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| SCHEDULE 85 |
| LINE EXTENSIONS AND SERVICE LINES (Continued) |

**Margin Allowance**

1. New Residential Service

The Company will construct new distribution facilities, including Primary or Secondary voltage line extension facilities and line transformers but not including Service Lines, subject to the following terms:

1. The Company will provide the following Margin Allowance for each residence unit initially served:

|  |  |
| --- | --- |
| Type of | Margin Allowance |
| Residential service | Effective 1/1/04 | Effective 9/1/15 |
| Full-Time | $1,117 | $1,932 |
| Part-Time | $559 | $1,932 |

1. The Margin Allowance may be applied to Normal Construction Costs related to Primary and Secondary voltage line extension costs and costs of overhead or surface mounted distribution transformers, but shall not be applied to any other distribution facilities costs, e.g., costs associated with permitting, trenching, backfill, or restoration. Unused Margin Allowances are not refundable and shall not be applied to other uses, sites, or times, including the cost of construction of other facilities (such as facilities of a different Secondary voltage or to serve an adjacent structure).
2. No Margin Allowance is provided for the construction of Service Lines.
3. In the event that construction costs or projected operation or maintenance costs or consumption are significantly different from the standard amounts, the Company may utilize the electric Financial Investment Analysis (FIA) model to determine the costs and Margin Allowance. The electric FIA is a discounted cash flow calculation for determining the Applicant contribution toward the cost of a line extension. (A copy of the FIA computer algorithm on electronic medium is on file with the Washington Utilities and Transportation Commission.)
4. The Margin Allowance may not be applied to costs of conversion to underground facilities, modification of existing facilities, or Applicant requests to replace existing facilities that are sufficient to serve the existing load.
5. The Margin Allowance is available only to offset the costs of facilities used (in the sole judgment of the Company) to provide service to a point at which the Company has the Operating Rights (as described herein) necessary to extend the line to serve additional Customers.