



Approval to Amend Tariff and Business Rules – Line Extension Policy

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Line Extension Policy

Background

- The Tariff and Business Rules contains the Line Extension Policy in Section 400. The Policy is reviewed on a regular basis to ensure the expenditure of funds through the allocation of construction allowances is prudent.
- The most recent amendments to the Line Extension Policy were at the October 2019 and February 2020 Board meetings.

Tariff and Business Rules For Electric Service Pedernales Electric Cooperative, Inc.

Section 400: Line Extension Policy
Applicable: Entire Certified Service Area
Effective Date: June 1, 2021

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400 LINE EXTENSION POLICY

400.1 OVERVIEW

The Cooperative will extend electric service to an Applicant in accordance with the following line extension provisions. Each provision in this Tariff classifies the predominant type of electric service or use anticipated on the Applicant's premises and specifies conditions under which a line extension may be made. For each location where electric service is desired, the Applicant's classification for electric service will be determined by the Cooperative.

Electric service will not be provided and no work to extend electric service will be performed until the Applicant has met all requirements within this Tariff for extension of service including, without limitation, routing, underground service requirements, if applicable, and paid any and all fees or charges associated with the provision of electric service. This may include, but is not limited to, membership fees, establishment fees, deposits, system impact fees, CIAC, and/or planning design fees.

If facilities must be constructed, the Cooperative will provide an estimated completion date and a Cost Calculation or Development Cost Calculation for all charges to extend electric service. The requests for new electric service requiring construction should be completed within ninety (90) calendar days of fulfilling all applicable requirements, unless delayed by a cause beyond the reasonable control of the Cooperative, or unless a different time period is agreed to by the Applicant and the Cooperative.

The Applicant must comply with all requirements in Section 300.9.1, Conditions of Service. All applicable provisions of the Tariff, and standards and specifications of the Cooperative for construction, to receive electric service.

The Line Extension Policy provisions are subject to change by the Board of Directors.

400.2 RESIDENTIAL SERVICE

APPLICABILITY

To qualify for an extension under this section, the Applicant and the location where the Applicant is requesting electric service must comply with the following provisions:

1. The location must be a permanent Individual Private Dwelling or Multi-Family Dwelling; and
2. The location is intended to serve as the Applicant's primary residence and will qualify as the Applicant's homestead with the Applicant's local property appraisal district within twelve (12) months of completion of extending electric service to the Point of Delivery; or
3. If the Applicant is developing a residential subdivision or mixed-use development with Individual Private Dwelling(s) or Multi-Family Dwelling(s), the Applicant must comply with all requirements under Section 400.6, Residential Developments, and have paid the CIAC required under that section.

All other applicable provisions of this Policy apply to an extension of service under this section.

CONTRIBUTION IN AID OF CONSTRUCTION BY APPLICANT

The Cooperative will determine the Cost Calculation to the Point of Delivery based on its then current unit material and labor costs, and in accordance with the Cooperative's current standards and specifications.

There will be no charge to the Applicant for up to the first two thousand dollars (\$2,000.00) per meter that qualifies under this section for the cost to extend electric service to the Point of Delivery. The Applicant will be required to pay any costs in excess of two thousand dollars (\$2,000.00) per meter as a CIAC prior to construction.

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Reason for the Proposed Amendments -

- Current practice is for the socialization of a portion of line extension costs into rates paid by all members. Socializing these costs is part of the historical cooperative service model intended to provide power to residents without electricity, a stark contrast to current day application of line extension allowances. During this extended growth in the area, PEC is taking on substantial debt to fund the line extensions that will be repaid in future years through rates by all members of the cooperative.
- For new homes in a housing or mixed use development, in relation to the prices of homes, it is clear that the allowances make little to no difference in relation to the cost of the property or whether the development happens or not.
- For a rural single home when an applicant pays for an extension to their property, the resulting property value far exceeds the value of the extension allowance.
- For commercial developments or commercial properties the majority of the cost is currently being paid by the applicant. This change is fairly minor for non-residential applicants.

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Proposal

- Removal of all construction allowances
- Effective date of October 1, 2021
- Grace period for existing projects to a reasonable date

Line Extension Policy

Tariff Amendments – Effective October 1, 2021

- Residential Service, 400.2
- Other Residential Service, 400.3
- Non-Residential Service, 400.4
- Other Non-Residential Service, 400.5
- Residential Developments, 400.6
- Non-Residential Developments, 400.7
- Ownership of Cooperative Facilities, 400.23
- Fee Schedule, 500.4 (Section References)

Line Extension Policy

Communications Plan

- Update Line Extension Policy FAQs on PEC website
 - Construction and Development webpage
 - <https://www.pec.coop/your-service/construction-development/>
- Send letter to known affected and potentially affected developers and frequently used engineering firms
- Meet with affected developers and members as requested
 - Provide needed materials to understand changes



PEDERNALES ELECTRIC COOPERATIVE