

Aquila, Inc., dba

AQUILA NETWORKS For All Territory Served by Aquila Networks – L&P and Aquila Networks – MPS
KANSAS CITY, MO 64138

RULES AND REGULATIONS
ELECTRIC

FILED²

7. EXTENSION OF ELECTRIC FACILITIES

MAR 2 2017

7.01 Purpose

Missouri Public
Service Commission

The purpose of this policy is to set forth the service connection and distribution system extension requirements when one (1) or more applicants request overhead or underground electric service at premises not connected to Company's distribution system or request an alteration in service to premises already connected where such change necessitates additional investment.

7.02 Definition of Terms

- A. Applicant: The developer, builder, or other person, partnership, association, firm, private or public corporation, trust, estate, political subdivision, governmental agency or other legal entity recognized by law applying for the construction of an electric Distribution Extension, Extension Upgrade, or Relocation.
- B. Basic Extension Request: A request by Applicant for a Distribution Extension for which Company specified facilities are provided free of charge to the Applicant.
- C. Construction Allowance: The cost of that portion of the Distribution Extension which is for economically justifiable and necessary construction and which is made by Company. The formula used to determine the appropriate Construction Allowance will be based on Company's feasibility model. Generally, the formula used by the feasibility model is the Estimated Margin divided by the Fixed Carrying Cost percentage as measured over the first five (5) year life of the Distribution Extension.

$$CA = \frac{SUM (EM1 + EM2 + EM3 + EM4 + EM5)}{SUM (FCC1 + FCC2 + FCC3 + FCC4 + FCC5)}$$

Where, CA = Construction Allowance;
 EM = Estimated Margin;
 FCC = Fixed Carrying Cost;

Staff Exhibit No. 239
 Date 2/23/17 Reporter MM
 File No. ER-2016-0285

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7.02 Definition of Terms (Continued)

D. Construction Charges: That portion of the Distribution Extension's construction costs for which the Applicant is responsible. The Electric Extension Standards and the provisions in this extension policy specify which segments of service shall be furnished by Applicant and which segments are provided by Company at cost to Applicant. These charges may consist of the following components:

- (1) Nonrefundable charges represent the portion of Construction Charges which are not supported by the expected revenue stream or for non-standard costs associated with the Distribution Extension and will not be reimbursable to Applicant. (Exception: Non-standard costs for Excess Facilities may be recovered on a surcharge basis as mutually agreed to by Applicant and Company and specified in the Facilities Extension Agreement.)
- (2) Refundable charges represent the portion of Construction Charges that may be reimbursed to the Applicant during the Open Extension Period, dependent upon the Applicant's requisite performance as outlined in the Facilities Extension Agreement.

E. Distribution Extension: Distribution facilities including primary and secondary distribution lines, transformers, service laterals and all appurtenant facilities and meter installation facilities installed by Company.

F. Electric Extension Standards: Company's Electric Extension Standards handbook, available upon request to any Applicant, defines Company's uniform standards and requirements for installation, wiring and system design.

G. Estimated Construction Costs: The Estimated Construction Costs shall be the necessary cost of the Distribution Extension and shall include the cost of all materials, labor, rights-of-way, trench and backfill, together with all incidental underground and overhead expenses connected therewith. Where special items, not incorporated in the Electric Extension Standards, are required to meet construction conditions, the cost thereof shall also be included as a non-standard cost.

H. Estimated Margin: The Estimated Margin will be determined by first multiplying the effective rates for each customer class by the estimated incremental usage – and then subtracting 1) applicable margin allocation for network and infrastructure support costs; and 2) incremental power and energy supply costs.

I. Extension Completion Date: The date on which the construction of a Distribution Extension, Extension Upgrade or Relocation is completed as shown by Company records.

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7.02 Definition of Terms (Continued)

- J. Extension Upgrade: The increase in capacity of existing electric distribution facilities necessitated by Applicant's estimated electric requirements and for which Company determines that such facilities can be reasonably installed.
- K. Facilities Extension Agreement: Written agreement between Applicant and Company setting out the contractual provisions of Construction Allowance, Construction Charges, payment arrangements, the Open Extension Period, etc. in accordance with this extension policy.
- L. Fixed Carrying Cost: Company's cost of capital to provide the requisite return on its investment as well as the costs for depreciation, property taxes and property insurance.
- M. Indeterminate Service: Service that is of an indefinite or indeterminate nature where the amount and permanency of service cannot be reasonably assured in order to predict the revenue stream from Applicant. For purposes of uniform application, "Indeterminate Service" may include such service as may be required for the speculative development of property, mobile buildings, mines, quarries, oil or gas wells, sand pits and other ventures that may reasonably be deemed to be speculative in nature.
- N. Open Extension Period: The period of time, five (5) years, during which Company shall calculate and pay refunds of Construction Charges according to the provisions of this extension policy. The five (5) year period begins on the Extension Completion Date.
- O. Permanent Service: Overhead or underground electric line extensions for primary or secondary service where the use of service is to be permanent and where a continuous return to Company of sufficient revenue to support the necessary investment is reasonably assured.
- P. Temporary Service: Any service that is of a known temporary nature, excluding service for construction power, and shall not be continued for a period longer than twelve (12) months.

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7.03 General Provisions

- A. Company at its sole discretion, after consideration of Applicant's electric requirements, will designate the class of service requested as Permanent, Indeterminate or Temporary in accordance with the definitions set forth herein.
- B. The determination of facility type and routing will be made by Company to be consistent with the characteristics of an Applicant's requirements and for the territory in which service is to be rendered and the nature of Company's existing facilities in the area.
- C. The facilities provided will be constructed to conform to the Electric Extension Standards. Except as otherwise provided (Section 7.09 Excess Facilities), the type of construction required to serve the Applicant appropriately will be determined by Company.
- D. Facilities Extension Agreements will be based upon Company's Estimated Construction Cost for providing the facilities necessary to supply the service requested by Applicant. Company shall exercise due diligence with respect to providing the estimate of total costs to the customer. If it is necessary or desirable to use private, public and/or government rights-of-way to furnish service, Applicant may, at Company's discretion, be required to pay the cost of providing such rights-of-way. All Distribution Extensions, with the exception of service conduits, provided wholly, or in part, at the expense of an Applicant shall become the property of Company once approved and accepted by Company.
- E. Company shall construct, own, operate and maintain new overhead and/or underground feeder lines, service lines and related distribution system facilities only on or along public streets, roads and highways which Company has the legal right to occupy, and on or along private property across which right-of-ways and easements satisfactory to Company have been received.
- F. Rights-of-way and easements which are satisfactory to Company including those as may be required for street lighting, must be furnished by the Applicant in reasonable time to meet construction and service requirements and before Company shall be required to commence its installation; such rights-of-way and easements must be cleared of trees, tree stumps, and other obstructions, and graded to within six (6) inches of final grade by Applicant at no charge to Company. Such clearance and grading must be maintained by the Applicant during construction by Company. If the grade is changed subsequent to construction of the distribution system in such a way as to require relocation of any of the electric facilities, the estimated cost of such relocation shall be paid by the Applicant or its successors as a non-refundable Construction Charge

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7.03 General Provisions (Continued)

- G. An additional Construction Charge shall be paid by the applicant to Company for any ditching required to be performed by Company due to soil conditions including, but not limited to, the presence of rock or other environmental issues which prevent the use of normal trenching and backfilling practices used in trenchable soil. The charge under this provision shall be the estimated trenching and backfilling costs to be incurred by Company including conduit or padding for feeder lines, if required, less the estimated cost of normal trenching and backfilling. Applicant may be required to perform said ditching.

7.04 Permanent Service

- A. Each application to Company for electric service of a permanent nature to premises requiring extension of Company's existing distribution facilities will be evaluated by Company in order that Company may determine the amount of investment (Construction Allowance) warranted by Company in making such extension. In the absence of special financing arrangements between the Applicant and Company, the Construction Charges as specified in the Facilities Extension Agreement shall be paid by the Applicant to Company before Company's construction commences.
- B. The Construction Charges may be refundable in part, or in their entirety, to the original Applicant during the Open Extension Period. The Facilities Extension Agreement, to be executed by Applicant and Company, shall outline the applicable refund mechanism as related to the performance required by Applicant. In no event shall refunds aggregate an amount greater than the Construction Charges. Refundable Construction Charges shall not accrue interest. No interest in any potential refunds may be assigned. Applicant shall be responsible for notifying Company within six (6) months time of qualifying permanent loads connected to Company's system. On a periodic basis, Company shall make the applicable refund(s) as specified in the Facilities Extension Agreement. No refunds will be made for performance after the Open Extension Period.
- C. Company will evaluate the feasibility of growth for an existing area when determining the amount of Construction Charges. Where sufficient growth is anticipated, the extension maybe made without an additional charge or at a reduced rate.

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7.05 Indeterminate Service

- A. For all types of electric service of an indeterminate character, Applicant shall be required to pay to Company in advance of Company's construction all of the Estimated Construction Costs as Construction Charges as outlined in the Facilities Extension Agreement.
- B. The Construction Charges will be considered non-refundable unless, at the sole discretion of Company and upon written request of the Applicant, the Applicant is reclassified to Permanent Service during the Open Extension Period. In that event, the refund procedure applicable to Permanent Service Applicants will apply.
- C. Where the length or cost of an extension is so great and the anticipated revenue to be derived is so limited as to make it doubtful whether the necessary operating costs on the investment would be recovered an additional charge to Applicant may be required. The additional charge will cover the cost of insurance, cost of removal, license and fees, taxes, operation and maintenance and appropriate allocable administrative and general expenses of such facilities.

7.06 Temporary Service

For electric service of a temporary nature, Applicant shall be required to pay to Company as non-refundable Construction Charges as outlined in the Facilities Extension Agreement an amount equal to the estimated net cost of installing, owning and removing the Distribution Extension including non-salvageable materials. Applicant shall pay Company before Company's construction commences. This classification does not include temporary meter sets furnished to service an Applicant's construction requirements. Such temporary service is normally a 10 Amp self-contained meter set. The charge for these sets is shown in Section 12 of these Rules.

7.07 Extension Upgrade

Where an electric distribution Extension Upgrade is required to serve a non-residential customer's load requirements, the Facilities Extension Agreement between Company and Applicant shall apply the Estimated Construction Costs, Construction Allowance, and Construction Charges provisions contained in this extension policy to the Extension Upgrade.

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7.08 Relocation or Conversion Request

An Applicant desiring to have Company's existing overhead facilities installed underground or to have existing overhead or underground facilities relocated may request Company to make such changes. If Company determines that such conversion or relocation can reasonably be made, Company will make such conversion or relocation on the following basis: The cost of removing and relocating such facilities, the related net cost of non-salvageable materials and the cost of any new facilities to be installed shall be paid by the Applicant as non-refundable Construction Charges as outlined in the Facilities Extension Agreement.

7.09 Excess Facilities Request

In those instances where Company chooses to provide facilities at Applicant's request in variance with the Electric Extension Standards, Applicant shall be required to pay Company for the cost of such facilities, and to pay Company a Nonrefundable Construction Charge or a surcharge as outlined in the Facilities Extension Agreement. The charge is designed to recover the cost of insurance, replacement (or cost of removal); license and fees, taxes, operation and maintenance and appropriate allocable administrative and general expenses associated with such distribution facilities.

7.10 Applicability Limitation

The applicability of this extension policy is limited by the following conditions:

- A. Facilities Extension Agreement Not Timely Executed: Company's Estimated Construction Costs and Construction Charges requirements as calculated for each extension may become void, at Company's discretion, after 120 days from the time a proposed Facilities Extension Agreement is provided by Company to Applicant. If a Facilities Extension Agreement is not fully executed before that time, it may become necessary for new estimates to be made incorporating the then current construction costs and the terms and conditions of Company's extension policy as on file and in effect with the Commission at that time.
- B. Accurate Estimates Doubtful -- True-Up For Actual Costs: The Estimated Construction Costs will typically be the amount used in calculating the Construction Allowance and Construction Charges. In situations where the accuracy of the estimate is known to be highly uncertain, a true up to reflect actual costs at the Extension Completion date will be made. The intention to adjust the Estimated Construction Costs to reflect actual costs shall be specified and agreed to by both Applicant and Company in the Facilities Extension Agreement.

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7.11 Summary Of Policy Administration

A. Company has segmented Applicants into the following general categories for administration of this Extension Policy and also requires Applicants to provide the specified facilities as referenced in the Electric Extension Standards:

B. Residential Single Family

(1) Free of Charge - Basic Extension Request: All Applicants, classified as Permanent Service, will receive the following installed basic facilities free of charge:

- (a) First 100 feet of primary or secondary overhead conductor;
- (b) One (1) thirty-five (35) foot wood utility pole with guy and anchor;
- (c) 10-kva transformer including applicable mounting and protection hardware;
- (d) First 100 feet of overhead service conductor and 200-amp meter.

(2) Excess Charge - Non Basic Extension Request: Applicants requiring a Distribution Extension in excess of the basic installed facilities which are provided free of charge may incur a non-refundable construction charge as described below:

- (a) Individual Projects: Projects defined as including at least one (1) and no more than four (4) residential dwelling(s). The applicable Construction Allowance will be subtracted from the Estimated Construction Costs for the Applicant's project in order to determine the Nonrefundable Construction Charge to be paid by Applicant to Company. The cost of the distribution extension on public right-of-way will be included in the Estimated Construction Costs.
- (b) Subdivision Projects: Projects defined as including five (5) or more residential dwellings. The Nonrefundable Construction Charge is calculated based on a per lot basis and is determined by subtracting the applicable standard Construction Allowance from the standard Estimated Construction Costs. Additional Nonrefundable Construction Charges will be calculated for excess service lengths and excess extension lengths on an average per foot basis, with the per foot charge shown in Section 12 of these Rules. Applicant will also be responsible for all Estimated Construction Costs related to the cost of connecting the subdivision project to Company's existing and adequate distribution facilities when the length is greater than 100 feet. Applicant will pay these costs to Company as a Nonrefundable Construction Charge.
- (c) Construction Allowance is set equal to the cost of facilities provided free of charge plus standard adders, determined from the feasibility model, based on the electric end-use and project type committed to by Applicant.

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7.11 Summary Of Policy Administration (Continued)

C. Residential Multi-Family or Residential Mobile Home Trailer Parks

All applicants, classified as permanent service, will have a Construction Allowance calculated per the feasibility model (Section 7.02 C. Construction Allowance) for the customized project. The Construction Allowance is subtracted from the Estimated Construction Cost for the Applicant's project in order to determine the Nonrefundable Construction Charge to be paid by Applicant. Applicant will also be responsible for all Estimated Construction Charges related to the cost of connecting to Company's existing and adequate distribution facilities when the length is greater than 100 feet. Applicant will pay these costs to Company as a Nonrefundable Construction Charge.

D. Commercial or Industrial

All applicants, classified as permanent service, will have a Construction Allowance calculated per the feasibility model (Section 7.02 C. Construction Allowance) for the customized project. The Construction Allowance is subtracted from the Estimated Construction Cost for the Applicant's project in order to determine the Nonrefundable Construction Charge to be paid by Applicant. The cost of the Distribution Extension on public right-of-way is generally included in the Estimated Construction Cost except where the Applicant requires an extension other than a standard overhead extension. Where underground service on public right-of-way is required and agreed to by Company, the Applicant will be required to pay for the required facilities as either a Nonrefundable Construction Charge or as a surcharge on its monthly bill, at Company's discretion.

7.12 Aquila Networks – L&P Phase-in Period Through 10/22/04

- A. Through October 22, 2004, customers in the Aquila Networks – L&P service territory may, at their choice, follow the line extension policy listed in Aquila Networks – L&P's rules and regulations that were in effect on April 1, 2004. On and after October 23, 2004; any request for service will comply with the current rules and regulations for Aquila Networks, as they may change from time to time.
- B. The line extension policy for Aquila Networks – L&P on April 1, 2004 includes the following sheets from PSC Mo. No. 6, Rules and Regulations:

- (1) 5th Revised Sheet 39, Effective January 5, 1995
- (2) 2nd Revised Sheet 39.1, Effective January 5, 1995
- (3) 2nd Revised Sheet 39.2, Effective January 5, 1995
- (4) 4th Revised Sheet 39.3, Effective October 31, 1999
- (5) 8th Revised Sheet 40, Effective January 5, 1995
- (6) 2nd Revised Sheet 41, Effective January 5, 1995