

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.

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- 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.

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- 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 Line Extensions
 - 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".

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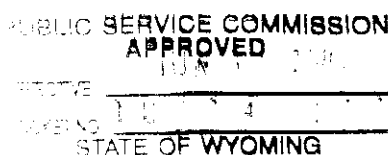
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3. The value of section #2 is now increased by the proportional costs of the new line extension within section #2. The value of section #3 is adjusted in the same manner.
 - c. No CBM customer will be reimbursed more than 80% of their original investment.
 - 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.

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- 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.

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