



Business Practice for Substation Make Ready Cost Reimbursement

BUSINESS PRACTICE

The focus of this business practice is the relocation of existing distribution utility plant and related equipment as a result of ATC initiated transmission construction work at a joint use substation. ATC will be responsible for the costs associated with the relocation of the distribution facilities excluding any costs specifically identified as the responsibility of the distribution utility in other ATC business practices or otherwise agreed to by both parties. ATC will not reimburse a distribution utility for relocation costs resulting from transmission work that is initiated by the distribution utility. If existing substation transmission utility plant and related equipment need to be relocated from their current physical location as a result of LDC initiated distribution construction work at a joint use substation at which transmission utility plant is also located, the LDC will be responsible for the costs associated with the relocation of the transmission facilities.

SCOPE AND/OR APPLICABILITY

In order to accommodate the installation of ATC facilities that are part of the ATC's transmission work, existing used and useful substation distribution utility plant and related equipment may need to be physically relocated. If existing substation distribution utility plant and related equipment need to be relocated as a result of ATC transmission work at the substation, ATC will reimburse the affected distribution utility for the costs associated with the physical relocation of those distribution facilities affected, excluding any costs associated with transmission to distribution transformer replacement or other equipment replacements required on the distribution system to accommodate a voltage conversion as set forth in the Voltage Conversion Cost Allocation Business Practice.

Any costs that will be reimbursed to the distribution utility will need to be pre-approved by ATC in writing, in advance of construction and referenced by item in an agreement in order to be eligible for reimbursement. ATC will reimburse either the cost of relocation or the cost of replacement; whichever is less (See

Exhibit 1). Removal costs will be reimbursed at a rate equal to the actual costs associated with the removal of the existing distribution utility plant and equipment less any salvage value. Any upgrade, replacement, or modification of the existing distribution utility plant and equipment by the distribution utility at the time of the relocation is the cost responsibility of the distribution utility. Costs associated with common facility improvements and/or modifications required by ATC's proposed activities or an LDC's activities are specifically excluded from this business practice. Common Facilities expansions and/or improvements required by ATC's proposed activities would be treated in accordance with ATC's Common Facilities Business Practice. Cost reimbursement associated with the physical relocation of distribution utility plant outside of substations should refer to ATC's Pole Attachment Agreement.

Reimbursement costs in excess of \$25K may require prior regulatory approval and/or an Affiliated Interest Agreement.

SUPPORTING INFORMATION

ATC will continually strive to work with its customers to expedite:

- (1) Advance communication of the potential to affect substation distribution utility plant and related equipment
- (2) The negotiation of agreements and itemization necessary to support reimbursement, and
- (3) The reimbursement for existing substation distribution utility plant and equipment being relocated to accommodate ATC facilities being installed as part of transmission system changes and improvements.

Business Practice Number: 0402		Revision: 0
Effective Date: 3/16/04		
TITLE:	<i>Make Ready Cost Reimbursement</i>	Page 2 of 3
	<i>Approved by: Walter Woelfle</i>	

Make Ready Cost Reimbursement

Exhibit 1

Examples of Calculation of the Lesser of relocation or replacement cost

		<u>Scenario A</u>	<u>Scenario B</u>	
Replacement Costs	Cost to install a new item	Materials	\$ 200	\$ 80
		Labor	\$ 50	\$ 20
		Overheads	\$ 60	\$ 35
		AFUDC	\$ 10	\$ 5
		Total cost to install the new item	\$ 320	\$ 140
	Net cost to remove old item	Labor & Miscellaneous	\$ 25	\$ 10
		Salvage on old item	(45)	(50)
		Net cost to remove old item	\$ (20)	\$ (40)
		"Replacement cost"	\$ 300	\$ 100
	Relocation Costs	Labor & Miscellaneous	\$ 35	\$ 120
ATC reimbursement (lower of relocation or replacement cost).		\$35	\$ 100	