



LINE EXTENSION POLICY

PREPARED BY



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1. Purpose

It shall be the policy of Denton Municipal Electric (DME) to make extensions of new distribution lines, make alterations to existing distribution lines, and provide service connections, meters, and other necessary facilities to establish permanent electric service to all Customers within DME's service territory that desire DME service. Such electric service will be provided to those whom DME can reasonably accommodate such requests. This Policy establishes the basic conditions and requirements associated with adding facilities to existing primary or secondary distribution lines to supply electricity to new or modified service installations. In extending such electric service, DME must maintain its financial stability by avoiding the construction of unnecessary facilities and by having sound procedure whereby revenue from lines constructed by DME will amortize the cost of said lines over a reasonable period of time. Therefore, this policy shall detail the requirements and specifications necessary for DME to accept an application for service.

In accordance with the goals and objectives of DME and the City of Denton, DME is responsible for acting in the best interests of all its ratepayers, its bondholders, and the City of Denton. This includes designing systems that are safe, meet industry standards and regulations for the expected service type, and are economically responsible. However, due to the engineering complexity associated with an integrated electric system and with the dynamic nature of the electric industry, this Policy cannot cover in detail all the line extension issues DME may encounter. DME shall determine, at its sole discretion and on a case-by-case basis, whether the specific requirements, allowances, advances, and costs outlined in this Policy are applicable.

2. Scope

This Policy shall provide detailed information regarding the standards, requirements, and fees associated with line extensions within the Denton Municipal Electric system. The Policy sets out standards and expectations for major service types and provides definitions of essential terminology to determine the standards of each service type. In the case that DME determines that a request for service does not fall within the requirements laid out in this Policy, it shall, at its sole discretion, determine the expectations and related costs for the project in a manner that is determined to be equitable to both the ratepayers of DME and the Customer requesting service. This policy shall apply to all customers of DME, both new and existing, who request or require modifications or extensions to the existing electric power system in order to meet the customer needs.

3. Intent

The intent of this Policy is to clearly define the standards, expectations, and costs of requesting a line extension to ensure a fair and equitable process that balances the financial wellbeing of DME, the cost to ratepayers, the nature of competition in the applicable service territory, economic development opportunities, and the expenses for the Customer requesting service.

4. Authorization

The Line Extension Policy has been approved by the City of Denton's City Council at the recommendation of Denton Municipal Electric's Staff. The policies, fees, and cost methodologies set herein have been

established based on good utility practice and to appropriately identify and delineate the responsibilities and obligations of Customers, DME, and other affected parties.

5. Revision Process for the Standard

The Electric Engineering Department of DME controls the issue and distribution of the Line Extension Policy and the updates. Any requests for revision from any user of the document are to be initiated by a written proposal forwarded to the Electric Engineering Department. Each request will be evaluated with outcome communicated to requestor.

6. Application for Service

Customers shall contact DME to initiate a request for service or a change in service. Application for service can be made at the City of Denton's Customer Service office:

**Main Office
601 East Hickory Street
Suite F
Denton, TX**

or by phone at (940) 349-8700, during normal business hours (8a – 5p).

All forms shall be completed and when required, additional information will be provided by the Customer. Customers shall be required to follow and abide by all DME requirements.

7. Definitions

Aid-in-Construction – A fee required to offset the cost of construction of facilities outside those normally allowed for installation of electric service.

Certification Area – Denton Municipal Electric is authorized to provide electric service to customers within the city limits and some nearby areas outside of the city limits. The Certification Map (see Appendix A) shows the areas within DME’s service area that are Single, Double, or Triple Certified. Single-Certified areas have only one authorized electric service provider (DME). Multi-Certified areas have two or more authorized electric services providers (DME and others) competing to serve customers within the area.

Customer – Any entity who is applicant for or who is receiving the benefit of electric service at a specified Point of Delivery from DME.

Demand Load, or Demand – The *maximum* load in kilowatts during any specified time interval. The maximum demand will be determined by appropriate DME personnel and will be used to determine the size and rating of all equipment used in the DME service installation. Demand load may be expressed in terms of amperes, watts, or volt-amperes.

Developer – Developer is the entity responsible for developing properties that request electric service. A developer may or may not be the customer (e.g. residential development has separate developer and customers).

Dual Feed – Where more than one alternative source for providing service is provided to a customer for the purpose of providing back-up or redundant power in case the primary source fails.

Energy, Electric – Electrical power (kilowatts) consumed over a given amount of time. The unit of energy as used herein shall be the kilowatt-hour (a Kilowatt-hour is 1000 watt-hours).

Point of Delivery – The point where the electric energy first leaves the conductors or devices owned by DME and enters the service entrance, other conductors, or devices owned by customer.

- (1) Single Family Residential homes (attached or detached): the Point of Delivery is located at the meter base for Underground (UG) installations and at the weatherhead for Overhead (OH).
- (2) Multi-Family Residential homes: the Point of Delivery is located at the secondary terminals of the transformer, pedestal, or secondary connection cabinet for UG installations. It is at the weatherhead for OH installations.
- (3) Commercial or Industrial Customers: the Point of Delivery is located at the secondary terminals of the transformer, pedestal, or secondary connection cabinet for UG installations. It is at the weatherhead for OH installations.
- (4) Primary-voltage Service, Overhead: the Point of Delivery is located at the line-side terminals of the DME primary metering equipment.
- (5) Primary-voltage Service, Underground: the Point of Delivery is located in a metering compartment within the primary metering cabinet or in a separate primary meter enclosure.

Power Purchase Agreement – A bilateral agreement between DME as seller and customer as buyer detailing all applicable terms and conditions associated with the provision of electric service and any other consideration between the parties.

Rate Book – City of Denton Ordinance, establishing the rates for electrical services and herein referred to as the “Rate Book.”

Residential, Multi-family – A permanent building designed with separate units for multiple, non-transient occupancy on a common lot, with a shared exterior wall and roof between the units.

Residence, Non-Permanent – A structure for which its intended use qualifies for service as defined in the Residential Service of the DME Rate Book but does not qualify as a Permanent Residence. Non-Permanent residences include trailers, recreational vehicles, or similar facilities and prefabricated homes or mobile homes for which the axles have not been removed.

Residence, Permanent – A structure for which its intended use qualifies for service as defined in the Residential Service of the DME Rate Book and can reasonably be determined to have service for an extended period. Permanent residences do not include self-propelled and non-self-propelled vehicles or similar facilities that have no foundation other than wheels, hacks, or skirting, but can include, at the discretion of DME, a prefabricated home or mobile home, so long as the axles have been removed.

Residential, Single-Family – Any building that is a permanent, individual private dwelling on an individual lot, with no shared walls or structures with any other building. If located within a residential development, the developer must comply with standards for residential development. A Single Family Residence may be detached such as a stand alone home, or Attached such as a town home. Apartments are not considered Single-Family Residences.

Residential Development – A set of two (2) or more contiguous lots scheduled for immediate development, platted as a residential subdivision to be used primarily for permanent single or multi-family residential dwelling units.

Service Installation – The service drops or laterals and meter, together with auxiliary devices and poles, if any, owned and installed by DME used to connect the DME electric supply lines to Customer's installation.

Shall, or Must, or Will – These terms signify mandatory compliance with the Articles in the DME Electric Service Standards.

Temporary Connection – A connection for a period of less than or equal to 2 years. Temporary connections exceeding the connection period will be reassessed as a standard connection and credited or debited, as necessary, the difference between a standard and temporary connection charges. Temporary service is to be used for construction, addition or remodeling of multifamily residence, commercial buildings, temporary offices, signs, and seasonal services such as snow cone stands, food stands, Christmas tree lots, festivals, exhibitions, or firework stands, etc.

Weatherhead – An enclosure designed to allow for weather resistant entry of cable or conductors to an electrical enclosure.

8. Connection and Service Run Charges

All Customer charges must be paid in full, and have met the DME's credit requirements (if applicable) prior to service being rendered.

Costs for connections and reconnections along with fees for delinquent accounts, tampering, and damage are described in the Rate Book. The most recent version will be used to determine charges.

9. Line Extension Charges and Policies

Technical requirements and responsibilities are described in the Electric Service Standards. The Electric Service Standards delineates by customer classification (residential/commercial), and connection type (overhead/underground) as well as provides information on requesting service and available nominal voltages and connections. Other information such as easement and customer load requirements are outlined and should be consulted as part of the process.

9.1 General Line Extension Requirements

DME will extend its primary and secondary voltage distribution facilities to Customers in accordance with the following line extension provisions. A Customer will be required to make a contribution as Aid-in-Construction for the extension of primary voltage distribution facilities as defined by customer classification/connection and service territory (e.g. single vs. multi-certified areas).

Regardless of authorization to serve customers within the service area, service may or may not be readily available depending on factors such as existing distribution facilities, overhead vs. underground service, number of phases, voltages and configurations (Wye vs. Delta), etc. The cost to serve the customer may vary based upon these factors.

Any required contribution will not include costs for facilities that are normally provided by DME, such as meters. All expenses associated with engineering, transformers, materials, labor, easements, easement clearing, permits, and any other fees that are associated with the extensions will be based upon DME's cost at the time of construction and/or contract agreement. Labor costs may be based upon contract labor cost, and contractor use will be at the discretion and approval of DME only.

All applicable fees must be paid before construction can start on any line extension along with all required documentation to include drawings showing wiring diagrams, wired loading requirements, voltage requirements, and easements. Fees for Aid-in-Construction shall be determined according to the provisions of §9.1 through §9.3 herein.

Based on the demand and energy usage of some customers, a Power Purchase Agreement may be required for service.

Customers requesting Dual-Feeds shall be responsible for the full cost of the additional feed extensions and any associated costs that apply or are due solely to the additional feed extension.

Customers requiring transmission level service (e.g. greater than 60,000 volts and/or power demands greater than 20 MW) will be responsible for the engineering, materials and installation of transmission-

level service equipment including substations, transmission lines, and any associated studies and contractor costs.

All line extensions shall be built along existing or planned easements and Right of Ways to allow access to DME owned equipment and material where applicable.

9.1.1 Determination of Aid-in-Construction

Determination of a Customer's classification involves an evaluation of the nature of competition in the applicable service territory, economic development opportunities, the type of installation and its use. DME shall determine at its sole discretion the Customer's classification in accordance with the provisions set forth in the Rate Book and this Policy. In the event that the classification assigned by DME is incorrect based upon the Customer's subsequent actual use of the installation, DME may alter the Customer's classification and apply the correct line extension classification, making appropriate adjustments to the Customer's account or billing.

The Utility reserves the right to recalculate the actual cost of the line extension if more than 60 days elapse from the time the most recent Aid-in-Construction requirement is presented to the Customer.

The Aid-in-Construction required of the Customer will be determined based on the following criteria:

- (1) DME shall estimate the cost for the line extension based on the most recent data available for unit material and labor costs for the same type of construction. The cost will be the total cost of all construction and all other costs directly attributable to the extension.
- (2) DME will determine the Certification Area based on the location of the customer in DME's service territory (single-certified vs. multi-certified territory, see Appendix A). For single-Certified Areas, the requirements of section 9.2 shall apply. For multi-Certified Areas the requirements of section 9.3 shall apply. Any applicable credits will be applied to the Aid-in-Construction requirements.
- (3) If more than one Customer is requesting service from the same extension, it shall be the responsibility of said Customers to agree on the division of the total required Aid-in-Construction. DME shall not be responsible for collecting Aid-in-Construction payments from individual Customers.

9.2 Single-Certified Service Areas

9.2.1 Residential Connections

For all residential line extensions (whether developments or individual lots), the customer/developer shall be responsible for the costs of the line extension including engineering, materials, labor, right of way clearing, secondary services, permits, and any other cost that is associated with the extension.

Non-permanent residences (as defined in section 7) will be required to pay the cost of removal of equipment if the service falls into the Temporary Service class.

Customer/developer shall be required to pay all of the estimated costs as aid-in-construction prior to the start of DME work.

9.2.2 Commercial and Industrial Connections

For all commercial, industrial, or other non-residential line extensions the customer/developer shall be responsible for the costs of the line extension including engineering, materials, labor, right of way clearing, secondary services, permits, and any other cost that is associated with the extension.

Non-permanent line extensions (as defined in section 7) will be required to pay the cost of removal of equipment if the service falls into the Temporary Service class.

Customer/developer shall be required to pay all of the costs as Aid-in-Construction. Payment of the estimated Aid-in-Construction is due prior to the start construction.

9.3 Multi-Certified Service Areas

9.3.1 Business Case Analysis

Aid-in-Construction requirements in multi-certified service territory will be based on a business case analysis (BCA) projecting the return on investment to DME in a competitive service territory. Projects that exceed DME's hurdle rate, which will be adjusted from time to time based upon prevailing interest rates among other things, may have their Aid-in-Construction requirements adjusted or waived, provided that DME is the selected service provider. The developer will be required to provide the number and types of structures, the projected annual energy consumption of each, the phased construction plan, and other data as requested with sufficient detail for DME to perform the business case analysis. For line extensions that do not meet DME's hurdle rate, DME will determine the amount of the costs for such line extension that would achieve the hurdle rate and such amounts will be waived from the required Aid in Construction with the remaining line extension cost being the responsibility of the requesting customer. Payment of the estimated aid-in-construction is due prior to the start of construction.

9.3.2 Residential Connections

For Permanent, Single Family Residential projects DME will build up to \$1,400 of primary electric line per Single Family Residence without any customer contribution. Any cost exceeding \$1,400 per home associated with the extension, including engineering, materials, labor, right of way clearing, secondary services, permits, and any other cost that is associated with the extension will be charged to the Customer/Developer. If DME determines that the expected return on investment exceeds the hurdle rate, DME reserves the right to provide a higher credit per home based on the business case analysis of section 9.3.1.

Non-permanent residences (as defined in section 7) will not receive any credit for line extensions and will be required to pay the cost of removal of equipment if the service falls into the Temporary Service class.

Customer/Developer shall be required to pay all of the estimated costs minus the applied credits as aid-in-construction prior to the start of DME work.

9.3.3 Commercial, Industrial, and Other Connections

A business case analysis shall be performed per paragraph 9.3.1 based on the planning documents submitted by the developer. The results of the BCA will determine the amount of credit, up to the full amount of the extension costs, that shall be applied to the aid-in-construction.

Customer/Developer shall be required to pay all of the costs minus the applied credits as aid-in-construction. Payment of the estimated aid-in-construction is due prior to the start of construction.

APPENDIX A

CERTIFICATION AREA MAP

