



## RULE K - ELECTRIC LINE EXTENSIONS, ALTERATIONS, AND ATTACHMENTS

## A. Definitions: (specific to Rule K)

Annual Carrying Costs: 23% of the final installed cost of Directly Assigned Facilities and Network Upgrades for which the Member is responsible.

Backbone Line Extension Facilities: Facilities constructed to provide electric service to a residential or commercial subdivision or industrial park.

Contribution In Aid Of Construction (CIAC): Costs paid by the Member that are associated with the construction of the Member's line extension.

Construction Credit: The investment amount that OTEC contributes towards the cost of the Member's line extension.

Directly Assigned Facilities: Required facilities located between existing OTEC Network Facilities and the Member's point of delivery for the sole use and benefit of the Member receiving service, as determined by OTEC.

Directly Assigned Facility Upgrades: Facilities upgrades, for the sole use and benefit of the Member receiving service, as determined by OTEC, that require a larger meter size/type or service for a new building where an existing building was demolished or removed.

Final Construction Cost: All costs incurred by OTEC during the construction of Directly Assigned Facilities and Network Upgrades prior to any construction credits being applied.

Margin: The difference between the annual wholesale power cost associated with serving any Member additional load and the total average revenues collected by OTEC from that Member associated with such load.

Line Share: The proportional sharing of costs between Members that benefit from a line extension.

Member-Constructed Line Extension: A Member constructed line extension in accordance with Rule L.

Network Facilities: OTEC facilities that support OTEC's transmission and distribution networks for the general benefit of OTEC's and its Members.

Network Upgrades: Modifications or additions to Network Facilities that are required to serve new load requested by a Member. Network Upgrades do not include Member requested changes to the nature of an existing line, such as rebuilding from single-phase to three-phase or undergrounding.

Residential or Commercial Subdivision, or Industrial Park: A tract of land divided into two or more lots, sites, or other divisions based on the plat approved by the applicable city or county building department, division or agency.

Salvage Value: Electrical facilities or materials deemed by OTEC to have a remaining useful life and economic value, as determined by the current average cost in OTEC's inventory system.

Temporary Service Facilities: Facilities constructed to provide electric service to a given location that is not expected to be permanent. Examples include construction sites and rock crushers.



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B. Preconditions of service:

1. OTEC will provide electrical service to all Members who request service and who satisfy requirements as set by this Rule.
2. Members must provide an approved electric meter base installed in accordance with OTEC's specifications that are in effect at the time of installation. Prior to OTEC connecting service, the facilities of the Member must pass inspection by the State Electrical Inspector.
3. Prior to the start of construction, the Member shall provide a right-of-way easement, right-of-way clearing, road access, trench excavation, and conduit installation as required by OTEC.

C. Cost responsibilities:

1. The Member shall be responsible for cost of Directly Assigned Facilities, Backbone Line Extension Facilities and Network Upgrades associated with added load as provided in this Rule.
2. OTEC shall pay the cost of Network Upgrades that is considered necessary for support of present and forecasted future needs of the Membership, not to exceed 150kVA of new transformer capacity. OTEC reserves the right to aggregate multiple Members' and/or requests for service into a single request. OTEC may, at its discretion, deny an application for master metering for the purposes of reselling electric service.
3. Members requesting service downgrades (reduction in service size and/or transformer capacity) will be charged the total cost of the facilities downgrade, less any materials with Salvage Value.
4. For Temporary Service Facilities, the Member shall be required to pay in advance 100 percent of the estimated costs of construction plus removal of facilities. Materials with Salvage Value will be calculated during final accounting. The installed facilities and system remains the property of OTEC.
5. Any request for service involving an expected investment in Directly Assigned Facilities and/or Network Upgrades exceeding \$3,000,000 shall be subject to a special contract between the Member and OTEC. The terms of any such contract shall reflect the nature of the facilities to be constructed and the proposed additional load. The terms of any such special contract may deviate from the provisions of Rule K in order to equitably balance the interests of the Member and OTEC.

D. Loans, credits, and refunds:

1. OTEC Loan Program - Members may finance their respective CIAC on properties they own at a 2% interest rate with a payback period of no longer than 5 years. Temporary Service Facilities are excluded from the loan program. Monthly loan repayment amounts will be added to Member's electric billing statement. If monthly payment is insufficient to cover both loan repayment amount and electric usage, payment will be first applied to loan repayment. Contact OTEC for additional loan guidelines.  
Amounts may be borrowed up to:
  - a. Residential \$5,000
  - b. Small Commercial \$5,000
  - c. Irrigation \$10,000
  - d. Large Commercial and Industrial \$10,000





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2. Construction Credits – Members may receive credits for new Directly Assigned Facilities, Directly Assigned Facility Upgrades and Network Upgrades for which the Member is financially responsible. Reinstallation of services previously removed at the Member(s) request or removed as idle will not be eligible for construction credits, unless load increase requires a meter upgrade or ownership of the property has changed.

Upfront Construction credits will be applied to the cost of the work order up to the following amounts:

- a. Seasonal/RV hookup/R1 shop \$500 per meter
- b. Residential \$1,500 per meter
- c. Irrigation \$2,500 per meter less than 100 horsepower
- d. Irrigation \$4,500 per meter 100 horsepower and larger
- e. Small Commercial \$1,500 per meter
- f. Large Commercial (51kVA to 150kVA) \$2,500 per meter
- g. Large Commercial (greater than 150kVA) and Industrial – see section D3

3. Members served under the Large Power and Large Commercial rate schedule with new loads greater than 150 kVa, or anticipated to be added over a 36-month period of time from date of connected load, and involving Network Upgrade Facilities, shall receive a credit against charges associated with Network Upgrade Facilities of \$10,000 per 73,000 kWh of estimated monthly new load, up to a maximum of \$100,000.

4. If the increased load exceeds a monthly average of 73,000 kWhs (876,000 kWhs on an annual basis) and meets all of the requirements outlined in paragraph 3 of this section, a Member served under the Large Power Schedule or the Large Commercial Schedule who has paid OTEC for Directly Assigned Facilities or Network Upgrade Facilities may receive a refund of one fifth of the amount of such payments for each of the first five years of service if Margins to OTEC associated with its service exceed OTEC's Annual Carrying Costs for such year.

5. Installation of Temporary Service Facilities are not eligible for loans, credits or refunds pursuant to this Rule. Temporary Service Facilities that become permanent facilities may subsequently qualify for loans, credits or refunds when such facilities remain in service and are no longer deemed by OTEC to be temporary.

E. Terms and timing of payment:

1. Member(s) that request more than two estimate options for the same project, or where the preliminary estimate is over \$20,000, may require an engineering deposit of \$2,500 or 10% of the preliminary estimate, whichever is less, prior to providing a cost estimate. The engineering deposit will be credited towards the work order if the work order proceeds without cancellation. If cancellation occurs due to the estimate's valid time frame expiring (See E2) or it is cancelled per the Member's request, any unused balance of the engineering deposit will be refunded to the Member.

2. OTEC will cancel any requested construction project if the applicant does not pay the estimated construction costs within 120 days after receiving the estimate from OTEC. If the applicant subsequently requests the project to be constructed, OTEC may request an additional engineering deposit, if deemed necessary.

3. Upon receiving a completed line extension application, OTEC will meet with the applicant for a field design. OTEC will determine the appropriate line extension design in conjunction with the applicant and stake the project, if applicable.





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4. OTEC will develop a cost estimate for each project based on current construction prices. The cost estimate must be paid in full, less any applicable construction credits, prior to OTEC scheduling construction of the project.
5. The initial Member funding a line extension is entitled to receive a proportioned Line Share refund from new Member(s) attaching to the line extension. Such refund is limited to the next three-Members to attach to the line extension. Each attaching line extension the Member will pay 25% of the cost of the portion of line they are attaching to at a per-foot price determined by the final accounting cost of the original work order. Line Share refunds will not be available for any period greater than five years after the construction completion date for the original line extension. Line Share refund eligibility is limited to the original Member only. Line extensions that are part of an active subdivision contract are not eligible for Line Share refunds. Please refer to Exhibit 1.
6. For Directly Assigned Facilities, except Farm/Residential, costing more than \$20,000 and where the estimated cost exceeds five times the forecasted annual revenue from the new load, the Member shall be required to enter into a monthly minimum contract for a period of five years. The monthly minimum contract payment shall be equal to one percent of the cost of Directly Assigned Facilities during the five-year contract period. The Member will be charged the monthly contract minimum amount in any month the cost of Electric Service for the account does not exceed the monthly minimum contract amount. In the event the Member sells the property or closes the account associated with a five-year contract prior to contract expiration, the Member will either pay the balance of the contract or provide documentation verifying the new owner assumes the contract until final payment is made. In the case where multiple meters are installed on the same Directly Assigned Facilities, the monthly minimum contract may be divided equally among all meters at the discretion of OTEC. Monthly minimum contracts will not be adjusted for any subsequent meters added to the project after initial construction is complete.
- a. For Irrigation Service accounts, the monthly minimum contract shall be averaged over a 12-month period any deficiency in the required monthly minimum contract and Electric Service charges will be billed during the month of December.
  - b. As an alternative to a monthly minimum contract, the Member may elect to pay an additional amount equal to 50 percent of the Directly Assigned Facilities construction cost. The additional payment shall be made in advance and adjusted to 50 percent of the Final Construction Cost upon a final accounting.
  - c. Estimated monthly minimum contracts will be adjusted to reflect the Final Accounting Cost.
7. Any amounts of CIAC in excess of the Final Construction Cost will be refunded by OTEC upon final accounting. Work orders with an estimated cost of \$15,000 or more will be adjusted to actual, and any deficiency will be billed to the Member. If the CIAC amount is less than the Final Construction Cost due to changes initiated by the Member or unforeseen circumstances, the difference will be billed to the Member upon final accounting. At the discretion of OTEC, overage billings may be adjusted if determined that the estimate provided by OTEC was in error.



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F. Residential or Commercial Subdivision or Industrial Park

1. The developer of a Residential or Commercial Subdivision or Industrial Park shall be required to make a cash payment equal to the estimated cost of the Backbone Line Extension Facilities as designed by OTEC. Upon completion of the installation of facilities, the project will be audited and the required payment will be adjusted to the Final Construction Cost. The installed system remains the property of OTEC. The Backbone shall consist of all primary and secondary voltage equipment necessary to make service available to all lots. Installation of transformers and services will be delayed until service to an individual lot is requested. Construction credits will be provided by OTEC to the developer of the Subdivision or Industrial Park when permanent power is provided to the new facility by OTEC. The original developer will receive construction credits less the cost of construction from backbone to the meter for each developed lot for a period up to ten years not to exceed the original final construction costs for the Subdivision. The developer of a Subdivision or Industrial Park shall provide OTEC with one copy of a preliminary approved plat map depicting locations, specifications, dedications, easements, and information relating to the development or other division of lands. Please refer to exhibit 2.