

(Decision No. C86-184)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF THE RULES OF	)	CASE NO. 5320
THE PUBLIC UTILITIES COMMISSION	)	
OF THE STATE OF COLORADO	)	WITH RESPECT TO RULE 31
REGULATING THE SERVICE OF	)	
ELECTRIC UTILITIES WITHIN THE	)	
STATE OF COLORADO: RULE 31	)	
RELATING TO SERVICE CONNECTION	)	
AND DISTRIBUTION LINE EXTENSION.	)	

IN THE MATTER OF THE RULES OF	)	CASE NO. 5320
THE PUBLIC UTILITIES COMMISSION	)	
OF THE STATE OF COLORADO	)	WITH RESPECT TO RULE 32
REGULATING THE SERVICE OF	)	
ELECTRIC UTILITIES WITHIN THE	)	
STATE OF COLORADO: RULE 32	)	
RELATING TO ELECTRIC TRANSMISSION	)	ORDER REGARDING EXCEPTIONS
LINE EXTENSION.	)	TO RECOMMENDED DECISION

- - - - -
February 13, 1986
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STATEMENT AND FINDINGS OF FACT

BY THE COMMISSION:

By Decision No. C85-370, issued March 19, 1985, the Commission issued an order reopening Case No. 5320 concerning proposed rulemaking on Rule 31, relating to service connections and distribution line extensions of the Rules Regulating the Service of Electric Utilities (Rule 31). Also on March 19, 1985, by Decision No. C85-371, the Commission issued an order reopening Case No. 5320 concerning Rule 32 relating to electric transmission line extensions of the Rules Regulating the Service of Electric Utilities (Rule 32).

Hearings on the proposed changes in Rule 31 and Rule 32 were held on June 3, 1985. At the conclusion of the hearing, the parties were permitted to file statements of position and the matter was taken under advisement.

On December 13, 1985, Hearings Examiner Thomas F. Dixon entered Recommended Decision No. R85-1498. The major change recommended by Examiner Dixon was the elimination of the current revenue-based

methodology for the measurement of the free construction allowance for line extensions, and the replacement of that methodology with a gross embedded investment type of measurement for the free construction allowance.

An extension of time was granted to the parties to file exceptions to Recommended Decision No. R85-1498 to and including January 21, 1986. Timely-filed exceptions to the recommended decision were filed as follows:

Colorado-Ute Electric Association	January 3, 1986
City of Aurora	January 21, 1986
Empire Electric Association	January 21, 1986

On January 31, 1986, the Staff of the Commission filed a Reply to Exceptions.

The Commission has now considered the recommended decision of the Examiner, the exceptions that have been filed with regard to the recommended decision, and the reply to exceptions filed by the Staff of the Commission. Except as here indicated, the Commission finds that the exceptions filed by Colorado-Ute Electric Association, and the City of Aurora, should be denied, and that the exceptions of Empire Electric Association (Empire) should be granted in part.

Empire states that proposed Rule 31 provides that meters shall be furnished by the utility and excludes meters from the definition of distribution extension. The proposed rule does recognize that meter installation facilities, however, are a part of a distribution extension. Empire contends that the cost of meters is a legitimate cost that should be included in the cost of an extension since meters are a required investment for the utility to serve the customer. However, Empire states that should meters be excluded from extension costs, the cost of meters should also be excluded from gross embedded distribution investment when calculating a utility construction allowance under § II(a) of proposed Rule 31. In this regard, Empire notes that the definition of distribution system properly excludes such metering facilities. In order to make this absolutely clear, however, Empire Electric Association suggests that § II(a)(iii)(page 7 of the recommended rule) be modified to read as follows:

- iii) The gross embedded distribution system plant investment in i) and ii) above shall be the utility's per book investment in its distribution system exclusive of its INVESTMENT RELATED TO METERS AND Distribution Substations.

We agree with Empire that this change is proper and should be made to the recommended rule. We do not agree that meters should be included in the cost of distribution extension.

Empire also has brought to the attention of the Commission a certain housekeeping change that should be made in § V - Calculation and Payment of Refunds. Empire points out that on page 12, under the heading Temporary Service, the words or temporary service customers, should be inserted on the third line of the first paragraph between the phrase indeterminate service customers and the semi-colon.

As Empire points out, the insertion of the language or temporary service customers, will make this paragraph on page 12 consistent with the treatment given existing customers on permanent, indeterminate, or temporary extensions elsewhere in § V of the rule. As Empire points out, apparently this was an oversight on the part of the Examiner, since the following paragraph on page 12 provides that temporary service customers may receive appropriate refunds when new temporary customers connect to their extensions. We agree with Empire that the change is proper and should be made to the recommended rule.

With regard to Rule 32, Empire suggests that the cost of meters, to the extent provided by the utility, represents a substantial investment when providing transmission service, and is a legitimate cost that should be included in the cost of an extension, since meters are required investments for the utility to serve the customers. Empire correctly points out that meters used to the transmission extension level, unlike those at the distribution level, are for the most part customer-specific and that, accordingly, meter costs should be included in the definition of transmission extension and considered as an element in the calculation of the applicable construction payment. We agree with Empire that the definition of transmission extension on page 4 of proposed Rule 32, should be changed to read as follows:

Transmission Extension

Any construction of transmission facilities provided by the utility, either overhead or underground, and all appurtenant facilities including meter installation facilities (together with meters to the extent they are provided by the utility), extending from the utility's transmission system necessary to supply transmission service to an additional customer.

Finally, Empire suggests that an appropriate implementation period of at least six months be established by order for compliance with Rules 31 and 32 after they have been adopted within which to fully implement the terms of Rules 31 and 32 and comply with the requirements in those rules. We agree with Empire that this proposal is reasonable and we shall so order.

Except as indicated in the foregoing paragraphs with regard to certain suggestions and modifications proposed by Empire, we find that

the other exceptions that have been submitted to the Commission do not set forth sufficient factual or legal grounds for the implementation of those exceptions and that they should be denied. We will, however, comment briefly on two matters raised in the exceptions. The City of Aurora mistakenly is of the opinion that in the event ownership of the line extension remains in the utility, but a municipality later decides to buy the utility, the utility would demand to be paid for the cost of the facility for which it has already been paid in accordance with the line extension rules. Aurora believes this would allow the utility to receive a double payment for the extension in the event of a purchase. In fact, contributions in aid of construction that are made by customers, and not provided from the utility's own capital funds, represent a reduction in the rate base of the utility involved. Since the rate base is reduced by the cost of facilities provided with ratepayer funds, rather than with the utility's own capital funds, in the event of a later purchase by a municipality, there would be no double payment since the amount of customer-provided funds will already have reduced the utility rate base and therefore, the asset value of the utility.

The Commission would also point out that the gross embedded investment policy set forth in Rule 31 and Rule 32 is not designed to either favor or discourage growth. Whether a particular community is in favor of or in opposition to growth belongs properly to the elected officials of the community, and not this Commission. The Commission takes no position on this issue. The gross embedded investment policy adopted by the Commission is designed to do no more than to protect existing ratepayers from the burden of subsidizing the cost of new facilities for which they are not responsible. Cross-subsidization of cities with expansion policies, . . . by cities with controlled growth philosophies must not be permitted by this Commission In other words, the gross embedded investment policy reflected in Rule 31 and Rule 32 is no more than a reflection of the policy that the cost causer should be the cost payer.

THEREFORE THE COMMISSION ORDERS THAT:

1. The Exceptions to Recommended Decision No. R85-1498 filed by Colorado-Ute Electric Association, Inc., on January 3, 1986, are denied.
2. The Exceptions to Recommended Decision No. R85-1498 filed by the City of Aurora, Colorado, on January 21, 1986, are denied.
3. The Exceptions of Empire Electric Association, Inc. to Recommended Decision No. R85-1498 filed on January 21, 1986, are granted to the extent they are consistent with this Decision and Order and otherwise are denied.
4. Recommended Decision No. R85-1498, dated December 13, 1985, is modified in the following respects:

a. Section II(a)(iii)(page 7 of Rule 31) which is Exhibit A to Decision No. R85-1498 is modified to read as follows:

iii) The gross embedded distribution system plant investment in i) and ii) above shall be the utility's per book investment in its distribution system exclusive of its INVESTMENT RELATED TO METERS AND Distribution Substations.

b. The first clause under Temporary Service on page 12 of Recommended Rule No. 31 (which is Exhibit A to Decision No. R85-1498) is modified to insert the following language on the third line of the first paragraph between the phrase indeterminate service customers, and the semi-colon:

or temporary service customers.

c. The definition of transmission extension on page 4 of proposed Rule 32 (which is Exhibit B to Decision No. R85-1498) is changed to read as follows:

Transmission Extension

Any construction of transmission facilities provided by the utility, either overhead or underground, and all appurtenant facilities including meter installation facilities (together with meters to the extent they are provided by the utility), extending from the utility's transmission system necessary to supply transmission service to an additional customer.

5. Certain editorial changes and some rephrasing has been done for clarity.

6. Except as here modified by this Decision and Order, Recommended Decision No. R85-1498 is adopted as the Decision of the Commission. Appendix A (Rule 31 - Service Connection and Distribution Line Extension) and Appendix B (Rule 32 - Electric Transmission Line Extension) are attached to this Decision and Order and modify Exhibit A and Exhibit B attached to Recommended Decision No. R85-1498. Appendix A and Appendix B are incorporated as a part of this Decision and Order.

7. Each utility subject to the provisions of either Rule 31 or Rule 32 as set forth in Recommended Decision No. R85-1498, dated December 13, 1985, as modified by this Decision and Order, shall begin compliance with the requirements in those rules no later than six months from the date these rules become finally effective.

8. The 20-day time period provided for under § 40-6-114- (1), C.R.S., within which to file an application for rehearing, reargument, or reconsideration shall begin to run on the first day following the mailing or serving by the Commission of this Decision.

9. This Decision and Order shall be effective 30 days from this date.

DONE IN OPEN MEETING the 13th day of February, 1986.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Ronald L. Lehn

Edythe S. Miller

Anders Schmidt

Commissioners

RULE 31
SERVICE CONNECTION AND DISTRIBUTION LINE EXTENSION

INTENTION

The basis and purpose for Rule 31, as amended, are: (1) to set forth the service connection and distribution line extension requirements to be observed by utilities offering electric service; (2) to protect each utility against making unwarranted or uneconomical investment which might react adversely through rates or service upon existing customers; (3) to recognize clearly the relationship between rates and investment and remove the previous promotional nature of the revenue guarantee methodology; and (4) to provide for the classification of electric distribution service and the appropriate terms and conditions under which service would be extended to same. The Commission's statutory authority for the issuance of this rule is found in § 40-2-108, C.R.S.

SECTION I - GENERAL

Applicable to all distribution service.

- (a) Just and reasonable rates and charges involve consideration of the degree of risk associated with furnishing those services and the expected relationships between cost and revenues. In those instances in which permanent service is requested and the estimated cost of construction is greater than the gross embedded distribution plant investment per customer, the normal rates and charges will be inadequate to assure the recovery of all costs and to provide a fair return.

In those instances in which the service requested is temporary service, or a special type of construction, or in which unusual conditions are involved in furnishing the service or where the amount and permanency of service cannot be reasonably assured, the risks associated with the furnishing of the service are greater, and hence the normal rates and charges will be inadequate to assure the recovery of all costs to provide a fair return.

- (b) Electric service for purposes of the extension of distribution lines and facilities of the utility shall be classified as:

- (1) Permanent Service
- (2) Indeterminate Service
- (3) Temporary Service

- (c) Every electric public utility operating under the jurisdiction of this Commission, other than a cooperative electric association which has exempted itself from regulation by the Commission under Article 9.5 of Title 40, C.R.S., shall file with the Commission its electric distribution line extension policies, setting forth the conditions under which the utility shall, for each service classified in paragraph (b), make extension to premises not connected to its general distribution system, or make added investment in facilities for service already connected. These policies shall conform to the provisions set forth here under "Permanent Service", "Indeterminate Service", and "Temporary Service" in Sections II through IX of this rule. The utility, upon proper notice by the Commission, shall submit the information necessary to justify these policies, and shall be subject to the rules and regulations of the Commission to refuse or to require alterations, amendments or modifications. Any utility, however, upon proper showing that special conditions warrant, may be permitted to file distribution line extension policies, for a portion of territory or classes of service served by the utility, not in conformity with the provisions.
- (d) Each utility may write into its extension policy additional qualifying clauses, limitations or explanations it may find necessary to protect it against making unwarranted or uneconomical investment which might react adversely through rates or service upon existing customers.
- (e) Standards of construction shall be provided to the Commission Staff within 30 days after the filing of any extension policy and shall be kept current. The standards of construction shall comply with the applicable section of Rule 18 Construction Requirements.
- (f) Whenever, in considering a proposed extension, a utility finds that a fixed, cost-based charge, per-month per-customer, in addition to the general rate applicable to service on the proposed extension or territory, is necessary for an indefinite period, nothing in this rule shall prohibit the utility from providing a special rate in its tariffs applicable to the extension or territory properly designated in the rate; or the utility may require

the customer to contract to pay the utility annually an amount to cover the cost of insurance, replacement (or cost of removal), license and fees, taxes, operation and maintenance and appropriate allocable administrative and general expenses, of such facilities. The rate shall include this special charge in addition to those in the general rate applicable, and the whole rate is then subject to all the provisions and procedures in effect before this Commission. The rate may be established for the service before the building of an extension.

- (g) Nothing in this rule shall be construed to prevent the Commission from considering upon its own merits and acting upon any demand for an extension not economically sound and feasible under this rule but otherwise lawful. The action will be taken without waiver of this rule as to other prospective extensions, in order to meet special situations which may arise. Special extension agreements must be filed by application to the Commission prior to beginning construction. Nothing in this rule shall be construed to preclude the Commission from relieving any electric utility from the obligation imposed by its extension policy in accordance with this rule, should the special circumstances of the case warrant relief, nor to preclude the Commission from altering, modifying or amending this rule from time to time as the Commission may deem necessary or advisable.

The process of altering, modifying or amending, shall be done in accordance with the provisions of applicable law.

- (h) The addition of new service and the furnishing of temporary service, or service which involves unusual or special circumstances, under conditions described here, will require a construction payment by the customer requesting the service to cover the revenue deficiency and additional risks associated with the furnishing of that service. The construction payment is in addition to the regular rates and charges applicable for the service provided.
- (i) With approval of the utility and at the customer's option, arrangements may be made for the posting of a surety bond and payment of the construction payment by the Applicant/Customer in monthly installments spread over a reasonable period, generally not to exceed one year. All unpaid installments become due upon termination of service.
- (j) With approval of the utility, a customer may furnish material, transportation, labor, board or lodging as all or part payment of the construction payment in lieu of cash.

- (k) The ownership of any pole line, circuit or other facilities provided wholly or in part at the expense of an applicant under these rules shall at all times be vested exclusively in the electric utility.
- (l) Except as otherwise provided in this rule, the regulations in this rule contemplate that the type of construction required to provide the quantity and grade of service involved will be determined by the utility's established standards of construction. The customer will be required to pay the added costs involved when a type of construction at least equal to or greater than that incorporated in the utility's standards of construction is desired by the customer and agreed to be provided by the utility.
- (m) Where applicants are so located that it is necessary or desirable to use private or government right-of-way or both to furnish service, applicants may be required to provide or pay the cost of providing the right-of-way in addition to any applicable construction payment.
- (n) Even if the branch of the distribution system necessary to supply service to an individual customer is for his sole use, that construction shall be included as part of the utility's general distribution system if located on public highways or rights-of-way acceptable to the utility.
- (o) In no event shall electric service of any classification be supplied except in accordance with the utility's extension policy then on file with the Commission and in effect.

DEFINITION OF TERMS

Bona Fide Applicant

A customer requesting service who has met all requirements of this rule and has made payment of or otherwise made arrangements for the construction payment to the utility.

Construction Cost of Distribution Facilities

The combined costs of all facilities necessary to the distribution extension or reinforcement, including satisfactory rights-of-way.

Construction Payment

Amount advanced by applicant to pay all construction costs in excess of utility construction.

Distribution Extension

Any construction of distribution facilities including primary and secondary distribution lines, transformers, service laterals and all appurtenant facilities including meter installation facilities to the extent provided by the utility (except meters) necessary to supply service to additional customers.

Distribution Reinforcement

Increase in size of existing facilities necessitated by applicant's estimated electric requirements.

Distribution System

The utility's electric system including primary and secondary distribution lines, transformers, service laterals, and all appurtenant facilities provided by the utility (excepting meters) located on public highways and private rights of way, used for the purpose of general distribution of electric energy to its customers.

Extension Completion Date

The date on which the construction of a distribution extension or distribution reinforcement is completed as shown by utility records.

Meter Location

The physical location of the electric meter measuring the amount of power and energy supplied to customer. Meter locations in all instances will be determined by the utility and will be located so as to be accessible to utilities' meter readers at all times.

Open Extension Period

The period of time, the length of which shall be set by each individual utility, during which the utility shall calculate and pay refunds of customer construction payments according to the provisions of this Rule. The open extension period begins on the extension completion date.

Point of Delivery

Point where the utilities' electric facilities are first connected to the electric facilities of customer. The location

of the point of delivery will be determined by utility in accordance with standard practice or as individual circumstances may dictate.

Refund of Construction Payment

Amount of construction payment returned to customers or assignees by the utility.

Service Lateral

The secondary overhead or underground electric circuit and associated facilities located between utility's distribution line and the point of delivery to customer. Service lateral provides service for customer's exclusive use.

Utility Construction

That portion of necessary construction made by the utility at its expense.

SECTION II - PERMANENT SERVICE

APPLICABILITY:

Permanent Service refers to overhead or underground electric line extensions for secondary or primary service to customers where the use of service is to be permanent and where a continuous return to the utility of sufficient revenue to support the necessary investment is assured.

TERMS AND CONDITIONS

Every electric public utility, operating under the jurisdiction of this Commission, shall own, build, or cause to be built to its established construction standards, operate and maintain every extension of its distribution system for permanent service.

Extensions of a utility's distribution system upon public highways or rights-of-way acceptable to the utility, shall be built within a reasonable period after request for permanent service by bona fide applicant, subject to the following conditions:

- (a) For electric service of a permanent character, the utility will install at its expense, necessary overhead or underground electric distribution extension facilities equivalent in cost to the applicant's appropriate utility construction allowance. The utility construction allowances are to be derived for each of the various categories or classes of service provided.

- i) The appropriate utility construction allowance for categories or classes of service who are metered by a kilowatt hour (KWH) meter only (without provision for measuring the demand) shall be equivalent to the gross embedded distribution plant investment per customer in the category or class of service as determined in the utility's cost-of-service analysis and approved by the Commission in the utility's last general rate case.
- ii) The appropriate utility construction allowance for categories or classes of service who are metered by a meter capable of measuring kilowatt hour consumption and demands for power during periods less than the billing period shall be calculated in this way: disaggregate the gross embedded distribution plant investment into customer-related plant and demand-related plant, as determined in the utility's cost of service analysis and approved by the Commission in the utility's last general rate case.

The customer portion of the utility construction allowance shall be derived as the gross, embedded, customer-related, distribution-plant investment per customer.

The gross, embedded, demand-related distribution plant investment shall be derived on the per kilowatt (KW) demand (at the individual meter basis).

The demand utility construction allowance shall be the product of the utility's estimate of the demand times the derived, gross, embedded demand-investment per KW.

The appropriate utility construction allowance for the demand-metered customer shall then be the sum of the customer portion of the utility construction allowance plus the demand portion of the utility construction allowance.

- iii) The gross embedded distribution system plant investment in i) and ii) above shall be the utility's per book investment in its distribution system, exclusive of its investment related to meters and distribution substation investment.
- b) The above allowances are subject to review and appropriate revision by filing of new utility construction allowances with the Public Utilities Commission within 30 days following a final decision in a utility rate proceeding,

based on the appropriate gross distribution investment amounts included in that decision. A review and recalculation of utility construction allowances will be made at least once a year, unless the utility requests and receives from the Commission a waiver.

- (c) Applicant shall be required to pay to the utility as a construction payment all estimated costs for electric distribution facilities necessary to service applicant in excess of the utility construction allowance. The construction payment shall be refundable in part or in its entirety during an open extension period beginning with the extension completion date. At the end of the open extension period any remaining construction payment becomes non-refundable.
 - (i) The estimated cost shall include all costs necessary for the distribution extension.
 - (ii) The estimated cost shall be the necessary cost of that extension; it shall not include or be determined with reference to provision for additional capacity, size or strength in excess of that necessary to meet the requirements of the utility's construction standards required to service the load. Necessary costs may be determined in agreement with the utility's standard unit construction costs, if those are provided to the Commission staff and kept current; or when unit costs are not so established, an estimated cost may be used in advance of construction, subject to adjustment to the actual cost within a reasonable time after construction is completed.
 - (iii) Nothing in paragraphs (i) and (ii) shall be interpreted as a prohibition against the construction of an extension having more than sufficient capacity, size or strength to meet the requirements of the customer or customers to be then served, provided that all costs of the additional capacity, size or strength will not be included in the construction payment requirements.
- (d) When more than one customer is to be served from a prospective extension, the utility's extension policy shall provide a method for apportioning the amount necessary to justify the extension among the individual customers of the group, provided any customer may assume, subject to acceptance by the utility, more than his apportionment of same amount.

SECTION III - INDETERMINATE SERVICE

APPLICABILITY:

Indeterminate Service refers to overhead or underground distribution line extensions for service which is of an indefinite or indeterminate nature where the amount and permanency of service cannot be reasonably assured. This could include, but is not limited to (a) speculative development of property for sale; (b) mines, quarries, sandpits, oil wells, and other enterprises of more or less speculative characteristics; (c) where there is little or no immediate demand for service; (d) all other service to which neither Section II nor Section IV is applicable.

TERMS AND CONDITIONS:

Every electric public utility, operating under the jurisdiction of this Commission, shall own, build according to its established construction standards, operate and maintain the necessary distribution facilities to provide indeterminate service.

Extensions of a utility's distribution system upon public highways or rights-of-way acceptable to the utility, shall be built within a reasonable period after request for indeterminate service by bona fide applicant, subject to the following conditions:

For all types of electric service of an indeterminate character, applicant shall be required to pay to the utility the entire established cost for necessary overhead or underground electric distribution extension facilities as a construction payment. The construction payment will be normally considered non-refundable except as provided for in Section V of this Rule.

- (i) The established cost shall include all costs necessary for the distribution extension.
- (ii) The established cost shall be the necessary cost of the particular extension; it shall not include provision for additional capacity, size or strength in excess of that necessary to meet the requirements of the utility's construction standards required to serve the load. Necessary costs may be determined in agreement with the utility's standard unit construction costs, if they are provided to the Commission staff and kept current; or, when unit costs are not so established, an estimated cost may be used in advance of construction, subject to adjustment to the actual cost within a reasonable time after construction is completed.
- (iii) Nothing in paragraphs (i) and (ii) shall be interpreted as a prohibition against the construction of an extension having more

than sufficient capacity, size or strength to meet the requirements of the customer or customers to be then served, provided that all costs of the additional capacity, size or strength will not be included in the construction payment requirements.

An evaluation shall be made of indeterminate customers within the open extension period following completion of construction under which customers may be appropriately reclassified as permanent or temporary, as conditions warrant.

SECTION IV - TEMPORARY SERVICE

- (a) If in the utility's opinion the furnishing of service will not work an undue hardship upon it or its then existing customers, it may furnish the temporary service in accordance with the conditions of its extension policy for temporary service.
- (b) Temporary service normally shall not be continued for a period longer than 18 months, except where construction is of known duration but longer than 18 months. The utility may continue to render temporary service subject to this exception; but in all other instances if the period exceeds 18 months and the customer still desires and requests service, it shall then be provided in accordance with all the terms of the extension policy of the utility applicable to "Permanent" or "Indeterminate Service" without further consideration of the obligation provided in the temporary service agreement.

APPLICABILITY:

Temporary Service refers to circuses, bazaars, fairs, concessions and similar enterprises and construction works of a temporary nature and to ventures of such uncertain, speculative character that their permanency is questionable, such as coal and metal mining or oil and gas production operations during the preliminary or development periods.

TERMS AND CONDITIONS

Every electric public utility, operating under the jurisdiction of this Commission, shall own, build according to its established construction standards, operate and maintain the necessary facilities to provide temporary service.

Extensions of a utility's distribution system upon public highways or rights-of-way acceptable to the utility, shall be built within a

reasonable period after request for temporary service by bona fide applicant, subject to the following conditions:

For electric service of a temporary character, applicant shall be required to pay to the utility as a construction payment an amount equal to the estimated cost of installing and removing all necessary overhead or underground electric distribution extension facilities, less the estimated salvage value. At the option of the utility, an alternate calculation of the required construction payment may be made where the salvage value would be refunded after the facilities are removed. If temporary service is continued for more than 18 months following the extension completion date the nature of such continued service will be evaluated and, if appropriate, reclassified as "Indeterminate Service" or "Permanent Service".

- (i) The estimated cost shall include all costs necessary for the distribution extension. The estimated cost shall be the necessary cost of the particular extension; it shall not include provision for additional capacity, size or strength in excess of that actually necessary to meet the requirements of the utility's construction standards required to serve the load.
- (ii) Nothing in paragraph (i) shall be interpreted as a prohibition against the construction of an extension having more than sufficient capacity, size or strength to meet the costs of the customer or customers to be then served, provided that all the additional capacity, size or strength will not be included in the construction payment requirements.

SECTION V - CALCULATION AND PAYMENTS OF REFUNDS

During the open extension period, distribution line extensions requiring customer construction payments are subject to refunds. The refunds will be made in conformance with the provisions applicable to refunds under the appropriate plan under which the extension is classified. No refunds will be made after the expiration of the open extension period and any remaining unrefunded customer construction payment is no longer subject to refund for any reason. In no case shall refunds be made which exceed the total amount of construction payment made by any customer. In no event shall any customer who has terminated service be eligible for any refund after termination.

PERMANENT SERVICE

Construction payments made under a permanent service extension shall be subject to refund without interest during the open extension period following the extension completion date as follows:

For each additional permanent service customer connected directly to an electric distribution extension upon which there is unrefunded construction payment remaining, the utility will recalculate the extension considering the costs of any additional transformation and secondary facilities and considering the utility construction allowance, provided by the additional customer, as well as appropriate sharing of construction payment requirements among all customers to be served by the distribution line extension. Construction payments required of each additional customer must be made, or other arrangements agreed to, prior to connection of electric service laterals. Refunds of customer construction payments, where appropriate, will be calculated and paid once each year during the refund period and at a time determined by utility or, at the option of the utility, when payment is received from the new customer. Each customer having made a construction payment will receive as a refund the amount necessary to adjust his construction payment to the proper level, considering the additional customers served from the extension, and considering the utility construction allowance effect, if any, from a subsequent extension.

In the case of a later extension made from an extension on which there are remaining unrefunded customer construction payments, and where the initial calculated utility construction allowance from customers on the subsequent extension would exceed the construction costs for the extension, the excess utility construction allowance will be credited to the extension on which there is remaining unrefunded customer construction payments and become a part of its refunds.

Additional customers of an indeterminate or temporary service classification can be served from a permanent service extension, on which unrefunded customer construction payments remain, only after first allocating a portion of the construction costs of the permanent service extension on a permanent basis to indeterminate or temporary service customers. The portion of customer construction payments required from indeterminate or temporary service customers resulting from the allocation will correspondingly reduce the responsibility of customers on the permanent service extension and become a part of the refund made to the customers.

INDETERMINATE SERVICE

- (a) Customers of a permanent, indeterminate, or temporary service classification can be served from an indeterminate service extension on which construction payments remain only after first allocating a portion of the costs of the indeterminate service extension to the permanent, indeterminate, or temporary service customers. The portion of customer construction payments required from the permanent, indeterminate or temporary service customers resulting from the allocation will then become a part of refund to be made to customers on the indeterminate service extension, and would be in addition to the amount of refund based on any free construction allowance being made otherwise.

- (b) An evaluation may be made of indeterminate customers within open extension period following completion of construction under which the customers may be appropriately reclassified as permanent or temporary as conditions warrant.

TEMPORARY SERVICE

No refund of construction payments for temporary service will be made unless the extension is subdivided by the addition of permanent service or indeterminate service customers or temporary service customers or temporary service customers; or in the event that the temporary service customer is reclassified as an indeterminate service customer as follows:

Customers of a permanent, indeterminate, or temporary service classification can be served from a temporary service extension only after first allocating a portion of the costs of the temporary service extension to permanent, indeterminate or temporary service customers. The portion of customer construction payments required from the permanent, indeterminate service, or temporary service customers resulting from the allocation will be refunded to customers on the temporary service extension.

A temporary service customer continuing to require service after an 18-month period will be subject to reevaluation as to the nature of service. If appropriate, the customer and the associated construction will be reclassified as indeterminate based on the original extension costs and completion dates. In no event shall the total amount refunded to any customer exceed the total construction payment made by that customer.

SECTION VI - THREE-PHASE CONSIDERATION

In all cases where customers requiring three-phase service are to be served at locations requiring the distribution facilities in part to be provided by facilities also serving single-phase service, all distribution extension construction costs, as well as customer construction payment requirements and refunds, shall be considered as though there were separate extensions for each type of service.

In calculating the requirements for each type of service, the costs of the single-phase extension will be based on the total requirements for the service. The cost of the three-phase extension will include only the difference for providing that service, regardless of which requirement came first. A proportionate share of each three-phase customer's electric load and utility construction allowance, where the customer is served in part from a single-phase extension, shall be considered in conjunction with other single-phase customers served from the extension, in the calculation of all construction payment and refund considerations of the single-phase extension. The remaining proportionate share of any three-phase customer's

electric load and utility construction allowance shall be considered in conjunction with the separate three-phase extension costs, customer construction payments and refunds. In making the determination, all single-phase customers shall be considered as being on the same extension, regardless of whether the customers are physically connected to the same phase. In all cases, the earliest construction completion date of the facilities constructed will be used in the determination of refund eligibility.

SECTION VII - DISTRIBUTION SYSTEM REINFORCEMENTS

Where electric distribution system reinforcement is required for serving a single residential applicant's total load requirements, other than for three-phase considerations, the utility will make reinforcements at its expense. For other classes of service, or size of development, any required reinforcements shall generally recognize the construction cost, utility construction allowance and customer construction payment provisions of this extension policy in accordance with individual agreements between applicant and the utility, based upon the amount, character and permanency of the load.

SECTION VIII - OVERHEAD TO UNDERGROUND CONVERSION

Customers may request to have the utilities existing overhead facilities, presently providing service, placed underground, or may request to have existing overhead or underground facilities relocated. If the utility determines that the conversion or relocation can reasonably be made, the utility will make the conversion or relocation on the following basis:

The estimated remaining-life value of the utility's existing facilities, plus the cost of removing such facilities less salvage value, shall be paid by the customer as a non-refundable payment. New facilities to be installed will then be considered, in all respects, as a new distribution extension under the conditions of this extension policy.

SECTION IX - METER INSTALLATIONS

1. In those instances where permanent or indeterminate service is to be supplied, the utility will furnish and set the appropriate meter. Applicant will provide all facilities necessary for proper meter installation in conformance with the utility requirements for such installation. Title to meters shall at all times vest in the utility.
2. If temporary service is to be supplied, applicant will pay to the utility, prior to connection, the estimated cost of installing and removing the meter, less the salvage value of materials used. The payment shall not be subject to refund. Construction service shall be considered as temporary service where the facilities are required to be placed at other than the permanent location.

RULE 32
ELECTRIC TRANSMISSION LINE EXTENSION

INTENTION:

The basis and purpose for Rule 32 are: (1) to set forth the transmission line extension requirements to be observed by utilities offering electric service; (2) to protect each utility against making unwarranted or uneconomical investments which might react adversely through rates or service upon existing customers; and (3) to provide for the terms and conditions under which service requested when provided via the utility's transmission system would be extended. The Commission's statutory authority for the issuance of this rule is found in § 40-2-108, C.R.S.

SECTION I - GENERAL

Applicable to all service provided at transmission voltage:

- (a) Just and reasonable rates and charges involve consideration of the degree of risk associated with furnishing those services and the expected relationships between cost and revenues. In those instances in which service requested is to be provided via the utility's transmission system, a special type of construction is required, or unusual conditions are involved in furnishing the service, or where the amount and permanency of service cannot be reasonably assured, the risks associated with the furnishing of the service are greater, and hence the normal rates and charges will be inadequate to assure the recovery of all costs and to provide a fair return.
- (b) Every electric public utility operating under the jurisdiction of this Commission, other than a cooperative electric association which has exempted itself from regulation by the Commission under Article 9.5 of Title 40, C.R.S., shall file with the Commission its electric transmission line extension policies, setting forth the conditions under which the utility shall, for service requested and provided via the utility's transmission system, make extension to premises not connected to its transmission system, or make added investment in facilities for service already similarly connected. Such policies shall conform to the provisions hereinafter set forth under Section II. The utility, upon proper notice by the Commission, shall submit the information necessary to justify these policies. Any utility, however, upon proper showing that special conditions warrant, may be permitted

to file transmission line extension policies for a portion of territory served by the utility, not in conformity with the provisions.

- (c) Each utility may write into its transmission line extension policy any qualifying clauses, limitations or explanations it may find necessary to protect it against making unwarranted or uneconomical investments which might react adversely through rates or service upon existing customers. Each utility may establish separate policies for various territories and classes of service.
- (d) Transmission line extension policies filed with this Commission shall be subject to the rules and regulations of the Commission to refuse or to require alterations, amendments, or modifications.
- (e) Nothing in this rule shall be construed to prevent the Commission from considering upon its own merits and acting upon any demand for an extension not economically sound and feasible under this rule but otherwise lawful. Such action will be taken without waiver of this rule as to other prospective extensions, in order to meet special situations which may arise. Special extension agreements must be filed by application to the Commission prior to commencing construction. Nothing in this rule shall be construed to preclude the Commission from relieving any electric utility from the obligation imposed by its extension policy in accordance with this rule should the special circumstances of the case warrant the relief, nor to preclude the Commission from altering, modifying or amending this rule from time to time as the Commission may deem necessary or advisable.

The process of altering, modifying or amending shall be done in accordance with the provisions of applicable law.

- (f) The addition of new transmission service or service which involves unusual or special circumstances under conditions here described will require the payment of a nonrefundable construction payment by the customer requesting the transmission service to cover the additional risks associated with the furnishing of that service. The nonrefundable construction payment is in addition to the regular rates and charges applicable for the service provided and is designed to cover the additional risks associated with the furnishing of that service.
- (g) The ownership of any pole line, circuit or other facilities, provided wholly or in part at the expense of an

applicant under these rules, shall at all times be vested exclusively in the electric utility or another utility with which the electric utility has a joint agreement.

- (h) Except as otherwise provided here, the regulations in this rule contemplate that the type of construction required to provide the quantity and grade of service involved will be determined by the utility. The customer will be required to pay the added costs involved when a different type of construction at least equal to or greater than that proposed by the utility is desired.
- (i) Where applicants are so located that it is necessary or desirable to use public or government right-of-way or both to furnish service, such applicants may be required to provide or pay the cost of providing such right-of-way in addition to any applicable construction payments.
- (j) In no event shall service at transmission voltage be supplied except in accordance with the utility's transmission line extension policy then on file with the Commission and in effect.
- (k) With approval of the utility, arrangements may be made for the posting of a surety bond and the payment of the construction payment by the applicant in installments, coincident with the actual expenditures of the utility during the construction period of the extension.

DEFINITION OF TERMS

Construction Cost of Transmission Facilities

The combined costs of all facilities necessary to the transmission extension or reinforcement, including all costs relating to permitting and rights of ways.

Construction Payment

Amount advanced, or otherwise arranged for, in accordance with this rule by applicant to pay all construction costs.

Extension Completion Date

The date on which the construction of a transmission extension or transmission reinforcement is completed as shown by utility records.

Open Extension Period

The period of time, the length of which shall be set by each utility, during which the utility shall calculate and pay refunds of customer construction payments according to the provisions of this rule. The open extension period begins on the extension completion date.

Transmission Extension

Any construction of transmission facilities provided by the utility, either overhead or underground, and all appurtenant facilities including meter installation facilities (including meters to the extent they are provided by the utility), extending from the utility's transmission system necessary to supply transmission service to an additional customer.

Transmission Reinforcement

The increase in capacity of existing facilities necessitated by applicant's estimated electric requirements.

Transmission System

The utility's lines which were designed for transmitting energy, at a voltage above the utility's normal voltage for the distribution system in the area, from generating plants, purchase points, and other sources of supply to substations for transmission or distribution. The term Transmission System shall also be interpreted to include substations and related facilities for transmission or distribution.

SECTION II - TRANSMISSION SERVICE

APPLICABILITY:

This rule is applicable to overhead or underground electric transmission line extensions for service.

TERMS AND CONDITIONS:

Every electric public utility, operating under the jurisdiction of this Commission, shall own, build, operate and maintain the necessary facilities to provide transmission service.

Extension of a utility's transmission system upon public highways or rights-of-way acceptable to the utility, shall be built within a reasonable period after request for transmission service by bona fide applicant or applicants, subject to the following conditions:

- (a) For electric service supplied at a transmission voltage, applicant shall be required to pay to the utility the entire established cost for necessary overhead or underground electric transmission extension facilities as a construction payment. The construction payment will be normally considered nonrefundable, except as provided for below, and shall not draw interest. Further, the utility shall require the applicant to contract to pay the utility annually, in addition to the charge in the general rate applicable, an amount to cover the cost of insurance, replacement (or cost of removal), license and fees, taxes, operation and maintenance, and appropriate allocable administrative and general expenses, of such facilities, and the whole rate is then subject to all the provisions and procedures in effect before the Commission.
- (b) When more than one customer is to be served from a prospective extension, the utility's extension policy shall provide a method for apportioning the amount necessary to justify the extension among the individual customers of the group; provided any customer may assume, subject to acceptance by the utility, more than his apportionment of the amount.
 - (i) The established cost shall include all costs necessary for the transmission extension.
 - (ii) The established cost shall be the necessary cost of the particular extension; it shall not include or be determined with reference to provision for additional capacity, size or strength in excess of that actually necessary to meet the requirements of the utility's construction standards required to serve the load.
 - (iii) Nothing in paragraphs (i) and (ii) shall be interpreted as a prohibition against the construction of an extension having more than sufficient capacity, size or strength to meet the requirements of the customer or customers to be then served, provided that all costs of the additional capacity, size or strength will not be included in the construction payment requirements.

CALCULATION AND PAYMENT OF REFUND:

No refund of construction payments for transmission service will be made unless the extension is subdivided by the addition of new customers during the open extension period, as follows:

Additional customers can be served from an open transmission extension only after first allocating a portion of the costs of the transmission extension to additional customers. The portion of customer construction payments, required from the additional

customers resulting from the allocation, will be refunded to the customer on the transmission extension. There shall be no refund from a closed (after the open extension period has expired) transmission extension.

Section III - METER INSTALLATIONS

The utility will furnish and set the appropriate meter or meters. Applicant will provide all facilities necessary for proper meter installation in conformance with the utility's requirements for installation. Title to meters shall be all times vested in the utility.

(Decision No. C86-184-E)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE RULES OF	)	CASE NO. 5320
THE PUBLIC UTILITIES COMMISSION	)	
OF THE STATE OF COLORADO	)	WITH RESPECT TO RULE 31
REGULATING THE SERVICE OF	)	
ELECTRIC UTILITIES WITHIN THE	)	
STATE OF COLORADO: RULE 31	)	
RELATING TO SERVICE CONNECTION	)	
AND DISTRIBUTION LINE EXTENSION.	)	

IN THE MATTER OF THE RULES OF	)	CASE NO. 5320
THE PUBLIC UTILITIES COMMISSION	)	
OF THE STATE OF COLORADO	)	WITH RESPECT TO RULE 32
REGULATING THE SERVICE OF	)	
ELECTRIC UTILITIES WITHIN THE	)	ERRATA NOTICE
STATE OF COLORADO: RULE 32	)	
RELATING TO ELECTRIC TRANSMISSION	)	
LINE EXTENSION.	)	

March 6, 1986

DECISION NO. C86-184
Issued February 13, 1986

Appendix A to Decision No. C86-184, on Rule 31, Section V
- Calculation and Payments of Refunds, page 13, the second paragraph from
the top of the page under the title TEMPORARY SERVICE states:

No refund of construction payments for temporary
service will be made unless the extension is
subdivided by the addition of permanent service or
indeterminate service customers or temporary service
customers or temporary service customers; or in the
event that the temporary service customer is
reclassified as an indeterminate service customer as
follows:

Strike the duplicative words: "or temporary service customers,"
appearing in the third line of the above paragraph, so that it will now
read:

No refund of construction payments for temporary
service will be made unless the extension is

subdivided by the addition of permanent service or indeterminate service customers or temporary service customers; or in the event that the temporary service customer is reclassified as an indeterminate service customer as follows:

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Harry A. Galligan, Jr.

Harry A. Galligan, Jr.
Executive Secretary

Dated at Denver, Colorado, this
6th day of March 1986.