BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF WYOMING

IN THE MATTER OF THE APPLICATION OF POWDER RIVER ENERGY CORPORATION SUNDANCE, WYOMING, FOR APPROVAL TO REVISE ITS RULES AND REGULATIONS OF SERVICE	§ § § § §	DOCKET NO.10014-XXX-CR-12

APPLICATION

Powder River Energy Corporation ("Cooperative" or "Applicant" herein), a Wyoming corporation whose Post Office address is P.O. Box 930, Sundance, Wyoming 82729, hereby respectfully requests an order from the Public Service Commission of the State of Wyoming ("Commission") permitting the Applicant to revise its Rules and Regulations, as set forth in Exhibit B attached hereto and made a part hereof by this reference.

In support, the Applicant sets forth the following facts and circumstances justifying the granting of the application:

1. The Applicant is a non-profit cooperative utility organized, existing under and by virtue of the laws of the State of Wyoming.
2. The Cooperative is duly authorized to generate, manufacture, purchase, acquire, and transmit electric energy, sell supplies and dispose of electric energy in its certificated territory.
3. The rates charged by the Cooperative for its electric service have been established and placed in effect under appropriate Orders of the Commission.
4. The Cooperative represents it is a Class A member of Basin Electric Power Cooperative ("Basin"), Bismarck, North Dakota, and therefore purchases all of its power requirements through agreements and contracts with Basin.
5. Mark L. Hughes of 113 North Third Street, Sundance, Wyoming 82729 is the attorney for the Cooperative.
6. Communications in regard to this Application are to be addressed to Mr. Michael E. Easley, Chief Executive Officer for the Applicant, Post Office Box 930, Sundance, Wyoming 82729; Mr. Mark L. Hughes, Attorney for the Applicant, Post Office Box 456, Sundance, Wyoming 82729; and Mr. David Hedrick, C.H. Guernsey & Company, 5555 North Grand Boulevard, Oklahoma City, Oklahoma 73112-5507.

7. The Cooperative requests approval from the Commission to revise Section V, Standard Line Extension Policy, and Section VI, CBM Line Extension Policy, of its Rules and Regulations of Service. Each Section is altered to remove certain language addressing line extension cost sharing and equalization.

8. The Cooperative requests approval from the Commission for a new Section VII, Line Equalization Policy, to be added to its Rules and Regulations of Service. The new Section addresses the policy and procedures that will apply to all members when line extension costs are eligible for sharing or equalization.

9. Section VI, CBM Line Extension Policy, of the Rules and Regulations of Service, approved by the Commission and effective June 1, 2009, utilizes a calculation for line cost sharing for Coal Bed Methane (CBM) customers only that relies on a method which aggregates those costs by geographic section.

10. Section V, Standard Line Extension Policy, was approved by the Commission and effective, in pertinent part, on July 11, 2005. The Standard Line Extension Policy uses a calculation for all non-CBM member classes which aggregates and allocates costs using a method where line segment and number of meters are the controlling factors.

11. The Cooperative has encountered situations where members subject to a different line cost sharing method are in a position to share costs. The current Rules and Regulations in effect do not provide a remedy for these conflicts. The proposed revisions and additions to the Rules and Regulations contained in this following are intended to do so.

12. The policies and procedures for line share for all members of the Cooperative are now provided in the new Section VII, Line Equalization Policy. Services will be classified as Industrial and Non-Industrial. Industrial members will share line extension costs under the geographical method, while Non-industrial members will share under the original line segment and meters methodology.

13. A mechanism is provided in Section VII, Line Equalization Policy, to determine which methodology will control in the event a conflict between the two methods does arise.

14. The Applicant notified the Commission of this conflict in its Rules and Regulations by letter dated July 11, 2012, and notified the Commission of its intent to apply interim procedures to address these issues in anticipation of this filing.

WHEREFORE Powder River Energy Corporation respectfully requests this Commission make its Order authorizing the Cooperative to revise Section VI of its Rules and Regulations and the related rate schedules as set out in this filing and the included exhibits. The Applicant further requests these changes become effective on January 1st, 2013.

Dated at Sundance, Wyoming, this 30th day of September, 2012.

POWDER RIVER ENERGY CORPORATION

Michael E. Easley
Chief Executive Officer

BEFORE THE

WYOMING PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

MICHAEL E. EASLEY

POWDER RIVER ENERGY CORPORATION

Docket No. 10014-xxx-CR-xx

DRAFT

Q: Please state your name and address.

A: My name is Michael E. Easley and my business address is Powder River Energy Corporation, P.O. Box 930, Sundance, WY 82729.

Q: What is your present occupation?

A: I am employed as General Manager and Chief Executive Officer of Powder River Energy Corporation (PRECorp).

Q: What are your duties as General Manager and Chief Executive Officer of Powder River Energy Corporation?

A: My duties are to supervise the operations of the Cooperative, to administer the policies adopted by the Board of Directors, to make recommendations to the Board with respect to policy, to provide both short-term and long range plans for the operation, construction, and financing of the Cooperative, to be responsible for maintaining an adequate and suitable work force, and to keep the Board informed in all aspects of the management of the Cooperative.

Q: Please state your educational background and professional qualifications.

A: I have a BS degree in Electrical Engineering from Oklahoma State University and I am a graduate of the Ken Blanchard Executive MBA program at Grand Canyon University. I am also a graduate of the National Rural Electric Cooperative Association Management Internship Program from the University of Nebraska-Lincoln. I hold professional electrical engineering licenses in the states of Oklahoma, Alaska, and Michigan. I have been employed in the utility field since 1983. I worked at Western Farmer's Electric Cooperative in Anadarko, Oklahoma, for five years as an Engineer and Construction Supervisor. I was employed for 10 years at Copper Valley Electric Association in Glennallen and Valdez, Alaska where I held several senior management positions, the last of which was Chief Operating Officer. I was employed at Wolverine Power Supply Cooperative in Cadillac, Michigan as Vice President of System Operations for almost two years and I have been the CEO of PRECorp since October of 2000.

Q: What is the purpose of your testimony?

A: The intent of my testimony is to provide some background on PRECorp's current line extension policies as they apply to the concept of line sharing or equalization, and to explain the purpose and rationale for the revisions we propose. The accompanying testimony of Quentin Rogers will provide details on the revisions to the rules and regulations.

Q: Please briefly explain what you mean by line sharing or equalization?

A: Line sharing, or equalization, allows our members who invest in line extensions for new services to recover some portion of that investment when another member utilizes the same facilities for their own service. PRECorp's current Rules and Regulations require the subsequent member in many cases to engage in cost sharing and equalize another member's investment.

Q: Please summarize the current requirements contained in PRECorp's Rules and Regulations.

A: Two sections in the current Rules and Regulations address the requirement to share in the cost of line extensions. Section V, Standard Line Extension, at Original Sheet No. 30a R, which became effective July 1, 2005, contains a paragraph entitled "Guarantees and Contribution Sharing." This paragraph provides that line cost sharing will be required for a 10 year period, up to 90% of the investment in the original facilities. While the Rules and Regulations do not explicitly provide a methodology by which the calculation of the value of the sharing required would be determined, services subject to this provision of the Rules and Regulation share costs by apportioning the costs by the length of the subject line and the number of meters present.

Q: What is the second section in the Rules and Regulations that addresses line cost sharing requirements?

A: Section VI, CBM Line Extension Policy, also contains language that addresses line equalization. This policy became effective on June 1, 2009, and, as its title indicates, it applies only to customers in the CBM rate classes. In that policy, PRECorp introduced a new methodology to apply when calculation the dollar value of line share required when a new customer utilizes existing plant paid for by another member. PRECorp's experience was that the complexity and size of the CBM industry overwhelmed the existing line segment methodology. The intent was to provide an efficient, responsive and repeatable method by which to equalize our CBM customers' line share costs while significantly improving our internal procedures.

Q: What was the new method that was introduced to apply to CBM members?

A: The new method apportioned costs on the basis of member investment in a geographical section, rather than by line segment. Under the new methodology, a CBM customer equalizes costs with other customers who have invested in the geographical section, rather than by investment in a particular segment of line.

Q: Has the new methodology worked when utilized?

A: Yes, we have found that using the geographical method has improved the process and been an efficient system for administering the line share requirements. We have encountered an issue we did not provide for in our prior line extension policy revisions that is causing some uncertainty in the process.

Q: Please describe the issue that PRECorp has encountered.

A: Our prior revision, which implemented the geographical method of line sharing for CBM customers, did not address the issue that arises when a non-CBM customer is required to share the costs of a line extension with a CBM customer. The Standard Line Extension Policy of Section V applies to the non-CBM customer, while the CBM Line Extension Policy of Section VI applies to the CBM customer. The first policy employs the line segment and meter methodology to apportion costs, while the second policy employs the geographical method. Our revisions to the policy in 2009 did not include a resolution for these conflicts.

Q: Does PRECorp encounter these situations frequently?

A: So far, we have had approximately 44 instances where the issue of which methodology to apply was present. Seven of those resolved themselves as a result of changing circumstances, leaving 37 transactions where the appropriate method is unclear.

Q: Please summarize PRECorp's proposed resolution of this issue?

A: This application proposes changes to the two existing line extension policies, and introduces a new Section VII, Line Equalization Policy. On the subject of line share, the two existing policy direct the user to the new Section VII, which contains the procedures to be employed for all members when line share is required. Section VII also introduces a new classification system which places service types with like types as part of the procedure. New services will be classified as Industrial or Non-industrial, and Industrial services will equalize under the geographic method, while Non-industrial services will be equalized using the line segment and meter method. Quentin Rogers will further explain the changes and amendments in his associated testimony.

Q: What is the impact of classifying services in this manner?

A: Based on our experience, the majority of the conflicts between the line share methodologies would be eliminated. The Industrial classification applies to services in the mining and extraction industries, which are the source of most of the conflict. With the change to apply line share by classification, 35 of our current 37 transactions would no longer be in conflict.

Q: How do the proposed revisions to the Rules and Regulations address the two transactions of the current 37 that would remain in conflict?

A: The new Section VII provides that, in instances where conflict still occurs, the initial investor in the line costs to be shared will be entitled to the methodology that would apply to them without a conflict. In that way, any investor in line will be certain to receive any required cost sharing from future services under their own class policy. Again, the testimony of Quentin Rogers further explains this change.

Q: What efforts have you made to communicate the changes to affected members?

A: Two meetings were held on August 30th, 2012 in order to share PRECorp's proposed changes to representatives of particular customer groups. The first meeting was the regular monthly meeting I have with customers in our Large Power Transmission rate class, primarily represented by coal mine customers. The second meeting that day convened a group of members from the oil and gas industries. The attendees were given a presentation on the proposed changes, and their input was solicited. Some of that input is reflected in this filing, such as the common 90% maximum line share available to a service classified under either group.

Q: How has PRECorp dealt with these conflicts prior to this filing?

A: We have delayed assessing line share on the conflicted segments because of the issue. As we did not wish to delay projects or line share payments, or to create uncertainty for our membership, we initiated a resolution by applying our proposed changes to practical effect on our current group of conflicting work orders. I sent notice of this decision to the Commission by letter dated July 11, 2012, and informed the Commission of our intent to make this filing. We notified our customers in our CBM and Energy meeting of this intent and the letter to the Commission in July.

Q: Does this conclude your testimony.

A: Yes.

BEFORE THE

WYOMING PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

QUENTIN ROGERS

POWDER RIVER ENERGY CORPORATION

Docket No. 10014-XXX-CR-12

DRAFT

Q: Please state your name and business address.

A: My name is Quentin Rogers and my business address is Powder River Energy Corporation, P. O. Box 930, Sundance, WY 82729.

Q: What is your present occupation?

A: I am currently Project Manager, Distribution, Powder River Energy Corporation (PRECorp).

Q: What are your duties as Project Manager, Distribution, of Powder River Energy Corporation?

A: I am responsible for the distribution engineering functions at PRECorp. To that end, I manage an engineer, supervisors, field designers, engineering support personnel, and direct consulting engineers in support of these activities.

Q: Please state your educational background and professional qualifications.

A: I have a degree in electrical engineering from the University of Wyoming and 13 years of experience, 5 years of which are in the utility industry.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to explain and provide insight for PRECorp's proposed revisions to its Rules and Regulations of Service. Related changes are proposed to Section V, "Standard Line Extension Policy" and Section VI, "Coal Bed Methane (CBM) Line Extension Policy". An additional section to coordinate PRECorp's administration of cost sharing for line extension is also proposed. Copies of the current policies have been submitted as Exhibit A and the revised policies as Exhibit B. Exhibit C shows the changes in legislative format.

Q: What is the purpose of the revisions to the Rules and Regulations?

A: In June of 2009, PRECorp's Section VI, "Coal Bed Methane (CBM) Line Extension Policy" took effect. Within that section, PRECorp introduced a new method of calculating the line share costs when a member builds a new line that utilizes an existing line built with the investment of another member. The new method, which applies to members in the CBM industry only, determines the appropriate amount of line share based on the investment within a geographical section. PRECorp's non-CBM members remained on the original line share method contained in Section V, "Standard Line Extension Policy", which determines the appropriate line share amount based on the length of the line at issue and the number of meters utilizing the line. Situations have arisen where the two methodologies are in conflict, and therefore additional changes are necessary in order to allow the two methods of line share to work in concert.

Q: How are the policies conflicting?

A: We have situations where a non-CBM member would like to build a line extension on existing infrastructure that was built by a CBM member. The opposite situation also arises, where a CBM member would like to build on a line built by a non-CBM member. Under PRECorp's Rules and Regulations, the CBM member is entitled to line share based on one methodology, while the non-CBM member is entitled under another. Nothing in the Rules and Regulations as a whole currently indicate which methodology should be utilized when the two types of members meet.

Q: Please describe the revisions that you are proposing to the existing Rules and Regulations.

A: The existing policies in Section V, "Standard Line Extension Policy" and Section VI, "Coal Bed Methane (CBM) Line Extension Policy" will be altered to remove the current language that addresses line sharing. New language has been added to direct the reader to a new section, Section VII, "Line Equalization Policy." The new Section VII will contain the substantive additions to coordinate the policies.

Q: Please describe the provisions of Section VII, "Line Equalization Policy".

A: The first and most significant provision expands the scope of the geographical line share method by dividing service types in to into Industrial and Non-industrial segments. The Industrial segment will share line extension costs using the geographical method, while the Non-industrial segments will continue to share based on length of line and number of meters. Section VII, "Line Equalization Policy", provides, under the sub-heading "Industrial Equalization Method", the description of the geographical section methodology which is currently in effect under Section VI, "Coal Bed Methane (CBM) Line Extension Policy." The net effect is to remove the description of the method from the current CBM Line Extension Policy and transplant it to the proposed Section VII. In the same manner, the proposed Section VII includes a sub-heading entitled “Non-industrial Equalization Method”, which describes the line share procedure for that group of services.

Q: What types of member services will be included in the Industrial classification?

A: The Industrial classification combines services for industrial activities primarily in the mining and energy extraction industries. Specifically, it will address metal, coal, and other mining and quarrying, as well as oil and gas extraction.

Q: Why were these types of services grouped together?

A: These are activities that share common service characteristics, and also share common geographical areas, which means that they often are in situations and circumstances that make line sharing necessary between the services when extensions are added. The definitions included under “Industrial Equalization Method” in part one of the proposed Section VII were derived from the Occupational Safety and Health Administration Standard Industrial Classification codes.

Q: What effect will creating the Industrial segment with a common method of line share have?

A: Under the current policy, we have encountered 37 instances where line sharing is required but is between parties covered by the two different line share methods. Under the proposed Section VII, the number of conflicts would be reduced to 2, as most of the sharing circumstances would be between to Industrial services and the geographical method would apply.

Q: What types of services are included in the Non-industrial methodology?

A: All types which do not fall under the definitions included under the Industrial sub-heading.

Q: As a conflict between the two methods may still occur under the proposed Section VII, how would it be addressed?

A: The Industrial and Non-industrial equalization method each address the resolution of a situation where one service using one method must equalize with a service using the other. Under the sub-heading "Industrial Equalization Method," paragraph (2) (e) provides that "a load that would otherwise be classified as Industrial will utilize the Non-industrial Equalization Method to equalize the investment of the original contributor …if that original contributor is classified under the Non-industrial Equalization Method." Similar language is included under the subheading "Non-industrial Equalization Method" to inform members with non-industrial services that they may be required to line share under the geographical method when attaching to those facilities.

Q: What is the practical result of the resolution of a conflict between the two methods?

A: In each case, the result is that the service which is entitled to receive an equalization payment will receive an amount determined by its own method. In other words, if a service is in the Industrial group, it will always receive equalization under the geographical methodology and never be subject to the line segment and meters method. The opposite is also true, if a non-industrial service is entitled to a line share payment, the amount of the payment will be determined using the line segment and meters method, even though the other service may normally is governed under the geographical method.

Q: When the cost of a line is shared between services under different methods, how will the Cooperative avoid continued conflict between the methods when additional services are added to the shared line?

A: Under that scenario, it would not be effective to continue to track the rights each member has to subsequent sharing under two different methods. This would be administratively burdensome, and would further complicate a situation the policy revisions are intended to simplify. Therefore, the proposed Section VII provides language that will “re-set” the sharing arrangement each time a conflicted line share is calculated. For example, if a Non-industrial service shares with an industrial service under the geographical method as the policy requires, the sharing amount will be increased to the maximum amount of line share the industrial member is entitled to, or 90% of the sharable line costs. And, when an Industrial service shares with a non-industrial service, it will also be required to share the maximum of 90%. The first service will no longer be entitled to any further line share, and will be removed from future line share calculation. The service that paid 90% will have that amount included in its own line investment, and will be entitled to line share from future services under its own methodology, per the proposed Section VII.

Q: Are there any exceptions to this conflict resolution procedure?

A: Yes. Proposed Section VII, under the sub-heading “Application of Line Equalization,” provides that Residential, Seasonal, and Irrigation customers are exempt from providing equalization payments to services which are classified as Industrial under the policy. Also, sharing is not required for new services on trunk line facilities within subdivisions and industrial parks. These exceptions are a codification of traditional practice.

Q: What is the maximum amount of line share a service may receive under the geographical cost sharing method in the current Section VI, "Coal Bed Methane Line Extension Policy?

A: The current policy has a maximum share amount of 80%. The proposed policy increases the maximum to 90% in order to provide the same maximum under each policy.

Q: At what point is a service no longer eligible to receive a cost sharing payment from another customer?

A: Non-industrial services can receive sharing for a ten year period. Several years ago, the ten year period was established in order to address apparent "gamesmanship" that was occurring in the arena of residential line extensions. When the period was set at 5 years, many new services saw the advantage in waiting out the time period in order to avoid incurring line share costs when adding a new service. It was recognized that these customers often had a significant amount of flexibility when making their investment decision, and were willing to wait for an additional one or two years in order to realize sometimes significant savings on a new service. The Industrial customers, however, will receive sharing for 5 years. This is another codification of current practice, and it also reflects the 5 year contract requirement many of these services have. It also recognizes that an industrial customer with a profit imperative is much less likely to engage in any extensive gamesmanship in order to avoid a line share costs when the service typically is needed on an "as soon as possible" basis.

Q: **Does this conclude your testimony?**

A: Yes.

ELECTRIC SERVICE EXTENSION POLICY

The standard line extension policy applies to line extensions serving all rate classes excluding services covered by the Coal Bed Methane Line Extension Policy. In order to accommodate an effective transition from the old line extension policy, customers who applied for service but had not yet taken service under the terms of the old policy may choose to take service under this line extension policy.

TEMPORARY SERVICE

When service is requested to a point of delivery that will require the installation of any facility that will serve a load of a temporary nature or a load where continued use for a period of one year cannot be assured, the customer requesting the service will be required to pay the Corporation for the estimated cost to install and remove the facilities plus the cost of unsalvageable materials.

PERMANENT SERVICE

I. (A) Permanent service shall include service to loads where continued use can be assured with contracts for service for a term of not less than one (1) year.

a. For tariff schedules A (Residential only), TOD, and GS when a new service is installed the Corporation will offer $1,500 standard offering. This standard offering does not apply to seasonal usage. This standard offering is the portion of the extension that the Corporation may provide, or allow, without cost to the applicant. The remaining costs of installation and any associated line sharing shall be paid by the customer as aid to construction pursuant to the terms within this policy. All distribution transformer and metering equipment shall be furnished by the Corporation at no charge to the customer.

b. For tariff schedules A (Seasonal usage only), I and LP, when a new permanent service is installed, the customer shall pay for one hundred percent (100%) of the cost of installation and any associated line sharing as aid to construction pursuant to the terms within this policy.

(B) For tariff schedules A, TOD, GS, I, and LP, when a new service requires only transformer and metering equipment, the customer shall sign a contract for service for a term of not less than one (1) year.

II. (A) The cost of installation paid by the customer shall be in the form of an advance payment for the total estimated project costs, defined as the sum of the engineers estimate plus a 10% contingency, made to the Corporation prior to the start of the project or by monthly payments pursuant to the terms of a Standard Line Extension Agreement after completion of construction.

(B) A Standard Line Extension Agreement shall be signed for all line extensions financed under the Corporation's Standard Line Extension Policy per a standard amortization schedule. Line extensions with a total estimated project cost of less than or equal to $3,000 shall be financed for a maximum term of 36 months. Line extensions with a total estimated project cost of less than or equal to $6,000 but greater than $3,000 shall be financed for a maximum term of 60 months. Line extensions with a total estimated project cost of less than or equal to $10,000 but greater than $6,000 shall be financed for a maximum term of 84 months. Line extensions with a total estimated project cost of less than or equal to $50,000 but greater than $10,000 shall be financed for a maximum term of 120 months. Customer's using the 120 month term financing shall provide a security interest to the Corporation in the property for which the service is being provided. The security interest will be released upon satisfaction of the terms of the Standard Line Extension Agreement. Line extensions that exceed $50,000 will be addressed per Paragraph III (B). Customers may use a combination of advance payment and execution of the Standard Line Extension Agreement to manage payment amounts and term.

(C) The interest rate used to calculate payments under the Standard Line Extension Agreement shall be fixed for the entire contract period. This interest rate is set at the time costs are calculated on the service agreement and is 1.5% above the effective interest rate. The effective interest rate is updated monthly and is the rate in effect for the equivalent term treasury as published by RUS. Nothing in Paragraphs II (A and B) above shall prohibit the customer from paying in advance any remaining cost of installation during the term of the contract. Such payments shall not relieve the customer from other obligations incurred under the terms of the contract for service.

(D) For tariff schedule LPT (Large Power Transmission Level), when a new service is installed, the customer shall advance to the Corporation prior to construction the total estimated installation costs. Upon completion of the project and final cost analysis is completed, any necessary adjustments required to "true-up" the estimated to actual costs will be identified and corrected.

III. SPECIAL CONDITIONS

(A) Whenever the Corporation anticipates or determines that special or abnormal risks or conditions may be involved in providing service to a specified load or customer, the Corporation may require special terms, contract conditions, or bonds of such a nature as it may consider reasonably necessary for protection from financial loss in connection with the special conditions or risks involved.

Any special terms, contract conditions, or bonds shall be in place before the ordering of materials or commencement of construction. Such special terms, contract conditions, or bonds shall not eliminate the need for extension charges under Paragraphs II above.

(B) Whenever a project to provide service to a Customer exceeds fifty thousand dollars ($50,000), the Customer shall advance to the Corporation prior to construction the total estimated installation costs. Upon completion of the project and final cost analysis is completed, any necessary adjustments required to “true-up” the estimated to actual costs will be identified and advance amount refunded or increased.

(C) Each customer will receive a final cost report after the project closeout has been completed. This report will compare the actual costs of construction to the total estimated project costs. Balances owed under the terms of a Standard Line Extension contract will be reduced if actual costs are less than the total estimated project costs. Advance payments will be refunded if actual costs are less than total estimated project costs.

(D) Customers may contract the construction of their own line extensions provided the following conditions are met:

a. Line extension complies with the Corporation’s specifications
b. Line extensions will be warranted by the customer or its contactor against defects in materials and workmanship for a period of one year from date of acceptance and energization by the Corporation.
c. Operations and maintenance responsibilities will transfer to the Corporation at the time of project acceptance and energization.

d. Ownership of facilities will transfer upon the customer providing a release of lien for materials and labor, a completed bill of sale as provided by the Corporation, an easement in a form that is acceptable to the Corporation, and acceptance and energization of the line extension.
e. Work is performed by contractors on the Corporation's Qualified Bidder's List

SUBDIVISIONS

Established, platted subdivisions (other than mobile home courts) located within the service area of the Corporation, will be served under the following conditions:

1) One hundred percent (100%) of the cost of all primary feeders, sectionalizing pedestals, transformer pads and secondary lines to the lot line of each lot shall be subject to a non-refundable advance from the developer. Funds for the installation of the facilities shall be advanced to the Corporation before the commencement of construction.
2) The platted subdivision will identify the easement corridors of sufficient width that allow for power line extension to each lot identified as a lot subject to future electrical service.
3) Prior to construction of electric facilities, the developer shall notify the Corporation, in writing, that the areas, where electric facilities are to be installed, are at final grade. Any subsequent change in grades that require a change in the electric facilities will result in a charge to the developer for such changes in facilities.
4) All primary feeders and transformer pads will usually be installed at one time, however, this construction may be in segments by mutual agreement between the developer and the Corporation.
5) All facilities will be installed by the Corporation or by Corporation contractors.
6) If a joint trench use agreement is required, the developer will prepay all additional charges estimated that will be incurred by the Corporation as it pertains to a modified installation process and or all coordination with other utilities.

MOBILE HOME COURTS

Mobile home courts established within the service area of the Corporation shall be served under the following conditions:

1) Service to permanent dwelling mobile home courts will be supplied to pre-established

2) metering points, one meter per mobile home space.
3) The cost of all installations shall be at the expense of the court owner and includes the installed cost of all wire, meter boxes and associated facilities.
3) All meters will be supplied by the Corporation and shall be installed and removed only by Corporation personnel. All wiring from the metering point to the mobile home shall be the responsibility of the court owner or mobile home owner.
4) Individual meters are subject to the Corporation's individual service contracts.
5) The Corporation shall not provide mastered meter service to mobile home courts when such installation will be used for resale of electric service to tenants.
6) The court owner shall advance one hundred percent (100%) of the construction funds before facilities are installed by the Corporation or Corporation contractors.
7) All facilities installed by the Corporation remain the property of the Corporation, including the right to maintain and alter as necessary.
8) Before construction of electric facilities, the court owner shall notify the Corporation, in writing, that areas where electric facilities are to be installed are at final grade. Any subsequent change in grades that require a change in electric facilities will result in a charge to the court for such changes in facilities.
9) If a joint trench use agreement is required, the developer will prepay all additional charges estimated that will be incurred by the Corporation as it pertains to a modified installation process and or all coordination with other utilities.

GUARANTEES AND/OR CONTRIBUTION SHARING

~~Any new applicant for service that requires an extension from facilities for which others have made guarantees or contributions will, during the first ten (10) year period following the construction of the initial facilities, share in the total contributions in a manner similar to what would have been required of them if they had been served at the time of the initial construction. The others served by the initial extension will have their remaining contract balances reduced or will be refunded by proportional amounts, and in no case will an existing customer be required to increase guarantees or contributions. Guarantees or contributions sharing will no longer be made once the existing customers contribution has been reduced or refunded to ten (10%) percent of the original total contribution. Customer built power line extensions will be valued for purposes of line equalization at the Corporation's average replacement value established by the Corporation.~~ Cost Sharing for line extensions is governed by Section VII, Line Equalization, of these Rules and Regulations.

RULES AND REGULATIONS OF SERVICE
Section VI
COAL BED METHANE (CBM) LINE EXTENSION POLICY

APPLICABILITY
The CBM Line Extension Policy applies to all line extensions serving coal bed methane wells, compressors, pumps, and related facilities as identified by the Corporation.

LINE EXTENSION POLICY TERMS

1. Electric Service Agreements
    a. All CBM customers are required to execute a CBM Master Service Agreement and either an Exhibit A or a supplemental service agreement. These agreements outline the specific terms of service for each meter location.
    b. The CBM customer agrees to remain a customer with PRECorp for the term of the executed electric service agreement and to purchase energy under the applicable tariff.
        i. The minimum term of any CBM service under this policy is five (5) years.
        ii. Electric service agreements will be assignable to successors, assignees, and future customers taking service at the meter location identified in the agreements. If there is an unamortized amount of Capital Cost Recovery (CCR) on the service assigned, successors and assignees will be required to provide Irrevocable Letters of Credit or equivalent security instruments satisfactory to PRECorp for the term of the original electric service agreement prior to the transfer of service.
        iii. Services that are temporary in nature will be handled pursuant to Section 2(b) of this policy.
    c. CBM customers who took service under the original CBM Line Extension Policy effective May 10, 2001 and who have an unamortized amount of Capital Cost Recovery (CCR) agree to maintain a perpetual Irrevocable Letter of Credit or equivalent security instrument satisfactory to PRECorp for the term of their original electric service agreement. If a CBM customer terminates electrical service, the unamortized amount of any Capital Cost Recovery (CCR) charge shall become due and payable.
    d. Modification of Electric Service Agreements
        i. Electric Service Agreements that were executed under the original CBM Line Extension Policy effective May 10, 2001 may be modified to reflect changes in Capital Cost Recovery (CCR) amounts as a result of subsequent sharing of line extension costs by other customers.

ii. PRECorp's actual costs to accommodate the sharing of existing lines will be paid by new customers at the time the new customer enters into a new electric service agreement.
iii. PRECorp's costs eligible for reimbursement will include actual reasonable costs to calculate line share amounts and to redraft electric service agreements.

2. Distribution Line Extensions
   a. The CBM customers will provide 100% of the cost of distribution line extensions required for any requested new service.
      i. CBM customers will provide PRECorp 30% of the estimated line extension costs at the time the electric service agreement is executed.
      ii. CBM customers will provide PRECorp the remaining 70% of the estimated line extension costs prior to the start of construction of the line extension. PRECorp will not release the job to construction until payment is received.
      iii. In the event the line extension is canceled for any reason, PRECorp will retain sufficient funds to defray all engineering and designs costs incurred before the time of cancellation. PRECorp will provide an accounting of such costs to the CBM customer and refund any remaining amounts.
      iv. Each CBM customer will receive a final cost report after the project closeout has been completed. This report will compare the actual costs of construction to the original estimated project costs. If the actual construction costs exceed the amount of contribution received on the project, the CBM customer will be invoiced for the additional required contribution. If the CBM customer contribution exceeds the actual costs of construction, the excess contribution will be refunded to the CBM customer.
   b. Line Extensions for facilities that are temporary in nature will be capitalized as follows:
      i. The CBM customer will provide a contribution equal to the estimated cost for construction and retirement.
      ii. If the project is removed within one year, the CBM customer will be refunded the difference between the contribution and the actual costs of installation and removal less any salvage value.
      iii. If the project remains for more than one year, the CBM customer will execute a CBM Master Service Agreement and the contribution will be adjusted to match the required contribution under the terms of a non-temporary line extension.
   c. PRECorp Line Extension Participation
      i. PRECorp may provide additional capital for line extensions that serve the long-term or reliability needs of the PRECorp system.

ii. PRECorp participation will be identified during the line extension design process.
iii. Line extension estimates will be reduced by the amount of capital that PRECorp elects to provide for the line extension.

d. Customer-built Facilities
   i. CBM customers are permitted to build their own line extensions.
   ii. Customer-built line extensions will comply with PRECorp specifications and procedures, and will comply with cost sharing procedures pursuant to Section 3 of this policy.
   iii. Customer-built line extensions will be warranted by the customer or its contractor against defects in materials and workmanship for a period of one year from the date of acceptance of the extension by PRECorp.
   iv. Ownership of facilities will transfer on the receipt of the required documentation from the customer. This documentation includes but is not limited to Bill of Sale, Release of Lien, Right of Way Easement, etc.
   v. Operational and maintenance responsibilities will transfer to PRECorp at the time of project acceptance and energization.

3. Cost Sharing for CBM ~~L~~line ~~E~~extensions is governed by Section VII, Line Equalization, of these Rules and Regulations.
   ~~a. Line cost sharing calculations will use a geographical section methodology. Line sharing costs previously tracked under the old methodology based upon line segments and meters will be apportioned per the new methodology.~~
   ~~b. Geographical Section Methodology~~
      ~~i. Costs associated with a CBM line extension are allocated proportionally to the geographical section that the power line crosses or encroaches on in any manner.~~
      ~~ii. The value of the proportional costs is assigned to the respective section.~~
      ~~iii. Additional CBM line extensions or services will equalize the value of the section(s) with the previous CBM customer(s). The costs of the new line extension within the section are allocated to the existing value in the section and a new value is created, increased by the costs of the new extension.~~
      ~~Example:~~
         ~~1. CBM customer "A" invests in a line extension across geographical section #1 and into geographical section #2. The total cost of the extension is allocated proportionally to the length of line in each section.~~
         ~~2. CBM customer "B" connects to the end of the line in section #2 and extends the line into section #3. "B" will equalize the investment of "A" in section #2 by paying 50% of the section value and PRECorp will~~

~~reimburse "A".~~

3. ~~The value of section #2 is now increased by the proportional costs of the new line extension within section #2. The value of section #3 is adjusted in the same manner.~~

c. ~~No CBM customer will be reimbursed more than 80% of their original investment.~~

d. ~~PRECorp will collect the equalization payment from the new CBM customer and reimburse the existing customer(s).~~

e. ~~Residential, Seasonal, and Irrigation customers will not be required to participate in cost sharing when attaching to existing CBM line extensions, but will pay for new facilities pursuant to the Standard Line Extension Policy.~~

4. Load Analysis
   a. PRECorp will analyze all load additions to its electric system. The load analysis will confirm that the existing system is capable of supporting the new load, or it will identify required systems improvements to serve the new load.

5. Construction of CBM Substations, Transmission Lines, And System Improvements
   a. Agreements for construction of new substations, transmission lines, and system improvements to support CBM growth:
      i. Prior to the design of new substations, transmission lines, and system improvements necessary to serve new CBM load, the affected CBM customer(s) will execute a supplemental service agreement with PRECorp.
      ii. A customer guarantee will be required during the construction phase of new CBM facilities until the load materializes. The CBM customer will be required to provide a refundable advance proportionate to the contract load commitment.
   b. CBM Contribution in Aid of Construction (CIAC) Surcharge:
      i. CBM customers will be assessed a surcharge of $.005 per kWh on all kWh purchased.
      ii. The funds collected by the surcharge will underwrite the construction of new substations, transmission lines, and system improvements necessary to support CBM industry growth.
      iii. Each month the surcharge collected will be deposited into a segregated CIAC account.
         1. The costs incurred to construct applicable CBM infrastructure will be accumulated in the PRECorp work order records for each project.
         2. Each month, the accumulated balance in the CIAC account will be applied to open work orders to underwrite an equivalent portion of those costs.

iv. PRECorp will submit an annual informational filing to the Wyoming Public Service Commission and provide a copy to all CBM customers. The report will address:
1. The total surcharge collected from CBM customers under this provision.
2. The activity within the CIAC account, identifying:
   a. The total monthly deposits of the surcharge into the account;
   b. The applicable CBM construction costs incurred;
   c. The monthly application of CIAC account funds to those costs; and
   d. A projection, based on best estimates, of the future CBM industry infrastructure needs the continuing surcharge will underwrite.

6. Line Extension Retirements
   a. CBM customers who took service under the original CBM Line Extension Policy effective May 10, 2001 provided funding for the retirement of CBM line projects.
      i. Retirement funds previously collected and deposited into the Cost of Retirement Fund will be utilized to cover the costs of retirement (less any salvage value on materials) and associated expenses.
      ii. An annual review process will continue to track the fund for retirement of CBM facilities and determine if available funds are sufficient to defray costs associated with CBM line extension retirements.
      iii. Ownership interest in the Cost of Retirement Fund shall be assignable on the books of PRECorp pursuant to written instructions from the assignor.
      iv. PRECorp will file an annual report with the Wyoming Public Service Commission and its CBM customers that provides information on the Cost of Retirement Fund balance, withdrawals from the fund, and interest earned on the fund.
   b. PRECorp will initiate the retirement process for CBM line extensions upon a formal written request from a CBM customer, or at the discretion of PRECorp provided no CBM customers remain operating on a particular line extension.

7. Accountability and Customer Service
   a. PRECorp will provide the CBM customers with updates on the progress of line extension projects.
      i. At the time PRECorp assigns a work order number, PRECorp will provide the CBM customer with information regarding its best estimate of the timing of applicable milestones for the project, including the estimated date of project completion.

ii. CBM customers will be notified if PRECorp has reason to believe one or more of the milestones associated with a particular project are in jeopardy.
iii. PRECorp will provide the CBM customer so notified with a new estimate of the time the milestone(s) will be met, and of the estimated date of project completion.
iv. CBM customers may contact PRECorp at any time to discuss the status of a work order and receive an update of PRECorp's progress towards completion.

b. The information provided will not be firm commitments by PRECorp as to schedules or milestone dates for reported activities.
c. The CBM customers will provide PRECorp with their best estimate of subsequent annual work plans in the fourth quarter of each calendar year.

APPLICATION OF LINE EQUALIZATION

1. Any new applicant of service will be required to equalize financial contributions or guarantees used to construct services and extensions as described in the Industrial Line Equalization Method or Non-Industrial Line Equalization Method, as determined by the classification of the new service.
2. Residential, Seasonal, and Irrigation services are exempt from providing equalization payments for services and extensions constructed using the Industrial Line Equalization Method.
3. All new services are exempt from providing equalization payments for trunk-line facilities constructed within the platted boundaries of, and for, subdivisions and industrial parks.
4. Customer-built facilities are equalized at a predetermined replacement value as determined by the Corporation when ownership of facilities is transferred to it.
5. In no case will an existing customer be required to increase contributions or guarantees previously calculated.

INDUSTRIAL EQUALIZATION METHOD

1. The Industrial Equalization Method will be utilized for services and extensions with industrial loads as defined below.
   a. Metal Mining -Loads associated with the mining of, exploration for, or servicing of the mining activities of iron, copper, lead, zinc, gold, silver, ferroalloy, uranium, radium, vanadium or other metals and ores.
   b. Coal Mining - Loads associated with the mining of, exploration for, or servicing of the mining activities of coal.
   c. Oil and Gas Extraction - Loads associated with the production of, extraction of, exploration for, drilling for, and servicing of oil and gas well operation; gasification of, liquefaction of, and pyrolysis of coal; and pipeline transportation of petroleum, gasoline, other petroleum products, natural gas, or other natural gas related products.
   d. Other Mining and Quarrying - Loads that serve establishments primarily engaged in mining or quarrying, developing mines, or exploring for minerals or other non-energy related substances.
2. Cost Sharing for Industrial Services and Line Extensions
   a. Line cost sharing calculations will use the geographical section methodology. Line sharing costs previously tracked under the previous methodology, based upon line segments and meters, will hereafter be apportioned by the geographical section methodology.
   b. Geographical Section Methodology
      i. Costs associated with an industrial line extension are allocated proportionally to the geographical section that the power line crosses or encroaches on in any manner.
      ii. The value of the proportional costs is assigned to the respective section.

iii. Additional industrial line extensions or services will equalize the value of the section(s) with the previous industrial customer(s). The costs of the new line extension within the section are allocated to the existing value in the section and a new value is created, increased by the costs of the new extension. Example:
1. Industrial customer "A" invests in a line extension across geographical section #1 and into geographical section #2. The total cost of the extension is allocated proportionally to the length of line in each section.
2. Industrial customer "B" connects to the end of the line in section #2 and extends the line into section #3. "B" will equalize the investment of "A" in section #2 by paying 50% of the section value and PRECorp will reimburse "A".
3. The value of section #2 is now increased by the proportional costs of the new line extension within section #2. The value of section #3 is adjusted in the same manner.

c. No Industrial customer will be reimbursed more than 90% of their original investment. The Corporation will collect the equalization payment from the new customer and reimburse the existing member(s).

d. Once an Industrial member contributes to the shareable value of a geographical section, no future equalization will be required within that section unless they tap directly off of any line built and still sharable under the Non-industrial Equalization Method.

e. A customer with a load that would otherwise be classified as Industrial will utilize the Non-industrial Equalization Method to equalize the investment of the original contributor to the cost of the service or extension if that original contributor is classified under the Non-industrial Equalization Method.
   i. The original contributor will receive an equalization payment sufficient to reach the maximum of 90% of sharable costs;
   ii. The payment by the equalizing customer will be added to the sharable value of the geographical section; and
   iii. The original contributor will not be entitled to any additional equalization payments.

f. Line equalization under the Industrial Equalization Method will be calculated for the five (5) year period following the transfer of ownership of the facilities to the Corporation. No equalization will be available after that time period.

NON-INDUSTRIAL LINE EQUALIZATION METHOD

1. The Non-Industrial Equalization Method will be utilized for services and extensions which serve loads not defined in and subject to the Industrial Equalization Method.
   a. Equalization will be made on a proportional basis according to the line segment footage and meters served.
   b. No Non-industrial service will be reimbursed more than 90% of their original

investment. The Corporation will collect the equalization payment from the new customer and reimburse the existing member(s).

2. A customer with a load that would otherwise be classified as Non-industrial will utilize the Industrial Equalization Method to equalize the investment of the original contributor to the cost of the service or extension if that original contributor is classified under the Industrial Equalization Method.
    a. The original contributor will receive an equalization payment sufficient to reach the maximum of 90% of sharable costs;
    b. The payment by the equalizing customer will be added to the customer's sharable value of the of the subject facilities under the Non-Industrial Line Extension Method; and
    c. The original contributor will not be entitled to any additional equalization payments.