**Section 556.40 Qualifying Infrastructure Plant, or QIP**

a) QIP shall be related to one or more of the following:

1) *The installation of facilities to retire and replace underground natural gas facilities, including facilities appurtenant to facilities constructed of those materials such as meters, regulators, and services, and that are constructed of cast iron, wrought iron, ductile iron, unprotected coated steel, unprotected bare steel, mechanically coupled steel, copper, Cellulose Acetate Butyrate (CAB) plastic, pre-1973 DuPont Aldyl "A" polyethylene, PVC, or other types of materials identified by a State or federal governmental agency as being prone to leakage;*

2) *The relocation of meters from inside customers' facilities to outside;*

3) *The upgrading of the gas distribution system from a low pressure to a medium pressure system, including installation of high-pressure facilities to support the upgrade;*

4) *Modernization investments by a combination utility as defined in Section 16-108.5(b) of* the *Act to install:*

A) *Advanced gas meters in connection with the installation of advanced electric meters pursuant to Sections 16-108.5 and 16-108.6 of* the *Act; and*

B) *The communications hardware and software and associated system software that creates a network between advanced gas meters and utility business systems and allows the collection and distribution of gas-related information to customers and other parties in addition to providing information to the utility itself;*

5) *Replacing high-pressure transmission pipelines and associated facilities identified as having a higher risk of leakage or failure or installing or replacing high-pressure transmission pipelines and associated facilities to establish records and maximum allowable operating pressures;*

6) *Replacing difficult to locate mains and service pipes and associated facilities; and*

7) *Replacing or installing transmission and distribution regulator stations, regulators, valves, and associated facilities to establish over-pressure protection.* [220 ILCS 5/9-220.3(b)(1) through (b)(7)]

b) *With respect to the installation of the facilities identified in* subsection (a)(1), *the natural gas utility shall determine priorities for such installation with consideration of projects either:*

1) *Integral to a general government public facilities improvement program, or*

2) *ranked in the highest risk categories in the utility's most recent Distribution Integrity Management Plan where removal or replacement is the remedial measure.* [220 ILCS 5/9-220.3(b)]

c) *A natural gas utility that is subject to its delivery base rates being fixed at their current rates pursuant to a Commission order entered in Docket No. 11-0046, notwithstanding the effective date of its tariff shall reflect in a* QIP *surcharge only those projects placed in service after the fixed rate period of the merger agreement has expired by its terms.* [220 ILCS 5/9-220.3(a)(5)]

d) *The amount of qualifying infrastructure investment eligible for recovery under the* QIP surcharge *in the applicable calendar year is limited to the lesser of:*

1) *The actual qualifying infrastructure plant placed in service in the applicable calendar year; and*

2) *The difference by which total plant additions in the applicable calendar year exceed the baseline amount, and subject to the limitation in* Section 556.30(a). [220 ILCS 5/9-220.3(d)(3)]

e) *A natural gas utility can recover the costs of qualifying infrastructure investments through an approved* QIP *surcharge tariff from the beginning of each calendar year subject to the reconciliation initiated under* Section 556.100, *during which the Commission may make adjustments to ensure that the limits defined* in this Part *are not exceeded. Further, if total plant additions in a calendar year do not exceed the baseline amount in the applicable calendar year, the Commission, during the reconciliation for the applicable calendar year, shall adjust the amount of qualifying infrastructure investment eligible for recovery under the tariff to zero.* [220 ILCS 5/9-220.3(d)(3)]