



Wheat Belt Public Power District
Board of Directors

POLICY

Subject: Line Extension Policy		Policy No. C-1
Original Issue Date: 7-15-1997	Date of Last Review: 01-28-11	Page 1 of 3

OBJECTIVE: To establish procedures to govern the extension or upgrade of Wheat Belt's electric distribution system to serve customer loads.

ACCOUNTABILITY: The General Manager.

DEFINITIONS:

1. Refunds for the purpose of this policy are:
 - a. **Earned Refund Payments** are refunds of line extension costs to the original line extension customer when additional permanent service loads are served by the line extension.
 - b. **Earned Refund Credits** are credits of line extension costs on services classified as "Indeterminable" that have met the net revenue criteria for the year and applicable up to the original contract term.
2. **Estimated Gross Revenue** will be the customer's total estimated annual demand charges and energy charges for the new load based on the estimated customer usage and the applicable rate schedules.
3. **Estimated Customer Usage** will be the estimated power demand in kW and estimated energy usage in kWh as determined by WBPPD.
4. **Estimated Net Revenue** is the estimated annual gross revenue minus the cost of purchased power to serve a new load.
5. **Line Extension** is the construction of new facilities or modification to existing facilities to serve a new load.
6. **Estimated Line Extension/Service Upgrade Costs** are all costs of labor, material, equipment and overheads associated with the construction and retirement of facilities to serve a new load. These costs will be calculated using experience-based average costs for similar facilities.
7. **Service Classifications** for the purpose of this policy are:
 - a. **Permanent Service** - A line extension to serve a customer where the amount of usage and permanency of the period of usage can reasonably be assured.
 - b. **Indeterminable Service** - A line extension to serve a customer where the use of service is of a dubious nature as to the length of time the service will be required or the amount of power demand and/or energy use cannot be reasonably assured. A line extension net revenue estimate will be completed for the net ten-year revenue forecast. The account will be reviewed annually. A credit will be applied if the service has met or exceeded the estimated net revenue of one-tenth of the justified costs. Credit amounts over the estimated net revenue will not be carried from year to year or beyond the contract term. All new irrigation services will be classified as indeterminable services.

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- c. **Temporary Service** - Any service whose expected period of usage will be less than two years.
- 8. **Non-Revenue Justified Cost** is the difference in estimated new net revenue for 10 years and the estimated Line Extension/Upgrade Cost.
- 9. **Revenue Justified** will mean the estimated ten-year new net revenue from the added load will equal or exceed the estimated line extension/service upgrade cost.
- 10. **Major Service Upgrade** is the construction of new facilities or modification to existing facilities to serve an existing service location where the Service Upgrade cost exceeds \$1000.
- 11. **WBPPD Average Cost of Purchased Power** will be the previous five calendar years' wholesale power cost, adjusted to the current wholesale rate, divided by the kWh sold.

SCOPE:

All distribution facilities constructed by Wheat Belt Public Power District (WBPPD) to serve its customers will conform to the terms and conditions of this policy. This policy will apply to all customer classes and will supersede any and all other WBPPD Policies where a conflict exists.

All line extensions and major service upgrades must have a Revenue Justification and Service Classification determination by a representative of WBPPD prior to the start of construction. Revenue justification will include a determination by WBPPD of the estimated 10 year Net Revenue and estimated Line Extension Costs. If the representative of WBPPD determines the proposed Line Extension to be Non-revenue Justified, classified as an Indeterminable Service or Temporary Service, then a Line Extension Agreement must be executed by the customer and WBPPD to establish the terms of payment that will make the Line Extension Revenue Justified. If the proposed Line Extension is determined to be revenue justified based on the customer's estimate of usage, a Service Contract and/or Line Extension Agreement must be signed with the understanding that should there be substantial (25% or more) variance between the customers estimate and actual usage, the revenue justification figures will be recalculated and adjustments made accordingly.

Non-revenue Justified costs in excess of five thousand dollars (\$5,000) must be paid in advance of construction of the Line Extension. Up to \$5,000 of Non-Revenue Justified costs may be paid over a maximum five-year period at an annual interest rate of 5%. These payments shall be billed along with the energy billing and shall be due and payable under the same terms as the energy bill.

All construction costs, retirement costs and unsalvageable material costs to serve a Temporary Service or an Indeterminable Service must be paid in advance of construction.

Where a Line Extension Agreement exists and new Permanent Service loads are served from the Line Extension covered by the agreement, earned refund payments or contract billing adjustments may be made on a prorated basis during a period not to exceed the first five years of the Line Extension Agreement. The Line Extension Agreement will specify the terms of the earned refund payments or adjustments.

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A request for service that is not available under WBPPD's existing Policies or Rate Schedules may be provided for by special contract subject to approval by the WBPPD Board of Directors. The special contract will specify the estimated Line Extension/Service Upgrade costs.

No line extension will be constructed until all requirements of this Policy have been met.

_____, President Date: _____