

Reimbursement Guidelines  
and  
Billing Procedures  
for  
Utility Adjustments



Right of Way Division

May, 2005

## TxDOT DISTRICT OFFICES

Abilene District	915.676.6800
Fax	915.676.6901
Amarillo District	806.356.3200
Fax	806.356.3206
Atlanta District	903.796.2851
Fax	903.799.1229
Austin District	512.832.7000
Fax	512.832.7080
Beaumont District	409.892.7311
Fax	409.898.5801
Brownwood District	915.646.2591
Fax	915.643.0306
Bryan District	979.778.2165
Fax	979.778.9709
Childress District	940.937.2571
Fax	940.937.7154
Corpus Christi District	361.808.2300
Fax	361.808.2375
Dallas District	214.320.6100
Fax	214.320.6117
El Paso District	915.790.4200
Fax	915.790.4374
Fort Worth District	817.370.6500
Fax	817.370.6787
Houston District	713.802.5000
Fax	713.802.5140

(continued on back page)

# INTRODUCTION

## Guidelines

- Prior approval by the Right of Way Division is a prerequisite for some proposals.
- The utility should also be certain that the Right of Way Division has issued the required release to proceed with right of way acquisition and preliminary engineering on utility adjustments.
- Any adjustment costs or right of way charges that are incurred by a utility prior to the date of issuance of the Right of Way Division authorization to proceed with right of way acquisition for a particular project are ineligible for reimbursement.
- The cost of right of way which is purchased by the utility prior to plan approval, and which is not needed for relocation due to highway construction, will not be reimbursed.
- Any cost of right of way greater than fair market value will be ineligible for reimbursement.
- Where the existing utility facilities are located on public property by sufferance or permit, any right of way costs incurred will be ineligible for State participation.
- Pursuant to State law, all utility records are to be available for State inspection for a period not less than three (3) years from the date final payment has been received by the utility company.

## Concept

This booklet is designed to provide all concerned with:

- information necessary to identify reimbursable items which may be used in the utility adjustment process, and,
- procedures required by the Texas Department of Transportation for submission of billings.

Questions regarding reimbursable items and billing procedures may be addressed to any of the Texas Department of Transportation District Offices listed on the inside front and back covers.

## **GENERAL REQUIREMENTS**

### **Guidelines**

- The final billing must follow as closely as possible:
  1. the order of items in the estimate portion of the agreement;
  2. the construction units shall be shown in such a manner as to permit comparison with the approved estimate;
  3. the totals for labor, overhead construction costs, travel expense, transportation, equipment, materials and supplies, handling costs and other services; and
  4. documentation provided in support of final billing.
- The final billing should include application of the previously approved eligibility and/or betterment percentages.
- The betterment percentage should be applied to the gross cost.
- The appropriate credits for accrued depreciation and/or salvage should then be deducted. The approved eligibility percentage should be the last application of the costs incurred. Please refer to the “Sample of Appropriate Order of Credits” found on page 11.

## **FINAL BILLINGS**

### **Guidelines**

- Where agreements provide for reimbursement on an actual cost basis, the utility owner or operator, upon completion of the adjustment, must submit two copies of a final billing and supporting documentation covering all incurred costs for which reimbursement is requested.
- Reimbursement will be contingent upon final audit of the utility company’s cost records and accounts.
- Since the utility will be reimbursed 90% of the eligible costs prior to audit of their records and accounts, it is necessary for the State to be furnished with sufficient information to insure that payment made to the utility by the State will be found eligible for Federal participation.

- It is therefore required that the basis for determination of costs be shown and, where the utility's accounting methods permit, final billing should show such details on a unit cost basis or as man hours by class and rate, equipment by type, size and rate per mile or hour.
- Overhead and payroll additive items should be shown individually with an explanation or breakdown of each.
- Overhead costs attributable to the construction project are acceptable for participation.
- Costs incurred in the management, supervision and conduct of the utility's business which would have been incurred irrespective of whether the relocation work is accomplished, are not considered as necessary and incident to the performance of the relocation and are not eligible for participation. Applicable percentages should be indicated when used so that computed amounts can be verified.
- Items of cost incurred on a contract basis should be so designated on final billings and information furnished to allow a correlation of the bid items to the approved plan and estimate for determination of extent and eligibility of the contract work performed.
- Right of Way Division should be furnished two copies of the "As-Built" or certified plan to show the work actually accomplished. A copy of the "As-Built" or certified plan should be attached to each of the Utility Joint Use Agreements.
- Final billings must be fully detailed and include all costs incurred. Where a partial payment has been made, the final billing should include all costs previously billed and should be fully detailed and reflect the total cost of the adjustment.

## **LABOR CHARGES**

### **Guideline**

Approved labor additives may include such items as company sponsored benefits, holiday pay, vacation pay, and social security, when supported by adequate records. Examples of non-reimbursement additives or cost components incident to labor might include company picnics, Christmas parties, Christmas gifts, etc.

## CHARGES FOR MATERIALS AND SUPPLIES

### Guidelines

- Items of new materials and supplies shall be billed at current stock prices when furnished from the utility's stocks or at actual cost to the utility delivered to the project site when such materials must be purchased.
- Where the utility maintains a "stock record system", it will be acceptable for material costs to be billed on utility adjustment work using an average of actual unit costs for materials and supplies furnished to the project.
- The computation of costs of materials and supplies shall include the deduction of all offered discounts, rebates, allowances and intercompany profits.
- The cost of handling of materials and supplies at storehouses or at material yards, the cost of purchasing, and a reasonable cost of inspection and testing may be included in the computation of prices of materials or supplies, provided these costs are representative of costs incurred and are not included in the development of the utility's overhead account or other ac-counts.
- The costs of supervision, labor, and expenses incurred in the operation and maintenance of the storerooms and material yards, including storage, handling, and distribution of materials and supplies, are reimbursable costs.
- Materials recovered from temporary use and accepted for re-use by the utility shall be credited to the project at prices charged to the job, less a consideration for loss in service life at 10 percent.

## TRANSPORTATION AND EQUIPMENT CHARGES

### Guidelines - Overview

- In the accumulation of utility adjustment costs necessitated by highway construction, costs incurred in the operation and use of equipment and transportation vehicles are reimbursable when properly supported.
- Expenses cleared through transportation and heavy equipment accounts may include depreciation; fuel and lubricants for vehicles

(including sales and excise taxes); freight and express on fuel and repair parts; heat, light, and power for garage and garage office; insurance (including public liability and property damage insurance) on garage equipment, transportation equipment and heavy work equipment; license fees for vehicles and drivers; maintenance of transportation and garage equipment; operation of garages; and rent on garage buildings and grounds.

- Equipment costs may include the costs of supervision, labor, and expenses incurred in the operation and maintenance of heavy equipment and transportation equipment of the utility, including direct taxes and depreciation.
- A particular class or type of equipment or vehicle may be charged to an individual account on an hourly rate or mileage depending upon the company's standard operating procedure in recording such costs.
- Reimbursement of transportation and equipment costs will be limited to charges that account for cost to the utility of expenses for equipment used. Arbitrary or otherwise unsupported equipment use charges will not be reimbursed.

### **Guidelines - Rental**

- Where the utility does not have equipment available of the kind or type required to perform the necessary utility adjustment, reimbursement will be limited to the amount of rental paid to the lowest bidder following an appropriate solicitation for quotations from owners of the required kind or type of equipment.
- In the event of an emergency, such as a breakdown of utility equipment or the need for equipment not originally contemplated, reimbursement will be allowed for rental of equipment at the lowest rate available under the prevailing conditions.
- Equipment rates should be based upon actual cost to the utility. Standard rates such as those published by the Associated Equipment Distributors may not be applied to utility owned equipment since an increment of profit is included in the published rates that are not reimbursable.

### **Guidelines - Small Tools**

- Reimbursement for the use of small tools on a project will be made based on tool expenses accumulated in and distributed through

allocation basis; otherwise, it will be limited to actual loss or damage during the period of use. In the latter case, the loss or damage shall be billed in detail and supported to the satisfaction of the State.

## **ENGINEERING CHARGES**

### **Guidelines**

- The estimate should be prepared to clearly detail any engineering charges for which reimbursement is to be requested.
- It may be that these engineering charges will be appropriately classified as labor and therefore should be prepared as required in the previously discussed section on labor charges.

## **RIGHT OF WAY CHARGES**

### **Guidelines**

- The payment of property damages necessitated by a utility adjustment is not considered a right of way charge, but is reimbursable when properly documented. Right-of-way charges are confined to those instances where there is an interest in land acquired.
- Losses to improvements such as crops or fences caused by utility construction will be considered as damages and properly chargeable by the utility as a construction or relocation expense that was actually incurred and paid for by the utility.

### **Definition**

“Replacement right of way” may be defined as the land and interests in land acquired for or by the utility as necessitated by the highway construction. These costs may include salaries and expenses of utility employees engaged in the appraisal of, and negotiation for, the right of way, amounts paid independent appraisers for appraisals made of the right of way, recording costs, deed fees and similar costs normally paid incidental to land acquisition.

## OVERHEAD CHARGES

### Guidelines

- Indirect charges such as general engineering and supervision, general office salaries and expenses, construction engineering and supervision by other than the utility, legal expenses, insurance, relief, pensions, and taxes shall be charged to jobs or units” *on the basis of the amount of such overhead reasonably applicable thereto*”.
- Some costs that are not eligible for State and Federal participation are:
  - entertainment expenses,
  - advertising,
  - sales promotion,
  - special insurance premiums such as those on lives of company officials,
  - special bonuses not a part of the general condition of employment,
  - taxes and expenses in connection with financing or refinancing including issuance of stock,
  - expenses of listing of securities on exchanges,
  - Federal and State income taxes,
  - provisions for contingent reserves, director’s salaries or special management studies,
  - bad debts,
  - sale and rate studies,
  - contributions,
  - fines and penalties,
  - interest on borrowings,
  - lobbying and research programs.

## REMOVAL OR REPLACEMENT CHARGES OF BUILDINGS OR SIMILAR STRUCTURES

### Guidelines

- The cost of any required relocation of buildings and other similar structures of a utility, which are used primarily for the production, transmission, or distribution of the utility’s products or services, is eligible for reimbursement.

- When it is not necessary to retain the existing building and/or facilities in service until a replacement is constructed, reimbursement will be limited to the most economical method of relocation.
- Whenever a new building and/or facility is constructed, credit for depreciation on the original building or facility will be required.

## **BETTERMENTS AND BETTERMENT CREDIT**

### **Guidelines- General**

- The costs of betterments that are necessitated by the requirements of the highway construction are reimbursable.
- The cost of betterments that are constructed at the election of the utility and are not attributable to the highway project, such as increased service capacity or service improvements, are non-reimbursable.
- The amount of betterment that the utility owner elects to include is established as a percentage at the time of estimate and execution of the utility agreement with the State.
- This estimate-based percentage is applied to the final costs billed.

### **Guideline for Betterments Necessitated by Highway Construction**

No betterment credit is required for additions or improvements incorporated into a replacement facility for the following reasons:

1. economy (non-stocked items may be uneconomical to purchase)
2. compliance with governmental laws and ordinances
3. compliance with appropriate regulatory commission codes
4. installing replacements that are of equivalent standard although not identical
5. required by current design practices as documented in written company policies or manuals and regularly followed by the company in its own work and for which there is a direct benefit of the highway project, or required by the highway project.

## **Guideline for Betterments Elected by the Utility Company**

Where betterments are not necessitated by the highway construction, but are to be installed solely for the benefit of the utility company, the cost of installing such betterment items will not be eligible for State and Federal participation.

## **FEDERAL RULINGS**

### **Guidelines**

- Only those items for the direct benefit of the highway, necessary to comply with governmental laws and ordinances or needed to restore the utility's functional operation to a like condition in the most economical manner are eligible for reimbursement:
1. Coating and Wrapping  
Any corrosion control measures required by industry or governmental codes, orders or laws are eligible for reimbursement.
  2. Additional Thickness of Pipe  
The Office of Pipeline Safety, DOT, has outlined requirements for wall thickness of gas and liquid fuel lines. Where a utility proposes to install a thickness in excess of such requirements underneath the highway, consideration will be given to the approval of the additional thickness if it is necessary due to circumstances outlined in the previous section on "Betterments Necessitated by Highway Construction".
  3. Spare Conduits or Ducts  
One spare conduit or duct may be approved for reimbursement where the frequency of interruptions of utility service and the importance of the service together with the expected interference with highway traffic by the utility installing temporary overhead lines, warrants such an approval for the benefit of the highway, or where building lines or ground conditions make subsequent boring impossible.
  4. Taller Poles  
Increased height or size of poles for overhead lines may be approved as a reimbursable item when needed to elevate the lines across the highway or the intersecting streets to give proper vertical clearance.

5. Joint Occupancy of Poles

When the existing facility consists of jointly occupied poles and the utilities separate their facilities in affecting the relocation, reimbursement is warranted in the actual costs of relocation, less the appropriate credits for betterments and salvage, not to exceed the most economical cost to restore the functional service of the utility.

**ACCRUED DEPRECIATION**

**Guidelines**

The amount of credit for accrued depreciation should be computed as follows:

$$\frac{\text{Actual Service Length}}{\text{Total Life Expectancy}} \quad \times \quad \text{Original Cost} = \text{Credit}$$

**PARTIALLY ELIGIBLE ADJUSTMENTS**

**Guidelines**

- When an adjustment involves facilities located partially on public right of way by sufferance or permit and partially on private right of way acquired for utility purposes, eligibility for State cost participation is to be determined at the estimate stage.
- The eligibility is determined based on property interest held by the utility within the limits of the proposed right of way. A ratio is established from the ratio of private right of way occupied to total right of way occupied by the utility within the proposed highway right of way limits.
- The percentage is applied to the final costs billed.

### **Sample of Appropriate Order of Credits**

Total Billing (including Betterments)	\$12,000
Less: (30% x 12,000) (Betterment Cr.)	3,600
Less: Salvage	<u>1,870</u>
Reimbursable	\$ 6,530
Approved Eligibility Percentage (95%)	<u>X .95</u>
	<b>\$ 6,203.50</b>

## **CONSULTING ENGINEER FEES**

### **Guidelines**

- The “percentage of the cost of relocation” method of computing fees is no longer acceptable.
- The fee must be either a lump sum based on an itemized estimate, cost per unit of work, cost plus a fixed fee, or specific rate.
- The contract should define services to be accomplished during the preliminary, design, and/or construction phase.
- The basis for determining the fee should be established, and a lump sum or maximum amount payable should be specified.
- The cost of consultant engineering services performed under existing written continuing contracts is acceptable when it is demonstrated that such work is performed regularly for the utility in its own work and the costs are reasonable.

## **SPECIAL CONSIDERATIONS**

### **Guideline**

In addition to requirements mentioned in this booklet, the utility company should be aware that the billing cannot be processed for payment by Right of Way Division until conditions placed upon the approval of the agreement have been removed.

## NOTES

## TxDOT DISTRICT OFFICES (cont'd)

Laredo District	956.712.7400
Fax	956.712.7401
Lubbock District	806.745.4411
Fax	806.748.4380
Lufkin District	936.633.4433
Fax	936.633.4378
Odessa District	432.332.0501
Fax	432.498.4656
Paris District	903.737.9300
Fax	903.737.9204
Pharr District	956.702.6100
Fax	956.702.6110
San Angelo District	325.944.1501
Fax	915.947.9235
San Antonio District	210.615.1110
Fax	210.615.5998
Tyler District	903.510.9100
Fax	903.510.9127
Waco District	254.867.2700
Fax	254.867.2890
Wichita Falls District	940.720.7700
Fax	940.720.7848
Yoakum District	361.293.4300
Fax	361.293.4372

