

EL PASO ELECTRIC COMPANY

SECTION 3

LINE EXTENSION POLICY

AND

CONSTRUCTION CHARGES

EL PASO ELECTRIC COMPANY

SECTION 3

LINE EXTENSION POLICY AND CONSTRUCTION CHARGES

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STATE OF TEXAS SERVICE AREA

Incorporated Cities and Towns

City of El Paso
Town of Anthony
Town of Clint
Town of Horizon City
City of Socorro
Village of Vinton
Town of Van Horn
City of San Elizario

Unincorporated Service Areas

County of El Paso
Portion of County of Culberson
Portion of County of Hudspeth

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Line Extension Policy and Construction Charges

PURPOSE

It is the purpose of this document to set forth uniform and comprehensive policies concerning Line Extensions and construction charges for the entire Texas service area of El Paso Electric Company ("Company").

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DEFINITIONS

Actual Revenue means

The actual amount of revenue billed on account of the Line Extension by the Company from the Customer. The amount shall be based on monthly bills determined by the metered monthly kilowatt (kW) demand and kilowatt-hour (kWh) usage and by applying the appropriate tariff schedule and riders, less the fixed fuel factor costs and taxes.

Address for Notice means

Where notice is required to be provided to the Company under this policy, such notice shall be sent via mail to:

Attention: Distribution Design Supervisor
El Paso Electric Company
100 N. Stanton St.
El Paso, TX. 79901
Location #571

OR sent electronically to:

DESIGNSUPERS@epelectric.com _____

Notice will be deemed received ~~when~~ with a Notice Received email is sent to the customer. If a customer's email address is not provided to the Company, a Notice Received will be sent via mail.

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Adjusted Revenue Obligation means

The Revenue Guarantee Obligation reduced by any Actual Revenue earned in any of the Revenue Period's twelve- (12-) month periods.

Cash Advance for Construction means

A cash advance by a Customer for construction that is subject to refund either wholly or in part, depending on the amount of Actual Revenue generated over the Revenue Period.

Commission means

The Public Utility Commission of Texas.

Completion Date means

The date that the Company has completed its portion of the work on the Line Extension to include any electrical work, which does not necessarily include the Meter and service drop.

Connected Load means

The combined nominal rated capacity in kilowatts of all motors or other electric energy consuming devices installed on the Customer's premises that may be operated with electric energy supplied by the Company.

Construction Refund Cap means

The Company's design costs paid by the Customer plus the lesser of the Company's Estimated Extension Cost or the Customer's Company-approved actual costs for the construction of the Line Extension.

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Cost of Capital Charge means

A charge calculated based on the Company's weighted average cost of capital (WACC) approved by the Commission in its last base rate case.

Customer means

Any corporation, business establishment, institution, association, governmental entity, or individual currently being served or using electric energy supplied by the Company.

Customer Contribution means

Either a Cash Advance for Construction or a Revenue Guarantee Account to cover a Revenue Deficiency.

Ending Revenue Deficiency means

The amount by which the Extension Cost exceeds Actual Revenue received from Customers served from the Line Extension at the end of the Revenue Period.

Estimated Annual Revenue means

The estimated revenue during any of the Revenue Period's twelve- (12-) month periods. The estimated revenue shall be calculated in a similar fashion as Estimated Revenue.

Estimated Extension Cost means

The Company's estimate of the Extension Cost calculated on the basis of current costs to install the same or a similar type of Line Extension.

Estimated Revenue means

The estimated revenue during the Revenue Period. The respective monthly kWh usage is determined by estimating the Customer's monthly demand, hours per day, days per week, and an average of 4.3 weeks per month, and calculated with the following formula:

$$\text{kWh} = \text{kW} * \text{hrs} * \text{days} * \text{weeks}$$

The above formula will be adjusted by a load factor and power factor, as applicable, based on the customer type and rate schedule for which the Customer qualifies. The monthly demand (kW) above is estimated based on operating and load information provided by the Customer and/or the average demand and operating characteristics of similar Customers.

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The estimated revenue during the Revenue Period is determined by using the estimates of kWh and kW usage calculated by the above methods and applying the appropriate rate schedule and riders, less the fixed fuel factor costs and taxes.

Extension or Line Extension means

Either an Overhead Line Extension, Underground Line Extension, (including a Line Extension for a backbone system), or Transmission Line Extension. A backbone system is the main line or "trunk" of a distribution feeder.

Extension Cost means

The actual cost to the Company for the design, installation, acquisition of permits, and any other necessary costs incurred for the construction of the Line Extension by the Company. The cost of the service drop, meters, and metering equipment is not included in the cost of an Overhead Line Extension except for those Customers served at one of the Company's standard Transmission Voltages. The cost of the meters and metering equipment is not included in the cost of an Underground Line Extension.

Franchised Area means

Those cities, towns, and villages in which the Company has been granted a franchise to provide electric utility service.

Impaired Clearance means

The condition where a structure(s), including, but not limited to, buildings, signs, towers, poles, fencing, and swimming pools, is located in a position or manner in which insufficient clearance, as specified by any applicable law, regulation, and local codes and the National Electric Safety Code, as may be amended, exists between the structure and the Company's existing transmission, substation, express feeder, streetlight, or distribution line facilities, or any combination thereof.

Line Extension Agreement means

The agreement entered into between the Customer and the Company based on this Policy in which either (1) the Company agrees to build a Line Extension in exchange for the Customer providing a Customer Contribution; or (2) the Company grants the Customer a Refund Credit, subject to any reductions or refunds as outlined in the Policies Section on Sheet No. 5 Under Paragraph B. (Line Extensions) Option 2: Line Extensions Built by the Customer 11. (Refunds for Customer Built Line Extensions) – a., in exchange for the Customer building the Line Extension.

Maximum Run means

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The maximum amount of distance as determined by Company policy at the time of construction.

Meter means

A recording instrument of standard manufacture provided by the Company to measure energy consumption, demand, or both at a single Point of Delivery.

Overhead Line Extension means

The new pole line facilities (including without limitations, poles, anchors, conductors, insulators, arresters, cut-outs, transformers, breakers, and other miscellaneous hardware) necessary to provide electric service to the Point of Delivery.

Permanent Customer means

A Customer whose service is delivered to a Permanent Installation.

Permanent Installation means

Any structure that is constructed or placed on and permanently affixed to a foundation, and that is, or will be, used or occupied on a full-time basis. A manufactured home or a prefabricated structure shall qualify as a Permanent Installation if 1) the home or structure is installed on a foundation system according to regulations of the Texas Department of Labor and Standards or is otherwise impractical to move and has the wheels, axles, and hitch or towing device removed and 2) the home or structure is connected to a permanent water and sewer system.

Point of Delivery means

The point where the Company's wires or facilities are connected with those of the Customer. For overhead service, it is the point specified by the Company where the Company's and the Customer's conductors are connected. For underground service, see the Policies Section, Sheet No. 5, Paragraph C. (Special Underground Service Provisions) A. (Secondary Voltage Underground Extensions) 2. (Point of Delivery).

Primary Service means

Electric service provided to a Customer at a Primary Voltage.

Primary Voltage means

One of the Company's standard voltages between 2,400 volts and 25,000 volts.

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Revenue Credit means

The Estimated Revenue for the Revenue Period that can be used to offset the Customer's monthly bill.

Revenue Deficiency means

The amount by which the Estimated Revenue is less than the Estimated Extension Cost.

Revenue Guarantee Account means

An irrevocable letter of credit or certificate of deposit, in a manner acceptable to the Company, and in an amount equal to the Adjusted Revenue Obligation. Such Adequate Security shall be obtained by the Customer from or maintained by the Customer at a financial institution that is acceptable to the Company, insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration, and preferably located within the Company's service territory.

Revenue Guarantee Obligation means

The Estimated Extension Cost plus Cost of Capital Charges or, upon the final accounting for the Line Extension's construction, the Extension Cost as adjusted for Cost of Capital Charges.

Revenue Period means

The forty-eight- (48) months that starts with the first month after the Completion Date for a Company-built Line Extension and after the closing of the sale of the Line Extension to the Company for a Customer-built Line Extension. The Revenue Period shall be divided into four separate 12-month periods, the first of which begins on the first full-billing month that begins after the Completion Date. The Revenue Period may be extended in accordance with Sheet No. 5, Policies, Paragraph B, Option 1.2.b.2 Revenue Guarantee Account or Sheet No. 5, Policies, Paragraph B. Option 2.11.c. for Customer-built Line Extensions.

Secondary Service means

Electric service provided to a Customer at a Secondary Voltage.

Secondary Voltage means

One of the Company's standard service voltages below 600 volts.

Temporary Customer means

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A customer that has electrical service to a structure that is not constructed or placed on and permanently affixed to a foundation, and that is not, or will not be, used or occupied on a full-time basis.

Temporary Service means

Electric service to a Customer that is not delivered to a Permanent Structure and, in the sole opinion of the Company, is otherwise not of a permanent nature (e.g., temporary sales stands or construction sites).

Transmission Line Extension means

New overhead Transmission Voltage facilities including, without limitation, poles, anchors, conductors, insulators, arresters, cut-outs, transformers, breakers, and other miscellaneous hardware) necessary to provide electric service to the Point of Delivery

Transmission Voltage means

One of the Company's standard voltages greater than or equal to 69,000 volts.

Underground Line Extension means

The new underground Primary or Secondary Voltage facilities including, without limitation, conduit system, pullboxes, transformer enclosure(s), transformer(s), primary voltage cables, secondary voltage cables, arrestors, switches, cut-outs, pole risers, and miscellaneous hardware necessary to provide underground service to the Point of Delivery.

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POLICIES

A. GENERAL

1. The policies herein contained are subject to the terms and conditions in the Company tariff schedules, the rules and regulations of the Commission, and the Company's standard operating procedures.
2. The Company will extend its facilities in a cost conscious manner while adhering to all applicable state and local ordinances. The Company will provide service in a uniform and nondiscriminatory manner to all Customers within its service territory under its standard applicable rate schedules and this policy. The Company will make Extensions within its territory required to serve any Customer on a basis equitable both to the Company and the Customer.

3. Meters:

The Company will provide the Meter and designate the location of all Meters and metering equipment.

4. Type of Service:

Either single phase or three phase electrical service shall be specified by the Company and service will be at one of the Company's standard voltages (i.e., Primary or Secondary Voltage). Customers requesting service must meet Company requirements.

5. Rights-of-Way (Easements):

The Company will not construct a Line Extension for a Customer until the Company has secured all required rights of way and permits. All Extensions shall be constructed on private rights of way, except for within Franchised Areas where Line Extensions may be constructed on existing public roads, streets, alleys, or easements. New Customers shall grant such rights of way as required to the Company, without charge, over property owned or leased by said new Customers, and, if possible, will assist the Company in securing other rights of way necessary to provide service (by way of example, rights of way from a neighboring property owner). The Customer shall have all of the Customer's property corners surveyed and necessary property irons installed by licensed surveyors to permit the Company to properly install the Company's electrical facilities within said rights of way.

6. If the Customer decides to cancel the request for a Line Extension, the Company shall have the right to recover all Extension Costs incurred by the Company until such cancellation. The Customer shall secure a Revenue Guarantee Account or otherwise have available funds to cover the Adjusted Revenue Guarantee Obligation.

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7. Renewable Energy and Distributed Generation Information:

Upon request, the Company will provide information to the Customer requesting a Line Extension of the availability of information concerning on-site renewable energy and distributed generation technology alternatives. The Company shall provide a Customer with such information:

- a. At the same time the estimate of any required Cash Advance for Construction or other such prepayment is provided to the Customer, or
- b. Prior to the Customer signing a Line Extension Agreement if the Customer is not required to provide a Cash Advance for Construction or other such prepayment.

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B. LINE EXTENSIONS

OPTION 1: LINE EXTENSIONS BUILT BY THE COMPANY

1. General:

The Company will provide, at its expense, Primary or Secondary Service to a Permanent Customer if the Estimated Revenue equals or exceeds the Estimated Extension Cost. No extension of overhead lines will be made from underground facilities or into areas designated or committed to underground facilities. If the Company determines the Estimated Revenue from the Primary or Secondary Service Line Extension does not equal or exceed the Estimated Extension Cost, the Company shall be allowed to require a Customer Contribution for the Extension pursuant to the terms and conditions of this Line Extension Policy.

2. Revenue Deficiencies:

- a. If the Estimated Revenue results in a Revenue Deficiency, the Company is not obligated to provide the Extension unless the Customer provides a Customer Contribution. The amount of the Customer Contribution shall be provided to the Customer and will be computed using the following formula:

(1) Estimated Annual Revenue	\$ _____	
(2) Estimated Extension Cost	\$ _____	
(3) Revenue Credit, if any	\$ _____	(Line 1 x 4)
(4) Customer Contribution	\$ _____	(Line 2 less Line 3)

- b. In cases of a Revenue Deficiency, the Customer must enter into a written agreement with the Company to cover the Revenue Deficiency through a Line Extension Agreement.

(1) Cash Advance for Construction:

The Customer may enter into a Line Extension Agreement for a term that commences when the Revenue Period does.

(a) Individual Customer Served:

If the Extension is to serve an individual Customer, the Actual Revenue from the Customer shall be deducted from the Cash Advance for Construction for the Revenue Period, or until the amount advanced has been exhausted. If a balance remains after the Revenue Period, the balance reverts to the Company as a Customer Contribution. All of the fixed fuel factor costs and taxes shall be paid monthly by the Customer.

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(b) More Than One Customer Served:

If the Extension is to serve a group of Customers, refunds of the Cash Advance for Construction will be made annually based upon Actual Revenue received from Customers served by the Extension. If additional Customers are served from additional Line Extensions, refunds may be given as set forth in paragraph (d), which is below.

(c) Revenue Credit Given – Partial Cash Advance Required:

If the Customer is given a Revenue Credit, the Customer then may be required to make a Cash Advance for Construction for the Revenue Deficiency. Refunds will then be made only from Actual Revenue received from other Customers served when additional Line Extensions are constructed. Refunds or appropriation of the advance will be made as set forth in the following paragraph (d).

(d)
$$R = \frac{E - C}{48} \times (48 - M) \text{ , where:}$$

- R = the amount of the refund,
- E = the Estimated Revenue from Permanent Customers served from additional Line Extensions,
- C = the Estimated Extension Cost for the additional Extensions,
- M = the number of months since the Completion Date.

Note that in no case will refunds from electric bill and one-time refunds exceed the Customer's Advance for Construction.

(e) The Company will reduce or waive the Customer Contribution when portions of a Line Extension are a service betterment for existing lines which constitute an upgrade or improvement that the Company would pursue even if the Customer had not requested the Line Extension.

Following the payment of a Customer Contribution, the Company will reconcile refund balances at the end of the first twelve (12) months of the Revenue Period and thereafter annually. The interest rate that will be applied to balances subject to refund will be the annual Commission-approved interest rate for customer deposits as determined under 16 Texas Administrative Code § 25.24(g) or its successor.

(2) Revenue Guarantee Account:

Customers may enter into a Line Extension Agreement for a term that commences when the Revenue Period, the Company will determine if there is an Ending Revenue Deficiency. If there is an Ending Revenue Deficiency,

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Cost of Capital Charges will be assessed. The Ending Revenue Deficiency and the Cost of Capital Charges will then be due within thirty (30) days of billing.

If additional Line Extensions are to be connected to the original Line Extension, the Company must be notified, in advance but no earlier than 30 days prior to such extension, by the original customer at the Address for Notice. Thereafter, any Actual Revenue received from Customers served from the additional Extensions must first cover the cost of the additional Extension, including transformers, before it can be applied to the original Customer's Customer Contribution. When a Customer enters into a Revenue Guarantee to offset the Extension Cost, the Actual Revenue can come from the Customer entering into the Line Extension Agreement and other Customers who are later served from the Line Extension. If at the end of a Line Extension's term there is an expectation that the Actual Revenue will equal or exceed the Extension Cost within an additional two ~~(2)~~ (2) year period, at the Company's option, the Line Extension Agreement's term may be extended by two (2) years.

The above terms related to Revenue Guarantee Accounts apply to individual residential Customers, commercial and industrial Customers, land developers, residential subdivision developers, and commercial and industrial subdivision/park developers.

OPTION 2: LINE EXTENSIONS BUILT BY THE CUSTOMER

1. General

Customers desiring new Line Extensions may choose to have the Extension constructed by a competent and qualified electrical contractor. After construction and acceptance, the Customer shall sell the Line Extension to the Company for \$1.00 for its use in serving end-users.

Customers may choose to have only the underground structural portion of the Underground Line Extension constructed by a competent and qualified contractor. The underground structural portion of an Underground Line Extension includes all trenching, bedding, backfilling and required compaction, duct, concrete pullboxes, pullbox lids, Secondary Service enclosures, transformer pad and pullbox and transformer protection from vehicular traffic. After construction and acceptance by the Company of the structural portion of the Underground Line Extension, the Customer shall sell the underground structural system to the Company for \$1.00 for its use in serving end-users.

In recognition of the need to protect the public from electrical hazards, and the need for structural and electrical systems that are useful and safely maintainable over a normal and customary service life, the following will govern the construction of customer built electrical systems.

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2. Design and Construction Specifications

The Company will design the Line Extension required to serve the Customer, in accordance with the Company's standards and specifications, and shall provide the design drawings and specifications to the Customer. The Customer shall pay the Company for applicable design costs at the time of the closing of the Line Extension sale, which are refundable to the Customer in accordance with Paragraph 11 of this Sheet 5.

3. Material Specifications

The Company shall specify all materials and equipment to be used in the Line Extension including, but not limited to, wire, cable, conduit, transformers, poles, fixtures, switchgear, relays, capacitors, and insulators. The Customer shall be free to acquire said materials from any source, provided that all materials shall be from Company approved manufacturers and meet the specifications as promulgated by the Company that are in effect at the time the Customer begins construction on the Line Extension.

4. Quality Control and Assurance

The Customer agrees to comply with Company specifications for materials, equipment, and construction standards. In order to assure compliance, the Company will select a construction inspector who will visit the construction site. The construction inspector shall have the authority to accept or reject the work and materials of the Customer or contractor and shall certify such acceptance or rejection at the time of inspection. The function of the construction inspector shall be to verify compliance with design, materials, equipment and installation specifications, and all other matters relating to the quality control of the Line Extension's construction.

The Customer agrees to pay the Company at the closing of the sale of the Line Extension for Company's reasonable costs incurred in the inspection of the Line Extension. The inspections costs are refundable in accordance with Paragraph 11 of this Sheet 5.

5. Easements and Rights of Way

The Company will secure all required firm rights of way and permits for customer-built Line Extensions in accordance with Rights-of-Way (Easements) above located in the Policies Section on Sheet No. 5 Under Paragraph A. (General) 5- and the Customer shall pay the Company for all costs incurred by the Company for right of way acquisition. The Customer, at its option, can secure all required firm rights of way and permits. In this case, the following will apply:

- a. The Customer shall provide to the Company easements and rights of way in a format approved by Company in its sole discretion, that reflects the as built configuration and location of the Line Extension.

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- b. The Company will assist the Customer in securing rights of way necessary for the Extension, if requested. The Customer shall pay the Company for such assistance.
- c. The Customer shall pay the Company for its reasonable costs incurred to verify the easements and rights of way. Rights of way verification must be completed prior to the closing of the Line Extension sale.
- d. All rights of way costs incurred by the Company shall be paid by the Customer at the time of the closing of the Line Extension sale. Such rights of way costs are refundable in accordance with Paragraph 11 of this Sheet 6.

6. Licensing Requirements and Compliance with Required Governmental Inspections

The Customer shall only use those contractors that are properly qualified and licensed, in accordance with any applicable state and local law and regulation, to construct the Line Extension. The Customer shall also obtain from the contractor and transfer to Company at the closing of the sale of the Line Extension a one-year workmanship warranty as well as any standard equipment warranties for the Line Extension's components. The Customer agrees to comply with all applicable state and local construction inspection requirements.

7. Meters

The purchase and installation of Meters will be the sole responsibility of the Company.

8. Purchase of System and Resulting Tax Liability

After the Line Extension has been constructed and accepted by the Company's construction inspector, the Customer agrees to sell to the Company and the Company agrees to buy the line extension for \$1.00. This sale shall be free of any liens or encumbrances.

Should any sales or use tax liability to the Company result from the sale, the Customer agrees to pay the cost of said tax liability.

The Company and the Customer shall execute an agreement (Customer Built Line Extension) to transfer the property and to make the Customer eligible for refunds in accordance with Paragraph 11 of this Sheet 5.

9. Property Records at the Time of Sale

The Customer agrees to supply to the Company its actual costs incurred in constructing the Line Extension so that proper accounting of the extension may be made by the Company. The Company will review the actual costs and may, at its sole discretion, request further documentation to support the submitted actual costs. Further, the Company may, at its sole discretion, reject such costs that after review it deems

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unreasonable. Those costs rejected by the Company shall reduce the Customer's total actual costs, which may affect the amount of the Construction Refund Cap. The Company agrees to keep the Line Extension costs incurred by the Customer confidential unless the Company is required to disclose this information to regulatory or other governmental agencies or bodies.

10. Liability for the Line Extension

Commencing with the date of sale of the Line Extension to the Company, the Company will assume full and complete operating responsibility for the Extension. The Customer shall be liable for the direct and indirect consequences of any defects or failures of the Line Extension constructed by the Customer for a period of one (1) year from the date of acceptance, unless such defects or failures arise from the Company's design, specifications, or improper operation of the Extension.

11. Refunds for Customer Built Line Extensions

- a. At the time of sale of the Line Extension to the Company, the Customer may receive an initial refund payment based upon the installation of permanent Meters. The revenue refund payment is based on the Estimated Revenue from the Meters over the Revenue Period and cannot exceed the Construction Refund Cap. In such cases, the amount subject to refund will be computed using the following formula:

(1) Construction Refund Cap	\$ _____
(2) Total Revenue Credits for the Revenue Period (Estimated Revenue)	\$ _____
(3) Amount Subject to Refund (Line 1 less Line3... 2)	\$ _____

The Customer must enter into a Line Extension Agreement with the Company to make the Customer eligible for refunds.

- b. The Amount Subject to refund will be refunded by the Company as follows:
- (1) The Company will refund at the end of each of the Revenue Period's twelve-(12-) month periods to the Customer the Actual Revenue from such period above the Revenue Credit already given for the same twelve- (12-) month period or reduce the refundable portion by Actual Revenue from the twelve-(12-) month period below the Revenue Credit already given for such twelve-(12-) month period. At no time will the Company ever refund in total more than the Construction Refund Cap.

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- (2) The Company must review the account at the end of each of the Revenue Period's twelve- (12-) month periods. If at the end of a twelve- (12-) month period or the Revenue Period the total Actual Revenue exceeds the Construction Refund Cap, the Company must refund the entire amount subject to refund to the Customer.
 - (3) If notified, in advance, at the Address for Notice by the customer that built the original line extension, the Company will refund an amount equal to the Actual Revenue over the Revenue Period or the Estimated Revenue of each new customer connected to the customer-built Line Extension, less an amount equal to the Estimated Extension Cost of the additional Extensions, including transformers. No refund shall be made for Customers connected to a new Line Extension off the original Line Extension unless the new Extension and Customers are within the area exactly described in the original Line Extension Agreement. The total of all such refunds shall in no case exceed the Construction Refund Cap. Refunds will be made annually or at shorter intervals at the option of the Company.
- c. If the Line Extension is generating sufficient revenue in the fourth (4th) twelve (12) month period of the Revenue Period to cover the Company's fixed costs, the Company will extend the Line Extension Agreement for an additional two (2) years.

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C. SPECIAL UNDERGROUND SERVICE PROVISIONS

A. Secondary Voltage Underground Extensions:

1. Permanent New Residential Customers:

(1) Overhead System:

Where 120/240-volt service is readily available from an existing overhead system, the Company will install, own, and maintain a pole riser, riser base, secondary service enclosure, and service conductors up to the Maximum Run for providing single phase underground secondary service to a Customer. The cost of installing the service enclosure and the pole riser installation shall be borne by the Customer. The Customer will supply, install, own, and maintain the conduit system from service enclosure to the Meter enclosure. The Customer-supplied conduit system must meet Company specifications and local code requirements.

(2) Underground System:

Where 120/240-volt service is readily available from an existing underground system, the Company will install, own, and maintain service conductors up to the Maximum Run for single phase service, in a customer supplied, owned, and maintained conduit system, from the nearest Company transformer or service enclosure to the Point of Delivery. The location of both points will be designated by the Company. The Customer-supplied conduit system must meet Company specifications and local code requirements.

2. Point of Delivery:

The Point of Delivery for individually served and metered permanent residential Customers requesting underground service shall be the Meter enclosure.

When multiplex residential units (duplex and above) have their Meters grouped and connected into a common gutter, the Point of Delivery shall be at a Company-owned Secondary Service enclosure or transformer as designated by the Company.

The Point of Delivery for all other Customers requesting underground service shall be the low voltage terminals of the Company's transformation unless another Point of Delivery is specified by the Company.

Customers will provide, own, and maintain all facilities beyond the Point of Delivery.

3. Residential Subdivisions:

In a residential subdivision, normally Underground Line Extensions must be made before construction of houses begins. The Company will install an underground distribution system in a filed, dedicated subdivision after the developer has met Company

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requirements pertaining to the installation of other utilities and has entered into a Line Extension Agreement covering the number of residential lots to be served, the location of any necessary overhead express feeder lines, the Revenue Guarantee Obligation, the Adequate Security, and other necessary conditions as determined by the Company. The developer's Revenue Guarantee Obligation for an underground residential system will be determined using then-current material and construction costs.

No overhead or underground Secondary Voltage services will be extended from the overhead express feeder lines.

4. Commercial and Industrial Customers:

The Company will install an underground Primary Voltage or Secondary Voltage Extension to serve a commercial or an industrial Customer after the Customer has entered into a Line Extension Agreement (if needed) covering the location of the Company's new Overhead and Underground Extensions, the amount of the Revenue Guarantee Account, if applicable, and the method of securing payment of the Revenue Guarantee Account. Commercial areas designated or committed to underground facilities by the Company and/or the developer or any regulatory body will only be served underground.

5. Conversion of Overhead Facilities to Underground Facilities:

Residential Service Drops:

If a residential Customer requests conversion of the Customer's existing overhead service drop to underground service, the Company will, at the Customer's expense, install underground service conductors up to the Maximum Run if the following four (4) conditions are met:

- (1) The Company supplies and installs the pole riser, riser base, Secondary Service enclosure, and any conduit between the riser base and the service enclosure. After the installation of the above facilities, the Company will assume ownership and maintenance of these facilities. The Customer must also grant any needed firm easements for this installation and for future Underground Line Extensions from the service enclosure to adjacent lot(s) as required.
- (2) The Customer supplies, installs, owns, and maintains the conduit system from the riser base or service enclosure to the Meter enclosure. The conduit system must meet Company and local code requirements.
- (3) The Customer makes any changes to the Customer's own service entrance equipment necessary to accommodate the new underground service.
- (4) The Customer pays the Company the then-current estimated cost to install and remove the overhead service drop.

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The cost of installing the service pedestal and the pole riser installation shall be borne by the Customer and the Company shall own and maintain the service pedestal and the pole riser installation.

B. Primary Voltage Distribution Facilities:

If the Company, in response to a Customer request, agrees to replace the Company's existing overhead facilities with underground facilities, the Customer shall pay the Company in advance the estimated installed cost of the Company's new underground facilities plus the estimated cost to remove the existing overhead facilities less the estimated salvage of the removed overhead facilities.

Commercial and industrial Customers will provide, own, and maintain all facilities beyond the new Point of Delivery.

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D. TEMPORARY SERVICE

A Customer requesting Temporary Service shall pay the Company in advance the estimated cost of equipment plus installation and removal expenses, less the estimated salvage value. The cost of the equipment plus installation shall be calculated in the same manner as for permanent service. The removal expenses will be estimated based on the specific equipment and installation used for the Customer and the most current standard labor cost estimates. Salvage value will be based on the specific equipment and the market value of the equipment at the time the estimate is provided.

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E. SPECIAL SERVICES

1. Dual Feeders:

Any customer requesting an alternate Primary Voltage line in addition to the regular main Primary Voltage line shall either make a Customer Contribution in the amount of the Estimated Cost of the Primary Voltage Extension (including substation facilities) or enter into a written agreement to pay a monthly facilities charge equal to the Company's fixed costs on the alternate Extension. To the extent that the alternate Extension requires a reservation of distribution capacity, the Customer will be charged a Reserved Distribution Capacity Charge, as provided in the Customer's applicable rate schedule.

2. Transmission Voltage Service:

Electric service from the Company's Transmission Voltage system is available at the Company's option to Customers whose electrical load is of such magnitude or unusual character that it should not be served otherwise. The Customer shall be responsible for providing or funding all transformation equipment, which must be in accordance with Company specifications. The total cost of the Transmission Line Extension (including metering) shall be subject to a monthly facilities charge. The Company, at its option, may require a Customer Contribution for all or a portion of the construction costs of the Extension.

3. Private Security Lighting or Area Lighting:

Dusk to dawn security lighting service is available in the Company's service area under the terms and conditions of the applicable rate schedule. If 240-volt overhead service is readily available within the Maximum Run, the Company will install a standard fixture on an existing wood pole or a new wood pole located as mutually agreed to by the Company and Customer. If 240-volt overhead service is not readily available within the Maximum Run, the Extension Cost will be borne by the Customer. All requests for service from an underground system must be negotiated separately with the Company as this lighting service is not available in all underground situations.

The Company retains the right to remove a security light if it is vandalized repeatedly.

4. Load Requests Greater Than 750 kVA:

Upon any customer request for service that requires a transformer greater than 750 kVA, EPE will request verification from the customer including, if applicable, from the customer's certified electrician, of tenant status and type and electrical load characteristics of planned equipment to assess planned Connected Load. Any requests

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from customers verifying planned Connected Load will be addressed under Section B of this line extension policy including any applicable Customer Contribution requirements. If the customer does not verify planned Connected Load, EPE will provide at minimum a 750 kVA transformer, or a transformer size to the verified load, and reserve distribution capacity for the planned Connected Load for no more than one year after installation of the transformer. If the customer later verifies additional planned Connected Load, EPE will provide a larger kVA transformer as applicable but not exceeding the reserve distribution capacity amount, and the Customer will be managed going forward under Section B of this line extension policy. However, if planned Connected Load requiring a larger transformer is not verified during the first twelve months after installation of the transformer, EPE will bill a Distribution Capacity Reservation Charge to any customer that requests to hold the reservation beyond the twelve-month period. The charge will be a one-time, non-refundable charge to reserve the requested capacity for an additional twelve-month period after which the reservation will terminate. It will be calculated as an annualized minimum demand charge based on the difference of the requested load and the installed transformer capacity at the end of the initial twelve-month period.

5. Load Requests at Distribution Voltage for 30 MW or Greater:

Any customer seeking interconnection at distribution voltage for a 30,000 kW or higher load will be responsible for the costs of any unplanned substation upgrades, as well as transmission line upgrades, if applicable, that are required for the requested service (the Transmission Upgrades), as dedicated facilities. If the customer chooses that EPE install, operate and maintain the distribution facilities, the customer will be responsible for the costs of the Transmission Upgrades via an Infrastructure Capacity Charge and cost recovery guarantee that will be estimated at the time of the service request. The fee will be based on investment required to build out infrastructure to satisfy the needs of the development. The Company and the customer will enter into a written agreement addressing the cost recovery guarantee as well as the Infrastructure Capacity Charge and the period of time over which it will be paid. If the customer chooses to not move forward with their project, EPE will allow a refund of any unused funds towards construction efforts that had begun in good faith.

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F. PUBLIC STREET LIGHTING, FREEWAY LIGHTING AND TRAFFIC SIGNAL LIGHTS

1. Company-Owned Street Lighting:

Street lighting systems are normally installed, owned, and maintained by the Company. Only Company specified standard street lighting components are used in the installations. Street lighting service is available to all city, town, village, county, and state governmental entities (hereinafter referred to as "City") and will be installed only after the appropriate installation and billing authorization is received by Company in writing. This lighting service is also available to public schools for street, parking, and area lighting. All lighting service will be provided and billed under the applicable rate schedules.

a. Lights Served from Overhead Lines:

In areas with overhead electric distribution lines, streetlights are installed on existing wood poles. If the desired location of the new light does not have an existing pole, the Company will install one additional pole for each streetlight at no cost. If additional facilities are required in order to provide service to the light, the City, state entity, or school shall pay the Extension Cost as a Customer Contribution.

b. Lights Served from Underground Facilities:

In areas with underground electric distribution lines, streetlights (including a standard wood pole) will be installed at a location designated by the City and agreed to by the Company. The Company will also install the underground conduit, service wire, and related facilities as needed. Where street lights are requested to be served underground and are installed by the Company and the street light installation will be owned by the Company, the Customer shall make a Customer Contribution for the difference between the cost of the Underground Line Extension and the four-year estimated revenue if there is a difference. The Company will install street light poles only on streets or main thoroughfares that are paved and have curbs and gutters.

2. City-Owned Street Lighting:

If a City desires to own streetlights that are to be installed by the Company, the City shall pay the Company the total installed cost incurred by the Company. The Company will operate and maintain the lights under the applicable rate schedule (Note 1: not all rates include maintenance). If the City specifies the materials and installation standards, they must be agreed to by the Company.

a. Lights Served from Overhead Lines:

In overhead served areas, the Company shall install all requested lights and related facilities at the City's cost.

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b. Lights Served from Underground Facilities:

In underground distribution areas, the Company or the City may provide and install the streetlights at the City's cost. If the City provides and installs the lights (or requires a third party to do so) the Company will not assume any responsibility for operation or maintenance until after the light is connected and in service. If the Company is asked to make a connection to a new City-installed light and is unable to do so because of a faulty installation by the City, a charge for the service call equal to the Company's actual cost will be made.

3. State or City-Owned Street or Freeway Lighting:

In Franchised Areas, the Company may contract with the City to operate and maintain street lighting installed and owned by the State of Texas ("State"). In some cases, the Company may contract with a county for Interstate Highway lighting only. In the absence of such a contract, electric service for State-owned street lighting systems shall be provided under the Company's standard practice for metered commercial services and billed under the applicable rate schedule. The same terms apply to State-owned traffic signals, sign lighting, etc.

4. Relocation of Street Lights:

Street lighting facilities will be relocated for the benefit or convenience of a Customer only when written approval of the new location is received from proper county or municipal authorities and when the Customer making the request bears all relocation cost.

5. Lights in New Subdivisions with Underground Electric Facilities:

If street lights are to be installed in a subdivision, the locations shall be mutually agreed to by the City and the Company before the Company designs its underground distribution system. The necessary conduit shall be installed from the nearest Company power source location to the proposed light pole location at the time of the subdivision development. Payment for these costs will be negotiated between the parties.

6. General Information

If the City or school desires to convert an existing Company-owned mercury vapor fixture to a high pressure sodium vapor fixture or LED fixture, the City or school shall pay all the labor costs associated with the conversion and purchase the old mercury vapor fixture from the Company at the un-depreciated value.

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G. REMOVAL AND RELOCATION

A Customer requesting removal and/or relocation of Company facilities shall bear all costs incurred by the Company in completing the removal and/or relocation. Should a request involve providing electric service simultaneously to new or additional electrical loads, the cost incurred by the Company in completing the removal and/or relocation shall be combined with the estimated cost to provide service. This applies to the removal and/or relocation of Company facilities that will physically interfere with the development of a property or construction of a new building(s), but does not apply to the removal and/or relocation of Company facilities simply as a matter of preference or for aesthetic reasons. If removal and/or relocation causes operating problems for the Company or is objectionable to other parties, the Company may refuse to remove and/or relocate the facilities. Relocation of Company facilities is always contingent upon the Company's securing all necessary rights of way.

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H. AFTER HOURS RATE

A Customer requesting the Company to perform work on an overtime basis shall be required to pay the appropriate after-hours rate.

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I. RENTAL OF COMPANY EQUIPMENT

The Company will rent certain equipment to Customers on a short-term, emergency basis, provided the items of equipment are not immediately available from local suppliers and the Company has a sufficient supply of such items in stock to meet its operating requirements. The terms and conditions of the rental transaction shall be specified in writing.

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J. SALE OF COMPANY INSTALLED FACILITIES

The Company, in response to a Customer request, may, in its sole discretion, sell Company facilities, in place, as is, for the estimated replacement cost less depreciation on replacement cost, if:

- (2) The Customer is changing or expanding the Customer's electrical facilities in a manner that will include the Company's facilities as an integral part of the Customer's facilities.

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K. IMPAIRED LINE CLEARANCE

Any Customer who installs or constructs any permanent or temporary structure(s) that constitutes an Impaired Clearance of the Company's existing transmission, substation, express feeder, street light or distribution line facilities, or any combination thereof, shall bear all costs incurred by the Company in the reconstruction or relocation, or both, necessary to remove any and all Impaired Clearances. The Customer shall notify the Company as soon as possible of any existing or anticipated Impaired Clearances. In accordance with Section 2.III.4.c., of the Company's Texas Rules and Regulations approved by the Commission, the Company may discontinue utility service to a customer without prior notice in the event of a condition determined by the Company to be hazardous.