Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: **July 1, 2015** .... **Agenda Item #5**

Company: Minnesota Energy Resources Corporation (MERC)

Docket Nos. **G-011/M-15-165**
In the Matter of a Petition by Minnesota Energy Resources Corporation for Approval to Modify Its Main and Service Extension Model and Amend Its Extension Tariffs

Issue: Should the Commission approve Minnesota Energy Resources Corporation's (MERC's) proposed modifications to its Main and Service Extension Model and its Amended Extension Tariff Sheets?

Staff: Bob Brill 651-201-2242

Relevant Documents

MERC - Initial Petition and Attachments .... February 13, 2015
MERC - Corrections to Initial Petition .... March 10, 2015
Department of Commerce (Department) - Comments .... April 15, 2015
MERC - Reply Comments .... April 16, 2015

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

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Statement of the Issue

Should the Commission approve Minnesota Energy Resources Corporation's (MERC's) proposed modifications to its Main and Service Extension Model and its Amended Extension Tariff Sheets?

Introduction

Utilities have service extension policies so that the cost of extending service to new customer are clear and transparent, the policies are fairly and uniformly administered throughout the utility's service area, and that costs are fairly apportioned between the new customers and the utility's existing customers.

Service extension policies also govern what a utility can charge when new facilities have to be built to serve a new customer.

The provisions in the utility's extension tariff and the language that explains the utility's extension policy should be *clear and transparent* and reasonably applicable to all customers. MERC's current tariff states that every residential customer receives a 75-foot line extension allowance.[1] If the length of the line extension does not exceed the 75-foot allowance, the requesting customer does not have to make a payment called a Contribution-In-Aid-of-Construction (CIAC) to the utility. If the length of the service line exceeds the 75-foot allowance, the requesting customer must pay for the overage, i.e. the customer is charged CIAC.

The Department recommended the Commission approve MERC's *Initial Petition* and MERC's *Corrections to its Initial Petition*. Generally, PUC staff agrees with the Department's recommendations, but offers additional discussion and additional decision alternatives for the Commission to consider.

Background

On February 13, 2015, MERC filed its *Initial Petition* to revise its service extension tariff by removing its current "Feasibility Model" and replacing it with its proposed "Customer Extension Model,"[2] and further, to revise certain tariff language.

On March 10, 2015, the Company filed *Corrections to Initial Petition*, which clarified/revised three points within its initial discussion.

On April 15, 2015, the Department filed *Comments*.

On April 16, 2015, MERC filed *Reply Comments*.

[1] Generally speaking, if MERC receives a request for new service, all residential customers receive the 75-foot line extension allowance.
[2] MERC stated that it renamed the model because the customer determines if a proposed project is economically feasible.

Minnesota Statutes

Minn. Stat. § 216B.03

> Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be *just and reasonable*. Rates shall not be unreasonably preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to a class of consumers. To the maximum reasonable extent, the commission shall set rates to encourage energy conservation and renewable energy use and to further the goals of sections 216B.164, 216B.241, and 216C.05. Any doubt as to reasonableness should be resolved in favor of the consumer. For rate-making purposes a public utility may treat two or more municipalities served by it as a single class wherever the populations are comparable in size or the conditions of service are similar. [Emphasis added]

MERC

On February 13, 2015, MERC filed its *Initial Petition* asking for approval to:

1. revise and update its main and service extension policies and its model used to determine whether a CIAC would be required to support a line extension (extension) project; [3] and

2. amend its extension tariff to remove the step-by-step list of input and assumption details used by MERC in conducting extension analysis and to replace this with a general description of the revised extension model.

MERC justified its tariff proposal by stating that the 2014 propane shortage and low natural gas prices have caused increased demand for new natural gas service. MERC believes its existing "Feasibility Model" was in need of revision to reflect today's service extension environment. According to MERC, its proposed "Customer Extension Model" in this docket follows a similar methodology to the one used in MERC's New Area Surcharge (NAS) model, which was approved by the Commission in September 2014.[4]

Amended Extension Model

MERC's existing "Feasibility Model" was adopted by MERC when it acquired Aquila's Minnesota facilities in 2006. MERC believes that its proposed "Customer Extension Model" better suits its investment criteria when assessing a project. MERC's current model places the

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[3] MERC's stated that its proposal would provide a more equitable distribution of costs and benefits between new customers, existing customers, and shareholders.

[4] *In the Matter of Minnesota Energy Resources Corporation's Petition for Approval of a New Area Surcharge Rider*, ORDER APPROVING NEW AREA SURCHARGE WITH MODIFICATIONS AND REQUIRING REVISED TARIFF SHEET, Docket No. 11-1045 (July 26, 2012); *In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Tariff Revision and a New Area Surcharge for the Ely Lake Project*, ORDER APPROVING NEW AREA SURCHARGE AND PROPOSED TARIFF MODIFICATION, Docket No. 14-524 (September 5, 2014).

overwhelming majority of the extension costs on the new customer. But, because the new customer is not the sole beneficiary of these new extensions, MERC believes existing customers and shareholders should equitably and reasonably share in the cost of new line extensions.[5]

MERC stated that its proposed "Customer Extension Model" takes into account the Commission's concerns that existing customers should not subsidize growth.[6] The new model allows for a sharing of extension costs only if existing customers benefit from the extension. If the new line extension does not reflect a surplus revenue stream over the course of the extension's life, MERC will recover the project's revenue deficiency from the new customer through a CIAC.[7]

Proposed Methodology Revisions

For its residential customer extension request, MERC proposed:

- Where the customer request was for only a ***service*** line extension, the customer would receive a 75-foot allowance and would only pay a CIAC for excess footage not to exceed $5.00 per foot (fixed value). The proposed "Customer Extension Model" *would not* be used for the CIAC calculation.

- Where both a ***main and service*** line extension is requested, MERC will use its proposed "Customer Extension Model" to calculate any customer CIAC, but the model would incorporate the fixed value of the 75-foot extension allowance.

MERC stated that the per-foot installation charge was based on the actual cost MERC pays its construction contractor for each foot installed, plus the cost of the materials. The per-foot charge is typically renegotiated every year by Integrys (MERC's current parent company) through a competitive bidding process.

For its commercial and industrial customer extension requests, MERC proposed:

- For <u>all</u> commercial and industrial customer requests for service extensions,[8] MERC proposed to use its "Customer Extension Model" to calculate any required CIAC to make the project economical.

The proposed "Customer Extension Model" compares the total revenue requirements (cost of service) for each year with the retail revenues generated from the customer(s) served by the project to determine whether a revenue deficiency or revenue surplus exists. The Net Present

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[5] That the new customers provided a broader basis for spreading of fixed costs and the shareholders receive a benefit from the increased revenue source.
[6] See MERC's initial petition, Attachment A.
[7] Generally speaking, MERC calculates the new customer's revenue stream over the life of the project and then calculates the associated cost of service for the project and compares the two amounts. If the project results in a surplus revenue stream, no CIAC is required. If the project results in a revenue deficiency, the project would require a CIAC in order to allow the project to continue.
[8] Includes both main and service line extensions regardless of whether a main extension is involved.

Value ("NPV") of the yearly revenue deficiencies or excesses would be calculated using MERC's approved *overall rate of return* established in its most recent general rate proceeding.[9] A total NPV of approximately zero ($0) would reflect that the project is self-supporting. Any costs in excess of the NPV would be recovered through a CIAC charged to that customer requesting the extension.

Assumptions and Input Descriptions

MERC provided its proposed tariff sheets in Attachment B of its petition which included a list of terms describing the contents and general operations of its proposed "Customer Extension Model."[10] The total revenue requirement would include the incremental O&M expense, the allowed rate of return, book depreciation, and property tax. The total revenue requirement is compared to the project's forecasted revenues to determine whether a total revenue excess or deficiency exists.[11]

Specific Inputs and Additional Changes

a) *Incremental O&M Calculation*

The proposed model changed how the incremental O&M expense per customer was calculated, by taking the total applicable O&M expense[12] divided by the average number of system customers.

b) *Customer Footage Allowance*

MERC proposed that ***all*** new residential customers would receive the same *fixed value* 75-foot allowance. For residential customers requesting only a service line extension, the customer would receive the fixed value 75-foot extension allowance and for any excess footage the customer would pay MERC's per foot charge, not to exceed $5.00 per foot. For residential with both main and service extensions[13] and for ***all*** commercial/industrial extension requests, MERC proposed to use its "Customer Extension Model" to calculate any necessary customer CIAC to make the project economical.[14]

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[9] MERC's *Initial Petition* stated it would use the *cost of long term debt* established in its most recent general rate proceeding, but was modified by MERC its March 10, 2015, *Corrections* to the *Initial Petition*.

[10] For the list of terms and definitions, see MERC's petition, pp. 5-6. The list of the terms used by MERC included: 1) time period; 2) year; 3) gross plant investment; 4) accumulated depreciation reserve; 5) net plant in service; 6) average net plant; 7) average accumulated deferred income taxes; 8) average rate base; 9) allowed return; 10) book depreciation; 11) O&M expense; 12) property tax; 13) total revenue requirement; 14) retail revenue; 15) revenue excess or (deficiency); 16) present value of cash flows.

[11] A cost-based approach.

[12] Include incremental expenses related to customer accounts which include incremental supervision, meter reading, records collection and retention, uncollectible accounts, disputed bills, miscellaneous line locating and emergency call out expenses, customer assistance, and advertising.

[13] These residential customers would receive the proposed fixed value 75-foot allowance.

[14] MERC believed that its proposed model approach is more equitable than the approach under its existing Feasibility Model, where the current footage allowance varies based on the length of the extension.

c) *Miscellaneous Changes*

MERC also proposed several tariff changes that do not affect how the CIAC is calculated.[15]

Removing the Step-by-Step Inputs of the Extension "Feasibility Model"

MERC requested Commission approval to remove from its tariff the step-by-step "Feasibility Model" input listing and related assumptions. In its 2006 Aquila acquisition, as a condition of Commission approval MERC was required to adopt Aquila's tariffs, including the existing "Feasibility Model."[16] The extension "Feasibility Model" is used to determine customer CIAC responsibility when line extension requests are received.

In Aquila's 2000 rate case,[17] Aquila incorporated the "Feasibility Model" into its tariff. This was done in response to the Department's contention in that case that Aquila's expansion projects were not economically justified, and that Aquila's existing ratepayers were subsidizing Aquila's expansions.[18] In the 2000 rate case, the Commission determined Aquila had not properly charged customers in accordance with its extension policy and certain extensions were not cost justified.[19] As a result, Aquila was required to publish its complete "Feasibility Model" in its extension tariff.

MERC stated that since it acquired Aquila's Minnesota assets, it has consistently demonstrated compliance[20] with the Commission's extension policies and has properly applied the "Feasibility

[15] MERC's proposed tariff sheets changed the model name from "Feasibility Study" to "Customer Extension Model." MERC also proposed to make one grammatical change, changing the term "one time charge" to "one-time charge" in describing extra charges required when a thawing device. Finally, instead of stating that MERC will "conduct" the "Customer Feasibility Model," the tariff has been revised to state that it will "complete" the model.

[16] *In the Matter of the Sale of Aquila, Inc.'s Minnesota Assets to Minnesota Energy Resources Corporation,* Docket No. G-007,011/M-05-1676, ORDER APPROVING SALE SUBJECT TO CONDITIONS (June 1, 2006).

[17] *See generally In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota*, ORDER TERMINATING INVESTIGATION AND CLOSING DOCKET, at pp. 1-3, Docket No. G-999/CI-90-563 (March 31, 1995.)

[18] See Docket No. 00-951, this requirement was approved by the Commission based on the Department's recommendation where it determined that Aquila had not properly charged for extensions and that extensions were not cost justified. MERC's tariff reflected the "Feasibility Model" as an exhibit and any changes to the model were not effective until the subsequent exhibits and revised tariff language were approved by the Commission. The Department contended that Aquila's expansions were not economically justified, and that Aquila's existing ratepayers were subsidizing Aquila's expansion.

[19] *In the Matter of a Petition by Peoples Natural Gas Company and Northern Minnesota Utilities, Divisions of UtiliCorp United Inc., for Authority to Increase Natural Gas Rates in Minnesota and to Consolidate the Two Utilities*, Docket No. G-007,011/GR-00-951, ORDER ACCEPTING AND ADOPTING SETTLEMENT (July 29, 2003) (requiring Aquila to work with Commission staff and the Department to develop an appropriate exhibit in their tariff that would enable the main and service extension feasibility model to be replicated using current inputs); ORDER ACCEPTING COMPLIANCE FILING AS MODIFIED AND REQUIRING FURTHER FILING (November 21, 2003) (requiring Aquila to file a modified exhibit for its tariff book on main and service extension feasibility models correcting a number of deficiencies that were identified).

[20] With de minimus exceptions.

Model" as set forth in its tariff.[21] MERC requested that the Commission approve its request to remove the details of its model from its tariff.[22]

MERC justification for removing the step-by-step model in its tariff is that it puts MERC at a competitive disadvantage with other natural gas utilities, which are not obligated to make its models publicly available. Knowledge of MERC's extension model could allow MERC's competitors to anticipate MERC's charges for line extensions and to undercut MERC's fees. Further, MERC believes this would be contrary to the Commission's historic concerns about promoting fair, efficient extensions of service.[23]

MERC proposed to include within its tariff sheets a general description of its calculation methodology and inputs used in its revised "Customer Extension Model." According to MERC, these descriptions are similar to the information provided in MERC's New Area Surcharge (NAS) tariff.[24]

Department Comments

Amended Extension Model

The Department's review concluded that the calculations and assumptions in MERC's "Customer Extension Model" appear to be reasonable. Further, the specific input and miscellaneous changes to the "Customer Extension Model" appear reasonable including the method used to determine whether a project results in a revenue deficiency or excess. Further, the model calculated the necessary CIAC that would make project cost effective, which permits the project's costs to be appropriately shared with existing customers and shareholders. The Department further determined that using MERC's overall rate of return in the "Customer Extension Model" for calculating project NPV was appropriate.[25]

Removing the Step-by-Step Inputs of the Extension "Feasibility Model"

The Department's review concluded that it is unaware of any concerns with MERC's ability to comply with its service extension tariff or of any instances in which it may have charged incorrect rates to customers due to potential errors made in conducting a "Feasibility Study." Because of the possible competitive disadvantage issue, the Department did not see a reason to continue to require MERC to keep the detailed list of inputs in its tariff. As result, the

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[21] MERC further stated that no other natural gas utility operating in Minnesota was required to include its extension model in its tariffs, and MERC's inclusion of this model in its publicly available tariffs places MERC at a competitive disadvantage without justification. MERC requested that the Commission lift the requirement that the details of the model be published in MERC's tariff and approve this petition to amend the tariff sheets to remove the step-by-step model.

[22] Remove the step-by-step model detail.

[23] *See In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota*, ORDER TERMINATING INVESTIGATION AND CLOSING DOCKET, Docket No. G-999/CI-90-563 (March 31, 1995).

[24] See MERC's *Initial Petition,* Attachment B, - clean and redline versions of MERC's tariffs reflecting the removal of the step-by-step model, as well as the proposed revisions discussed in detail above.

[25] The Department considered the overall rate of return to be consistent with MERC's New Area Surcharge model.

Department recommended that the Commission approve the removal of the detailed step-by-step list of cost inputs from MERC's proposed "Customer Extension Model."

PUC Staff Comments

In its April 15, 2015 *Comments*, the Department recommended the Commission approve MERC's *Initial Petition* and MERC's *Corrections to the Initial Petition*, which included:

1. Approve the revised and updated "Customer Extension Model" and related assumptions to be used to determine whether customer contributions in aid of construction (CIAC) are required to support natural gas extension projects; and,
2. Approve the amended tariff sheets to remove the step-by-step input and assumption details used by MERC in conducting the "Customer Extension Model," replacing it with a general description of the revised extension model.

In its April 16, 2015 *Reply Comments*, MERC agreed with the Department recommendations.

PUC staff generally agrees with the Department's recommendations and appreciates the Department's review as reflected in its *Comments*. But, PUC staff is providing additional discussion and additional decision alternatives for the Commission to consider before making its decision.

Amended Extension Model

As stated by MERC, its proposed "Customer Extension Model's" approach is more equitable to all customers because it more properly spreads extension costs to all parties who receive a benefit from the extension. MERC's previous "Feasibility Model" calculates the extension allowance based on the length of the extension, thus providing a situation where one customer could receive a greater allowance than another just for having a longer line extension.

PUC staff believes that when a new customer is added, existing customers and the shareholders should receive a related benefit. Thus, the parties involved should equitably share in the extension costs of a new customer.[26] It is apparent to staff that MERC's current "Feasibility Model" may not fairly share the extension costs between all parties at all times. The Department recommended that the Commission approve MERC's proposed changes in the "Customer Extension Model" because the Department believes the proposed changes provide a more equitable sharing of extension costs among all parties receiving a benefit.

PUC staff agrees with the Department's recommendation. However, in its review of MERC's "Customer Extension Model's" inputs, PUC staff noticed that MERC's marginal distribution factors, used in calculating the project's CIAC necessary to make the project economical, included MERC's effective Conservation Cost Recovery Charge (CCRC) factor.

[26] Existing customers receive a benefit by having a larger customer base in spreading costs in a general rate case. Shareholders receive an immediate benefit of having a larger revenue stream in calculating MERC income statement.

PUC staff is of the opinion that the CCRC charge should be removed from the marginal rate MERC uses to calculate a project's CIAC in the "Customer Extension Model." MERC collects CCRC revenue and credits this revenue to its Conservation Improvement Program (CIP) tracker account. By including the CCRC factor in the marginal distribution factor in its model, MERC is overstating the amount of revenue contributed towards a new project from "base" rates. This reduces the amount of CIAC that the model calculates that needs to be collected from new extension customer, thus, unfairly shifting costs from the new customer to MERC's existing customers and its shareholders. PUC staff believes the Commission may wish to require MERC to remove the CCRC factor from the marginal rate used to calculate the required CIAC in its "Customer Extension Model" from a potential new customer.

Additionally, PUC staff believes that each utility's tariff should be *clear and transparent* as to the extension charges and available services for all customer classes.[27] PUC staff believes that a few additional tariff modifications could make MERC's proposed tariff clearer and more transparent.

Additional PUC staff recommendations:

- MERC proposed to give *all* residential customers[28] a 75-foot extension allowance, but its proposed tariff language does not state the *dollar value* of the extension allowance. MERC's petition does state, however, that the dollar value associated with extension allowance was set through its general rate case, thus the value is publically available.[29]

  Further, MERC's *Initial Petition* indicated that this charge could be changed from time to time. Without the ability to directly review any potential changes, PUC staff believes that a change could go into effect relatively unnoticed without a lot of Department or Commission review. PUC staff is of the opinion that the *dollar value* of the extension allowance should be clearly stated in MERC's tariff. The Commission may wish to require MERC's tariff to state the *dollar value* of its extension allowance, and when changed, the change would be subject to Department and Commission review.

  Staff believes this review is necessitated by Minn. Stat. § 216B.03 which requires a determination that all rates and charges made by the utility are *just and reasonable* and have been fairly applied to all service extension requests.

- MERC stated that its per-foot installation charge for excess footage over the 75-foot extension allowance was based on its actual cost paid to its construction contractor for each foot installed, plus the cost of the materials. The per-foot charge is negotiated each year by Integrys (MERC's current parent company) and awarded through a competitive bidding process. MERC stated that this charge is subject to change each year.

[27] Easier for customers to understand.
[28] Could be either for a service line extension or a main and service line extension project.
[29] MERC's current dollar amount for its extension policy was set it MERC's last rate case, Docket No. 13-617.

PUC staff believes that this rate should be published in MERC's tariff to provide additional clarity to MERC's extension policy by providing MERC's customers the ability to determine whether the charge has been consistently applied during the extension process. The Commission may wish to require MERC to state its excess footage per foot installation charge in its tariff. This would require MERC to make an annual compliance filing to change (or update) its excess footage per foot charge when it is changed by Integrys.

PUC staff justification is that staff believes it is obligated by Minn. Stat. 216B.03 to be able to determine that all rates/charges made by the utility are *just and reasonable* and have been fairly applied to all service extension requests.

- MERC proposal does not state whether its potential commercial/industrial customers would receive a similar extension allowance as the residential customer. PUC staff believes that MERC's tariff should clearly state its extension policy for these customer classes. The Commission may wish to require MERC to publish in its tariff that a potential new commercial/industrial customer does not receive an extension allowance.

- Further, PUC staff is unaware of any information in the record of this docket that explains why the new commercial/industrial customer would not receive an extension allowance, thus, it is difficult for staff to determine if MERC's commercial/industrial customer treatment is fair and non-discriminatory. The Commission may wish to require MERC to provide an explanation in a compliance filing to this docket for its proposed commercial/industrial extension allowance policy.

Removing the Step-by-Step Inputs of the Extension "Feasibility Model"

As discussed previously, MERC proposed to remove the step-by-step model inputs from its extension tariff and to replace the "Feasibility Model" with its proposed "Customer Extension Model." MERC's primary justification for removing the step-by-step model inputs from its tariff is that it puts MERC at a competitive disadvantage with other natural gas utilities, which are not obligated to make their models publicly available. PUC staff reviewed CenterPoint's and Xcel – Gas's extension tariffs and both tariffs include the utility's extension model for determining a potential customer's CIAC, but the tariffs do not include a step-by-step input list.[30] The Department recommended the Commission allow MERC to remove the step-by-step inputs from MERC's tariff and to approve MERC's general description of its proposed model that would be placed in its current tariff as a substitute.

PUC staff agrees. PUC staff believes that the step-by-step inputs were placed in MERC's tariff for actions caused by Aquila, by not properly assessing the economic impact of new customer, which resulted in new customers not being correctly charged the correct CIAC. The Department concluded that it is unaware of any concerns with MERC's ability to comply with its service extension tariff or of any instances in which it may have charged incorrect rates to customers due to potential errors made in conducting a "Feasibility Study." PUC staff generally agrees with the

[30] MERC's proposed tariff changes most closely resemble Xcel – Gas's tariff.

Department's conclusion, but staff would point out that in MERC's last rate case, MERC was required to reduce its rate base by approximately $35,000 for errors that were discovered by the Department that occurred when MERC was assessing the economic feasibility of certain projects.[31]

PUC staff believes that the Commission should continue to require MERC to follow the generic reporting requirements ordered by the Commission in Docket No. 90-563,[32] where the Commission requested that the Department investigate in every gas rate case the utility's additions to rate base due to new service extensions to make sure:

- that LDCs (local distribution companies) are applying their tariffs correctly and consistently;
- that the additions are appropriately cost and load justified; and
- that wasteful additions to plant and facilities are not allowed into rate base. [Order, p. 7]

Decision Alternatives

1. Approve MERC's proposed "Customer Extension Model" and its related assumptions used to determine whether customer contributions in aid of construction (CIAC) are required to support natural gas extension projects; and,

2. Approve MERC's amended tariff sheets to remove the step-by-step inputs and assumption details used by MERC in completing its proposed "Customer Extension Model," replacing it with a general description of the proposed extension model; or

3. Do not allow MERC to update its current "Feasibility Model" and require MERC's current tariff provisions to remain in effect.

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[31] PUC staff considers these errors to be *de minimus*.

[32] ORDER TERMINATING INVESTIGATION AND CLOSING DOCKET, In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota, Docket No. G-999/CI-90-563 (March 31, 1995).

> With respect to the reviews to be conducted in future rate cases, the Commission would like the Department and the parties to address the following kinds of questions:
>
> - Should the "free" footage or service extension allowance include the majority of all new extensions with only the extremely long extensions requiring a customer contribution-in-aid-of construction (CIAC)?
> - How should the LDC determine the economic feasibility of service extension projects and whether the excess footage charges are collected?
> - Should the LDC's service extension policy be tariffed in number of feet without consideration to varying construction costs amongst projects or should the allowance be tariffed as a total dollar amounts per customer?
> - Is the LDC's extension charge refund policy appropriate?
> - Should customers be allowed to run their own service line from the street to the house (or use an independent contractor) if it would be less expensive than having the utility construct the line?
> - Should the LDC be required to offer its customers financing for service extension charges? This could be offered as an alternative to paying extension charges in advance of construction. [Order, pp. 5-6]

MERC's marginal rate used to calculate the extension project's CIAC

4. Require MERC to remove the CCRC factor from its marginal rate used to calculate the required CIAC in its "Customer Extension Model" from a potential new customer and require MERC to make a compliance filing within 30 days after the Commission's Order reflecting the marginal rate without MERC's CCRC factor. or

5. Do not require MERC to remove the CCRC factor from its marginal rate used to calculate the required CIAC from a potential new customer.

Inclusion of the extension allowance dollar value in the tariff

6. Require MERC to include in its tariff the extension allowance dollar value, and when changed, the change would be subject to Commission review; or

7. Do not require MERC to include in its tariff the extension allowance dollar value.

Inclusion of the excess footage per foot installation charge in the tariff

8. Require MERC to include in its tariff the excess footage per foot installation charge, and require MERC to make an annual compliance filing when its changes the excess footage per foot charge; or

9. Do not require MERC to include in its tariff the excess footage per foot installation charge.

Extension allowances for new commercial and industrial (C&I) customers

10. Require MERC to state in its tariff that new commercial/industrial customers do not receive an extension allowance; or

11. Do not require MERC to state in its tariff that new commercial/industrial customer do not receive an extension allowance.

Explanation of new commercial and industrial customer extension policy

12. Require MERC to provide an explanation in a compliance filing to this docket within 30 days for not providing a proposed new commercial/industrial customer an extension allowance; or

13. Do not require MERC to provide an explanation in a compliance filing for not providing a proposed new commercial/industrial customer an extension allowance.

Continuation and restatement of generic service extension reporting requirements

14. Require MERC to continue responding to the Docket 90-563 reporting requirements,[33] and continue asking the Department to investigate in every gas rate case the utility company's additions to rate base due to new service extensions to make sure:

    - that LDCs (local distribution companies) are applying their tariffs correctly and consistently;
    - that the additions are appropriately cost and load justified; and
    - that wasteful additions to plant and facilities are not allowed into rate base; or

15. Do not require MERC to continue the Docket 90-563 reporting requirements.

[33] Ibid.