

CR 83-86

1-AC-38

83-86

CERTIFICATE

RECEIVED

STATE OF WISCONSIN)
) ss.
PUBLIC SERVICE COMMISSION)

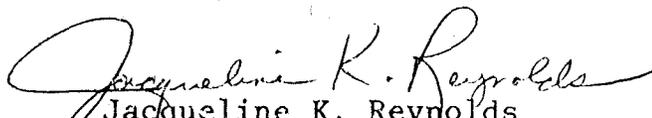
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TO ALL WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Jacqueline K. Reynolds, Secretary of the Public Service Commission of Wisconsin, and custodian of the official records of said commission, do hereby certify that the annexed order creating Part XII (title) of Wis. Adm. Code ch. PSC 113 and sections PSC 113.80, 113.81, 113.90, 113.91, 113.92, 113.93, 113.94, 113.95, 113.96 and 113.97 was duly approved and adopted by this commission on November 1, 1984.

I further certify that said copy has been compared by me with the original on file in this commission and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the commission at the Hill Farms State Office Building, in the City of Madison this 2nd day of November, 1984.


Jacqueline K. Reynolds
Secretary of the Public Service
Commission of Wisconsin

1-1-85

DATE MAILED
NOV 2 1984



COMPARED WITH AND CERTIFIED BY ME
TO BE A FULL, TRUE AND CORRECT COPY
OF THE ORIGINAL ON FILE IN MY OFFICE
NOV 2 1984
Jacqueline K. Reynolds
Secretary to the Commission
Public Service Commission of Wisconsin

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Service Extension Rules) 1-AC-38
For Electric Utilities)

RECEIVED

ORDER OF THE PUBLIC
SERVICE COMMISSION CREATING RULES

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Relating to creation of Part XII (title) of ch. PSC 113
and ss. PSC 113.80, 113.81, 113.90, 113.91, 113.92, 113.93,
113.94, 113.95, 113.96 and 113.97, establishing standards for the
development of electric service extension rules.

ANALYSIS BY THE PUBLIC SERVICE
COMMISSION OF WISCONSIN

In separate contested case orders, the Public Service
Commission directed the state's seven largest investor-owned
electric utilities to develop revised electric service extension
rules to be effective between January 1, 1982, and March 1,
1983. The commission directed the utilities to develop the
service extension rules to meet specified standards. The generic
environmental impact statement on electric utility service
extension practices prepared by the commission in docket 1-AC-10
was considered in each of the above proceedings. The standards
developed in these individual cases are now being promulgated as
administrative rules to govern all electric utilities, both
investor-owned and municipal. See s. 227.014(2)(c), Stats.

The new extension rule standards are being introduced because of changed circumstances in the electric utility industry. Past extension rules were developed when additional customer connections or extensions resulted in lower utility rates due to economies of scale from increased sales. The economies of scale, however, no longer exist; fuel, capital, and labor costs have risen dramatically. It now costs more to connect and serve new customers than it has to connect and serve existing customers. When the cost to serve a new customer is greater than the current average investment, adding new customers increases the average cost and all customers pay higher rates. The result is that existing customers subsidize new customers.

In the individual proceedings mentioned above, the commission found it just and reasonable that the electric service extension rules should provide equity between new and existing customers. The rules should provide reasonably cost-based procedures and extension charges. The commission also found that the effect of the service extension rules on the environment, the utility's total revenue requirement, and efficient use of electric energy should be considered. New customers should pay for service extensions to the extent that they are not subsidized by existing customers. Also, new customers should not pay an advance contribution for that portion of extensions which is eventually paid through rates.

To meet these objectives, the commission has developed the rules being promulgated in this docket. The rules establish a credit for customers requiring a service extension based on the

current embedded plant value and the number of customers, or the customer's monthly billed demand level, or the number of street lighting fixtures. The embedded plant value is the historical cost of the installed utility plant less the accumulated depreciation on the plant. It includes the materials, supplies, and labor to install such items as poles, cross-arms, transformers and conductors. The credit given to customers requesting an extension is known as an embedded cost allowance. The customer must contribute to the utility an amount equal to the installed cost of the extension less the embedded cost allowance. If another customer subsequently attaches to the line extension within five years from the date of installation, the original contributor for the extension may receive a refund. The refund will be the amount of the embedded cost allowance less the cost of any additional distribution-related costs necessary to serve new customers on that line extension.

Subdividers and developers must pay the full cost of the extension(s) required to serve the new lots. Subdividers and developers may receive a refund equal to the embedded cost allowance for each new home taking service within five years from when service was installed.

In developing service rules for customer-requested modifications of existing distribution facilities the commission must balance the utility's statutory obligation to provide adequate service (which includes the replacement and upgrading of deteriorated and obsolete equipment) with the policy that the

customer causing the utility to incur costs should pay those costs. The customer requesting modifications to or replacement of old deteriorated or obsolete facilities should pay less toward the cost of the new facilities than a customer requesting that one or two year old facilities be modified or replaced. This is because the remaining useful life of the older facilities is less and the utility would need to replace them at their own cost sooner than they would need to replace the recently constructed facilities.

Thus, if a customer requests modifications to existing distribution facilities, the customer is required to pay the full cost of the new facilities and modifications requested, including the cost of removal of existing facilities when necessary, less accumulated depreciation and salvage value of facilities removed.

After construction of the requested facilities is complete, the utility is required to adjust its estimate of construction cost to reflect the costs actually incurred. The utility is required to refund excess customer contributions and may collect an additional customer contribution for an underestimated extension cost.

Not included in these administrative rules are rules on the question of whether independent contractors may construct electric extensions. That topic was the subject of rulemaking docket 1-AC-64, after which the commission decided not to adopt

rules which would change the present policy that all extensions must be constructed by the utility.

RULES AND STATUTORY AUTHORITY

Pursuant to authority vested in the Public Service Commission by s. 196.02(3), 196.03, 196.37 and 227.014(2)(c), Stats., the commission adopts rules as follows:

SECTION 1: Part XII (title) of ch. PSC 113 is created to read:

STANDARDS FOR ELECTRIC SERVICE EXTENSIONS

SECTION 2: Secs. PSC 113.80 and 113.81 (with heading) are created to read:

GENERAL

PSC 113.80 PURPOSE. The purpose of part XII of this chapter is to establish standards for electric utility service extension rules. These standards shall not apply to the interconnection of customer-owned generation facilities. The primary objective of these standards shall be to provide for an equitable cost relationship between new customers and existing customers. The determination of an equitable relationship shall consider the effect of the extension rule on the environment, the utility's revenue requirement, and the efficient use of electricity.

PSC 113.81 PRINCIPLES OF FACILITIES DEVELOPMENT. The utility shall provide safe, reliable service with extensions that conform, to the extent possible, to each of the following standards:

(1) ROUTE. The utility shall make the extension over the most direct route which is the least expensive and least environmentally degrading. The customer shall provide or shall be responsible for the cost of all right-of-way easements, and permits necessary for the utility to install, maintain, or replace distribution facilities. The customer shall either clear and grade such property or pay the utility to clear and grade such property. The customer is responsible for the cost of restoration of the property after the utility has completed installation and backfilling where applicable.

(2) DESIGN. The utility shall design and install facilities to deliver service to the customer and the area at the lowest reasonable cost. The facilities shall comply with accepted engineering and planning practices. The design shall consider reasonable needs for probable growth in the area and local land use planning. Unwarranted excess capacity which would result in unnecessary cost increases to the utility and its customers shall be avoided. The utility shall be responsible for the incremental cost of distribution facilities which are in excess of standard design for the customer and normal area growth.

(3) EFFICIENT USE. The utility's extension rules shall discourage the inefficient use of electricity by appropriately relating costs to the charges made for extensions.

(4) COST ESTIMATES. The utility shall engineer and estimate the cost of each extension based on reasonable current costs. Current costs may be estimated using job specific costs, average costs per foot or unit, or other costing method as appropriate.

SECTION 3: Secs. PSC 113.90 (with heading), 113.91, 113.92, 113.93, 113.94, 113.95, 113.96 and 113.97 are created to read:

CONSTRUCTION OF FACILITIES

PSC 113.90 DEFINITIONS. In ss. 113.91 to 113.97:

(1) "Contributed extension" means an extension toward which a customer has made a contribution in aid of construction.

(2) "Distribution facilities" includes all primary and secondary voltage wire or cable and its supports, trenches, connection equipment, and enclosures, and control equipment which are used to extend the distribution system from existing facilities to a point of connection with the service facilities. The cost of right-of-way preparation and restoration to the original condition where appropriate shall be included in the cost of distribution facilities.

(3) "Embedded cost" means the original cost of the installed utility plant less both the accumulated depreciation of the plant and associated contributions in aid of construction as recorded in the utility's books.

(4) "Embedded cost allowance" means a construction credit given a customer requesting an extension which reflects the average embedded cost of existing facilities.

(5) "Excess facilities" means an extension costing more than five times the average embedded cost allowance for a given customer classification.

(6) "Extension" means the addition of transmission, distribution, or service facilities to the existing electric service facilities.

(7) "Full cost" of an extension includes the cost of removal of existing facilities if present.

(8) "Noncontributed extension" means an extension which costs less than the embedded cost allowance: the customer requesting the extension makes no contribution in aid of construction.

(9) "Nonstandard route or design" means facilities which meet one or more of the following criteria:

(a) are different from the standard design developed pursuant to s. PSC 113.81(2).

(b) follow a route different from the route determined in s. PSC 113.81(1), or

(c) are not in accordance with the general principles of s. PSC 113.81.

(10) "Service drop" means the overhead secondary voltage conductors from the transformer or closest pole or support on the distribution system to the customer's electric service entrance equipment.

(11) "Service facilities" means the transformer, service drop or service lateral and meter.

(12) "Service lateral" means the underground secondary voltage conductors from the transformer or closest underground pedestal on the distribution system to the customer's electric service entrance equipment.

(13) "Transmission facilities" means a line providing electric service at 35 kilovolts or more as defined in s. PSC 112.04(1)(c) and the associated supports, connection equipment and enclosures and control equipment. Transmission facilities also includes the preparation cost of the right-of-way and restoration of the property to its original condition where appropriate.

(14) "Upgrade" means a modification of existing electric facilities.

PSC 113.91 CUSTOMER CONTRIBUTION FOR SERVICE FACILITIES.

(1) METERING FACILITIES. The utility shall provide the necessary standard metering facilities at no charge to the customer.

(2) SERVICE DROPS AND LATERALS. The utility shall provide standard overhead service drops and standard underground service laterals at no charge to the customer.

(3) TRANSFORMERS. The utility shall provide standard design transformers necessary to serve the customer's load at no charge.

(4) NONSTANDARD SERVICE FACILITIES. If the facilities design developed pursuant to s. PSC 113.81 require nonstandard service facilities or if the customer requests nonstandard facilities, the utility may require the customer to pay a

contribution in advance of construction for the portion of the facilities in excess of the standard design.

PSC 113.92 CUSTOMER CONTRIBUTIONS FOR DISTRIBUTION EXTENSIONS.

(1) STANDARD DESIGNS. The customer shall pay, as a minimum and refundable contribution, the estimated cost of distribution facilities to be installed which is greater than the appropriate average embedded cost allowance for existing distribution facilities.

(2) SUBDIVISIONS. Developers and subdividers shall pay, as a minimum and refundable contribution, the estimated cost of distribution facilities to be installed for the area being developed. The contribution is refundable as structures are built and connected to the electric utility facilities.

(3) NONSTANDARD ROUTE OR DESIGN. If a customer requests a route or design which is different from the design proposed by the utility in compliance with the requirements of s. PSC 113.81, the utility shall require that the customer pay any additional costs as a refundable contribution.

(4) CONSTRUCTION CHARGES. The utility shall require that the customer make a contribution in aid of construction if construction requires trenching in rocky soil, frozen ground, or other similar conditions.

(5) REQUEST FOR EXCESS FACILITIES. The utility may

require a contract from a customer requesting the installation of excess facilities, as defined in s. PSC 113.90(5), requiring the customer to pay recurring operation and maintenance expenses on the portion of the extension which is greater than five times the embedded cost allowance. The utility shall provide the commission with the reasons and supporting analysis for each such contract.

(6) PAYMENT PLANS. The utility may require that the contribution in aid of construction be paid in advance of construction or may, at the utility's option, offer customers an installment payment plan.

PSC 113.93 EMBEDDED COST ALLOWANCES. The average embedded cost of existing facilities shall be determined annually on a customer classification basis as follows:

(1) ENERGY ONLY CUSTOMERS. For customer classifications billed on an energy usage only basis, the embedded cost of the distribution facilities allocated to those classifications shall be divided by the number of customers in the classification to specify an average embedded cost allowance per customer. The utility may create subclassifications of the energy-only commercial classification based on customer service entrance capacity or other electrical load criteria to specify average embedded cost allowances.

(2) DEMAND AND ENERGY CUSTOMERS. For customer classifications billed on a demand and energy usage basis, the embedded cost for distribution facilities allocated to those classifications shall be divided by the total billed demand of

those customers to specify an average embedded cost allowance per kilowatt of demand.

(3) STREET LIGHTING. For street lighting facilities, the embedded cost of distribution facilities allocated to those classifications shall be divided by the number of lighting fixtures to specify an average embedded cost allowance either by type of lighting fixture or by type and size of lighting fixture.

(4) SEASONAL CUSTOMERS. Seasonal customers shall receive one-half the average embedded cost allowance of a year-round customer for the same customer classification.

PSC 113.94 REFUNDS.

(1) INDIVIDUAL CUSTOMERS.

(a) Procedure. The utility shall make refunds to a customer who made a contribution for an extension (a contributed extension) when the utility makes an extension from the contributed extension to a second customer which does not require a contribution from the second customer (a noncontributed extension). The refund shall be equal to the greater of the embedded cost allowance in effect at the time the contributed extension was installed or the current embedded cost allowance. This refund, in either case, shall be reduced by the costs incurred by the utility to design and install the distribution facilities for the second customer. The utility shall not refund more than the total contribution made by any customer. The utility shall make the refund to the customer who made the original contribution or the current property owner of record unless it has a written record from that customer assigning the refund rights to another customer.

(b) Period. The utility shall make refunds for the first five years after the installation of a contributed extension.

(2) SUBDIVISIONS.

(a) Procedure. As structures are built and connected to the electric utility facilities, the utility shall refund to the developer or subdivider an amount equal to the greater of the embedded cost allowance in effect at the time the contributed extension was installed or the current embedded cost allowance for each customer. This refund shall be reduced by the cost of any additional distribution facilities, if necessary, to serve the new customer.

(b) Period. The utility shall make refunds for structures which are built and connected to the utility system within five years from the installation of the contributed extension.

PSC 113.95 MODIFICATIONS TO EXISTING DISTRIBUTION AND SERVICE FACILITIES.

(1) RELOCATION AND REBUILDING OF EXISTING DISTRIBUTION FACILITIES. Where responsibility can be determined by the utility, the customer responsible for relocation, rebuilding, or other modification of existing distribution facilities shall pay a contribution equal to the full estimated cost of construction

including the cost of removal of existing distribution facilities and less the accumulated depreciation and the salvage value of facilities removed. The costs and credits shall be determined from the available records of the utility. The utility shall endeavor to maintain records that permit a reasonable calculation of these costs and credits. The contribution shall be refundable as additional customers attach to the facilities for which the customer made a contribution unless the additional customers require a new extension under s. PSC 113.90(1). (See s. PSC 113.94(1).)

(2) REPLACEMENT OF OVERHEAD DISTRIBUTION FACILITIES WITH UNDERGROUND DISTRIBUTION FACILITIES. A customer requesting the utility to replace existing overhead distribution facilities with underground distribution facilities shall pay the full estimated cost of construction including the cost of removal of existing distribution facilities less the accumulated depreciation and the salvage value of the existing overhead facilities which are removed. This contribution shall be refundable as additional customers attach to facilities for which the customer made a contribution if the cost of the required distribution facilities to serve the new customer is less than the appropriate embedded cost allowance.

(3) UPGRADE OF DISTRIBUTION FACILITIES.

(a) Due to change in load. Customers who request an upgrading of the utility distribution facilities due to a change in the character of their load shall pay for the construction

costs incurred by the utility to provide the requested additional facilities.

(b) Demand schedule. Customers who are served under a demand rate schedule shall receive an embedded cost allowance. The kilowatts of demand to be used in determining the allowance shall be the customer's average billed demand after the upgrade less the customer's average billed demand before the upgrade.

(c) Customers transferring to a different energy-only classification. If a customer served under an energy-only subclassification prior to the upgrade qualifies for a different energy-only subclassification after the upgrade, the customer shall receive a cost allowance equal to the difference between the two embedded cost allowances.

(d) Customers transferring to a demand classification. If a customer is served under an energy-only classification prior to the upgrade, the customer shall receive an embedded cost allowance. The kilowatts of demand to be used in determining the allowance shall be the customer's average billed demand after the upgrade less an estimate of the customer's prior average demand.

(4) UPGRADE OF SERVICE FACILITIES.

(a) Overhead service drop. The utility shall not charge the customer to upgrade an overhead service drop with a larger size overhead service drop.

(b) Underground service lateral. The utility shall not charge the customer to upgrade an underground service lateral with a larger size underground service lateral.

(c) Overhead service drop to underground service lateral. The utility shall require a contribution from a customer requesting to have an overhead service drop upgraded to an underground service lateral. The contribution shall be equal to the cost of the underground service lateral less the cost of an equivalent overhead service drop.

(5) PAYMENT PLANS. The utility may require that the required contribution in aid of construction be paid in advance of construction or may, at the utility's option, offer customers an installment payment plan.

PSC 113.96 REVISION OF ESTIMATES TO REFLECT ACTUAL COST. The utility shall adjust its estimate of construction costs to reflect the costs that are actually incurred. Upon completion of an installation which differs from the utility's original cost estimate, a recalculation of the customer contribution shall be made using the same method as was used to determine the original contribution. If said recalculation differs by more than \$20 from original estimate, a refund or additional billing shall be rendered to the customer.

PSC 113.97 EXTENSION OR MODIFICATION OF TRANSMISSION FACILITIES TO RETAIL CUSTOMERS. Before a utility extends or modifies its transmission facilities to a retail customer, the utility shall require a contract between the utility and the customer which describes the facilities to be constructed, lists

the cost of construction, apportions the responsibility for the construction costs between the utility and the customer, and provides a supporting analysis for the construction and the cost apportionment. The utility shall submit the contract to the commission for approval. The commission shall review the contract to assess whether existing ratepayers would be adversely affected by the proposed extension or modification. If the commission does not respond to the utility within 20 working days from the date of receipt, the contract is approved.

There will be no fiscal impact from these administrative rules on the state or municipalities.

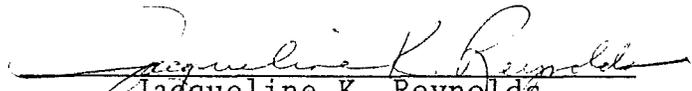
This action is classified as a Type III action according to PSC 2.90(3). The commission prepared the environmental impact statement on electric service extension rules which addresses issues pertinent to this case. No unusual circumstances have come to the attention of the commission that would require further environmental review. It consequently requires neither an environmental impact statement under s. 1.11, Wis. Stats., nor an environmental assessment.

The proposed rules were forwarded to the legislature for review pursuant to s. 227.018, Wis. Stats., on March 15, 1984, and changes were agreed to after consultation with legislators. The proposed rules were then returned to the legislature for 10-day review pursuant to s. 227.018(4)(b) on July 19, 1984.

The rules promulgated herein will take effect on the first day of the month following publication in the Wisconsin Administrative Register, as provided in s. 227.026. All electric utilities shall have extension rules in effect which comply with the administrative code on or before March 1, 1985. All electric utilities shall apply to the commission on or before January 1, 1985 for a revision of their extension rules to comply with the administrative rules.

Dated at Madison, Wisconsin, November 1, 1984

By the Commission.


Jacqueline K. Reynolds
Secretary to the Commission



State of Wisconsin \ PUBLIC SERVICE COMMISSION

November 2, 1984

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Mr. Gary Poulson
Assistant Revisor of Statutes
411 West, State Capitol
Madison, Wisconsin 53702

File No. AC-38

Re: Service Extension Rules for
Electric Utilities; C.H. No. 83-86

Dear Mr. Poulson:

Enclosed please find two copies (one certified) of an order of the Public Service Commission adopting rules in the above-entitled matter.

The rules have been seen by legislative committees (sent March 14, 1984).

Sincerely,

Steven Levine
Assistant Chief Counsel

SL:e

Enc.