

RULES & REGULATIONS
Rules, Regulations or Extension Policy

XI. EXTENSION OF SERVICE, LINES AND FACILITIES

A. General Provisions

1. These Rules and Regulations set forth the electric service connection and distribution system Line Extension Policy of Gunnison County Electric Association, Inc. (the Association) and are applicable in all the territory served by the Association, which includes but is not limited to all areas within the boundaries of towns and cities whether incorporated or not.
2. The provisions of this policy are subject to the Association's Rules and Regulations on file with the Public Utilities Commission of the State of Colorado.
3. When one or more Members request service or service upgrades to a new or existing location, the Association, after consideration of Member's electric requirements, will classify the service requested as Permanent, Indeterminate, or Temporary in accordance with the definitions hereinafter set forth under this Line Extension Policy. The Association will construct the line extension with reasonable promptness in accordance with the terms of the Line Extension Policy. There will be no preferential treatment given to any Member. The Association may also connect additional Members of any service classification to a new or existing line extension. The Association's classification of type of service and its determination of construction cost shall be final.
4. The Association will determine the routing of facilities, as well as construction details, such as overhead (OH) or underground (UG) installation, to be consistent with the characteristics of the territory in which service is to be rendered and the nature of the Association's existing facilities in the area.
5. In all cases, the facilities provided will be constructed in compliance with the USDA Rural Development's Electric Program standards of construction and the National Electrical Safety Code as adopted by the State of Colorado.
6. Nothing in this policy shall be construed to prevent the Association from negotiating special line extension agreements to address unusual situations that may arise, nor to preclude the Association from altering, modifying or amending this policy from time to time as the Association may deem necessary or advisable. Nothing in this policy shall be construed to prevent the Association from making extensions wholly or in part at its own expense where such extensions are deemed necessary or desirable for the development or protection of the Association's territory.
7. A written agreement shall be executed by the prospective Member with the Association, so written to cover the requirements set forth by these policies and applicable requirements of the Rules and Regulations of the Association.

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B. Definition of Terms

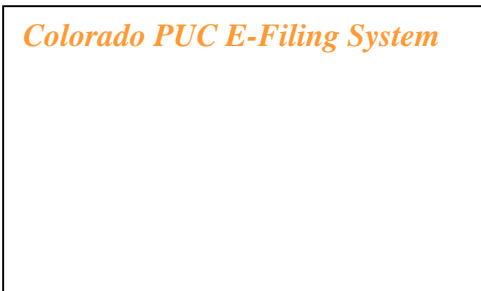
1. Construction Allowance. That portion of necessary construction made by the Association at its expense.
2. Construction Costs of Distribution Facilities. The combined costs of all electric distribution facilities necessary to the Distribution Extension or Reinforcement, including engineering costs and satisfactory rights-of-way.
3. Construction Payment. Amount advanced by an applicant to pay all Construction Costs in excess of the Construction Allowance.

An applicant for new or upgraded electric service may be required to pay in advance for preliminary investigations and engineering services, based upon the size and scope of the project. This fee shall include all costs reasonably necessary to determine the applicant's requirements and to develop an estimated cost of the line extension. Said fee shall be applied to the cost of the project. This fee is not subject to refund if the project does not proceed.

4. Line Extension Classification. The classification assigned by the Association to any new line extension. The three classifications are: Permanent, Indeterminate, and Temporary.
5. Distribution Extension. Electric distribution facilities including primary and secondary distribution lines, and all appurtenant facilities necessary to supply electric service to Members.
6. Distribution Reinforcement. An increase in size of existing electric distribution facilities necessitated by an increase in Member's estimated electric requirements.
7. Estimated Costs. The estimated costs shall be the cost of the minimum line extension required to serve the load, and shall not include or be determined with reference to provision for additional capacity, size or strength in excess of that necessary to meet the requirements of the Association's construction standards.

The estimated cost will be based upon the Association's standard unit construction costs, and adjusted based on knowledge of local conditions and other contributing factors. The estimated costs shall include all costs necessary for the extension of the distribution system, such as primary and secondary distribution equipment, easements and tree-trimming, meter loops, service drops, pole and house attachments, lightning arrestors, sectionalizing and protective equipment.

Estimated costs will include the entire transformer cost for three-phase installations, and a pro-rated amount for each single-phase transformer installation based upon the estimated number of Members able to be reasonably served by that transformer. This may also include a pro-rated charge for each pre-existing transformer based upon the estimated number of



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Members able to be reasonably served by that transformer, and based upon the estimated present-day installation cost of that transformer.

- 8. Line Extension Refund. Refund of a portion of the Construction Payment for a qualified electric distribution line extension requiring a Construction Payment in excess of \$5,000, not including transformer costs.
- 9. Extension Completion Date. The Extension Completion Date is the date on which the construction of a Distribution Extension is completed as shown by Association records.
- 10. Open Extension Period. The period of time (five years) during which the Association shall calculate and pay a Line Extension Refund towards the original Construction Payment according to the provisions of the extension policy and current Board policy. The five-year period begins on the Extension Completion Date.
- 11. Adjustment of Estimated Construction Costs to Actual Construction Costs. Construction projects requiring an estimated Construction Payment of \$10,000 or more will be adjusted to actual cost. If the actual cost of a project is higher or lower than the originally estimated cost, the Association shall thereupon refund or bill the difference to the Member. The actual cost will be that determined by the Association's accounting system and procedures. If the actual cost of a project is higher than originally estimated, the Member shall pay the difference to the Association within sixty (60) days following written notice.

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C. Calculation and Payment of Line Extension Refunds

- 1. Only line extensions for Permanent or Indeterminate Service classifications are eligible for a refund. Temporary Services are not eligible for a refund unless they are reclassified as a Permanent or Indeterminate Service under the provisions of this policy.
- 2. Indeterminate service extensions for the purpose of developing property (i.e. new subdivisions, etc.) for resale shall not be eligible for Line Extension Refunds.
- 3. A Line Extension Refund will be made to a Member for a qualified electric distribution line extension requiring a Construction Payment in excess of \$5,000, not including transformer costs. Such refunds will be calculated after any new Member(s) is/are connected to the original line extension, or to a subsequent extension that connects to the original, as long as the new connection occurs during the Open Extension Period. Refunds will be calculated and paid once each year at a time determined by the Association.
- 4. Each refund will be calculated based upon the pro-rated portion of the eligible line extension that is allocated to each new Member that is connected to the original or subsequent extension(s) during the Open Extension Period.

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5. For service extensions within a defined pre-existing subdivision, the cost will be allocated among the existing and future Members by dividing the total cost of the extension by the number of lots that can be served by the extension. Each future Member that is served by that extension will pay this amount. Members connecting to the initial line extension by means of another line extension (or extensions) will also pay this amount.
6. For service extensions where the number of potential future Members cannot be easily determined, all additional Members will be charged a prorated portion of the original construction payment, and a refund on a prorated basis will be made to any other Members that may have contributed to the original extension.
7. Any amounts required of additional Members, as payment for any previously installed facilities, will be in addition to any amounts they may be required to advance for additional facilities beyond the original extension.
8. No refunds will be made after the five-year period following the Extension Completion Date, and any remaining non-refunded Construction Payment will no longer be eligible for refund for any reason. (T)
9. In no event shall refunds be made which exceed, in total, the entire original amount of Construction Payment made by any Member.
10. In no event shall any Member who has terminated service be eligible for any refund after such termination.
11. The amount of any potential refund must exceed \$250 before a refund will be made, unless the total remaining amount eligible for refund is less than \$250, in which case the final remaining amount will be refunded.
12. The Association may connect additional electric distribution facilities, for the benefit of the overall distribution system, to a line extension that is eligible for refund. However, the Association shall be exempt from all Line Extension Refund provisions.

D. Permanent Service

1. Permanent service shall be construed to mean any electric service to domestic, small commercial and rural Members who can give reasonable assurance that the anticipated amount of electric energy consumption and permanency of the service warrants the construction and continued operation and maintenance of the facilities by the Association.
2. The Association will install the electric meter and make final service connections necessary to connect an applicant to the distribution system at its expense. An additional amount of up to \$550 will be allowed as the Association's standard Construction Allowance. Any

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remaining Construction Allowance that is in excess of the Estimated or Actual Construction Cost will not be refunded to the Member.

3. A Construction Payment will be required for any project whose cost exceeds the Association's standard construction allowance. The amount of the Construction Payment required shall be estimated, and paid to the Association prior to the beginning of construction.
 - a. Federal, State, and local governmental entities may issue a purchase order or other documentation authorizing construction, and then will be billed on actual costs after completion of the project.
4. Large Power, Irrigation, and other special contract loads normally involve special considerations and contracts for service, and shall be considered on a case-by-case basis. The Association shall retain the exclusive right to classify such loads as Permanent, Indeterminate, or Temporary services.
5. Construction Payments made towards a permanent service extension shall be subject to refund, with limitations and requirements as outlined in the "Calculation and Payment of Line Extension Refunds" section, during the five-year period following the Extension Completion Date.

E. Indeterminate Service

1. Indeterminate service shall be construed to mean any electric service where the anticipated electric energy consumption or permanency of service cannot be reasonably assured. This may include, but is not limited to, the following:
 - a. Seasonal residences
 - b. Limited use water wells
 - c. Mines
 - d. Timber product businesses
 - e. Recreational enterprises of speculative nature
 - f. Real estate subdivisions
 - g. Development of property for sale
 - h. Enterprises where the applicant will not be the end Member of Service
 - i. Service where there is little or no immediate demand for power
 - j. Large Power, Irrigation, Industrial or other special contract loads may be subject to treatment as being indeterminate when the estimated amount of energy consumption and permanency of such loads cannot be reasonably assured.
2. The Association will install the electric meter and make final service connections necessary to connect an applicant to the distribution system at its expense. However, indeterminate services are not eligible for a Construction Allowance.

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3. For service of an indeterminate nature, the Association shall require a Construction Payment in the amount of the total estimated construction cost of providing such service, payable prior to the beginning of construction.
4. Construction Payments made towards an indeterminate service extension shall be subject to refund, with limitations and requirements as outlined in the "Calculation and Payment of Line Extension Refunds" section, during the five-year period following the Extension Completion Date.
5. In those cases where the applicant for the line extension is a real estate sub-divider or developer of land for sale, the following shall apply: (1)
 - a. The Applicant shall advance a non-refundable Construction Payment to the Association, equal to the total estimated construction cost of the requested extension.

The Applicant shall also advance an allocated portion of costs for any non-refunded previous line extensions that the development connects to. Such allocation shall be made on the basis of the number of subdivided lots or building sites. (1)
 - b. The Association may connect additional Members to the line extension outside the boundaries of the subdivision or development. In such a case the connection of said Members shall have no effect upon the Construction Payment made by the sub-divider or developer, and the sub-divider or developer shall not be eligible for Line Extension Refunds.
 - c. The Association will require the sub-divider or developer to provide properly recorded utility easements, satisfactory to the Association, for each lot or tract.
 - d. The Association will require a properly executed application for electric service from each individual Member in a subdivision development prior to providing electric service to such individual Members.

F. Temporary Service

1. Temporary service shall be construed to mean the use of electric service for a period not to exceed 18 months where the estimated electric energy consumption or permanency of service cannot be reasonably assured. This may include, but is not limited to, the following:
 - a. Circuses, bazaars, fairs, concessions, and similar enterprises;
 - b. Construction works of a temporary nature;
 - c. Preliminary or developmental ventures of such uncertain and speculative character that their permanency is questionable by the Association,

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such as coal, mineral, oil or gas production operations.

2. For service of a temporary nature, the Association requires the prospective Member to advance 100% of the total estimated cost of construction, plus the estimated cost of removal, less estimated salvage value, prior to commencing construction.

In the event the duration of service exceeds the temporary service period as defined, and the Member still desires to maintain service, the Association may reevaluate the nature of the service. Service may then be provided in accordance with all the terms applicable to Permanent or Indeterminate Service as appropriate, including all applicable additional construction costs, without further consideration of the obligations provided in the Temporary Service Agreement.

3. When requested, temporary service for building construction that will result in a permanent or indeterminate service shall be supplied in accordance with the temporary service provisions above.
4. Should additional Members be connected to a temporary service extension, the temporary service may be reclassified as a permanent service extension and subject to the applicable Line Extension Refund provisions.

G. Photovoltaic Cost Comparison

1. Upon request, the Association shall provide a basic cost comparison between a line extension and a photovoltaic system to provide electric service to the Member. This comparison will be provided at no cost when a line extension of more than one mile would be required. Following are requirements necessary for the Association to provide the comparison;
 - a. The Member shall provide the Association with load data, including estimated monthly kilowatt-hour usage, and any other load information as requested by the Association to conduct the comparison, and
 - b. The Member's estimated peak demand shall be less than 25 kW.

H. Reinforcements

Where electric distribution system reinforcement is required for serving an existing residential Member's additional load requirements, other than for three phase considerations, the Association will make such reinforcements at its expense. For other classes of service, such as commercial or industrial, the Association will consider the construction cost of the required reinforcements, and the character and permanency of the load in making a determination of the required Construction Payment. The Association's determination of Construction Payment shall be final.

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I. Relocation of Distribution Facilities

1. A Member or Members desiring to have the Association's overhead or underground distribution facilities relocated may request the Association to make such changes. If the Association determines that such relocations can be reasonably made, the Association will make such relocations on the following basis:
 - a. Relocations that are for aesthetic reasons or the convenience of others will be entirely at the Member's expense.
 - b. Member will be required to pay the Association for the estimated costs of the new facilities to be installed plus removal cost of the existing facilities less the salvage value.
 - c. Relocations as required by franchise agreements or other contracts will be performed as per the provisions of the franchise agreement or contract.
 - d. The Construction Payment for relocation of distribution facilities will not be subject to refund.

J. Conversion from Overhead to Underground

1. Existing overhead facilities will be converted to underground facilities by the Association under the following terms and conditions:
 - a. The area to be converted from overhead to underground shall be a reasonable and feasible area which will allow for an orderly and practical conversion, consistent with sound engineering and construction practices, as determined by the Association.
 - b. The Member requesting the conversion shall pay to the Association, prior to commencing construction, a non-refundable Construction Payment equal to the estimated cost of the underground facilities, plus the estimated cost of removal less the salvage value of the retired facilities.
 - c. It shall be the responsibility of the Member to secure an agreement of all Members involved in the conversion. The Association shall not be responsible for any modifications required in the Member's service entrance in the said conversion area.
 - d. Nothing herein shall be construed to prevent the Association from converting selected overhead distribution facilities to underground when, in the sole judgment of the Association, such conversion is necessary or desirable and economically feasible. In such cases, the total cost of the conversion shall be borne by the Association.

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K. Excess Facilities

Should the Member request that the Association provide electric distribution facilities in excess of the facilities necessary to supply service to the Member, the Member shall:

1. be required to contract with the Association to pay for such additional facilities, and
2. be required to contract for and pay the Association annually an amount to cover the cost of insurance, replacement (or cost of removal), license and fees, taxes, operation and maintenance and an appropriate allocation of administrative and general expenses for such excess distribution facilities.

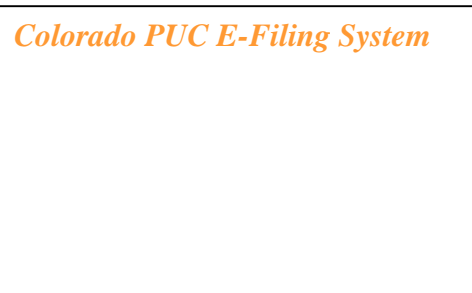
L. Exceptions

In situations where the extension is of such length and the prospective Member revenue is so limited as to make it doubtful whether necessary fixed costs on the investment would be earned, the Association reserves the right to require Member or Members to pay the Association, in advance, all construction costs and, in addition, contract to pay impact fees to the Association annually an amount to cover the cost of insurance, replacement (or cost of removal), license and fees, taxes, operation and maintenance and an appropriate allocation of administrative and general expenses of such facilities.

M. Applicability Limitation

The foregoing extension policy applicability is limited by the following conditions:

1. The Association's estimated construction costs and Member advance requirements as calculated for each extension will become void following a period of 120 days from the time an extension request is received by the Association or a period of 60 days following a written estimate being provided by the Association, whichever period ends later.
2. If an extension agreement in writing is not fully executed before that time it will be necessary, at the Association's option, either to extend said time period or to generate new estimates incorporating the then current construction costs and also incorporating the then effective terms and conditions of the Association's extension policy as on file with the Public Utilities Commission of the State of Colorado.



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