

POLICY NO. 431

LINE EXTENSIONS

I. OBJECTIVE:

To establish a policy for extension of District facilities to serve new loads and to provide for fair, equitable, and consistent financing of Line Extension, Conversions, and Relocations so that new customers will receive reasonable benefit from the Public Power model of business without unduly burdening existing customers with inappropriate costs or risks; and to set forth the terms and conditions under which the District will construct and extend its facilities to serve new loads and replace, relocate, or otherwise modify its distribution facilities.

II. DEFINITIONS:

A. Aid To Construction

The Aid-To-Construction will be determined as the monetary difference of the non-betterment portion of the estimated construction investment less the allowable construction credit established by this policy.

B. Allowable Construction Credit

The Allowable Construction Credit is the portion of the cost of construction which the District will put toward the Line Extension, Conversion, Relocation cost at no cost to the Applicant as long as the terms of this policy are met.

C. Applicant

The "Applicant" is the individual(s) requesting a Line Extension, conversion, or relocation.

D. Customer

An individual, corporation, or other legal entity that by contract or mutual understanding purchases electric service from Polk County RPPD.

E. Developer

An applicant requesting a Line Extension, Conversion, or Relocation to serve two or more contiguous lots or subdivided real estate, typically for the purpose of building homes with the intention to resell, or transfer ownership to another person.

F. District

The "District" shall refer to Polk County Rural Public Power District (PCRPPD).

G. Indeterminate Service

"Indeterminate Service" is a service that does not meet the qualifications of a permanent service but is not specifically temporary. Examples would be residential, commercial, or industrial sites under construction, real estate sub-divisions, properties being developed for sale, mines, quarries, water wells, motor homes, travel trailers, Mobile Home Parks, campgrounds, campers, boats, greenhouses, signs, sheds or garages with no permanent foundation, oil wells, tourist concessions, commercial, industrial and manufacturing enterprises of speculative character or any other services where quantity and duration of use cannot be reasonably assured,

Homes, mobile homes, and businesses under construction will be classified as indeterminate until they meet the requirements to be classified as Permanent Services. Homes, mobile homes, or business structures in such a state of disrepair as to make their immediate, permanent, long-term occupancy questionable will be classified as Indeterminate Services

H. Permanent Service

"Permanent Service" includes services to residential, commercial, and industrial facilities where the long-term use of service, as to amount and permanency, can reasonably be assured. Homes and mobile homes must meet all of the following conditions to be classified permanent:

1. A building design for year-round occupancy with a minimum of one thousand square feet of living space and an automatic heating system.
2. A producing well, connection to a community water service, or permanent cistern in place.
3. An approved septic tank and drain field installed or connection to a community sewage system in place.
4. Poured footings or pad in place.
5. Mobile homes must be in place, connected to water and sewer, on blocks, and skirted.

Mobile Home Parks where at least half of the services within meet the requirements of a Permanent Service and where the owner has made substantial infrastructure investment in the park including water, sewer, streets, and pads shall be classified as Permanent Services so long as there are no conditions suggesting the Mobile Home Park occupancy rate is temporary in nature.

I. Line Conversion

A "Line Conversion" is a type of Line Extension or Line Relocation where single phase distribution facilities are upgraded to multi-phase facilities or where overhead lines are changed to underground facilities or vice versa or a service capacity is increased for additional load.

J. Line Extension

A "Line Extension" is a continuation of an existing PCRPPD distribution line. A Line Extension may be either single or multi-phase. A Line Extension may also include changes in an existing line to increase capacity. A Line Extension includes all poles, primary wiring, secondary wiring, transformer(s), meter(s), other equipment, right of way acquisition & clearing, engineering, required government studies and permits, trenching & backfilling, and all other items associated with the service to the Applicant.

K. Line Relocation

A "Line Relocation" is any change in the location of the District's facility, including conversion from overhead to underground and underground to overhead, requested by the Applicant that results in a one-time cost or expense.

L. Load Factor

"Load Factor" is the ratio of average load to the greatest load during a specified period. It measures the stability of the customer's electrical load over time. High Load Factor services operate at consistent levels without significant peaks and valleys. High Load Factor services utilize the system efficiently and have a lower unit cost of service.

M. Mobile Home Park

A "Mobile Home Park" as used in this policy is a business that leases mobile home sites on a year-round basis to three or more tenants where rents are paid monthly, semi-annually, or annually. Businesses catering to seasonal occupancy or travelers are not considered Mobile Home Parks.

N. Seasonal Cabin

A "Seasonal Cabin" includes residential buildings; small houses, cottage, or trailer houses used for temporary seasonal occupancy and are closed-up for portions of the year lasting three months or more. Cabins, occasionally occupied throughout the year or that are not closed-up and/or continue to use electricity throughout the year, will be considered as a Residence.

O. Standard Construction Practices

"Standard Construction Practices" are the routes, techniques, materials, standards, and designs, which are, in the sole judgment of the District, most practical and economical. At a minimum the District's Standard Construction Practices shall meet the National Electric Safety Code and all Rural Utilities Service standards and

specifications. The District's Standard Construction Practice is typically overhead line construction following the least-cost route between the existing line and the service location that follows the available public Right Of Way.

P. Temporary Service

"Temporary Service" includes but is not limited to services for circuses, bazaars, fairs, concessions, fireworks stands, concerts, events, and similar enterprises, where anticipated need for service is less than five years. Other examples of Temporary Services include road construction facilities such as hot mix plants, cement plants, and control structures; national guard or fire suppression encampments; other uses of a temporary nature; and ventures of such uncertain, speculative character that their permanency is questionable, such as mining and oil and gas production operations, which, during the preliminary or development period of same, may at the District's option, be classified in this category of service.

III. GENERAL PROVISIONS:

Polk County RPPD will provide single-phase and/or three-phase electric service to all customers within the boundaries of its service territory where available and/or feasible, not to exceed the "Allowable Construction Credit" as defined in this policy, unless the Customer makes a contribution-in-aid of construction.

A. Service Classification

The District shall be solely responsible for interpretation of this policy and the classification of a service as a Permanent, Indeterminate, or Temporary, and with regard to the appropriate rate class the service will be served under.

B. Construction Standards

Construction of all Line Extensions shall conform to the District's construction standards and will meet the National Electric Safety Code as well as any applicable national, state, or local codes and regulations. All Line Extensions will be constructed by the District or contractors approved by the District and under the District's supervision. All materials used will meet or exceed the Rural Utilities Service standards and District's specifications.

C. Construction Cost Estimates

Construction costs will be determined by estimating the work to be done using current construction unit costs along with any additional charges. The estimated construction cost will include the costs of materials, equipment, engineering, labor, including administration overhead, fringe benefits, and the costs of transformers and metering equipment needed to complete the line extension. Construction costs will exclude the cost of replacement or additions of facilities solely for the benefit of PCRPPD. Cost estimates for work not completed within 90 days will be reviewed and updated to reflect changes in construction costs.

D. Aid To Construction

Where the estimated construction cost exceeds the established allowable construction credit, PCRPPD will receive from the Applicant/Customer an "Aid-To-Construction" contribution. The Aid-To-Construction contribution will be determined as the monetary difference of the non-betterment portion of the estimated construction investment less the allowable construction credit established by this policy.

E. Aid to Construction payment

Applicable Aid to Construction payments must be received by the District before construction will be scheduled. Where a group of customers will be served by a single extension, applicable charges shall be allocated in an equitable manner by the District.

F. Right-of-Way

The customer shall provide a perpetual easement for all district facilities located on the customer's property. The terms of the easement shall be at the sole discretion of the District. It will be the customer's responsibility to trim or remove all trees to the District's specifications or the District will trim or remove the trees at the

customer's expense. Right-of-way clearing may be included in the construction cost. Disposal or chipping of any limbs, trees, or brush is the responsibility of the customer.

G. Ownership of Line Extensions

Ownership of all distribution facilities, both primary and secondary, up to and including the meter pole, meter loop, meter pedestal, and meter will remain the property of the District, whether financed in whole or in part by the customer. Meter loops and boxes mounted to the customer's property such as buildings will be provided and owned by the customer.

The District reserves the right at all times to add customers of any class or load type to an extension, and to make new extensions to any existing line without obtaining the permission of any customer contributing to the original construction costs.

H. Customer Facilities

Customer and/or owner shall furnish, install and maintain all poles, wire and equipment installed beyond the "point of delivery" defined as the point where the District's wire attaches to the customer's wire.

I. Construction Greater than one mile

Line extensions or conversions of greater than one mile will be considered on a case-by-case basis and considered based on the load, the location and potential for future loads.

IV. ALLOWABLE CONSTRUCTION CREDIT FOR PERMANENT SERVICES

Each customer class will receive an allowable construction credit based on the perceived risks of the particular service class. Perceived risks consist of factors such as commercial or industrial customers going out of business and the utilities not recovering its investment in infrastructure. Other risk factors such as customers switching to alternative fuels, switching to an alternative power supplier, municipalization of services shall also be considered. Perceived risk is quantified in the allowable construction credit through the amount of time the contribution margins are present valued. For example: Residential services have limited risk and a 9-year recovery is used to determine the maximum contribution, where a commercial service has greater risk such as going out of business and a 5-year recovery is used.

A. Allowable Construction Credit Residential Services

The allowable construction credit for a Residential service will be determined by the kVa size of the service that is required at the time of construction, and 50% of all line construction along county or state ROW or along any ROW allowing for further extension of district facilities. All line costs on private property or unavailable to future extension will be at the cost of the customer. Allowable construction credit is as follows

Urban Non Electric Heat	\$1000.00	+50% of line Construction along ROW
Urban Electric Heat	\$2,000.00	+50% of line construction along ROW
15 kVa and less	\$1,500.00	+50% of line Construction along ROW
Between 25 and 37.5 kVa	\$2,500.00	+50% of line Construction along ROW
Larger than 37.5 kVa	\$3,500.00	+50% of line Construction along ROW

B. Allowable Construction Credit for Commercial services

The allowable Construction Credit for Commercial services will be determined by calculating the average annual kilowatt-hour use estimated at the time of construction multiplied by the appropriate Per kWh figure in the following table. All Line construction costs above the resulting figure will be at the total cost of the customer.

Small Commercial – Single Phase	\$0.1010	kWh
Small Commercial - Three Phase	\$0.0920	kWh
Demand Customers with Load Factor < 40%	\$0.0420	kWh
Demand Customers with Load Factor 40% to 60%	\$0.0410	kWh

Demand Customers with Load Factor above 60%	\$0.1126	kWh
Municipal Services	\$0.0740	kWh

The Commercial and Industrial Allowable Construct Credit does not apply to loads in excess of 1,000 kW. A case-by-case analysis will be completed to determine the anticipated contribution margins from customers in excess of 1,000 kW. The analysis will be adjusted to reflect load factors and other characteristics that may affect the overall margins of the District.

C. Allowable Construction Credit for Seasonal Services

The allowable Construction Credit for a seasonal service including cabins, trailer homes not on a permanent foundation, stock pumps, and dryer services, etc, will be equal to three (3) times the estimated revenue excluding taxes, and lease payments.

D. Allowable Construction Credit for Irrigation

Construction Contributions and Allowable Construction Credit for Irrigation services will be governed by District Policy #430

E. Failure to Meet Service Classification Requirements

If within three years of the connection of a service classified as a Permanent Service, the service no longer qualifies as a Permanent Service because construction has not been completed or occupancy has not been year-round, the District will bill the Applicant for the appropriate Line Extension charges.

F. Required Term of Service Contract

Customers who make connections under this policy are required to sign a Five (5) year continuous service contract with PCRPPD. Customers are allowed to change rates during the five year period with approval of the General Manager. If the Customer discontinues service or requests a rate change before the end of the service contract, PCRPPD may assess a charge equal to the difference between the amount of time serviced under the rate and the remaining time on the contract.

For Example: If the initial cost of connection was \$1,500, and a customer disconnects after four years, the following charge may be assessed:

$1/5 \text{ times } 1,500. = \$300 \text{ charge to the customer.}$

V. LINE EXTENSIONS FOR INDETERMINATE SERVICES

- A. The Applicant for an Indeterminate Service shall make an Aid to Construction for the entire estimated construction costs and be served at the applicable rate schedule.
- B. Where the Line Extension to an Indeterminate Service involves only the installation of a service on an existing District pole, the District may waive the requirement for an Aid to Construction if, in the sole judgment of the District, the service is likely to generate enough revenue to recover the Line Extension costs.
- C. Construction will not be scheduled until the District has received the Aid to Construction payment and all other conditions of service have been met.

VI. ALLOWABLE CONSTRUCTION CREDIT FOR TEMPORARY SERVICES

- A. For a Temporary Service the Applicant shall pay the District an Aid to Construction Payment equivalent to the District's estimate of the total cost of construction and eventual removal of the Line Extension, less estimated salvage value of materials used.

- B. Construction will not be scheduled until the District has received the Aid to Construction payment and all other conditions of service have been met.
- C. Service provided to a temporary extension shall be billed in accordance with the applicable rate schedule.

VII. LINE EXTENSIONS FOR DEVELOPMENTS OR SUBDIVISIONS

- A. Developments and or Subdivisions are considered speculative and therefore classified as 'Indeterminate'. All Cost of Construction for line extensions will be at the responsibility of the developer. If within five years from the completion of construction a property is sold for permanent service, the appropriate Allowable Construction Credit in effect at the time of construction will be returned to the developer or their representative.
- B. Developments and subdivisions may be developed in phases or stages approved by the District and Aid to Construction payments and refunds will be applied to the phase or stage as if it were a separate development.
- C. No part of the Aid to Construction payment will be refunded until all or part of the subdivision or development is reclassified as Permanent Services.
- D. If the average lot size of the subdivision or development is two and one-half acres or less, the Aid to Construction payment and refunds, if applicable, shall be applied and refunded on a per lot basis.
- E. Developments and subdivisions must have platted utility easements meeting the District's requirements before any services within the development will be classified as Permanent. Easement requirements include a minimum width of fifteen (15) feet except in Developments where all utilities are buried and the District, at its sole discretion, agrees to a lesser width.
- F. The Developer shall trim or remove trees as specified by the District.
- G. Underground construction shall be used by the District when the Developer provides trench, bedding, backfill, and reclamation to the District specifications and/or pays the added cost thereof along with all other charges required by this policy.
- H. Under special circumstances, at the sole discretion of the District, all or a portion of a Aid to Construction payment for a development or subdivision may be waived by the District. Special circumstances may include subdivisions in the immediate area of other developments where sales of lots and construction of Permanent Services has been brisk and where the Developer has invested significantly in paved streets, water and sewer systems, sidewalks, and other infrastructure, and where the Developer has a record of meeting the development requirements of the District.

VIII. LINE EXTENSIONS WITH SPECIAL CIRCUMSTANCES

- A. Whenever the District anticipates or determines that special or abnormal risks or conditions may be involved in providing service to a specified load or customer, the District may require special terms, contract conditions, bonds, cash advances or deposits of such nature as it may consider reasonably necessary for protection against financial loss in connection with the special conditions and risks involved.
- B. Line Extensions for high Load Factor services of 500 kW billable demand or greater may be negotiated as to Line Extension Allowance and terms of refunds, if any, of Aid to Construction payments. The District shall not provide special terms unless the financial risk to the District is minimal and revenue projections are sufficient to recover costs plus a reasonable margin. Special terms are at the sole discretion of the District.

IX. LINE EXTENSIONS EXCEEDING STANDARD CONSTRUCTION PRACTICES:

- A. At the request of the Applicant, the District may, at its sole discretion, utilize practices that exceed the District's Standard Construction Practices. Such practices may include underground construction as an alternative to overhead or the installation of facilities in a location preferred by the Applicant.

- B. All costs of the Line Extension exceeding the costs of the District's Standard Construction Practices are the sole responsibility of the Applicant and are nonrefundable regardless of the service classification.

X. LINE EXTENSIONS OUTSIDE OF THE DISTRICT'S ASSIGNED SERVICE TERRITORY:

The District's goal is to provide service to all customers at a reasonable cost. Requests for service outside of the District service territory will be considered only after receiving a release from the utility that serves that territory. Requests will be reviewed on an individual basis.

- A. Line Extensions to service locations outside of the District's service territory shall be classified as Indeterminate.
- B. No Line Extension shall be made to a service location outside of the District's service territory and no customer within the District's service territory shall be released to another utility without authorization from the general manager.

XI. RECLASSIFICATION OF INDETERMINATE SERVICES

- A. An Indeterminate Service may be reclassified as a Permanent Service if it meets all of the requirements of a Permanent Service within five years of the date the service was first connected and if the service has remained connected without interruption for the entire period.
- B. The Applicant is responsible for notifying the District of any circumstances that could result in a reclassification.
- C. The District shall be solely responsible for interpretation of this policy and the reclassification of an Indeterminate Service.
- D. In the event an Indeterminate Service is reclassified to a Permanent Service, the provisions of extensions for Permanent Services shall apply.

XII. REFUND OF AID TO CONSTRUCTION PAYMENTS

- A. Aid to Construction payments for Temporary or Indeterminate Services are non-refundable.
- B. If an Indeterminate Service is reclassified as a Permanent Service within five years of the District's receipt of the Aid to Construction payment and has remained in continuous service, all or a portion of the payment, not to exceed the Allowable Construction Credit at the time of construction, may be refunded to the Applicant. There shall be no refunds for the added costs of construction that deviates from Standard Construction Practices.
- C. Refunded Aid to Construction payments will not bear interest.
- D. Refunds of Aid to Construction payments will not be made after five years from the date of the District's receipt of the Aid to Construction payment.
- E. Refunds of any portion of a Aid to Construction payment shall be made only to the Applicant who originally made the payment unless the Applicant notifies the District in writing to issue the refund to another party.

XIV. LINE EXTENSION COSTS ASSOCIATED WITH REQUIREMENTS OF PUBLIC AGENCIES OR RAILROADS.

- A. When a Line Extension involves the crossing of public lands or railroad properties requiring a special use permit or other permit, the Aid to Construction shall include all permit fees and an estimated administrative charge for the District's costs of applying for the permit. Actual costs of the permit and administrative costs are non-refundable.
- B. The Applicant shall pay all costs of construction required by the public agency or railroad that exceed the costs of the District Standard Construction Practices.

C. The Applicant for a Line Extension shall pay all costs of environmental surveys required by public agencies.

XVI. LINE CONVERSIONS

A. For Existing Services that are not classed as irrigation and are not covered under Policy #430 and where customers are requesting an upgrade of the facilities to serve additional load, different type of load, or different voltage PCRPPD will contribute the following amounts based on the additional (new) load only.

Residential (All)	Single to Three Phase	\$3,400.00
Residential Urban	Single to Three Phase	\$1,050.00
Small Commercial (<75 kva)	Single to Three Phase or Capacity	\$0.081 x Annual Usage
Municipal Services	Increase to Three Phase or capacity	\$ 0.074 x Annual Usage
Demand Services	Increase to Three Phase or Capacity	\$0.081 x Annual Usage
Seasonal Services	Increase to Three Phase or Capacity	\$0.136 x Annual Usage

XVII. LINE RELOCATIONS

- A. The Applicant shall pay the entire cost of any Line Relocation requested.
- B. Lines will be relocated at the sole discretion of the District. Public safety and ease of operation and maintenance of the relocated facilities shall be primary considerations of the District in decisions regarding Line Relocations.
- C. When the District discovers a violation of the National Electric Safety Code created by activities or construction by the property owner after the original installation of facilities by the District, the District may alter, relocate, remove, or disconnect its facilities to remedy the violation. The property owner will be responsible for all costs of the remedy.

XVIII. RESPONSIBILITY:

The general manager is responsible for the administration of this policy.

APPROVED BY THE BOARD OF DIRECTORS

EFFECTIVE DATE: 9/4/1981

DATE APPROVED: 9/4/1981

REVIEWED: 1/8/2001

REVISED: 6/6/2014

ATTEST: *James Popil*