



Residential Line Extension FAQ

What are the changes to the Residential line extension portion of the tariff?

Beginning June 1, 2020, PEC will adopt a change to clarify that for a Residential Service line extension to receive up to \$2,000, to be applied toward construction that is required to connect the member to the PEC system, the location must qualify as the applicant's homestead with the local appraisal district within a 12-month period of PEC extending electric service.

For details, please see the PEC Tariff and Business Rules Section 400.2, Residential Service.

Why a credit of up to \$2,000 toward Residential line extension construction costs?

Based on the past 10 years of data from Residential Members and the current tariffed rates, the credit amount of \$2,000 is the cooperative's allowable investment. This amount is based on the anticipated revenue from rates in excess of costs over the average expected life.

What if the construction costs are less than \$2,000?

As is the current practice, if the total construction costs are less than the PEC allowable investment, the Member will not pay any contribution in aid of construction.

What if the estimated construction costs are more than \$2,000?

As is the current practice, if the total construction costs are more than the PEC allowable investment, the Member will be required to pay the remaining balance.

What are the changes to the Other Residential line extension portion of the tariff?

If the applicant's location does not meet the requirement that it must qualify as the applicant's homestead with the local appraisal district within a 12 month period of PEC extending electric service, the line extension will be categorized as Other Residential Service. Beginning June 1, 2020, PEC will adopt a change that requires the applicant to pay all costs per meter that qualify as Other Residential Service.

For details, please see the PEC Tariff and Business Rules Section 400.3, Other Residential Service.

Why is the program changing now?

PEC conducts a Cost of Service Study on a recurring basis as set forth by the Board of Director's Rates Policy. The Cost of Service Study is used to inform tariff change recommendations to the PEC Board of Directors, including line extension allowances, rates, fees, and capital credit allocations. The current Line Extension Policy has been in place for 10 years, and provided a significant amount of historical data to inform the Cost of Service Study. The main findings were that the cooperative's allowable investment toward construction costs for Residential Members should remain at \$2,000. Additionally, the cooperative's allowable investment toward construction costs for the Other Residential Service category are not justified and all construction costs should be paid by the applicant.

How will PEC transition to the new policy?

Other Residential projects where the:

- Construction is completed prior to June 1, 2020, will fall within the current allowance process.
- Application is received prior to June 1, 2020, with construction scheduled to be completed prior to September 30, 2020, will fall within the current allowance process.
- Application is received after June 1, 2020, will fall within the new allowance process.

Who will answer questions and phone calls related to the policy change?

Please contact the Planning Department in the district your project is located, or any other office within PEC's service territory. Visit pec.coop/contact-us for more information.