

ROCHESTER PUBLIC
UTILITIES BOARD POLICY
STATEMENT

POLICY SUBJECT: Electric Utility Line Extension Policy

POLICY OBJECTIVE:

The Board's objective is to recover, through the application of rates and charges for new or modified electrical service connections, revenues which are sufficient to meet the financial obligations of the electric utility associated with these new or modified service connections. Further, the Board intends to apply charges which are equitable among customers, classes of customers, existing and new customers based on generally accepted industry rate-making principles.

POLICY STATEMENT:

1. In the event that upgrading, construction, or extension of facilities is required to provide a standard service to an Applicant, RPU will furnish the facilities required at a cost not to exceed the allowable construction credit for the applicable standard service classification.
2. The estimated construction investment will include only the non-betterment costs to the RPU distribution system to provide service to the Applicant. The estimated construction cost shall include the average costs of materials, equipment, engineering, labor, including administration overheads, fringe benefits and the ownership costs of transformers and metering equipment needed to complete the applied for standard service and excludes the costs of replacement or addition of facilities solely for the benefit of and at the election of RPU.
3. Where the estimated construction cost exceeds the established allowable Construction Credit, RPU will receive from the Applicant a contribution in aid-of-construction. The contribution in aid-of-construction will be determined as the monetary difference of the non-betterment portion of the estimated construction cost less the allowable Construction Credit established by this policy.
4. Construction Credit will be evaluated periodically as part of a study and will be evaluated by class of customer and the expected additional marginal contribution of adding the new or enhanced standard service. Industrial customer and non-standard applications will be addressed on an individual basis due to the range of variation within this customer class. The recovery periods used in determining the construction credit is the present value of the estimated future marginal

contribution over the recovery period as follows:

- Residential or Residential Developments 10 years
 - Small General Service 7 years
 - Medium or Large General Service 5 years
 - Industrial Negotiated
5. Revenues derived from charges for utility services will be applied only to the respective utility enterprise fund from which the cost of providing such service is paid.
 6. Charges will be based upon generally accepted industry principles to reflect an equitable distribution of costs to customers. No "free" service will be provided, including service to the municipality.
 7. Within the limitations imposed by the application of generally accepted industry principles, charges will be designed to encourage the end use of services in a way which will promote efficiency and reduce the total cost of providing service.
 8. All charges for services will be set forth in writing on a schedule which specifies, where applicable, the type of service, its applicability, conditions of delivery, and terms of payment.
 9. Applicable schedule(s) of charges will be published annually on the RPU website or be available upon request, during regular business hours at the RPU offices.

RESPONSIBILITIES:

1. The adequacy of charges to produce the level of contribution to recover the cost of a new or expanded service within the period established by the Board will be reviewed by the General Manager and discussed with the Board. The review will normally be conducted concurrent with review of the annual budget; however, the General Manager will monitor conditions and recommend adjustments as needed to achieve the stated goals of this policy.
2. The General Manager will prepare and implement those management policies and procedures which are needed to carry out the administrative provisions of this policy statement.
3. The General Manager will keep the Board informed of significant developments on the subject of line extension charges and will recommend changes in policy, design, and application which may be in the best interests of RPU and its customers.

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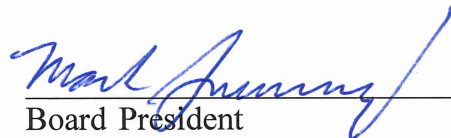
RELEVANT LEGAL AUTHORITY:

Rochester Home Rule Charter Sections: 15.05, Subd. 3.The Board shall, with the concurrence of the common council, fix the rates to be charged for the availability and use of the public utility commodities and services under its jurisdiction. Rates shall be reasonable and compensatory so as to cover all of the costs of the respective public utility and shall be uniform for all consumers within the same class, but different rates may be established for different classifications by the board. Rates within the city corporate limits may be less but shall be no greater than rates for the same classification outside the city limits.

EFFECTIVE DATE OF POLICY: January 1, 2018

DATE OF POLICY REVISION:

POLICY APPROVAL:


Board President

3-28-17
Date

