

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

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

ORDER ADOPTING AMENDMENTS

(Issued April 4, 2007)

PROCEDURAL BACKGROUND

Pursuant to the authority of Iowa Code §§ 17A.4, 476.1, 476.2, and 476.8, the Utilities Board (Board) is adopting amendments to 199 IAC 19.3(10) and 20.3(13) to revise the requirements for natural gas pipeline and electric line extensions, as described in the "Adopted and Filed" notice attached hereto and incorporated herein by reference. A "Notice of Intended Action" with the proposed amendments was published in IAB Vol. XXVIII, No. 26 (9/13/06) p. 359, as ARC 5382B.

Comments concerning the proposed amendments were filed by MidAmerican Energy Company (MidAmerican), Interstate Power and Light Company (IPL), Aquila, Inc., d/b/a Aquila Networks (Aquila), the Consumer Advocate Division of the Department of Justice (Consumer Advocate), the Iowa Association of Electric Cooperatives (IAEC), 13 homebuilders and homebuilder associations, and Fox Engineering.

On November 14, 2006, an oral presentation was held to receive oral comments and for the Board to ask questions about the comments. On November 20, 2006, the Board issued an order allowing participants to file additional comments related to the discussions during the oral presentation. Additional comments were filed by MidAmerican, Aquila, and IPL. No reply comments were filed.

The Board will adopt the amendments as proposed with several revisions based upon the comments of the participants and a final review. Presented below is a summary of the comments and the amendments with revisions that will be adopted. Revisions made by the Board to the proposed amendments are in bold. The Board has not reproduced in this order amendments that had no comments and that are being adopted as proposed.

To view all amendments adopted by the Board in this order, see the "Adopted and Filed" notice attached to this order. The official version of the amendments, which may contain non-substantive changes made by the Code Editor, will be published in the Iowa Administrative Bulletin (IAB) on April 25, 2007. The amendments will then be published in the Iowa Administrative Code (IAC) and become effective on May 30, 2007. Interested persons may access the IAB and IAC at <http://www.legis.state.ia.us/Rules> for the exact wording of the amendments adopted in this rule making.

GAS EXTENSION RULES

1. 19.3(10)

The Board will adopt the amended title to this subrule as proposed.

2. 19.3(10)"a"

The Board proposed to amend the definition of "advance for construction" to remove the reference to surety bond so there would no longer be a requirement that the utility accept a surety bond for payment of an advance for construction. The Board retained 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 reached agreement for a payment arrangement other than cash. In addition, the Board proposed clearer distinction between constructing a distribution main extension and a service line throughout the subrule.

In initial comments regarding the proposed amendment to the definition for "advance for construction" Aquila stated that it does not object to the changes in the definition.

In initial comments, MidAmerican stated that it needed clarification that it will be the utility's discretion whether to accept surety bonds for advances for construction under paragraphs 19.3(10)"a" and 20.3(13)"a."

At the oral presentation, Iowa Home Builders Association suggested that the developer be given the option of whether a surety bond can be used instead of cash.

MidAmerican indicated it would like the option to refuse a surety bond if the developer has a history of not renewing the bond in a timely manner.

In additional comments, IPL stated that it supported the position that the utility should have the option of whether to accept a surety instead of cash, not the customer. IPL pointed out that use of sureties is a cumbersome process and requires periodic renewal. If the process is not adhered to, the utility could be unprotected.

The Board has determined that no revisions need to be made to the definition of "advance for construction" and the definition will be adopted as proposed. The Board has also determined that it is more reasonable to allow the customer the option of providing equivalent surety for construction rather than cash, if the customer has not failed to comply with surety procedures in the past. This is consistent with the current rule. No revision to the definition of "advance for construction" is required to implement this decision. The Board will adopt a revision to 19.3(10)"c"(4) that will retain the customer's option of offering equivalent surety to pay for construction unless the customer has failed to comply with requirements under a surety in the past. This will allow utilities to refuse to accept equivalent surety rather than cash from customers who have a history of not fulfilling surety requirements. The adopted amendments to the definition of "advance for construction" are as follows:

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

~~"Advances~~ Advance for construction costs," as used in ~~these subrules~~ this subrule, are means cash payments, ~~or surety bonds,~~ or equivalent surety made to the utility by an

applicant for ~~an~~ a distribution main extension, portions of which may be refunded depending on any subsequent ~~connections made~~ service line attached to the distribution main extension. Cash payments, ~~surety bonds~~, or equivalent ~~sureties~~ surety shall include a grossed-up amount for the income tax effect of such revenue.

The Board also proposed to change the references to distribution main extension and service line connection in the definition of "estimated construction costs" to be consistent with changes in other provisions. In order to better represent the utility's actual costs, the Board proposed that average cost per foot be calculated using current costs rather than prior calendar year costs and the utility be given the option of including permit fees in the estimated construction costs.

In initial comments, IPL noted that the proposed definition of "contribution in aid of construction" prorated the estimated construction cost by the ratio of excess footage to the total service footage. IPL suggested that this language appears to prorate the permit fee as well. IPL stated that it currently does not consider permit fees as part of the average costs for construction used to determine the "estimated construction cost" because these fees are not based on the length of the construction. IPL bills the entire permit fee as an incremental charge regardless of the length of service. IPL wants to clarify that it is not required to prorate permit fees in the estimated construction costs and IPL can continue its current method for billing the permit fee.

Three of the homebuilders associations that filed comments suggested that permit fees should not be included in the estimated cost of construction. The

homebuilders stated that construction costs are already too high and more costs will decrease home sales.

At the oral presentation there was a discussion concerning whether the permit fees should be prorated. The Quad Cities Home Builders Association asked whether the permit fee was part of the advance that would be refunded to the developer. Aquila indicated it would like the option to prorate the permit fees in appropriate circumstances. MidAmerican indicated that even for an extension that would be made free of charge to a customer, MidAmerican would like to be able to charge the customer the permit fee and prorating would not allow this.

In additional comments, Aquila suggested that the proposed language "actual permit fees may be included by the utility in the calculation of estimated construction costs" should be applied to distribution main extensions but not to service line construction. Aquila suggested for distribution mains the utility have the option of prorating the fees or passing through the actual permit fee.

For service lines, Aquila stated that it averages payments from across the state into a calculated statewide average service cost. This results in administrative simplicity although it also results in some subsidization. Aquila suggested a better practice would be to calculate the estimated cost of construction for service lines without the addition of special charges such as permit fees and adverse conditions and then add in those special charges to determine whether the cost is above the

utility's threshold standard construction allowance. Aquila suggested this approach is permissible under the Board's proposed language.

In additional comments, MidAmerican suggested that certain revisions will need to be made to the proposed amendments to this definition to allow a utility to recognize the actual permit fees it is required to pay. MidAmerican suggested the last sentence of the definition should read as follows: "Actual permit fees may be included by the utility in the calculation of estimated construction costs for distribution main extensions."

MidAmerican then suggested that 19.3(1)"d" and 20.3(13)"d" should be revised to read as follows: "(4) 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."

In additional comments, IPL supported inclusion of permit fees as an option, although not required, in estimated construction costs, as long as the utility remains internally consistent.

After a review of the comments, the Board has determined that some revisions should be made to the proposed amendments to the definition of "estimated construction costs." The Board proposed amendments to the definition of "estimated construction costs" to allow a utility the option of charging permit fees to the customer in addition to the estimated cost of construction. The comments show that the current provisions are not applied consistently among the utilities and the utilities

indicated a preference for an option of whether to charge the permit fees. There was also an indication that the utilities would prefer the option of treating distribution main extensions differently than service lines.

After considering the comments and the intent of the amendments, the Board has determined that the rule should require the utility to charge a customer any permit fees that are assessed for the construction for either a distribution main extension or a service line rather than make it optional. The permit fee is an additional cost of the construction and should not be considered part of the estimated construction costs and should not be refundable. The permit fee should be paid regardless of whether the customer is required to pay an advance for construction or a contribution in aid of construction. Moreover, it is inappropriate to make inclusion of the permit fees optional, creating the possibility of discrimination among customers. The permit fees should be a straight pass-through to the customer. This places the additional cost of permit fees for any extension on the customer causing the cost. This requirement will not allow utilities to prorate or average the cost of permit fees.

The Board has determined that no changes need to be made to this definition to include specific requirements concerning charging customers for construction in adverse conditions. Each utility will be allowed to determine what are adverse conditions for its construction and will be required to include in its tariffs a description of what it considers adverse conditions. The cost of construction under adverse conditions will be part of the estimated construction costs for construction of

distribution main extensions and electrical line extensions and the total costs will be applied against the estimated revenue calculation. Any advance for construction payments that include any cost of construction under adverse conditions will be refundable. For natural gas and electric service lines, the utility will charge the customer any additional cost associated with construction under adverse conditions above the estimated cost of construction under normal conditions for that service line.

The adopted amendments to the definition of "estimated construction costs" with the revision addressing permit fees are as follows:

"Estimated construction costs," as used in ~~the~~ this subrule, shall be calculated using average current costs in accordance with good engineering practices and upon the following factors: ~~Amount~~ 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.~~ **The customer shall be charged actual permit fees in addition to estimated construction costs. Permit fees are to be paid regardless of whether the customer is required to pay an advance for construction or a nonrefundable contribution in aid of construction and the cost of any permit fee is not refundable.**

3. 19.3(10)"b"

The Board restructured the current paragraph 19.3(1)"b" by proposing a new separate paragraph for "plant additions" and a separate paragraph for "distribution main extensions." Proposed 19.3(10)"b" retained the current language allowing an exception for the utility paying for all gas plant except in unusual circumstances. No criteria were proposed to define unusual circumstances, so any complaints will be considered on a case-by-case basis based upon normal practice in the industry. The Board proposed to require written contracts for advances for construction or contributions in aid of construction for plant additions. The Board also clarified that a customer may choose to make a contribution in aid of construction instead of an advance for construction to pay for plant additions.

In initial comments, Aquila stated that it has no objection to the optional non-refundable contribution in aid of construction in paragraph 19.3(10)"b."

A revision to remove the term "developer" from this paragraph was discussed at the hearing. MidAmerican suggested the term "developer" remain in the paragraph to ensure that any developer who was not a customer of the utility would have the same benefit of the rule as would a developer who was a customer. In additional comments, IPL supported retaining the separate reference to "customer" and "developer" since the customer and developer may not be the same person.

The Board will adopt the amendments to 19.3(10)"b" as proposed. The amendments are as follows:

b. ~~Distribution main extensions~~ Plant Additions
~~(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).~~

4. 19.3(10)"c"

The Board proposed a separate paragraph for distribution main extensions to ensure there is no ambiguity about what kind of construction these provisions address. The Board will adopt the proposed amendments to 19.3(10)"c" with a revision to reflect that the paragraph applies not only where the customer will attach within the agreed-upon time but also includes subparagraph 19.3(10)"c"(3), establishing requirements when a customer will not attach within the agreed-upon period.

The Board has determined that no changes were needed to the definition of "estimated construction cost" to include specific requirements concerning charging customers for construction in adverse conditions. Each utility will be allowed to determine what are adverse conditions for its construction and will be required to include in its tariffs a description of what it considers adverse conditions. The cost of construction under adverse conditions will be part of the estimated construction costs for construction of distribution main extensions and electrical line extensions and the total costs will be applied against the estimated revenue calculation. Any advance for construction payments that include any cost of construction under adverse conditions will be refundable. The amendments to 19.3(10)"c" with the revision are adopted as follows:

~~(2) c. Distribution *main extensions*. Advances for construction costs for distribution main extensions for customers who will attach within the agreed-upon attachment period. **Where The following shall apply** 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:~~~~

5. 19.3(10)"c"(1)

In the proposed amendments to subparagraph 19.3(10)"c"(1), the Board included the requirement that the utility offer the customer the option of making a contribution in aid of construction or an advance for construction. The Board also proposed 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 the existing provision to allow Aquila to use its feasibility model. The Board proposed this option should be available to all natural gas utilities. The Board also proposed that the feasibility model be part of the utility's tariff that would be reviewed and approved by the Board.

In initial comments, Aquila stated that it supported the adoption of the changes to paragraph "c" regarding optional use of a feasibility model rather than the "three times revenue" test to determine the need for a contribution in aid of construction or advance from a customer. Aquila does not support the requirement that the full feasibility study be included in the tariff, primarily because of the impracticality of publishing Aquila's model, which consists of large spreadsheets with many references between data inputs and other tabs. Instead, Aquila recommended a summary page to explain the inputs into the model, or a sample line extension agreement, which would show the outputs from the model, be filed in the tariff.

Consumer Advocate believes a definition stating what the feasibility model referenced in subparagraphs 19.3(10)"b"(1) and 20.3(13)"b"(1) is supposed to establish would provide a standard for judging such proposals if contained in future tariff filings.

At the hearing, Aquila indicated that it did not believe that it had received any complaints about the feasibility model. Aquila renewed its suggestion that the formula underlying the feasibility model not be included in a utility's tariff.

The Board will adopt the proposed amendment with revisions to allow a utility to provide in its tariff a summary explaining the inputs and describing its function into the feasibility model rather than the full feasibility model. Feasibility models may contain several spreadsheets of data sources that would be hard to incorporate into a tariff. The Board is not proposing a definition of feasibility model, so that each utility will have the flexibility to develop its own feasibility model rather than have the Board establish a definition or minimum requirements for what a feasibility model should contain. The Board will review the feasibility models when the proposed tariff containing the summary and description is filed.

The Board is also revising the proposed amendment by adding a sentence to this subparagraph addressing permit fees, consistent with the discussion in the definition of "estimated construction costs." This sentence is required since the permit fees will not be part of the estimated construction cost but will be paid regardless of whether an advance or contribution is paid by the customer. The amendments with the revisions adopted are as follows:

4 (1). The utility shall finance and make the distribution main extension for a customer without requiring an advance for construction or a nonrefundable contribution in aid of construction if the estimated construction costs to provide a distribution main extension ~~is~~ are 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 nonrefundable contribution in aid of construction is required of the customer. The utility shall file a summary explaining the inputs into the feasibility

model and a description of the model shall be filed as part of the utility's tariff. Whether or not the construction of the distribution main extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.

6. 19.3(10)"c"(2)

The Board proposed 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 proposes to clarify that a written contract between the utility and the customer must be available for Board inspection.

MidAmerican believes that allowing utilities to use current costs for estimated construction costs means that components of costs that have been calculated prior to that calendar year, but that have not greatly increased since the actual calculations were made, are still allowed to be used in the calculation. At the hearing, Aquila indicated it agreed with MidAmerican. In additional comments, IPL supported MidAmerican's position on current costs.

The Board will adopt MidAmerican's interpretation of this subparagraph that would allow the utility to use the previous year's costs if those costs had not changed significantly, and the proposed amendment will be revised to allow the utility to file a summary explanation of the inputs into the feasibility model in its tariff. The Board is also adding a sentence to this subparagraph addressing permit fees consistent with

the discussion in the definition of "estimated construction costs" and the subparagraph above. The adopted amendments with the revisions are as follows:

~~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 ~~such an~~ a distribution main ~~such an~~ extension shall contract with the utility and ~~deposit~~ make, no more than 30 days prior to commencement of construction, 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 nonrefundable contribution in aid of construction is required. **The feasibility model utility shall be filed file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff.** A written contract between the utility and the customer shall be available for board inspection upon request. **Whether or not the construction of the distribution main extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.**~~

7. 19.3(10)"c"(3)

The Board proposed this subparagraph to reflect that the utility may use a feasibility model to determine the amount of the advance for construction where a customer will not attach within the agreed-upon attachment period. Under the proposed amendment, a customer who would not attach within the agreed-upon period would be required to pay an advance for construction and was not given the

option of making a contribution in aid of construction. Additionally, the Board proposed to clarify that a written contract must be available for Board inspection.

In initial comments, MidAmerican stated that if a customer desires a new distribution line but will make no attachment during the attachment period, the customer must pay the whole cost upfront, pursuant to the proposed amendments to 19.3(10)"c"(3) and 20.3(13)"c"(3). That customer would be entitled to at least one refund if the customer attaches within the refund period. However, MidAmerican indicated there are situations where a refundable advance is not the best option for the customer. An example is when a developer is building the initial roadway and utilities for an industrial park or residential subdivision. If the developer sells the improved lots, the developer may never attach a building to the distribution line. This developer would have no control over when attachments occur. It is often the case that separate builders will contract with the utility for a further distribution line, transmission and service line on each lot. In this instance the developer should have the option of providing a nonrefundable contribution, not just an advance.

At the hearing, Aquila indicated it agreed with MidAmerican.

The Board will revise the proposed amendment to allow a customer who will not attach within the agreed-upon attachment period the option of paying an advance for construction or a contribution in aid of construction. The Board will also revise the amendments to allow the filing of a summary of the feasibility model in the tariff, and

the language concerning permit fees will be added to this subparagraph. The adopted amendments as revised are as follows:

(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 ~~deposit~~ make, no more than 30 days prior to the commencement of construction, an advance for construction equal to the estimated construction cost **or a nonrefundable contribution in aid of construction.** The utility may use a feasibility model to determine the amount of the advance for construction or nonrefundable contribution in aid of construction. The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff. A written contract between the utility and the customer shall be available for board inspection upon request. Whether or not the construction of the distribution main extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.

8. **19.3(10)"c"(4)**

In the proposed amendments the Board proposed to change the period for refunds from ten to five years based upon the waiver that was granted Aquila in Docket No. WRU-05-6-225. The Board also proposed to delete the provisions related to surety bonds.

At the hearing, the homebuilder associations strongly supported the existing ten-year refund period rather than the proposed five-year period. The other participants agreed that the refund period should remain at ten years. The Board will

revise the proposed amendments to 19.3(10)"c"(4) and retain the ten-year refund period. In addition, the Board will revise the subparagraph to retain the customer's option of whether to provide cash or an equivalent surety, with the exception that a utility is not required to take surety from a customer that has failed to meet surety requirements in the past. The amendments adopted with revisions are as follows:

~~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.~~

(4) Advances for construction may be paid by cash or equivalent surety and shall be refundable for five ~~ten~~ years. The customer has the option of providing an advance for construction by cash or equivalent surety unless the utility determines that the customer has failed to comply with the conditions of a surety in the past.

9. 19.3(10)"c"(5)

The amendments to subparagraph 19.3(10)"c"(5) were proposed to clarify that a refund is made 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 original distribution main.

In initial comments, MidAmerican stated that it is clear now that for customers who have made an advance for construction a refundable event occurs only when a service line connects directly to the distribution main for which the advance was made.

This issue was discussed at the hearing to ensure the utilities understood the intent of the rules and understood when a refund should be made. During this discussion, IPL explained that it had been giving refunds to a "senior" distribution main extension (an earlier one) when service connections were made to a "junior" (later one) distribution main extension. The example provided by IPL was where a Wal-Mart store had a distribution main extension (the same would be true for an electrical line extension) constructed into a new area and then a second business had a distribution main extension built from the Wal-Mart distribution main extension. As explained by IPL, under its current practice, it would make refunds to Wal-Mart for any service lines attached to the second distribution main extension. The refunds would continue until the first extension customer (Wal-Mart) was made whole. IPL indicated that the new rule would require a change in the way it provided refunds.

IPL stated that it has developed a standard practice regarding the refunds to senior agreements as described in the example and IPL would like to continue this practice under the proposed amendments. IPL stated that under current practice if the senior agreement is not made whole before the ten-year refund period expires, any remaining portion of the advance is forfeited. IPL suggested the proposed language would limit refunds to where a service line is directly attached to the distribution main extension and it would need to revise its practices if the proposed language is adopted.

IPL stated that it has applied the existing rule to give the older extension rights to revenues on the second attached extension and many developers have developed an expectation in this regard. IPL requested that the Board clarify whether its current practice and the application of its tariff, as described, is consistent with the proposed amendments.

The Board proposed the amendments to subparagraph 19.3(10)"c"(5) to clarify when refunds are required and to promote consistency among the utilities. The Board has explained that the rule only requires refunds to be made for service lines attached to a distribution main extension. Based upon this interpretation, the Board sees no need for any revisions to the proposed amendments. The amendments to this subparagraph require refunds to be paid to the customer who paid the advance for the distribution main extension when a service line is attached to that distribution main extension and not to a customer who paid an advance for a

prior distribution main extension. A utility can make other contractual arrangements with customers that would allow additional refunds be paid to a customer who constructed an earlier distribution main extension pursuant to 19.3(10)"f," as long as it offers that option to all similarly-situated customers.

The Board will revise this subparagraph to retain the ten-year refund period and to change the word "depositor" to "customer" to make it clear that the advance is a payment not a deposit. No other revisions are required. The amendments adopted with the revisions are as follows:

~~(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~~ **customer** for a period of ~~ten~~ **five** years from the date of the original advance a pro-rata share for each service attachment line attached to the distribution main extension. The pro-rata refund shall be computed in the following manner:

10. 19.3(10)"c"(5)(1), (2), and (3)

The proposed amendments to numbered paragraphs 19.3(10)"c"(5)(1), (2), and (3) are consistent with those proposed to subparagraph 19.3(10)"c"(5). The proposed amendments clarify that refunds are only made when a service line is attached to a distribution main extension paid for by an advance for construction for that distribution main extension. The discussion above is applicable to these numbered paragraphs.

In initial comments, IPL questioned whether including language about permit fees in these numbered paragraphs might create a conflict with the proposed

definition of "estimated construction costs." The Board has addressed this question in the discussion of comments concerning the definition of "estimated construction costs" and has adopted amendments to paragraph 19.3(10)"c" that require the utility to charge for permit fees.

The Quad City Home Builders Association questioned whether use of the feasibility model would change the amount of an advance or the refunds. Aquila, the only utility currently using the feasibility model, stated that its experience had been that the costs were very close although the feasibility model amount was not exactly the three times revenue calculation.

The Board will revise the proposed amendments to remove the reference to "depositor" and the reference to permit fees. The Board's decision on how the utility will charge for permit fees is established in paragraph 19.3(10)"c" where charges for a distribution main extension are described. The adopted amendments with the revisions are as follows:

1. If the combined total of three times estimated base revenue, or the amount allowed by the feasibility model, for ~~the depositor~~ **distribution main extension** and each ~~customer who has attached a~~ service line **attached** 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 permit fees in the estimated cost of construction.~~

The comments regarding numbered paragraph (2) are similar to those for numbered paragraph (1), above. A question was also raised whether the last phrase in the next to last sentence "where a service line is attached to the distribution main extension" is necessary.

The Board will adopt the same revisions to numbered paragraph (2) as it did for numbered paragraph (1) and, in addition, delete the last phrase in the next to last sentence. The revised amendments to numbered paragraph (2) are as follows:

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

The Board will adopt the same revisions to the proposed amendments to numbered paragraph (3) so the language is consistent with numbered paragraphs (1) and (2) and will not adopt the proposed amendment to change the ten-year refund period to five years. The adopted amendments to numbered paragraph (3) with the revisions are as follows:

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.

11. 19.3(10)"c"(6)

The Board proposed a new subparagraph to establish record keeping requirements for advances for construction instead of retaining the definition of "customer advances for construction records" in the current rules. Aquila stated it had no objection to this new subparagraph.

IPL requested clarification and questioned whether a distribution main extension that does not require an advance for construction should be tracked. IPL requested clarification and indicated it believed its method of record keeping is consistent with the intent regarding a "separate" record for refunds proposed in 19.3(10)"c"(6) and 20.3(13)"c"(6). IPL accounts and tracks each contract separately and contended that it would be costly for IPL to adapt to a separate record system indexed by customer rather than on a contract basis.

MidAmerican questioned whether the reference to actual costs precludes using estimated costs where appropriate. At the hearing, MidAmerican explained that requiring actual costs to be recorded would not provide any useful information since estimated costs were used to establish the advance. MidAmerican keeps work records that could be reviewed if there is a question about the actual cost of construction. Actual costs are tracked for use in future estimates; however, they are

not directly relevant to the estimated cost of a specific construction project. Aquila indicated it agreed with MidAmerican.

MidAmerican stated that any complaints about the estimate would be addressed by whether MidAmerican followed the estimation process and not what the actual costs were. Consumer Advocate expressed a concern that there should be a way to check to ensure actual costs were generally tracking estimated costs. MidAmerican indicated that the actual cost information would be available if needed but that it should not be included in the tracking of advances and refunds.

IPL indicated that it had the base information but it was concerned that the proposed amendments might require it to change its record keeping. Board staff explained that the intent was to have the information available if necessary and not to require a separate tracking system.

In additional comments, MidAmerican explained that it maintains the contracts for refundable advances for construction and nonrefundable contributions in aid of construction in its engineering department for several years and then they are sent to "Active Records" where they are kept for ten years. MidAmerican stated that these records do not track actual costs since they are not a part of the contract with the customer. MidAmerican stated that it is easy to check whether the estimated costs have been calculated in conformance with rules and actual costs are only used to determine average costs for future contracts.

In additional comments, IPL stated that it tracks extensions, refundable and nonrefundable, and can make the information available to the Board upon request. IPL does not maintain each work order separated out into accounts by customer. IPL stated that it would have better access to this information by contract than by customer name.

The Board will adopt the proposed new paragraph with revisions to remove the reference to "actual costs" and the word "separate." Based upon the comments at the hearing, the utilities have made assurances that actual cost information will be readily available if needed. Based on those assurances and because the purpose of the paragraph is to ensure records are kept and not to require separate records, the Board will remove the word "separate" so utilities can continue to track the contracts and work orders under their current procedures. The paragraph adopted as revised is as follows:

(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 payment~~ received, and any refunds paid ~~to the depositor~~.

12. 19.3(10)"d"

Aquila stated that it had no objection to the changes proposed in paragraph 19.3(10)"d." IPL raised the question of whether the proposed language will affect how "adverse trenching" (trenching under adverse conditions such as rock or frozen ground) is charged by utilities. Currently, IPL charges an incremental adverse

trenching charge for all applicable service line footage, including the free footage, because the free footage allowance is based on the cost of standard construction in normal weather and soil conditions. IPL requests clarification that this practice is still appropriate under the proposed amendments.

MidAmerican indicated that it was not charging for adverse conditions if the adverse conditions were within the service line provided free under the rules. Aquila stated that it charged for any trenching for adverse conditions over \$100.

The Quad Cities Homebuilders Association asked for an explanation of what adverse conditions are. MidAmerican stated that the definition was included in its tariff.

In additional comments, Aquila addressed the issue of how to charge for adverse conditions under the proposed language. Aquila explained that its current tariff provides that an additional construction charge shall be paid by the customer for any ditching required due to soil conditions, including the presence of rock, which prevent normal trenching and backfilling. Aquila stated that this tariff language is primarily directed at distribution main extensions where there is no issue of free footage. Where a service line is involved and the free footage applies, if adverse conditions exist Aquila would calculate whether the line cost is above the threshold cost and then add the extraordinary costs above that. Aquila suggested where the total cost is above the threshold cost the utility should have the option to allocate the extraordinary costs to the customer. This can be accomplished by revising the

proposed amendments to paragraph 19.3(10)"d" to allow utilities to include permit fees and other indicated adverse sitting and construction charges in the cost of construction.

In additional comments, MidAmerican stated it agreed with IPL that it does not make sense to apply the adverse conditions charge to only additional service line footage, or in the case of relatively short service lines, not at all, as the additional cost to the utility is present regardless of whether the footage is "free" to the customer. The cost causer should bear the additional cost required to construct the service line in adverse conditions.

In additional comments, IPL stated that it does not have a specific definition of "adverse trenching" in its tariffs. IPL has an internal guideline in its definition of "estimated construction costs" as one of the factors taken into account when determining the estimated cost of construction.

IPL stated the additional cost associated with adverse trenching should be passed on to the customer. IPL either includes the potential charges in the estimate or notes that additional costs may occur if adverse conditions are encountered. IPL charges for the adverse trenching for the entire length of the extension where the adverse conditions occur, including the free footage allowance. If adverse trenching occurs as a result of IPL's inability to get the extension installed in a timely manner, rather than the customer's choice, then IPL does not charge the customer for the adverse trenching.

The Board addressed the issue of permit fees in the definition of "estimated construction cost" discussed above and in paragraph 19.3(10)"c". The Board stated that it would adopt amendments to these rules that will require a utility to charge a customer for the actual permit fees that are applicable to a service line in addition to any contribution in aid of construction required.

The Board has determined that no changes needed to be made to the definition of "estimated construction cost" to include specific requirements concerning charging customers for construction in adverse conditions. Each utility will be allowed to determine what are adverse conditions for its construction and will be required to include in its tariffs a description of what it considers adverse conditions. The cost of construction under adverse conditions will be part of the estimated construction costs for construction. For natural gas and electric service lines, the utility will charge the customer any additional cost associated with construction under adverse conditions above the estimated cost of construction under normal conditions for that service line.

All of the utilities indicated that they would prefer to require a customer to pay for any construction costs associated with adverse conditions above the standard cost for construction of a service line. A description of how a customer is charged for adverse conditions associated with the construction of a service line should be included in the tariffs. Under this procedure, the utility will have some flexibility for defining adverse conditions while each utility will follow the same practice of passing

to the customer the costs for that construction above normal construction costs. Under this procedure, IPL will be allowed to charge the customer as it describes in the example above. The amendments adopted as revised are as follows:

d. Service line ~~extensions~~ lines.

(1) The utility shall finance and construct a service line ~~extension~~ without requiring a nonrefundable contribution in aid of construction or any payment by the applicant where the length of the service ~~extension~~ line to the riser is up to 50 feet on private property or 100 feet on private property if polyethylene plastic pipe is used.

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

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

(3) 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 nonrefundable contribution in aid of construction from the customer if the tariff or rule applies equally to all customers.

(4) Whether or not the construction of the service line would otherwise require a payment from the customer applicant, the utility shall charge the

customer for may include actual permit fees in the cost of construction.

13. 19.3(10)"e"

No comments were filed concerning this paragraph. The proposed amendments to this paragraph will be adopted as proposed.

14. 19.3(10)"f"

The Board proposed to change the language in this paragraph 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 as long as the utility offers the same payment method to other, similarly-situated customers. The Board changed the reference to "payment arrangement" rather than the method of extension since there may be more than one option for payment by the customer but the construction of any extension is usually determined by the utility.

No comments were filed concerning this paragraph. The Board will adopt the proposed amendments with one revision to remove the phrase "or depositors." This will remove any potential confusion that an advance for construction is a deposit rather than a payment. The amended paragraph as revised will be adopted as follows:

ef. ~~Extensions permitted.~~ Different payment arrangements.
This ~~rule~~ subrule shall not be construed as prohibiting any utility from making a contract with a customer ~~in a different manner~~ 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~~.

15. 19.3(11)

The amendments to this subrule were proposed by the Code Editor. Aquila suggests that compliance with Iowa One Call should meet the requirements of this subrule. In additional comments, MidAmerican states that it is unaware of any problems of cooperation among the utilities and suggests that the Iowa One Call provisions make this subrule unnecessary.

The Board will adopt the proposed amendments as published. The comments indicate there is no problem with the implementation of this rule and the application of the Iowa One Call requirements. Compliance with the Iowa One Call statute will meet the requirements of this subrule.

ELECTRIC EXTENSION RULES

1. 20.3(13)

A reference to "plant additions" will be added to the title of subrule 20.3(13) to make it consistent with the title to subrule 19.3(10). The title adopted will read as follows: ~~Extensions and service line extensions to customers.~~ Plant additions, electrical line extensions, and service lines.

2. 20.3(13)"a"

The Board proposed amendments to clarify the definitions in this paragraph by establishing two types of extensions, electrical line extensions and service lines.

Electrical line extensions would 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 defined as a single secondary line on private property. Except for the differences in nomenclature for the extensions, the amendments to the definitions in this paragraph are the same as those in paragraph 19.3(10)"a." The revisions adopted to the proposed amendments are set out in bold.

The comments and discussion concerning the definition of "advance for construction" in paragraph 19.3(10)"a" are applicable to the proposed amendments in the definition for "advance for construction" in paragraph 20.3(13)"a." The Board will adopt the proposed amendments to this definition as published. Additional language will be added to subparagraph 20.3(13)"c"(4) to reflect that the customer has the option of providing equivalent surety instead of cash to pay for construction, unless the customer has failed to comply with surety obligations in the past. The amendments adopted are as follows:

~~"Advances~~ Advance for construction~~-costs,~~" as used in ~~these subrules~~ this subrule, 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 ~~connections~~ service line made to the electrical line extension. Cash payments, ~~surety bonds,~~ or equivalent ~~sureties~~ surety shall include a grossed-up amount for the income tax effect of such revenue.

Based upon the comments and discussion regarding the definition of "estimated construction cost" in paragraph 19.3(10)"a," the Board will adopt the same

revisions to the proposed amendments to the definition in this paragraph. The Board has determined that no changes needed to be made to this definition to include specific requirements concerning charging customers for construction in adverse conditions. Each utility will be allowed to determine what are adverse conditions for its construction and will be required to include in its tariffs a description of what it considers adverse conditions. The cost of construction under adverse conditions will be part of the estimated construction costs for construction of distribution main extensions and electrical line extensions and the total costs will be applied against the estimated revenue calculation. Any advance for construction payments that include any cost of construction under adverse conditions will be refundable. For natural gas and electric service lines, the utility will charge the customer any additional cost associated with construction under adverse conditions above the estimated cost of construction under normal conditions for that service line.

The amendments with the revisions adopted are as follows:

“Estimated construction costs,” as used in ~~the~~ this 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. Actual permit fees may be included by the utility in the calculation of estimated construction costs~~ **The customer shall be charged actual permit fees in addition to estimated construction costs. Permit fees are to be paid regardless of whether the customer is required to pay an advance for construction or a nonrefundable contribution in aid of construction and the cost of the permit fees is not refundable.**

3. 20.3(13)"b"

The Board will adopt the amendments to paragraph 20.3(13)"b" as proposed.

The comments regarding 19.3(1)"b" are applicable to this paragraph. The amendments adopted are as follows:

~~b. Distribution or secondary lines extensions *other than service lines*. Plant additions.~~
~~(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).~~~~

4. 20.3(13)"c"

The Board has determined that no changes need to be made to this definition to include specific requirements concerning charging customers for construction in adverse conditions. Each utility will be allowed to determine what are adverse conditions for its construction and will be required to include in its tariffs a description of what it considers adverse conditions. The cost of construction under adverse conditions will be part of the estimated construction costs for construction for distribution main extensions and electrical line extensions and the total costs will be applied against the estimated revenue calculation. Any advance for construction payments that include any cost of construction under adverse conditions will be refundable.

The Board will adopt the proposed amendments to paragraph 20.3(13)"c" as revised to reflect that the paragraph does not only apply where the customer will attach within the agreed-upon time but also establishes requirements in subparagraph 20.3(13)"c"(3) when a customer will not attach within the agreed-upon period. The amendments adopted with the revisions are as follows:

~~(2) c. Electrical line extensions. Advances for construction costs for extensions for customers who will attach within the agreed-upon attachment period. **Where The following shall apply 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:~~

5. **20.3(13)"c"(1)**

The proposed amendments to this subparagraph are the same proposed changes recommended for subparagraph 19.3(10)"c"(1). The comments and discussion regarding subparagraph 19.3(10)"c"(1), are applicable to this subparagraph. In addition, at the hearing MidAmerican and IPL indicated they were looking at whether they would adopt a feasibility model as Aquila has done and they supported putting only a summary in the tariff. The Board will adopt the proposed amendments with the same revisions as adopted in subparagraph 19.3(10)"c"(1).

The adopted amendments with revisions are as follows:

~~4. (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 nonrefundable 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 nonrefundable contribution in aid of construction is required by the customer. The feasibility model shall be filed as part of the utility's tariff.~~ **The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff. Whether or not the construction of the electrical line extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.**

6. **20.3(13)"c"(2)**

The Board will adopt the same amendments to subparagraph 20.3(13)"c"(2) as it adopted for subparagraph 19.3(10)"c"(2). The amendments adopted include revisions adding the requirement that the utility file a summary explaining the inputs into the feasibility model in the utility's tariff and requiring a utility to charge a customer for permit fees. The amendments with the revisions adopted are as follows:

~~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~~ make, no more than 30 days prior to commencement of construction, 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 nonrefundable contribution in aid of construction is required. **The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff.** A written contract between the utility and the customer shall be available for board inspection upon request. **Whether or not the construction of the electrical line extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.**

7. **20.3(13)"c"(3)**

The comments regarding subparagraph 20.3(13)"c"(3) are the same as discussed regarding subparagraph 19.3(10)"c"(3). The Board will adopt the proposed amendments with the same revisions as adopted for subparagraph 19.3(10)"c"(3). The amendments with revisions adopted are as follows:

~~(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 deposit make, no more than 30 days prior to the commencement of construction, an advance for construction equal to the estimated construction cost **or a nonrefundable contribution in aid of construction.** The utility may use a feasibility model to determine the amount of the advance for construction or nonrefundable contribution in aid of construction. The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff. A written contract between the utility and the customer shall be available for board inspection upon request. **Whether or not the construction of the electrical line extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.**~~

8. **20.3(13)"c"(4)**

The Board will adopt the proposed amendments to subparagraph 20.3(13)"c"(4) with the same revisions as adopted in subparagraph 19.3(13)"c"(4).

The amendments with the revisions adopted are as follows:

~~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- ten years. The customer has the option of providing an advance for construction by cash or equivalent surety unless the utility determines that the customer has failed to comply with the conditions of a surety in the past.

9. 20.3(13)"c"(5)

The Board will adopt the proposed amendments to subparagraph 20.3(13)"c"(5) with the same revisions adopted in subparagraph 19.3(10)"c"(5). The amendments with the revisions adopted are as follows:

~~(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~~
customer for a period of ~~ten~~ five years from the date of the original advance a pro-rata share for each service

attachment line attached to the distribution main extension.
The pro-rata refund shall be computed in the following manner:

10. 20.3(13)"c"(5)(1), (2), and (3)

The Board will adopt the proposed amendments with revisions to 20.3(13)"c"(5)(1), (2), and (3) as were adopted regarding 19.3(10)"c"(5)(1), (2), and (3). The comments and discussion are also applicable. The amendments with the revisions adopted are as follows:

~~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 electrical line extension and each customer who has attached a service line attached 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 electrical line extension and each customer who has attached a service line attached 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 of the customer, or the amount allowed by the feasibility model, where a service line is attached ~~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 ~~customer depositor~~ advance for construction record shall be closed and the remaining balance shall be credited to the respective plant account.

11. 20.3(13)"c"(6)

The comments from subparagraph 19.3(10)"c"(6) are applicable to this subparagraph and the Board will adopt the proposed amendments with revisions to subparagraph 20.3(13)"c"(6) as it has adopted in subparagraph 19.3(13)"c"(6). The amendments with revisions adopted are as follows:

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

12. 20.3(13)"d"

The Board addressed the issue of permit fees in the definition of "estimated construction cost" in paragraph 19.3(10)"a" and based upon that discussion the Board will require a utility to charge a customer for the actual permit fees that are applicable to the service line extension in addition to any contribution in aid of construction required. The Board has determined that no changes need to be made

to this definition to include specific requirements concerning charging customers for construction in adverse conditions. Each utility will be allowed to determine what are adverse conditions for its construction and will be required to include in its tariffs a description of what it considers adverse conditions. For natural gas and electric service lines, the utility will charge the customer any additional cost associated with construction under adverse conditions above the estimated cost of construction under normal conditions that is provided free to the customer. The Board considers the procedures described by IPL to be acceptable.

The amendments adopted with the revisions are as follows:

d. Service ~~line extensions~~ lines.

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

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

(Estimated Construction Costs) ×

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

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

13. 20.3(13)"e"

No comments were filed regarding the proposed amendments to this paragraph. The amendments will be adopted as published.

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

14. 20.3(13)"f"

The Board will adopt the amendments as proposed with one revision removing the phrase "or depositors." Removal of the phrase is consistent with other revisions made to these proposed rules and removes any suggestion that an advance for

construction should be considered a deposit rather than a payment. The amendments adopted as revised are as follows:

~~*e.f. Extensions permitted.* Different payment arrangements. 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.

15. 20.3(14)

The Board proposed to add a new subrule to the electric extension rules to be consistent with the provisions in subrule 19.3(11). IAEC suggested that the participants in Docket No. NOI-05-2 were not presented with the proposal to adopt a new subrule 20.3(14), but rather the proposal came after the comments in the docket. IAEC expressed concerns that the new subrule applies to all public utilities, not just rate-regulated utilities. IAEC noted that the provisions of Iowa Code chapter 480 establishes a statewide notification center and the Iowa One Call law should satisfy any desired objective and avoid interference with existing underground facilities. IAEC suggested the purpose of the new subrule be thoroughly considered and the subrule not be adopted.

At the hearing, IAEC stated that it interpreted subrule 20.3(14) to apply to all utilities and it is not sure what is intended by proposing to put it in the electric rules. IAEC utilities comply with Iowa One Call requirement; however, IAEC is concerned that the proposed subrule might go beyond the requirements of Iowa One Call. Aquila and IPL indicated that as long as compliance with Iowa One Call met the requirements of the proposed subrule there will be no problem. MidAmerican indicated that since electric utilities have service territories, this amendment may not be necessary.

The Board will not adopt new subrule 20.3(14) as proposed. The Iowa One Call statute provides adequate procedures for cooperation among electric utilities. In addition, since electric utilities have exclusive service territories pursuant to Iowa Code § 476.22, et seq., the requirements in the subrule are not as applicable to electric utilities as they are to natural gas utilities.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. A rule making identified as Docket No. RMU-06-6 is adopted.
2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin an "Adopted and Filed" notice in the form attached to and incorporated by reference in this order.

3. Utilities will be required to file proposed revised tariffs consistent with the amendments adopted in this rulemaking, once the amendments become effective.

UTILITIES BOARD

/s/ John R. Norris

/s/ Curtis W. Stamp

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

Dated at Des Moines, Iowa, this 4th day of April, 2007.

UTILITIES DIVISION[199]

Adopted and Filed

Pursuant to Iowa Code sections 17A.4, 476.1, 476.2, and 476.8, the Utilities Board (Board) gives notice that on April 4, 2007, 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 Adopting Amendments," in which the Board adopted amendments to the rules on extension of natural gas and electric lines. The amendments to subrules 19.3(10) and 20.3(13) are adopted with certain revisions to the proposed amendments based upon comments received from interested persons and a final review by the Board. The proposed amendments were published in the Iowa Administrative Bulletin at IAB Vol. XXVIII, No. 26 (9/13/06) p. 359, as ARC 5382B.

Comments were filed by MidAmerican Energy Company, Interstate Power and Light Company, Aquila, Inc., d/b/a Aquila Networks, the Consumer Advocate Division of the Department of Justice, the Iowa Association of Electric Cooperatives, 13 homebuilders and homebuilder associations, and Fox Engineering. The Board has made certain revisions to the proposed amendments based upon consideration of the comments. The order containing the background and support for the amendments, as revised, can be found on the Board's Web site, www.state.ia.us/iub.

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

The amendments become effective May 30, 2007.

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 ~~these rules~~ this subrule.

~~“Advances~~ Advance ~~for construction costs,”~~ as used in ~~these subrules~~ this subrule, are means cash payments, ~~or surety bonds,~~ or equivalent surety made to the utility by an applicant for ~~an~~ a distribution main extension, portions of which may be refunded depending on any subsequent ~~connections made~~ service line attached to the distribution main extension. Cash payments, ~~surety bonds,~~ or equivalent ~~sureties~~ surety 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~~ a distribution main 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 annual revenues.” No change

“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 the this subrule, shall be calculated using average current costs in accordance with good engineering practices and upon the following factors: ~~Amount~~ 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. The customer shall be charged actual permit fees in addition to estimated construction costs. Permit fees are to be paid regardless of whether the customer is required to pay an advance for construction or a nonrefundable contribution in aid of construction and the cost of any permit fee is not refundable.

~~"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 gas distribution main to the meter set riser.

~~"Similarly situated customer," as used in this subrule, is means 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~~ approximately the same as the annual consumption or service requirements of other customers.

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

b. ~~Distribution main extensions~~ Plant Additions

~~(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).~~

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

4 (1). The utility shall finance and make the distribution main extension for a customer without requiring an advance for construction or a nonrefundable contribution in aid of construction if the estimated construction costs to provide a distribution main extension is are 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 nonrefundable

contribution in aid of construction is required of the customer. The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff. Whether or not the construction of the distribution main extension would otherwise require a payment from a customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.

~~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 ~~such an a~~ a distribution main extension shall contract with the utility and deposit make, no more than 30 days prior to commencement of construction, 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 nonrefundable contribution in aid of construction is required. The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff. A written contract between the utility and the customer shall be available for board inspection upon request. Whether or not the construction of the distribution main extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.

~~(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 ~~deposit~~ make, no more than 30 days prior to the commencement of construction, an advance for construction equal to the estimated construction cost or a nonrefundable contribution in aid of construction. The utility may use a feasibility model to determine the amount of the advance for construction or nonrefundable contribution in aid of construction. The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff. A written contract between the utility and the customer shall be available for board inspection upon request. Whether or not the construction of the distribution main extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.

~~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.~~

(4) Advances for construction may be paid by cash or equivalent surety and shall be refundable for ten years. The customer has the option of providing an advance for construction by cash or equivalent surety unless the utility determines that the customer has failed to comply with the conditions of a surety in the past.

~~(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 years from the date of the original advance a pro-rata share for each service attachment line attached 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 distribution main extension and each customer who has service line attached 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~~.

2. If the combined total of three times estimated base revenue, or the amount allowed by the feasibility model, for the ~~depositor~~ distribution main extension and each ~~customer who has attached~~ service line attached 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 estimated base revenue ~~of the customer attaching~~, or the amount allowed by the feasibility model, where a service line is attached to the distribution main extension.

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-year period, the ~~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 record of each work order under which the distribution main extension was installed, to include the estimated revenues, the estimated construction costs, the amount of any payment received, and any refunds paid.

d. ~~Service line extensions~~ lines.

(1) The utility shall finance and construct a service line ~~extension~~ without requiring a nonrefundable contribution in aid of construction or any payment by the applicant where the length of the service ~~extension~~ line to the riser is up to 50 feet on private property or 100 feet on private property if polyethylene plastic pipe is used.

(2) Where the length of the service ~~extension~~ line exceeds 50 feet on private property or 100 feet if polyethylene plastic pipe is used, the applicant shall be required to provide a nonrefundable contribution in aid of construction, within 30 days

after completion, for that portion of the service ~~extension~~ line 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 nonrefundable contribution in aid of construction for that portion of the ~~extension~~ service line 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 ~~Extension~~ Line)

(3) 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 nonrefundable contribution in aid of construction from the customer if the tariff or rule applies equally to all customers.

(4) Whether or not the construction of the service line would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees.

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

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

Item 2. Amend subrule 19.3(11) as follows:

19.3(11) Cooperation and advance notice. In order that full benefit may be derived from ~~these rules~~ this chapter and in order to facilitate ~~their~~ its proper application, all utilities shall observe the following cooperative practices:

a. ~~Each~~ Every 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~~ chapter shall not apply ~~in case of~~ to routine extensions or minor changes in the local underground distribution facilities.

b. ~~Each~~ Every utility shall assist in promoting conformity with ~~these rules~~ this chapter. An arrangement should be set up ~~between~~ among 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.

Item 3. Amend subrule 20.13(13) as follows:

20.3(13) ~~Extensions and service line extensions to customers.~~ Plant additions, electrical line extensions and service lines.

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

~~“Advances Advance for construction costs,”~~ as used in ~~these subrules,~~ this subrule ~~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 ~~connections~~ service line made to the electrical line extension. Cash payments, ~~surety bonds~~, or equivalent ~~sureties~~ surety 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 ~~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.

~~*"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.

"Equivalent overhead transformer." No change.

"Estimated annual revenues." No change.

"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~~ this 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. The customer shall be charged actual permit fees in addition to estimated construction costs. Permit fees are to be paid regardless of whether the customer is required to pay an advance for construction or a nonrefundable contribution in aid of construction and the cost of any permit fee is not refundable.

~~“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.

“Point of attachment.” No change.

~~“Service line extension” shall mean~~ as used in this subrule, means 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~~ means 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~~ approximately the same as the annual consumption or service requirements of other customers.

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

~~b. Distribution or secondary lines extensions other than service lines. Plant additions.~~

~~(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. 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 nonrefundable 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 nonrefundable contribution in~~

aid of construction is required by the customer. The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff. Whether or not the construction of the electrical line extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.

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~~ make, no more than 30 days prior to commencement of construction, 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 nonrefundable contribution in aid of construction is required. The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff. A written contract between the utility and the customer shall be available for board inspection upon request. Whether or not the construction of the electrical line extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.

(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 deposit make, no more than 30 days prior to the commencement of construction, an advance for construction equal to the estimated construction cost or a nonrefundable contribution in aid of construction. The utility may use a feasibility model to determine the amount of the advance for construction or nonrefundable contribution in aid of construction. The utility shall file a summary explaining the inputs into the feasibility model and a description of the model as part of the utility's tariff. A written contract between the utility and the customer shall be available for board inspection upon request. Whether or not the construction of the electrical line extension would otherwise require a payment from the customer, the utility shall charge the customer for actual permit fees and the permit fees are not refundable.

~~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 ten years. The customer has the option of providing an advance for construction by cash or equivalent surety unless the utility determines that the customer has failed to comply with the conditions of a surety in the past.

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

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 electrical line extension and each service line attached to the electrical line extension is less than the total estimated construction cost to provide the electrical line extension, the amount to be refunded shall equal three times estimated base revenue of the customer, or the amount allowed by the feasibility model, where a service line is attached to the electrical line extension.

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-year period, the ~~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 record of each work order under which the electrical line extension was installed, to include the estimated revenues, the estimated construction costs, the amount of any payment received, and any refunds paid.

d. Service line extensions lines.

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

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

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

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

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

~~e.f. Extensions permitted. Different payment arrangements.~~ ~~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.

April 4, 2007

/s/ John R. Norris
Chairman