

## Board Policy

### **Subject      Line Extensions or Relocation of Electrical Facilities**

#### **Objective**

Establish the conditions under which DEMCO will extend its electrical facilities to: 1) individual residential consumers, 2) new or expanded subdivision developments, and 3) commercial and industrial consumers, apartment complexes, and mobile home parks. For the purpose of this policy, an extension of electrical facilities shall include new construction as well as improvements, expansions, modifications, and/or upgrades of existing electrical facilities. All costs associated with the line extension or relocation of electrical facilities including, but not limited to, the cost of right-of-way clearing and expenses related thereto shall be considered under the provisions of this policy. No extension of DEMCO's electrical facilities will be undertaken unless such extension is economically justified, or unless otherwise authorized by DEMCO's CEO/General Manager or Board.

#### **Policy**

##### **1. Individual Residential Consumers (New Service)**

###### Residences Not Within an Underground Subdivision Development OR Residences Within an Overhead Subdivision Development

DEMCO will provide a construction allowance of up to \$2,200 to extend overhead and/or underground facilities to provide new service to residential consumers to: a) residences not within an underground subdivision development (see Section 2 below); or b) residences within an overhead subdivision development. This allowance shall only apply once per location. The allowance will remain at \$2,200 until such time that the board of directors decides a revision is required.

A non-refundable contribution in aid of construction (CIAC) will be required from the residential consumer for all costs (excluding transformers) in excess of \$2,200. The CIAC may be either paid in full prior to construction or paid over a period not to exceed 36 months. Payment of CIAC over time is up to the discretion of DEMCO. DEMCO will make every reasonable effort to avoid the Installment Loan process. This Installment Loan will be subject to an interest charge equal to DEMCO's cost of financing at the time of construction.

### Residences Within an Underground Subdivision Development

DEMCO will provide an allowance of up to \$400.00 to extend new underground service to a member's residence within an underground subdivision development. A non-refundable CIAC will be required from the residential member for all costs in excess of \$400.00. This allowance shall only apply once per location.

## **2. New or Expanded Underground Subdivision Developments**

DEMCO shall charge developers a minimum of \$5.00 per front foot for underground construction of residential subdivision developments, which includes main underground wire, transformers, pedestals and standard (Colonial) street lights. In accordance with the Louisiana Public Service Commission (LPSC) General Order dated June 28, 2001, the \$5.00 per front foot figure shall apply only to residential subdivisions containing no less than 14 lots with lot front footage not to exceed 200 feet, using electrical systems of 120/240 volts. For all other developments, including subdivisions that do not meet the specifications of the immediately preceding sentence, the formula set forth in the October 20, 1967, LPSC General Order shall be used to calculate the CIAC.

For subdivision calculations resulting in a CIAC less than the LPSC formula, the LPSC formula will be utilized.

Additions that will not impact potential revenue from the individual subdivision residents (e.g. entrance signs, pond fountains, aerator pumps, sewer lift stations, etc.) will require a separate work order and be charged directly to the residential subdivision developer.

## **3. Commercial and Industrial Consumers, Apartment Complexes, and Mobile Home Parks (New Service)**

A determination of whether a line extension along with any improvements, expansions, modifications, and/or upgrades is economically justified shall be performed by calculating the expected net margins generated from the project. This process of determining the CIAC required is described in more detail below:

A calculation of the projected net margins shall utilize the following methodology:

1. Annual revenues are calculated by using the billing determinants for the rate class of the member (Grid Access Charge, Delivery Charge, Demand Charge, Formula Rate Plan, etc.) multiplied by the estimated annual usage for that member.
2. The investment amount shall include the estimated construction cost (excluding transformers) to extend electrical facilities plus a capacity cost per member. The capacity cost is determined by dividing the total gross Transmission and Distribution Plant allocated to demand by the system capacity. This capacity

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charge per kVa is then multiplied by the projected demand of the member to determine their capacity cost.

3. Annual net margins are determined by subtracting from the annual revenues determined above the following:
  - a. Operating and Maintenance Expenses
  - b. Consumer Accounting and Other Consumer Expenses
  - c. Administrative and General Expenses
  - d. Depreciation Expense
  - e. Interest Expense (based on total investment amount calculated above)
  - f. Taxes
4. These projected annual net margins are used to determine the proposed impact to DEMCO. The CIAC amount required is determined based on the following methods. These methods are used in the order described below and at the discretion of the Business Development Manager, Director of Engineering, and Chief Engineering & Operations Officer. Methods other than the TIER method must be sufficiently documented.
  - a. TIER Method: CIAC required to obtain a TIER equal to the midpoint of DEMCO's current formula rate plan.
  - b. Payback Method: A period of up to 20 years may be used even if the resulting CIAC is less than the TIER method. The viability and longevity of the member must be appropriately documented.

CIAC may be waived or reduced from the amounts determined above. (See Section 5 for the reduction/waiver process).

### **4. Extending or Relocating Facilities**

When the cooperative is requested to relocate facilities outside of the facilities described in Section 3, the member will be required to pay the cost of line extensions, relocations, or alterations. This includes, but is not limited to, the cost of right-of-way clearing and related expenses, unless the cost is reduced or waived by the CEO/General Manager or the DEMCO Board of Directors. Generally, the cost will be determined based on the benefits received from the relocation. All relocations are dependent upon finding a satisfactory location for the relocated line and at DEMCO's discretion.

## **5. Contribution in Aid of Construction (CIAC)**

It may be in the best interest of DEMCO's long-term success to reduce/waive CIAC amounts determined in Section 3 above. Additional factors to consider include, but are not limited to, the following: expected future load on account of the extension of DEMCO's infrastructure to serve the project in question, the competitive environment, and overall membership benefit.

Appropriate documentation of the reduction/waiver must be maintained. The summary form in the CIAC model will be used to document the approval. The amount of the reduction/waiver is determined by subtracting the CIAC to be billed to the member from the CIAC required under the TIER method. Approval of the reduction/waiver will follow the Authority Matrix in the Financial Authority & Guidelines procedure. Only the Business Development Manager, Director of Engineering, Chief Engineering & Operations Officer, or CEO may approve a CIAC reduction/waiver.

DEMCO may entertain and accept goods/services/property from the member to satisfy the CIAC payment required. This in-kind exchange must be of equal value and will be documented as a CIAC reduction/waiver that must be approved by the Chief Engineering & Operations Officer and the CEO regardless of the amount.

Reductions/waivers will be accumulated by year and once the cumulative CIAC reduction/waiver reaches \$300,000 all reductions/waivers will require CEO approval.

All recommendations for a reduction/waiver of CIAC that exceed the CEO's authority based on the Authority Matrix will be presented to the Purchasing Committee and the full board for review and approval. The Business Development Manager shall report all instances in which there have been reduced or waived CIAC to the Quality and Compliance Manager who will then present the information to the Governance Committee. In all instances, the amount of CIAC reduced/waived should be reported along with supporting documentation.

## **6. Estimates Valid for 90 Days**

Work order cost estimates shall be null and void after 90 days from the date appearing on the work order. After 90 days, DEMCO, at its sole discretion, may impose a new charge to the customer based upon changes in cost or DEMCO policy.

All facility extensions, relocations, improvements, and removals shall adhere to DEMCO Board Policies, Employee Procedures and Construction and Engineering practices and methods.

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**Responsibility**

All employees and directors shall comply with this policy.

The Chief Engineering and Operations Officer shall oversee this policy.

The Quality and Compliance Manager shall have the authority to audit all aspects of this policy.

<b>Policy History</b>	
Approved	08/21/23
Revised	06/19/08
Revised	02/28/13
Revised	03/19/15
Revised	08/20/15
Revised	09/21/17
Revised	05/19/22
Revised	08/15/24

DATE August 15, 2024

PRESIDENT /s/ Daniel Berthelot

SECRETARY /s/ Dennis R. Lott