

DEMCO BOARD POLICY

Subject: Line Extensions or Relocation of Electrical Facilities

Approved: August 21, 2003

Revised: June 19, 2008; February 28, 2013; March 19, 2015; August 20, 2015;
September 21, 2017, May 19, 2022

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, 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.

This policy supersedes the following board policies:

- Extension or Relocation of Electrical Facilities to Individual Residential Customers
- Extension or Relocation of Electrical Facilities to New or Expanded Residential Subdivision Developments
- Extension or Relocation of Electrical Facilities to Commercial, Industrial, and Other Business Developments

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 or underground facilities to provide new service to residential consumers to: a) residences not within an underground subdivision development (Refer to No. 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 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 the CIAC over time will be subject to an interest charge equal to DEMCO's cost of financing at the time of construction. The decision to pay in full or over an extended period of time shall be made by the residential consumers requesting service.

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 contribution in aid of construction 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 smaller subdivisions, commercial or industrial systems, etc., the formula set forth in the October 20, 1967 LPSC General Order shall be used to make the calculations.

For subdivision calculations resulting in a contribution-in-aid of 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 and/or contract is economically justified shall be based upon the following criteria:

1. An estimate of annual margins reasonably expected from the sale of electricity for this load, based upon historical trends or any other available data;
2. An estimate of annual revenue from this load, based upon annual sales figures as determined above;
3. A cost estimate of extending electrical facilities to serve this load; and,

4. An estimated time period within which DEMCO reasonably expects to recover its investment in electrical facilities to serve the load.

If after all criteria above are considered, it is determined that the revenue expected to be generated from the sale of electricity to an entity listed above to which DEMCO extends electrical facilities will be insufficient to achieve a reasonable margin based upon a TIER level of at least 1.35 after three (3) years of operation, DEMCO shall require a contribution in aid of construction (CIAC) in an amount which, when combined with the projected revenue derived from electricity sales to this load, will be sufficient to generate a reasonable margin based upon achieving a TIER level of 1.35 after three (3) years of operation.

If the revenue generated from the sale of electricity to an entity listed above together with any CIAC required is projected to be sufficient, and generates a reasonable margin based upon achieving a TIER level of at least 1.35 after three (3) years of operation, the proposed extension of electrical facilities shall be deemed economically justified.

If projected margins from proposed loads do not meet the criteria above, express written consent of the DEMCO Board or DEMCO CEO/General Manager is required to extend or provide service.

The formula pursuant to which the cost of extending electrical facilities and feasibility analysis shall be conducted is attached hereto as Exhibit A.

4. Extending or Moving Electrical Facilities or Existing Power Lines

When the cooperative is requested to extend and/or move electrical facilities or existing power lines, the individual residential consumer, subdivision developer, or commercial, industrial, apartment complex or mobile home developer (whichever is applicable) will be required to pay the cost of line extensions, relocation, or alteration including, but not limited to, the cost of right-of-way clearing and expenses related thereto unless otherwise waived by the CEO/General Manager or the DEMCO Board of Directors (refer to No. 5 below). Generally, the cost will be determined on the basis of benefits received from the relocation. All moves are dependent upon finding a satisfactory location for the relocated line.

5. Contribution in Aid of Construction (CIAC)

The CEO/General Manager has the authority to reduce or waive CIAC at limits identified in the Authority Matrix of the Financial Impact Authority and Guidelines board policy and employee procedure. The Vice President of Engineering and Operations shall submit all recommendations for a reduction or waiver of CIAC to the CEO/General Manager for review and approval. All recommendations for a reduction or waiver of CIAC that exceed the CEO/General Manager's authority will be presented to the Purchasing Committee and the full board for review and approval (reference Authority Matrix in

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Financial Impact Authority and Guidelines board policy and employee procedure). The CEO/General Manager shall report all instances which he/she has 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 or 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.

Responsibility

All employees and directors shall comply with this policy.

The Vice President, Engineering and Operations shall oversee this policy.

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

DATE May 19, 2022

/s/Daniel Berthelot, President

/s/Dennis R. Lott, Secretary

EXHIBIT A

A calculation of the projected revenues and expenses relative to the proposed project shall be performed to yield a minimum TIER of 1.35 within three (3) years where:

1. Annual revenues are determined by multiplying the projected annual kWh sale times the base rate for the class of customer.
2. The investment amount shall include the estimated construction cost to extend electrical facilities plus a capacity cost per customer. The capacity cost is determined by dividing the Construction Work Plan capacity related project cost for the year by the estimated number of new customers projected to be added. Work order cost estimates are only valid for 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.
3. Annual margins are determined by subtracting from the base rate revenues 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
 - f. Taxes
4. Proforma financial projections are made to determine if the proposed project will yield a minimum TIER level of 1.35 at the end of three (3) years. If yes, then no contribution is required. If not, a contribution in aid equal to an amount that when subtracted from the investment amount will yield a TIER of no less than 1.35 in the third year.