service line" to distinguish this type of construction from "distribution main extensions" construction and to remove the ambiguity in the current rule when only the term "extension" is used.

> ***"Similarly situated customer,"*** **as used in this subrule, is a customer whose annual consumption or service requirements, as defined by estimated annual revenue, is similar to other customers with approximately the same annual consumption or service requirements.**

This change is proposed to be consistent with the phrasing in the other definitions.

> ***"Utility,"*** **as used in this ~~the~~ subrule, means a rate-regulated utility**.

This change makes the phrasing consistent with the other definitions.

> ***b. ~~Distribution main extensions~~***
> **~~(1)~~ Plant additions. The utility ~~will~~ shall provide all gas plant at its cost and expense without requiring an advance for construction or nonrefundable contribution in aid of construction from customers or developers except in those unusual circumstances where extensive plant additions are required before the customer can be served~~, or where the customer will not attach within the agreed-upon attachment period after completion of construction. In such instances, the utility shall require, no more than 30 days prior to commencement of construction, the customer or developer to advance funds which are subject to refund as additional customers are attached~~. A written contract between the utility and the customer, which requires an advance for construction or nonrefundable contribution in aid of construction by the customer to make plant additions,**

> **shall be available for board inspection. The utility shall allow the customer or developer, at the customer's or developer's option, to provide a nonrefundable contribution in aid of construction instead of a refundable advance for construction~~, under subparagraphs 19.3(10)"*b*"(2) and (3)~~.**

At the workshop, the Board questioned whether utilities ever use the provisions allowing advances for "plant additions" required by "unusual circumstances" and what criteria were used to determine if circumstances were unusual. The Board proposed that the current language addressing plant additions be deleted. Several comments were made in support of keeping the provisions since utilities felt that they needed a provision that allowed them to charge a customer where a significant amount of additional plant is necessary to make the distribution main extension to serve a customer. To allow for these types of situations, the Board restructured the paragraph to include a separate paragraph for "plant additions." The Board is not proposing any criteria for when circumstances are unusual enough to allow the utility to require a customer to make an advance or contribution for additional plant. Any complaints will have to be considered on a case-by-case basis based upon the utilities' normal practice. Written contracts are required for advances or contributions for the additional plant. The Board also clarifies that a customer may choose to make a contribution in aid of construction instead of an advance for construction to pay for plant additions.

> **c. Distribution *main extensions.* ~~(2) Advances for construction costs for distribution main extensions for customers who will attach within the agreed-upon~~**

> **~~attachment period.~~ The following shall apply where ~~Where~~ the customer will attach to the distribution main extension within the agreed-upon attachment period after completion of the distribution main extension~~, the following shall apply:~~.**

The Board is proposing this paragraph for distribution main extensions separate from paragraph "b" for plant additions. The Board proposes to remove language that appears to be redundant from the existing provisions.

> **~~1~~(1). The utility shall finance and make the distribution main extension for a customer without requiring an advance for construction or contribution in aid of construction if the estimated construction costs to provide a distribution main extension are ~~is~~ less than or equal to ~~the~~ three times the estimated base revenue calculated on the basis of similarly situated customers. The utility may use a feasibility model, rather than the three times estimated base revenue calculation, to determine what, if any, advance for construction or contribution in aid of construction is required of the customer. The feasibility model shall be filed as part of the utility's tariff.**

The Board proposes to include the references to distribution main extensions to ensure there is no ambiguity about what kind of construction this provision addresses. The Board includes the requirement that the utility offer the customer a contribution in aid of construction as well as an advance for construction. The Board is also proposing language to reflect that a utility may use a feasibility model to calculate whether an advance or contribution is required. In Docket No. WRU-05-6-225, the Board granted a waiver of this provision to allow Aquila to use its feasibility model. The Board is proposing this option be available to all natural gas

utilities. The Board also proposes that the feasibility model be part of the utility's tariff that will be reviewed and approved by the Board. Consumer Advocate suggested that the term "feasibility model" be defined. The Board proposes to have each feasibility model approved in the Utilitiy's tariff, rather than trying to develop a generic definition to fit all utilities. This will allow each utility the flexibility to develop a feasibility model that will fit its particular circumstances.

> **~~2.~~ (2) If the estimated construction cost to provide a distribution main extension is greater than three times the estimated base revenue calculated on the basis of similarly situated customers, the applicant for a distribution main ~~such an~~ extension shall contract with the utility and make ~~deposit~~ an advance for construction equal to the estimated construction cost less three times the estimated base revenue to be produced by the customer no more than 30 days prior to commencement of construction. The customer may choose to pay a nonrefundable contribution in aid of construction instead of the advance for construction. The utility may use a feasibility model to determine whether an advance for construction or contribution in aid of construction is required. The feasibility model shall be filed as part of the utility's tariff. A written contract between the utility and the customer shall be available for board inspection upon request.**

The Board is proposing this provision to reflect that a utility may use a feasibility model to calculate the amount of construction cost the utility will fund. The Board is also adding language reflecting that the customer may choose to pay a contribution in aid of construction instead of an advance for construction. This is consistent with the current rule. The Board clarifies that a written contract between the utility and the customer must be available for Board inspection.

> **(3)~~Advances for construction costs for distribution main extensions for customers who will not attach within the agreed-upon attachment period.~~ Where the customer will not attach within the agreed-upon attachment period after completion of the distribution main extension, the applicant for the distribution main extension shall contract with the utility and make, ~~deposit~~ no more than 30 days prior to the commencement of construction, an advance for construction equal to the estimated construction cost. The utility may use a feasibility model to determine the amount of the advance for construction. A written contract between the utility and the customer shall be available for board inspection upon request.**

The Board is proposing this subparagraph to reflect that the utility may use a feasibility model to determine the amount of the advance for construction. A customer who will not attach within the agreed-upon period is required to pay an advance for construction and does not have the option of making a contribution in aid of construction. Additionally, the Board clarifies that a written contract must be available for Board inspection.

> **(4) ~~Advance payments for extensions which are subject to refund for a ten year period may be made by cash, surety bond, or equivalent surety. In the event a surety bond or an equivalent surety is used, the bonded amount shall have added to it a surcharge equal to the annual interest rate paid by the utility on customer bill deposits times the bonded amount. The bond shall be called by the utility at the end of one year or when the earned refunds are equal to the bonded amount, less the surcharge, whichever occurs first. If, upon termination of the surety bond, there are sufficient earned refunds to offset the amount of the surety bond, less the surcharge, the depositors shall provide the utility the amount of the surcharge. If, upon termination of the surety bond, there are not sufficient earned refunds to~~**

> **~~offset the full amount of the surety bond, less the surcharge, the depositors shall provide the utility a cash deposit equal to the amount of the surety bond, less refunds accumulated during the bonded period, plus the surcharge, or the depositor may pay the interest on the previous year's bond and rebond the balance due to the utility for a second or third one-year period. Upon receipt of such cash deposit, the utility shall release the surety bond. The cash deposit, less the surcharge, shall be subject to refund by the utility for the remainder of the ten-year period.~~ Advances for construction may be paid by cash or equivalent surety and shall be refundable for five years.**

The Board is proposing to change the period for refunds from ten to five years. This reflects the waiver that was granted Aquila in Docket No. WRU-05-6-225 and Aquila's proposal to shorten the time period over which refunds are required to be made. Changing from ten to five years should help to eliminate the situation where a utility retains liability to a builder that does not complete his obligation in a timely manner. The Board is also proposing to delete the provisions related to surety bonds. As stated earlier, the Board is leaving in a reference to equivalent surety to allow utilities some flexibility for payment of the advance.

> **(5) ~~(4)~~ Refunds. When the customer has chosen to make an advance for construction rather than a contribution in aid of construction, the utility shall refund to the depositor for a period of ~~ten~~ five years from the date of the original advance a pro-rata share for each service line attached ~~attachment~~ to the distribution main extension. The pro-rata refund shall be computed in the following manner:**

The changes are proposed to clarify that a refund is made to the depositor only when a service line is attached to a distribution main extension and not when

there is an additional distribution main extension made to the distribution main paid for by the depositor.

> **1. If the combined total of three times estimated base revenue <u>or the amount allowed by the feasibility model</u> for the depositor and each customer who has attached <u>a service line</u> to the distribution main extension exceeds the total estimated construction cost to provide the <u>distribution main</u> extension, the entire amount of the advance <u>for construction</u> provided by the depositor shall be refunded to the depositor. <u>Utilities may include permit fees in the estimated cost of construction.</u>**

The Board is proposing changes to clarify that refunds are only made when a service line is attached to a distribution main extension paid for by an advance for construction by a depositor. The Board has also included a provision that would allow the utility to include permit fees in the total cost of construction. This latter provision was suggested by the participants in Docket No. NOI-05-2.

> **2. If the combined total of three times estimated base revenue<u>, or the amount allowed by the feasibility model,</u> for the depositor and each customer who has attached <u>a service line</u> to the distribution main extension is less than the total estimated construction cost to provide the <u>distribution main</u> extension, the amount to be refunded to the depositor shall equal three times estimated base revenue<u>, or the amount allowed by the feasibility model,</u> of the customer attaching <u>a service line</u> to the <u>distribution main</u> extension. <u>Utilities may include permit fees in the cost of construction.</u>**

The Board is proposing to clarify that refunds are only made when a service line is attached to a distribution main extension and that a utility may include permit fees in the total cost of construction.

> **3. In no event shall the total amount to be refunded to a depositor exceed the amount of the advance for construction made by the depositor. Any amounts subject to refund shall be paid by the utility without interest. At the expiration of the above-described ~~ten~~ five-year period, the depositor ~~customer~~ advance for construction record shall be closed and the remaining balance shall be credited to the respective plant account.**

A change is proposed to reflect the change from a ten-year refund period to a five-year refund period.

> **(6) The utility shall keep a separate record by depositor of each work order under which the distribution main extension was installed, to include the estimated customer revenues, the estimated construction costs, the actual cost, the amount of any deposit received, and any refunds paid to the depositor.**

The proposed new subparagraph establishing record keeping requirements was suggested by Consumer Advocate. The Board is proposing the revision suggested by Consumer Advocate.

> ***d. Service ~~line~~ lines ~~extensions.~~*** **The utility shall finance and construct a service line ~~extension~~ without requiring a contribution in aid of construction or any payment by the applicant where the length of the service line ~~extension~~ to the riser is up to 50 feet on private property or 100 feet on private property if polyethylene plastic pipe is used.**
>
> **Where the length of the service line ~~extension~~ exceeds 50 feet on private property, or 100 feet if polyethylene plastic pipe is used, the applicant shall be required to provide a contribution in aid of construction within 30 days after completion, for that portion of the service line ~~extension~~ on the private property, exclusive of the riser, in excess of 50 feet or in excess of 100 feet if**

polyethylene plastic pipe is used. The contribution in aid of construction for that portion of the service line ~~extension~~ shall be computed as follows:

(Estimated Construction Costs) ×

(Total Length in Excess of 50 Feet) or (Total Length in Excess of 100 Feet)
(Total Length of Service Line ~~Extension~~)

(1) A utility may adopt a tariff or rule that allows the utility to finance and construct a service line of more than 50 feet, or 100 feet if polyethylene plastic pipe is used, without requiring a contribution from the customer if the tariff or rule applies equally to all customers.

(2) Whether or not the construction of the service line would otherwise require a payment from the customer, the utility may include actual permit fees in the cost of construction.

The changes are proposed to reflect the use of the term "service line" and to adopt MidAmerican's suggestion that the provision specifically provide that any actual permit fees may be included in the cost of construction.

e. ~~Extensions not required.~~ **Utilities shall not be required to make distribution main extensions or attach service lines as described in this rule, unless the distribution main extension or service line shall be of a permanent nature.**

The changes are proposed to reflect the change to the terms "distribution main extension" and "service line."

e. ~~Extensions permitted.~~ **This ~~rule~~ subrule shall not be construed as prohibiting any utility from making a contract with a customer using a different payment arrangement ~~in a different manner~~, if the contract provides a more favorable payment arrangement**

> **~~method of extension~~ to the customer, so long as no discrimination is practiced among customers or depositors.**

The Board proposes to change the language to clarify that a customer and the utility may contract for a different payment arrangement for a distribution main extension or service line if it is more favorable than the payment arrangements provided for in this subrule. The Board changed the reference to "payment arrangement" rather than "method of extension" since there may be some options for payment by the customer but the construction of any extension is usually determined by the utility.

ELECTRIC EXTENSION RULES

20.3(13) ~~*Extensions and service line extensions to customers.*~~ *Electrical line extensions and service lines.*

As previously discussed in the natural gas extension rule, the Board has proposed revisions to the electric line extension subrule to clarify which lines are covered by the rules, how the payment should be made, and how any refunds should be calculated. The Board decided that extensions covered by this rule should be divided into two types, electrical line extensions and service lines. Electrical line extensions include both distribution lines and secondary lines as defined in subrule 20.1(3), other than secondary lines defined as service lines. Service lines are a single secondary line on private property.

Use of the phrase "Electrical line extension" is being proposed so that both distribution line extensions and secondary line extensions, other than service lines, are clearly subject to the same provisions. The current rule is ambiguous on how these two types of extensions are treated and, as defined in subrule 20.1(3), a secondary line is not a distribution line and so cannot be included in a definition of distribution line.

The Board considered adopting a suggestion by Consumer Advocate to include secondary line extensions in the definition of distribution line extensions. Although this seemed to simplify the extension rules, it conflicted with the separate definitions for distribution lines and secondary lines in subrule 20.1(3). Since distribution lines and secondary lines, other than service lines, are to be treated the same for purposes of this subrule, the Board decided to use the new designation of these extensions as "electrical line extensions" to include both distribution line extensions and secondary line extensions, other than service lines, under the same provisions, while not ignoring the distinctions between the two lines.

The Board did not propose the new designation in Docket No. NOI-05-2, but it did make the changes based upon the discussions in that docket.

a. **Definitions. The following definitions shall apply to the terms used in this rule:**

> ***"~~Advances~~ Advance for construction ~~costs,~~"*** **as used in this subrule ~~these subrules~~, ~~are~~ means cash payments~~, or surety bonds,~~ or equivalent surety made to the utility by an applicant for an electrical line ~~an~~ extension, portions of which may be refunded**

> **depending on the attachment of any subsequent service line ~~connections~~ made to the electrical line extension. Cash payments~~, surety bonds,~~ or equivalent surety ~~sureties~~ shall include a grossed-up amount for the income tax effect of such revenue.**

The Board is proposing changes in this definition consistent with those in chapter 19 for natural gas extensions.

> ***"Contribution in aid of construction,"*** **as used in this subrule, means a nonrefundable cash payment grossed-up for the income tax effect of such revenue covering the costs of an electrical line ~~an~~ extension or service line that is in excess of costs paid by the utility~~-funded allowances~~. The amount of tax shall be reduced by the present value of the tax benefits to be obtained by depreciating the property in determining the tax liability.**

The Board is proposing changes in this definition to reflect that a contribution in aid of construction can apply to electrical line extensions and service lines.

> ~~***"Customer advances for construction records,"*** **as used in this subrule, means a separate record established and maintained by the utility, which includes, by depositor, the amount of advance for construction provided by the customer, whether the advance is by cash, surety bond, or equivalent surety and if by surety bond or equivalent surety, all relevant information concerning the bond, the amount of the refund, if any, to which the depositor is entitled, the amount of refund, if any, which has been made to the customer, the amount unrefunded, and the construction project or work order the extension was installed on.~~

To make record keeping simpler, changes are proposed consistent with those for natural gas extensions in chapter 19. The Board is proposing a new provision with record keeping requirements as suggested by Consumer Advocate.

> ***"Electrical line extensions"*** **includes distribution line extensions and secondary line extensions as defined in subrule 199 IAC 20.1(3), except for service lines as defined in this subrule.**

As discussed above, the Board is proposing to create a new designation for extensions of electric lines that will include both distribution line extensions and secondary line extensions, except for service lines, and will be consistent with the definitions in 20.1(3). Distribution line extensions and secondary line extensions will be treated the same for purposes of this subrule.

> ***"Estimated base revenues,"*** **as used in this subrule, shall be calculated by subtracting the fuel expense costs as described in the uniform system of accounts as adopted by the board and energy efficiency charges from the estimated annual revenues.**

The Board is proposing changes consistent with changes proposed for natural gas extensions in chapter 19.

> ***"Estimated construction costs,"*** **as used in the subrule, shall be calculated using average current costs in accordance with good engineering practices and upon the following factors: amount of service required or desired by the customer requesting the electrical line extension, or service line; size, location, and characteristics of the electrical line extension or service line, including appurtenances, except equivalent overhead transformer cost; and whether the ground is frozen or whether other adverse conditions exist. ~~The average cost per foot shall be computed utilizing the prior calendar year costs, to the extent such cost basis does not exceed the current costs using current construction cost methodologies, resources and material, and working conditions, divided by the total feet of extensions by type of service for the prior calendar year.~~ In no event shall estimated construction**

> **costs include costs associated with facilities built for the convenience of the utility. Permit fees may be included by the utility in the calculation of estimated construction costs.**

The Board is proposing changes consistent with the changes proposed for natural gas extensions in chapter 19 and has included MidAmerican's suggestion to eliminate certain unnecessary language.

> ~~***"Extension"* means a distribution or secondary line extension other than a service line extension.***~~

The Board proposes to delete this definition since a new designation for electrical line extension is being proposed that includes both distribution line extensions and secondary line extensions, other than service lines.

> ***"Plant addition," as used in this subrule, means any additional plant required to be constructed to provide service to a customer other than an electrical line extension or service line.***

The Board is proposing a definition for "plant additions" and a separate provision in paragraph 20.3(13)"b" because the participants in Docket No. NOI-05-2 indicated that the Board should keep the provisions in the rule.

> ***"Service lines*** ~~***line extension"***~~ **shall mean any secondary line extension, as defined in subrule 20.1(3), on private property serving a single customer or point of attachment of electric service.**

The Board proposes this change to distinguish between proposed electrical line extensions and extensions to a single customer on private property, which will be defined as service lines.

> ***"Similarly situated customer,"*** **as used in this subrule is a customer whose annual consumption or service requirements, as defined by estimated annual revenue, are similar to other customers with approximately the same annual consumption or service requirements.**

This change is proposed to make the definition consistent with other definitions and amendments proposed in chapter 19.

> ***"Utility,"*** **as used in this ~~the subrules,~~ subrule, means a rate-regulated utility.**

This change is proposed to make the definition consistent with other definitions and amendments proposed in chapter 19.

> ***b*. ~~Distribution or secondary lines extensions *other than service lines.*~~ ~~(1)~~Plant additions. The utility ~~will~~ shall provide all electric plant at its cost and expense without requiring an advance for construction or contribution in aid of construction from customers or developers except in those unusual circumstances where extensive plant additions are required before the customer can be served~~, or where the customer will not attach within the agreed-upon attachment period after completion of construction. In such instances, the utility shall require, no more than 30 days prior to commencement of construction, the customer or developer to advance funds which are subject to refund as additional customers are attached~~. A written contract between the utility and the customer which requires an advance for construction or nonrefundable contribution by the customer to make plant additions shall be available for board inspection. The utility shall allow the customer or developer, at the customer's or developer's option, to provide a nonrefundable contribution in aid of construction instead of a refundable advance for construction~~, under subparagraphs 20.3(13)"*b*"(2) and (3)~~.**

The Board proposes the same changes to the electric extension rules for plant additions as is being proposed for natural gas extension rules in chapter 19. The Board is proposing that plant additions have a provision in this subrule separate from electrical line extensions.

> **~~(2)~~ *c. Electrical line extensions.* ~~Advances for construction costs for extensions for customers who will attach within the agreed-upon attachment period.~~ The following shall apply where ~~Where~~ the customer will attach to the electrical line extension within the agreed-upon attachment period after completion of the electrical line extension~~, the following shall apply~~.**

The change proposed for this paragraph is the same as proposed for the gas extension rules in chapter 19.

> **~~1.~~ (1) ~~If the estimated construction cost to provide an extension is less than or equal to three times the estimated base revenue calculated on the basis of similarly situated customers, the utility shall finance and make the extension without requiring an advance for construction.~~ The utility shall finance and make the electrical line extension for a customer without requiring an advance for construction or contribution in aid of construction if the estimated construction costs to provide an electrical line extension are less than or equal to three times the estimated base revenue calculated on the basis of similarly situated customers. The utility may use a feasibility model, rather than three times estimated base revenues, to determine what, if any, advance for construction or contribution in aid of construction is required by the customer. The feasibility model shall be filed as part of the utility's tariff. A written contract between the utility and customer shall be available for board inspection upon request.**

The proposed changes to this subparagraph are the same proposed changes recommended for the natural gas extension rules in chapter 19.

> **~~2.~~ (2) If the estimated construction cost to provide an electrical ~~distribution~~ line extension is greater than three times the estimated base revenue calculated on the basis of similarly situated customers, the applicant for the electrical line extension shall contract with the utility and deposit an advance for construction equal to the estimated construction cost less three times the estimated base revenue to be produced by the customer no more than 30 days prior to commencement of construction. The customer may choose to pay a contribution in aid of construction instead of the advance for construction. The utility may use a feasibility model to determine whether an advance for construction or contribution in aid of construction is required. The feasibility model shall be filed as part of the utility's tariff. A written contract between the utility and the customer shall be available for board inspection upon request.**

The proposed changes are the same as those proposed for natural gas extensions in chapter 19. The language requires the utility to have a written contract for electrical line extensions. The language also gives the customer the choice of paying an advance or making a contribution in aid of construction and allows the utility to use a feasibility model to calculate whether an advance is needed.

> **(3) ~~Advances for construction costs for extensions for customers who will not attach within the agreed-upon attachment period.~~ Where the customer will not attach within the agreed-upon attachment period after completion of the electrical line extension, the applicant for the electrical line extension shall contract with the utility and make, ~~deposit~~ no more than 30 days prior to the commencement of construction, an advance for construction equal to the estimated construction cost.**

> **The utility may use a feasibility model to determine the amount of the advance for construction. A written contract between the utility and the customer shall be available for board inspection upon request.**

The proposed change is consistent with that proposed for natural gas extensions in chapter 19.

> ~~**Advance payments for plant additions or extensions which are subject to refund for a ten-year period may be made by cash, surety bond, or equivalent surety. In the event a surety bond or an equivalent surety is used, the bonded amount shall have added to it a surcharge equal to the annual interest rate paid by the utility on customer bill deposits times the bonded amount. The bond shall be called by the utility at the end of one year or when the earned refunds are equal to the bonded amount, less the surcharge, whichever occurs first. If, upon termination of the surety bond, there are sufficient earned refunds to offset the amount of the surety bond, less the surcharge, the depositors shall provide the utility the amount of the surcharge. If, upon termination of the surety bond, there are not sufficient earned refunds to offset the full amount of the surety bond, less the surcharge, the depositors shall provide the utility a cash deposit equal to the amount of the surety bond, less refunds accumulated during the bonded period, plus the surcharge, or the depositor may pay the interest on the previous year's bond and rebond the balance due to the utility for a second or third one-year period. Upon receipt of such cash deposit, the utility shall release the surety bond. The cash deposit, less the surcharge, shall be subject to refund by the utility for the remainder of the ten year period**~~**.**
> **(4) Advances for construction may be paid by cash or equivalent surety and shall be refundable for five years.**

As in chapter 19 natural gas extension rules, the Board proposes this change to eliminate the language in the current rule pertaining to surety bonds and requisite

record keeping. The Board proposes to retain the flexibility for utilities to accept other types of surety instead of cash.

> **(5) ~~(4)~~ Refunds. When the customer has chosen to make an advance for construction rather than a contribution in aid of construction, the utility shall refund to the depositor for a period of ~~ten~~ five years from the date of the original advance a pro-rata share for each service line attached ~~attachment~~ to the ~~distribution~~ electrical line extension. The pro-rata refund shall be computed in the following manner:**

The Board proposes to change the ten-year period to five years for refunds to the depositor.

> **1. If the combined total of three times estimated base revenue for the depositor and each customer who has attached to the extension exceeds the total estimated construction cost to provide the extension, the entire amount of the advance provided by the depositor shall be refunded to the depositor. If the combined total of three times estimated base revenue, or the amount allowed by the feasibility model, for the depositor and each customer who has attached a service line to the electrical line extension exceeds the total estimated construction cost to provide the electrical line extension, the entire amount of the advance for construction provided by the depositor shall be refunded to the depositor. Utilities may include actual permit fees in the cost of construction.**

The Board has added a provision that the utility may include any actual permit ees in the cost of construction. This provision is consistent with proposed changes in chapter 19 for natural gas extensions. The Board also proposes that a feasibility model may be used by the utility to estimate the cost of construction.

> **2. ~~If the combined total of three times estimated base revenue for the depositor and each customer who has~~**

> **~~attached to the extension is less than the total estimated construction cost to provide the extension, the amount to be refunded to the depositor shall equal three times estimated base revenue of the customer attaching to the extension.~~ If the combined total of three times estimated base revenue, or the amount allowed by the feasibility model, for the depositor and each customer who has attached a service line to the electrical line extension is less than the total estimated construction cost to provide the electrical line extension, the amount to be refunded to the depositor shall equal three times estimated base revenue, or the amount allowed by the feasibility model, of the customer attaching a service line connection to the electrical line extension. Utilities may include actual permit fees in the cost of construction.**

The Board proposes that a feasibility model may be used by the utility to estimate the cost of construction. Also, the Board proposes a change to allow actual permit fees to be part of the estimated cost of construction.

> **3. In no event shall the total amount to be refunded to a depositor exceed the amount of the advance for construction made by the depositor. Any amounts subject to refund shall be paid by the utility without interest. At the expiration of the above-described ~~ten~~ five-year period, the depositor ~~customer~~ advance for construction record shall be closed and the remaining balance shall be credited to the respective plant account.**

The Board proposes to change the ten-year refund period to a five-year refund period consistent with the changes proposed in chapter 19 for natural gas extensions.

> **(6) The utility shall keep a separate record by depositor of each work order under which the electrical line extension was installed, including the estimated**

customer revenues, the estimated construction costs, the actual cost, the amount of any deposit received, and any refunds paid to the depositor.

The Board proposes the same record keeping requirements in this subrule as proposed for natural gas extensions in chapter 19.

d. Service ~~line~~ lines ~~extensions.~~

(1) The utility shall finance and construct either an overhead or underground service line ~~extension~~ without requiring ~~a contribution in aid of construction or~~ any payment by the applicant where the length of the overhead service line ~~extension~~ to the first point of attachment is up to 50 feet on private property or where the cost of the underground service line ~~extension~~ to the meter or service disconnect is less than or equal to the estimated cost of constructing an equivalent overhead service line ~~extension~~ of up to 50 feet.

(2) Where the length of the overhead service line ~~extension~~ exceeds 50 feet on private property, the applicant shall be required to provide a contribution in aid of construction for that portion of the service line ~~extension~~ on the private property, exclusive of the point of attachment, within 30 days after completion. The contribution in aid of construction for that portion of the service line ~~extension~~ shall be computed as follows:

(Estimated Construction Costs) ×

(Total Length in Excess of 50 Feet)
(Total Length of Service Line ~~Extension~~)

(3) Where the cost of the underground service line ~~extension~~ exceeds the estimated cost of constructing an equivalent overhead service line ~~extension~~ of up to 50 feet, the applicant shall be required to provide a contribution in aid of construction within 30 days after completion equal to the difference between the estimated cost of constructing the underground service line ~~extension~~ and the estimated cost of constructing an

equivalent overhead service line ~~extension~~ of up to 50 feet.

(4) A utility may adopt a tariff or rule that allows the utility to finance and construct a service line ~~extension~~ of more than 50 feet without requiring a contribution from the customer if the tariff or rule applies equally to all customers or members.

(5) Whether or not the construction of the service line would otherwise require a payment from the customer, the utility may include actual permit fees in the cost of construction.

The Board proposes changes to reflect the new definition of service lines and the language proposed by MidAmerican to allow actual permit fees to be included in the cost of construction.

***~~d~~ e. ~~Extensions not required~~* Utilities shall not be required to make electrical line extensions or install service lines as described in this rule, unless the electrical line extension or service line shall be of a permanent nature.**

The proposed changes are consistent with those proposed for natural gas extensions in chapter 19.

***~~e~~ f ~~Extensions permitted.~~* ~~This rule shall not be construed as prohibiting any utility from making a contract with a customer in a different manner, if the contract provides a more favorable method of extension to the customer, so long as no discrimination is practiced among customers or depositors.~~**

This subrule shall not be construed as prohibiting any utility from making a contract with a customer using a different payment arrangement, if the contract provides a more favorable payment arrangement to the customer,

so long as no discrimination is practiced among customers or depositors.

The proposed changes are consistent with those proposed in chapter 19 for natural gas extensions.

20.3(14) Cooperation and advance notice. In order that full benefit may be derived from these rules and in order to facilitate their proper application, all utilities shall observe the following cooperative practices:

a. **Each utility shall give to other public utilities in the same general territory advance notice of any construction or change in construction or in operating conditions of its facilities concerned or likely to be concerned, in situations of proximity, provided, however, that the requirements of this rule shall not apply in case of routine extensions or minor changes in the local underground distribution facilities.**

b. **Each utility shall assist in promoting conformity with these rules. An arrangement should be set up between all utilities whose facilities may occupy the same general territory, providing for the interchange of pertinent data and information including that relative to proposed and existing construction and changes in operating conditions concerned or likely to be concerned in situations of proximity.**

The participants in Docket No. NOI-05-2 did not object to the Board proposal to add this new subrule to the electric extension rules. This is consistent with previously approved language in chapter 19.

IT IS THEREFORE ORDERED:

1. A rule making proceeding identified as Docket No. RMU-06-6 is commenced for the purpose of receiving comments on the proposed amendments

and rescission in the notice attached hereto and incorporated herein by reference in this order.

2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin a notice in the form attached to and incorporated by reference in this order.

UTILITIES BOARD

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 23rd day of August, 2006.

UTILITIES DIVISION [199]

Notice of Intended Action

Pursuant to Iowa Code sections 17A.4, 476.1, 476.2, and 476.8, the Utilities Board (Board) gives notice that on August 23, 2006, the Board issued an order in Docket No. RMU-06-6, In re: Amendments to Gas and Electric Line Extension Rules [199 IAC 19.3(10) and 20.3(13)], "Order Commencing Rule Making," proposing to revise the requirements for natural gas and electric line extensions. The amendments to subrules 19.3(10) and 20.3(13) are being proposed based upon a review of the current extension rules by the Board and participants in Docket No. NOI-05-2. The order containing the background and support for this rule making can be found on the Board's Web site, www.state.ia.us/iub.

Pursuant to Iowa Code section 17A.4(1)"a" and "b," any interested person may file a written statement of position pertaining to the proposed amendments. The statement must be filed on or before October 3, 2006, by filing an original and ten copies in a form substantially complying with 199 IAC 2.2(2). All written statements should clearly state the author's name and address and should make specific reference to this docket. All communications should be directed to the Executive Secretary, Iowa Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

A public hearing to receive oral comments on the proposed amendments will be held at 10 a.m. on November 14, 2006, in the Board's hearing room at the address listed above. Persons with disabilities who require assistive services or devices to

observe or participate should contact the Utilities Board at (515)281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

These amendments are intended to implement Iowa Code sections 17A.4, 476.1, 476.2, and 476.8.

The following amendments are proposed.

Item 1. Amend subrule 199—19.3(10) as follows:

19.3(10) ~~*Extensions and service line extensions to customers.*~~Plant additions, distribution main extensions, and service lines.

a. Definitions. The following definitions shall apply to the terms as used in this subrule ~~these rules~~.

"~~*Advances*~~ Advance for construction ~~costs~~," as used in this subrule ~~these subrules~~, ~~are~~ means cash payments~~, or surety bonds,~~ or equivalent surety made to the utility by an applicant for a distribution main ~~an~~ extension, portions of which may be refunded depending on any subsequent service line ~~connections~~ ~~made~~ attached to the distribution main extension. Cash payments~~, surety bonds,~~ or equivalent surety ~~sureties~~ shall include a grossed-up amount for the income tax effect of such revenue**.**

"Contribution in aid of construction," as used in this subrule, means a nonrefundable cash payment grossed-up for the income tax effect of such revenue covering the costs of a distribution main ~~an~~ extension or service line that are in excess of costs paid by the utility~~-funded allowances~~. The amount of tax shall be reduced by the present value of the tax benefits to be obtained by depreciating the property in determining the tax liability.

~~*"Customer advances for construction records,"* as used in this subrule, means a separate record established and maintained by the utility, which includes, by depositor, the amount of advance for construction provided by the customer, whether the advance is by cash or surety bond, or equivalent surety and if by surety bond or equivalent surety, all relevant information concerning the bond or surety, the amount of the refund, if any, to which the depositor is entitled, the amount of refund, if any, which has been made to the customer, the amount unrefunded, and the construction project or work order the extension was installed on.~~

"Distribution main extension," as used in this subrule, means a segment of pipeline installed to convey gas to individual service lines or other distribution mains.

"Estimated base revenues," as used in this subrule, shall be calculated by subtracting the cost of purchased gas and energy efficiency charges from estimated annual revenues.

"Estimated construction costs," as used in this ~~the~~ subrule, shall be calculated using average current costs in accordance with good engineering practices and upon the following factors: Amount of service required or desired by the customer requesting the distribution main extension or service line; size, location, and characteristics of the distribution main extension or service line, including appurtenances; and whether the ground is frozen or whether other adverse conditions exist. ~~The average cost per foot shall be computed utilizing the prior calendar year costs, to the extent such cost basis does not exceed the current costs using current construction cost methodologies, resources and material, and working conditions, divided by the total feet of extensions by size of pipe for the prior~~

~~calendar year.~~ In no event shall estimated construction costs include costs associated with facilities built for the convenience of the utility. Actual permit fees may be included by the utility in the calculation of estimated construction costs.

~~"*Extension*" means a distribution main extension.~~

"Plant addition" as used in this subrule means any additional plant, other than a distribution main or service line, required to be constructed to provide service to a customer.

"Service line ~~*extension,*~~" as used in this subrule, means the piping that extends from the distribution ~~gas~~ main to the meter set riser.

"Similarly situated customer," as used in this subrule, is a customer whose annual consumption or service requirements, as defined by estimated annual revenue, are similar to other customers with approximately the same annual consumption or service requirements.

"Utility," as used in this ~~the~~ subrule, means a rate-regulated utility.

b. ~~Distribution main extensions.~~ ~~(1)~~Plant additions. The utility ~~will~~ shall provide all gas plant at its cost and expense without requiring an advance for construction or nonrefundable contribution in aid of construction from customers or developers except in those unusual circumstances where extensive plant additions are required before the customer can be served~~, or where the customer will not attach within the agreed-upon attachment period after completion of construction. In such instances, the utility shall require, no more than 30 days prior to commencement of construction, the customer or developer to advance funds which are subject to refund as additional customers are attached~~. A written contract between the utility

and the customer, which requires an advance for construction or nonrefundable contribution in aid of construction by the customer to make plant additions, shall be available for board inspection. The utility shall allow the customer or developer, at the customer's or developer's option, to provide a nonrefundable contribution in aid of construction instead of a refundable advance for construction~~, under subparagraphs 19.3(10)*"b"*(2) and (3)~~.

c. Distribution main extensions. ~~(2) Advances for construction costs for distribution main extensions for customers who will attach within the agreed-upon attachment period.~~ The following shall apply where ~~Where~~ the customer will attach to the distribution main extension within the agreed-upon attachment period after completion of the distribution main extension~~, the following shall apply~~:

~~1.~~ (1) The utility shall finance and make the distribution main extension for a customer without requiring an advance for construction or contribution in aid of construction if the estimated construction costs to provide a distribution main extension are ~~is~~ less than or equal to ~~the~~ three times the estimated base revenue calculated on the basis of similarly situated customers. The utility may use a feasibility model, rather than the three times estimated base revenue calculation, to determine what, if any, advance for construction or contribution in aid of construction is required of the customer. The feasibility model shall be filed as part of the utility's tariff.

~~2.~~ (2) If the estimated construction cost to provide a distribution main extension is greater than three times the estimated base revenue calculated on the basis of similarly situated customers, the applicant for a distribution main ~~such an~~ extension

shall contract with the utility and make ~~deposit~~ an advance for construction equal to the estimated construction cost less three times the estimated base revenue to be produced by the customer no more than 30 days prior to commencement of construction. The customer may choose to pay a nonrefundable contribution in aid of construction instead of the advance for construction. The utility may use a feasibility model to determine whether an advance for construction or contribution in aid of construction is required. The feasibility model shall be filed as part of the utility's tariff. A written contract between the utility and the customer shall be available for board inspection upon request.

(3) ~~Advances for construction costs for distribution main extensions for customers who will not attach within the agreed-upon attachment period.~~ Where the customer will not attach within the agreed-upon attachment period after completion of the distribution main extension, the applicant for the distribution main extension shall contract with the utility and make, ~~deposit~~ no more than 30 days prior to the commencement of construction, an advance for construction equal to the estimated construction cost. The utility may use a feasibility model to determine the amount of the advance for construction. A written contract between the utility and the customer shall be available for board inspection upon request.

(4) ~~Advance payments for extensions which are subject to refund for a ten year period may be made by cash, surety bond, or equivalent surety. In the event a surety bond or an equivalent surety is used, the bonded amount shall have added to it a surcharge equal to the annual interest rate paid by the utility on customer bill deposits times the bonded amount. The bond shall be called by the utility at the end~~

~~of one year or when the earned refunds are equal to the bonded amount, less the surcharge, whichever occurs first. If, upon termination of the surety bond, there are sufficient earned refunds to offset the amount of the surety bond, less the surcharge, the depositors shall provide the utility the amount of the surcharge. If, upon termination of the surety bond, there are not sufficient earned refunds to offset the full amount of the surety bond, less the surcharge, the depositors shall provide the utility a cash deposit equal to the amount of the surety bond, less refunds accumulated during the bonded period, plus the surcharge, or the depositor may pay the interest on the previous year's bond and rebond the balance due to the utility for a second or third one-year period. Upon receipt of such cash deposit, the utility shall release the surety bond. The cash deposit, less the surcharge, shall be subject to refund by the utility for the remainder of the ten year period.~~ Advances for construction may be paid by cash or equivalent surety and shall be refundable for five years.

~~(4)~~ (5) Refunds. When the customer has chosen to make an advance for construction rather than a contribution in aid of construction, the utility shall refund to the depositor for a period of ~~ten~~ five years from the date of the original advance a pro-rata share for each service line attached ~~attachment~~ to the distribution main extension. The pro-rata refund shall be computed in the following manner:

1. If the combined total of three times estimated base revenue or the amount allowed by the feasibility model for the depositor and each customer who has attached a service line to the distribution main extension exceeds the total estimated construction cost to provide the distribution main extension, the entire amount of the

advance for construction provided by the depositor shall be refunded to the depositor. Utilities may include actual permit fees in the estimated cost of construction.

2. If the combined total of three times estimated base revenue, or the amount allowed by the feasibility model, for the depositor and each customer who has attached a service line to the distribution main extension is less than the total estimated construction cost to provide the distribution main extension, the amount to be refunded to the depositor shall equal three times the estimated base revenue of the customer, or the amount allowed by the feasibility model, attaching a service line to the distribution main extension. Utilities may include permit fees in the cost of construction.

3. In no event shall the total amount to be refunded to a depositor exceed the amount of the advance for construction made by the depositor. Any amounts subject to refund shall be paid by the utility without interest. At the expiration of the above-described ~~ten~~ five-year period, the depositor ~~customer~~ advance for construction record shall be closed and the remaining balance shall be credited to the respective plant account.

(6) The utility shall keep a separate record by depositor of each work order under which the distribution main extension was installed, to include the estimated customer revenues, the estimated construction costs, the actual cost, the amount of any deposit received, and any refunds paid to the depositor.

d. Service ~~line~~ lines ~~*extensions*~~ The utility shall finance and construct a service line ~~extension~~ without requiring a contribution in aid of construction or any payment

by the applicant where the length of the service line ~~extension~~ to the riser is up to 50 feet on private property or 100 feet on private property if polyethylene plastic pipe is used.

Where the length of the service line ~~extension~~ exceeds 50 feet on private property or 100 feet if polyethylene plastic pipe is used, the applicant shall be required to provide a contribution in aid of construction, within 30 days after completion, for that portion of the service line ~~extension~~ on ~~the~~ private property, exclusive of the riser, in excess of 50 feet or in excess of 100 feet if polyethylene plastic pipe is used. The contribution in aid of construction for that portion of the service line ~~extension~~ shall be computed as follows:

$$\text{(Estimated Construction Costs)} \times \frac{\text{(Total Length in Excess of 50 Feet) or (Total Length in Excess of 100 Feet)}}{\text{(Total Length of Service Line ~~Extension~~)}}$$

(1) A utility may adopt a tariff or rule that allows the utility to finance and construct a service line of more than 50 feet, or 100 feet if polyethylene plastic pipe is used, without requiring a contribution from the customer if the tariff or rule applies equally to all customers.

(2) Whether or not the construction of the service line would otherwise require a payment from the applicant, the utility may include actual permit fees in the cost of construction.

~~*d*~~ *e*. ~~Extensions not required.~~ Utilities shall not be required to make distribution main extensions or attach service lines as described in this rule, unless the distribution main extension or service line shall be of a permanent nature.

~~*e*~~ *f*. ~~*Extensions permitted.*~~ This ~~rule~~ subrule shall not be construed as prohibiting any utility from making a contract with a customer using a different payment arrangement ~~in a different manner~~, if the contract provides a more favorable payment arrangement ~~method of extension~~ to the customer, so long as no discrimination is practiced among customers or depositors.

Item 2. Amend subrule 20.3(13) as follows:

20.3(13) ~~*Extensions and service line extensions to customers.*~~ *Electrical line extensions and service lines.*

a. Definitions. The following definitions shall apply to the terms used in this rule:

"~~*Advances*~~ Advance for construction~~ costs~~," as used in this subrule ~~these subrules~~, ~~are~~ means cash payments~~, or surety bonds,~~ or equivalent surety made to the utility by an applicant for an electrical line extension, portions of which may be refunded depending on the attachment of any subsequent service line ~~connections~~ made to the electrical line extension. Cash payments~~, surety bonds,~~ or equivalent surety ~~sureties~~ shall include a grossed-up amount for the income tax effect of such revenue.

"Contribution in aid of construction," as used in this subrule, means a nonrefundable cash payment grossed-up for the income tax effect of such revenue covering the costs of an electrical line extension or service line that ~~are~~ is in excess of costs paid by the utility~~-funded allowances~~. The amount of tax shall be reduced by the present value of the tax benefits to be obtained by depreciating the property in determining the tax liability.

~~*“Customer advances for construction records,”* as used in this subrule, means a separate record established and maintained by the utility, which includes, by depositor, the amount of advance for construction provided by the customer, whether the advance is by cash, surety bond, or equivalent surety and if by surety bond or equivalent surety, all relevant information concerning the bond, the amount of the refund, if any, to which the depositor is entitled, the amount of refund, if any, which has been made to the customer, the amount unrefunded, and the construction project or work order the extension was installed on.~~

"Electrical line extensions" includes distribution line extensions and secondary line extensions as defined in subrule 199 IAC 20.1(3), except for service lines as defined in this subrule.

“Estimated base revenues,” as used in this subrule, shall be calculated by subtracting the fuel expense costs as described in the uniform system of accounts as adopted by the board and energy efficiency charges from the estimated annual revenues.

“Estimated construction costs,” as used in the subrule, shall be calculated using average current costs in accordance with good engineering practices and upon the following factors: amount of service required or desired by the customer requesting the electrical line extension, or service line; size, location, and characteristics of the electrical line extension or service line, including appurtenances, except equivalent overhead transformer cost; and whether the ground is frozen or whether other adverse conditions exist. ~~The average cost per foot shall be computed utilizing the prior calendar year costs, to the extent such cost basis does not exceed the current~~

~~costs using current construction cost methodologies, resources and material, and working conditions, divided by the total feet of extensions by type of service for the prior calendar year.~~ In no event shall estimated construction costs include costs associated with facilities built for the convenience of the utility. Permit fees may be included by the utility in the calculation of estimated construction costs.

~~*"Extension"* means a distribution or secondary line extension other than a service line extension.~~

"Plant addition" as used in this subrule means any additional plant required to be constructed to provide service to a customer other than an electrical line extension or service line.

"Service lines ~~*line extension"*~~ shall mean any secondary line extension, as defined in subrule 20.1(3), on private property serving a single customer or point of attachment of electric service.

"Similarly situated customer," as used in this subrule, is a customer whose annual consumption or service requirements, as defined by estimated annual revenue, are similar to other customers with approximately the same annual consumption or service requirements.

"Utility," as used in this ~~the subrules,~~ subrule, means a rate-regulated utility.

b. ~~*Distribution or secondary lines extensions other than service lines.*~~ ~~(1)~~ Plant additions. The utility ~~will~~ shall provide all electric plant at its cost and expense without requiring an advance for construction or nonrefundable contribution in aid of construction from customers or developers except in those unusual circumstances where extensive plant additions are required before the customer can be served~~, or~~

~~where the customer will not attach within the agreed-upon attachment period after completion of construction. In such instances, the utility shall require, no more than 30 days prior to commencement of construction, the customer or developer to advance funds which are subject to refund as additional customers are attached~~. A written contract between the utility and the customer which requires an advance for construction or nonrefundable contribution in aid of construction by the customer to make plant additions shall be available for board inspection. The utility shall allow the customer or developer, at the customer's or developer's option, to provide a nonrefundable contribution in aid of construction instead of a refundable advance for construction~~, under subparagraphs 20.3(13)*"b"*(2) and (3)~~.

~~(2)~~ *c.* *Electrical line extensions.* ~~Advances for construction costs for extensions for customers who will attach within the agreed-upon attachment period.~~ The following shall apply where ~~Where~~ the customer will attach to the electrical line extension within the agreed-upon attachment period after completion of the electrical line extension~~, the following shall apply~~:

~~1.~~ (1) ~~If the estimated construction cost to provide an extension is less than or equal to three times the estimated base revenue calculated on the basis of similarly situated customers, the utility shall finance and make the extension without requiring an advance for construction.~~

The utility shall finance and make the electrical line extension for a customer without requiring an advance for construction or contribution in aid of construction if the estimated construction costs to provide an electrical line extension are less than or equal to three times the estimated base revenue calculated on the basis of

similarly situated customers. The utility may use a feasibility model, rather than three times estimated base revenues, to determine what, if any, advance for construction or contribution in aid of construction is required by the customer. The feasibility model shall be filed as part of the utility's tariff. A written contract between the utility and customer shall be available for board inspection upon request.

~~2.~~ (2) If the estimated construction cost to provide an electrical line extension is greater than three times the estimated base revenue calculated on the basis of similarly situated customers, the applicant for the electrical line extension shall contract with the utility and deposit an advance for construction equal to the estimated construction cost less three times the estimated base revenue to be produced by the customer no more than 30 days prior to commencement of construction. The customer may choose to pay a contribution in aid of construction instead of the advance for construction. The utility may use a feasibility model to determine whether an advance for construction or contribution in aid of construction is required. A written contract between the utility and the customer shall be available for board inspection upon request.

(3) ~~Advances for construction costs for extensions for customers who will not attach within the agreed-upon attachment period.~~Where the customer will not attach within the agreed-upon attachment period after completion of the electrical line extension, the applicant for the electrical line extension shall contract with the utility and make, ~~deposit~~ no more than 30 days prior to the commencement of construction, an advance for construction equal to the estimated construction cost. The utility may use a feasibility model to determine the amount of the advance for

construction. A written contract between the utility and the customer shall be available for board inspection upon request.

~~Advance payments for plant additions or extensions which are subject to refund for a ten-year period may be made by cash, surety bond, or equivalent surety. In the event a surety bond or an equivalent surety is used, the bonded amount shall have added to it a surcharge equal to the annual interest rate paid by the utility on customer bill deposits times the bonded amount. The bond shall be called by the utility at the end of one year or when the earned refunds are equal to the bonded amount, less the surcharge, whichever occurs first. If, upon termination of the surety bond, there are sufficient earned refunds to offset the amount of the surety bond, less the surcharge, the depositors shall provide the utility the amount of the surcharge. If, upon termination of the surety bond, there are not sufficient earned refunds to offset the full amount of the surety bond, less the surcharge, the depositors shall provide the utility a cash deposit equal to the amount of the surety bond, less refunds accumulated during the bonded period, plus the surcharge, or the depositor may pay the interest on the previous year's bond and rebond the balance due to the utility for a second or third one-year period. Upon receipt of such cash deposit, the utility shall release the surety bond. The cash deposit, less the surcharge, shall be subject to refund by the utility for the remainder of the ten year period~~.

(4) Advances for construction may be paid by cash or equivalent surety and shall be refundable for five years.

(5) ~~(4)~~ Refunds. When the customer has chosen to make an advance for construction rather than a contribution in aid of construction, the utility shall refund to the depositor for a period of ~~ten~~ five years from the date of the original advance a pro-rata share for each service line attached ~~attachment~~ to the ~~distribution~~ electrical line extension. The pro-rata refund shall be computed in the following manner:

~~1. If the combined total of three times estimated base revenue for the depositor and each customer who has attached to the extension exceeds the total estimated construction cost to provide the extension, the entire amount of the advance provided by the depositor shall be refunded to the depositor.~~ If the combined total of three times estimated base revenue, or the amount allowed by the feasibility model, for the depositor and each customer who has attached a service line to the electrical line extension exceeds the total estimated construction cost to provide the electrical line extension, the entire amount of the advance for construction provided by the depositor shall be refunded to the depositor. Utilities may include actual permit fees in the cost of construction.

2. ~~If the combined total of three times estimated base revenue for the depositor and each customer who has attached to the extension is less than the total estimated construction cost to provide the extension, the amount to be refunded to the depositor shall equal three times estimated base revenue of the customer attaching to the extension.~~ If the combined total of three times estimated base revenue, or the amount allowed by the feasibility model, for the depositor and each customer who has attached a service line to the electrical line extension is less than the total estimated construction cost to provide the electrical line extension, the

amount to be refunded to the depositor shall equal three times estimated base revenue, or the amount allowed by the feasibility model, of the customer attaching a service line connection to the electrical line extension. Utilities may include actual permit fees in the cost of construction.

3. In no event shall the total amount to be refunded to a depositor exceed the amount of the advance for construction made by the depositor. Any amounts subject to refund shall be paid by the utility without interest. At the expiration of the above-described ~~ten~~ five-year period, the depositor ~~customer~~ advance for construction record shall be closed and the remaining balance shall be credited to the respective plant account.

(6) The utility shall keep a separate record by depositor of each work order under which the electrical line extension was installed, including, the estimated customer revenues, the estimated construction costs, the actual cost, the amount of any deposit received, and any refunds paid to the depositor.

~~*c*~~ *d.* Service ~~line~~ lines ~~*extensions.*~~

(1) The utility shall finance and construct either an overhead or underground service line ~~extension~~ without requiring a contribution in aid of construction or any payment by the applicant where the length of the overhead service line ~~extension~~ to the first point of attachment is up to 50 feet on private property or where the cost of the underground service line ~~extension~~ to the meter or service disconnect is less than or equal to the estimated cost of constructing an equivalent overhead service line ~~extension~~ of up to 50 feet.

(2) Where the length of the overhead service line ~~extension~~ exceeds 50 feet on private property, the applicant shall be required to provide a contribution in aid of construction for that portion of the service line ~~extension~~ on ~~the~~ private property, exclusive of the point of attachment, within 30 days after completion. The contribution in aid of construction for that portion of the service line ~~extension~~ shall be computed as follows:

$$\text{(Estimated Construction Costs)} \times \frac{\text{(Total Length in Excess of 50 Feet)}}{\text{(Total Length of Service Line ~~Extension~~)}}$$

(3) Where the cost of the underground service line ~~extension~~ exceeds the estimated cost of constructing an equivalent overhead service line ~~extension~~ of up to 50 feet, the applicant shall be required to provide a contribution in aid of construction within 30 days after completion equal to the difference between the estimated cost of constructing the underground service line ~~extension~~ and the estimated cost of constructing an equivalent overhead service line ~~extension~~ of up to 50 feet.

(4) A utility may adopt a tariff or rule that allows the utility to finance and construct a service line ~~extension~~ of more than 50 feet without requiring a contribution from the customer if the tariff or rule applies equally to all customers or members.

(5) Whether or not the construction of the service line would otherwise require a payment from the customer, the utility may include actual permit fees in the cost of construction.

~~*d*~~ *e*. ~~*Extensions not required*~~. Utilities shall not be required to make electrical line extensions or install service lines as described in this rule, unless the electrical line extension or service line shall be of a permanent nature.

~~*e*~~ *f*. ~~*Extensions permitted.* This rule shall not be construed as prohibiting any utility from making a contract with a customer in a different manner, if the contract provides a more favorable method of extension to the customer, so long as no discrimination is practiced among customers or depositors.~~ This subrule shall not be construed as prohibiting any utility from making a contract with a customer using a different payment arrangement, if the contract provides a more favorable payment arrangement to the customer, so long as no discrimination is practiced among customers or depositors.

Item 3. Adopt **new** subrule 20.3(14) as follows**:**

20.3(14) Cooperation and advance notice. In order that full benefit may be derived from these rules and in order to facilitate their proper application, all utilities shall observe the following cooperative practices:

a. Each utility shall give to other public utilities in the same general territory advance notice of any construction or change in construction or in operating conditions of its facilities concerned or likely to be concerned, in situations of proximity, provided, however, that the requirements of this rule shall not apply in case of routine extensions or minor changes in the local underground distribution facilities.

b. Each utility shall assist in promoting conformity with these rules. An arrangement should be set up between all utilities whose facilities may occupy the

same general territory, providing for the interchange of pertinent data and information including that relative to proposed and existing construction and changes in operating conditions concerned or likely to be concerned in situations of proximity.

August 23, 2006

/s/ John R. Norris
John R. Norris
Chairman