

File

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Commission's)
Investigation into the Policies and)
Procedures of Ohio Power Company,)
Columbus Southern Power Company)
The Cleveland Electric Illuminating)
Company, Ohio Edison Company,)
The Toledo Edison Company and)
Monongahela Power Company)
Regarding the Installation of New Line)
Extensions.)

Case No. 01-2708-EL-COI

STIPULATION AND RECOMMENDATION

Rule 4901-1-30, Ohio Administrative Code ("OAC"), provides that any two or more parties to a proceeding may enter into a written or oral stipulation covering the issues presented in such proceeding. This document sets forth the understanding of the Parties who have signed below (the "Signatory Parties" or "Parties"), who recommend that the Public Utilities Commission of Ohio ("Commission") approve and adopt, as part of its Opinion and Order, this Stipulation and Recommendation resolving all of the issues in the above-captioned proceeding regarding Monongahela Power Company's, dba Allegheny Power ("Monongahela Power" or "the Company") recovery of costs and practices associated with line extensions. This Stipulation and Recommendation is a product of lengthy, serious, arm's-length bargaining among the Signatory Parties (who are capable, knowledgeable parties) with the participation of the Commission's Staff, which negotiations were undertaken by the Signatory Parties to settle this proceeding. This Stipulation and Recommendation is supported by adequate

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data and information; as a package, benefits customers and the public interest; represents a just and reasonable resolution of all issues in this proceeding and violates no regulatory principle or practice. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as here, it is sponsored by parties representing a wide range of interests, including the Commission's Staff.¹ For the purpose of resolving all issues raised in this proceeding, the Signatory Parties and each of them stipulate, agree, and recommend as follows:

I. PARTIES

This Stipulation and Recommendation is entered into by and among Monongahela Power, Staff of the PUCO, the Ohio Home Builders Association, National Association of Industrial and Office Properties, Duke Realty Corporation and such other parties as are signatory hereto. All of the parties fully support this Stipulation and urge the Commission to accept and approve it. A party may become a Signatory Party to this Stipulation and Recommendation after its filing by filing a letter or memorandum with the Commission, so stating.

II. CHARGES FOR LINE EXTENSIONS

A. For residential construction by builders and developers, the builders and developers agree to adopt a one time flat fee of \$350 for each single family development lot. The customers served by the facilities will pay the Company a charge of \$8 per month as a line extension surcharge for five years or until new distribution rates are filed and approved, whichever comes first. The one-time payment shall be defined and construed as a contribution in aid of construction ("CIAC") and the \$8

¹ Staff will be considered a party for purposes of entering into this Stipulation by virtue of O.A.C. Rule 4901-1-10(C).

monthly line extension surcharge payment as a carrying cost. The carrying cost on the construction cost net of contributions shall be deferred as a regulatory asset, with carrying costs, and be eligible for recovery in the next rate proceeding in accordance with traditional ratemaking.

B. For line extensions to any new single family residential property/lot not in a development estimated to cost less than \$3,000 net of any avoided cost pursuant to Paragraph III.G, the customers will pay a \$350/lot and an \$8/month line extension surcharge as a carrying cost, for five years or until new distribution rates are filed and approved, whichever comes first, subject to no refunds for additional customers connecting to the line. For line extensions estimated to cost more than \$3,000 net of avoided cost, the customer shall pay a carrying charge of 1.6% per month of the estimated cost in excess of the net \$3,000 in addition to the payment of the above cost of \$350/lot and \$8/month for the same period of time. For all line extensions to new single family residential homes, no matter if above or below \$3,000 net of avoided cost, the carrying cost on the construction cost less contribution offsets shall be deferred as a regulatory asset, with carrying costs, and be eligible for recovery in the next rate proceeding in accordance with traditional ratemaking. The standard rural line extension (RLX) shall not apply.

C. For multi-family residential units, the builders and developers agree to pay a \$100 per unit contribution. The customers served by the facilities will pay the Company a \$4 per meter per month as a customer line extension surcharge for five years or until new distribution rates are filed and approved by the Commission, whichever comes first. The carrying cost on the construction cost net of contributions shall be deferred as a regulatory asset, with carrying costs, and be eligible for recovery in the next rate proceeding in accordance with traditional ratemaking. Master metered development shall be governed by Section D below.

D. For general service customers (commercial and industrial), the Parties agree to distinguish between smaller general service and larger general service customers by designating those customers on Company Rate Schedule "B" as small general service customers and with all other commercial and industrial customers defined as large general service customers.

1. Small general service customers

1a. For small general service customers, the party requesting the extension of local facilities will pay, prior to the Company beginning to extend such facilities, 25% of the firm price estimated cost of the basic service plan as a Contribution in Aid of Construction (CIAC). In addition, the party requesting the extension will pay 100% of the cost differential associated with any premium services requested, also as a CIAC. All CIAC payment amounts will be grossed-up for taxes and the party requesting the extension will pay the total, grossed-up amount.

1b. The customers served by the local facilities will pay the Company a customer surcharge for the line extension, in addition to their bill for electric service, of an amount approximately equivalent to recover annual carrying charges of 19% on 25% of the construction cost. The customer surcharge shall be paid by the customer on a monthly basis for a period of five years or until new distribution rates are filed and approved by the Commission to recover said cost, whichever comes first. The Parties agree the monthly customer surcharge shall equal 0.40% times the cost of the line extension. This percentage shall be apportioned if there are additional customers being served by the facilities. The 0.40%/month equals 19% carrying cost ÷ 12 months which will then be multiplied by 25% of the cost of construction.

1c. It is agreed that the carrying cost on 25% of the total construction costs will be deferred as a regulatory asset, with carrying costs, and be eligible for recovery in the next rate proceeding in accordance with traditional ratemaking. Such

deferral shall be a carrying cost rather than a contribution and shall incorporate a rate of 19%/year as a cost of capital, depreciation and taxes. To the extent any customer surcharge is not recovered, the deferral shall recover the shortfall.

2. Large general service customers

2a. For large general service customers, as defined above, the party requesting the extension of local facilities will pay, prior to the Company beginning to extend such facilities, 35% of the firm price estimated cost of the basic service plan as a Contribution in Aid of Construction (CIAC). In addition, the party requesting the extension will pay 100% of the cost differential associated with any premium services requested, also as a CIAC. All CIAC payment amounts will be grossed-up for taxes and the party requesting the extension will pay the total, grossed-up amount.

2b. The customers served by the local facilities will pay the Company a customer surcharge for the line extension, in addition to their bill for electric service, of an amount approximately equivalent to recover annual carrying charges of 19% on 30% of the construction cost. The customer surcharge shall be paid by the customer on a monthly basis for a period of five years or until new distribution rates are filed and approved by the Commission to recover said cost, whichever comes first. The Parties agree the monthly customer surcharge shall equal 0.48% times the cost of the line extension. This percentage shall be apportioned if there are additional customers being served by the facilities. The 0.48%/month equals $19\% \text{ carrying cost} \div 12 \text{ months}$ which will then be multiplied by 30% of the cost of construction.

2c. It is agreed that the carrying cost on 25% of the total construction costs will be deferred as a regulatory asset, with carrying costs, and be eligible for recovery in the next rate proceeding in accordance with traditional ratemaking. Such deferral shall be a carrying cost rather than a contribution and shall incorporate a rate of

19%/year as a cost of capital, depreciation and taxes. To the extent any customer surcharge is not recovered, the deferral shall recover the shortfall.

III. OTHER LINE EXTENSIONS MATTERS

A. The Parties agree to adopt Staff's recommendation that the Company provide details in cost estimates by delineating equipment, labor and overhead costs associated with each major material and service component of a line extension, except for line extensions where per unit charges are used, e.g., \$350/lot; provided, however, that if the builder does any of the work, a detail cost estimate will be developed for the purposes of calculating the amounts to be paid by the builder and the amount to be paid by the utility. The Company will set forth in its estimate any incremental costs associated with underground vs. overhead service that the utility would be charging.

1. For cost estimates, the Company agrees that it will provide firm cost estimates by 10 business days for a customer where the Company's line is at the customer's property line and the customer's service requirements have been established. For all other requests, firm quotes shall be provided within 45 days, except if a land development organization requests informal budgetary information instead of firm cost estimates which should be provided as soon as available. In any case, the utility agrees on a best effort basis to provide the information within 30 days. Under special circumstances, if the Company needs additional time beyond the 45 days, the Company shall contact the customer to work out a schedule.

2. All firm cost estimates shall be valid for 90 days. All firm cost estimates shall be subject to obtaining necessary right of way and to conditions or occurrences beyond the reasonable control of the Company.

B. The Company will work with the Commission's Staff in the development of a brochure or booklet that fully explains all charges associated with line extensions or new facility installations and fully describes how charges will be applied, responsibilities for charges and payment options for the charges.

In order to promote customer awareness, the developers/builders, through OHBA, agree to work cooperatively to assist in the distribution of information prepared by the Company and the Commission's Staff for the purpose of notifying prospective homebuyers about applicable electric service rates and charges.

C. The Parties acknowledge that the Company has not implemented its new line extension tariffs but has suspended the implementation thereof. Accordingly, there are no refunds or notices necessary for the Company.

D. Pursuant to the Commission's October 24, 2001 stay order, the Company shall be allowed to defer and recover in a future rate proceeding the incremental cost due to the delay of implementing the new line extension plan, with such cost being the difference between what the customer paid under the old line extension program and what the customer would pay under the new line extension program from January 1, 2001, with carrying costs. Such deferral may be submitted by the Company in a future rate proceeding for recovery.

E. Future customers to line extensions – Reapportionment

1a. Any commercial or industrial party who, because the party requested an extension of line facilities, paid the Company a CIAC will be entitled to a refund of a portion of the CIAC paid for standard services in accordance with the following:

If a new additional customer, within 4 years of the CIAC having been paid, utilizes the local facilities for which the CIAC had been paid, the party who paid the

CIAC will be entitled to a refund which represents a 50% portion of the original CIAC calculated to share the CIAC responsibility for those facilities used in service by both the new additional customer and the original customer. If additional customers are added to the facilities, the cost will be apportioned equally during said four year period, e.g., three customers pay a 33% portion of the original CIAC.

1b. If a new additional customer, within 4 years of the surcharge having been paid, utilizes the local facilities for which the surcharge had been paid, the party who paid the surcharge will be entitled to a reapportionment on a going forward basis which represents a 50% portion of the original surcharge calculated to share the surcharge responsibility for those facilities used in service by both the new additional customer and the original customer. If additional customers are added to the facilities, the cost will be apportioned equally going forward , e.g., three customers pay a 33% portion of the original surcharge.

2. Other refunding arrangements mutually agreed to between the Company and its customer(s) are permitted.

F. Any party requesting temporary service will pay the Company the full cost of extending the facilities necessary for providing such service. There will be no increase in temporary service rates until after the expiration of the distribution rate freeze agreed to in the Company's Transition Plan case.

G. Prior to signing a contract with the Company for the extension of local facilities, the customer or builder/developer requesting the extension can choose to perform some or all of the work needed for the extension so long as it builds according to the standard specifications of the Company. If any such work, in addition to its responsibilities under the tariff, is performed by the party requesting the extension, the Company will provide a credit to the party in an amount equal to the firm quote avoided by the Company, net of additional costs for inspections, if any. Such credit will not

include work the customer is already obligated to perform, such as trenching and conduit for underground service. Such work to be performed by the customer can begin at the take-off point of the Company's facilities if the above conditions are met. Any facilities constructed will be owned and maintained by the utility. The Company agrees to supply a list of approved contractors to the customer, who agrees to use one of the approved contractors on the list or to use a contractor otherwise approved by the utility. The customer shall continue to be responsible for incremental cost associated with underground service vs. overhead service, excluding the services which the customer is already required to perform pursuant to the tariff.

H. The Parties agree that should the Company build extra facilities that are not needed in order to build the line extension, those extra facilities shall not be billed to that customer. However, it is understood that the amount subject to recovery shall include all direct and indirect costs of installing the line extension.

IV. OTHER CONDITIONS

A. To the extent any waivers are necessary for approval of this Stipulation, the Parties hereby request such waiver, including any waiver of the rural line extension plan.

B. In arms-length bargaining, the Parties have negotiated terms and conditions that are embodied in this Stipulation and Recommendation. This agreement resolves a variety of difficult, complicated issues that would otherwise be resolved only through expensive, complex, protracted litigation, which would have the effect of slowing the development of a competitive marketplace. This Stipulation and Recommendation contains the entire agreement among the Signatory Parties, and

embodies a complete settlement of all claims, defenses, issues, and objections in this preceding period.

The Signatory Parties agree that this Stipulation and Recommendation is in the best interests of the public and of all parties, and urge the Commission to adopt it.

No Signatory Party will challenge this Stipulation, or support, directly or indirectly, any challenge to the reasonableness or lawfulness of the provisions of this Stipulation. In any proceeding to modify the Company's rates to be effective after the distribution rate freeze agreed to by the Company in its Transition Plan case, the Signatory Parties may support line extension cost recovery proposals, for prospective application, that vary from the terms of this Stipulation.

This Stipulation and Recommendation is submitted for purposes of this case and should not be understood to reflect the positions which the Signatory Parties would have taken if all of the issues in the proceeding had been litigated. As with most stipulations reviewed by the Commission, the willingness of the Signatory Parties to sponsor this document jointly is predicated on the reasonableness of the Stipulation and Recommendation taken as a whole.

This Stipulation and Recommendation is not to be relied upon in any other proceedings, except as necessary to enforce the terms of this Stipulation and Recommendation. The Parties agree that if the Commission rejects all or any part of this Stipulation, or otherwise materially modifies its terms, any adversely affected party shall have the right within thirty (30) business days of the Commission's order, either to file an application for rehearing, proceed to hearing, or to withdraw from the Stipulation by filing a notice with the Commission. The Signatory Parties agree to, and intend to support the reasonableness of, this Stipulation and Recommendation before the Commission. If not fully adopted by the Commission or if rejected by the Supreme Court of Ohio, the Stipulation and Recommendation shall not prejudice any of the

positions taken by any party on any issue before the Commission in any other proceeding and shall not be admissible evidence in this or any other proceeding.

IN WITNESS WHEREOF, the undersigned Parties agree to this Stipulation and Recommendation as of this 20th day of May, 2002. The undersigned Parties respectfully request the Commission to issue its Opinion and Order approving and adopting this Stipulation.

MONONGAHELA POWER COMPANY

By _____

OHIO HOME BUILDERS
ASSOCIATION²

By Henry W. Bigler

NATIONAL ASSOCIATION OF
INDUSTRIAL & OFFICE PROPERTIES

By James T. Midon

THE STAFF OF THE PUBLIC
UTILITIES COMMISSION OF OHIO

By Ken Hargard

OHIO CONSUMERS' COUNSEL

By _____

DUKE REALTY CORPORATION

By Sally Bloomfield (JCH)
per phone authorization

² OHBA does not support, but will not object to, the monthly customer surcharges in Sections II.A, B and C.

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