

TO BE RESCINDED

4901:1-15-32 **Main extensions and related facilities.**

If a waterworks company or sewage disposal system company enters into a main extension agreement, the following provisions shall constitute the standards for the extension of water mains and sewer mains and related facilities by a company. These provisions are not intended to prohibit the extension of water mains and sewer mains and related facilities at the initiative of the waterworks companies and sewage disposal system companies.

- (A) All agreements entered into concerning main extensions, related facilities or both, funded by contributions in aid of construction, advances in aid of construction, or some combination of both, shall be in writing and signed by the company and the parties involved or the duly authorized agents of each. These written agreements shall embody in their terms and conditions the provisions of this rule.
- (B) Waterworks companies and/or sewage disposal system companies shall extend mains and related facilities to serve new customers subject to the provisions of this rule.
- (C) As used in this rule:
- (1) "Main extension" means an extension, including any fire hydrants if fire protection is provided by the waterworks company, from the nearest existing adequate main along a route determined in accordance with reasonable utility engineering practices to a point perpendicular to the most remote structure to be served fronting the main extension.
 - (2) "Related facilities" means all fittings, valves, connections, other facilities, and back-up plant associated with the main extension and required in accordance with reasonable utility engineering practices to provide service to a point perpendicular to the most remote structure to be served fronting the main extension.
- (D) Any main extensions and related facilities shall become the property of the waterworks and/or sewage disposal system companies.
- (E) The size, type, quality of material, and location of main extensions and related facilities shall be specified by waterworks companies and/or sewage disposal system companies, and construction shall be done by the companies or by contractors acceptable to the companies.
- (F) The design and route of main extensions shall be determined by waterworks companies and/or sewage disposal system companies in accordance with

reasonable utility engineering practices. The length of the main extension shall be determined by measuring from the nearest existing adequate main along a route determined in accordance with reasonable utility engineering practices to a point perpendicular to the most remote structure to be served fronting the main extension.

(G) Prior to the entering into of an agreement concerning the extension of mains, related facilities or both, funded by contributions in aid of construction, advances in aid of construction, or some combination of both, waterworks companies and/or sewage disposal system companies shall estimate the total of the costs of the main extension, related facilities, and tax or tax impact in accordance with this rule. Such estimate shall be included in the terms and conditions of the agreement. The company shall include in the estimate only that portion of the main extension and related facilities necessary, in accordance with reasonable utility engineering practices, to provide adequate service to the applicant, including provisions for public fire protection. If the company installs mains or related facilities with a capacity in excess of that required to provide adequate service to the applicant, the company shall bear the cost of such oversizing.

(H) The main extension agreement shall embody one of the following methods of payment and the selection of the method shall be at the discretion of the company:

(1) The applicant for a main extension shall be required to advance to the waterworks company and/or sewage disposal system company before construction is commenced, the estimated total cost of the main extension, related facilities, and tax impact. The tax impact shall be calculated by the following method:

$$\text{Tax impact} = C/(1-R) - C$$

C = Dollar value of taxable contribution or advance in aid of construction.

R = Decimal equivalent or applicable marginal rate of federal income tax on value of taxable contributions and advances.

The entire advance including the tax impact shall be subject to refund as provided in paragraph (K) of this rule.

(2) The applicant for a main extension shall be required to advance to the waterworks company and/or sewage disposal system company before construction is commenced, the estimated total cost of the main extension and related facilities. The cost of the extension and related facilities minus the tax shall be subject to refund as provided in paragraph (K) of this rule. The tax shall be calculated by the following method:

$$\text{Tax} = C \times R$$

C = Definition in paragraph (H)(1) of this rule.

R = Definition in paragraph (H)(1) of this rule.

- (I) All amounts over actual cost shall be refunded and all amounts under actual cost shall be paid within sixty days after completion of the extension.
- (J) When more than one applicant is involved, the amount of the advance in aid of construction shall be divided equally among the applicants unless otherwise agreed by the applicants.
- (K) Refunds of advances in aid of construction made pursuant to this rule shall be made in accordance with the following method. The waterworks company and/or sewage disposal system company shall pay each year to the party making an advance in aid of construction, or to that party's assignees or other successors in interest where the company has received notice of such assignment or succession; an amount equal to twenty per cent of the total gross annual revenue from water or sewage service to each bona fide customer, other than a subsequent applicant whose service line is connected to main or extension lines covered by the main extension agreement for a period of not less than fifteen years. Agreements under this rule may provide that any balance of the amount advanced pursuant to the agreement remaining at the end of the fifteen-year period shall still remain payable, in whole or in part, and in such manner as is set forth in the agreement. A balance remaining at the end of the fifteen-year period shall otherwise become nonrefundable.
- (L) When more than one applicant is involved, the amount refunded shall be divided among the applicants in proportion to their original advance in aid of construction.
- (M) The aggregate refunds under this rule shall in no event exceed the total of the refundable advances in aid of construction. No interest shall accrue on any amounts advanced.
- (N) The commission will not approve the transfer of any "Certificate of Public Convenience and Necessity" where the transferor has entered into extension agreements, unless it is demonstrated to the commission that the transferor has agreed to satisfy the refund agreement, or that the transferee has assumed and has agreed to pay the transferor's obligation under the agreements.
- (O) Waterworks companies and/or sewage disposal system companies shall not be required to extend mains unless the prospective customer guarantees to the company that service will be accepted within thirty days following completion of

the main extension, or such longer period as the company and the prospective new customer agree.

- (P) Waterworks companies and/or sewage disposal system companies shall provide temporary service, provided that the applicant for such service agrees in writing to pay in advance to the company, the company's estimate of the cost of labor and materials less salvage value on removal, for installing and removing such service.

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Certification

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