




Your Touchstone Energy® Partner 

**AREA COVERAGE AND
BOUNDARIES,
EXTENSION OF ELECTRIC FACILITIES
Policy No. 304**

I. OBJECTIVE

To confirm the obligation of the cooperative to provide electric service to all qualified applicants within its service area.

II. POLICY

A. Application.

This policy applies to permanent line extensions or conversions made by the Cooperative at the request of a member. This policy does not apply to (i) extensions intended to be for temporary periods (e.g. construction drops); (ii) repair or replacement of lines damaged or destroyed by casualty, or which the cooperative determines are obsolete or in need of replacement; (iii) extensions made to serve a subdivision, development or other property which is designed to include multiple service locations; (iv) large commercial loads where the cooperative determines it is in its best interest to provide for different treatment.

B. Permanent Line Extension

The cooperative will pay for the first 500 feet of a line extension requested by a member which is covered by this policy. The member is obligated to pay all line extension costs in amounts determined by the cooperative which are attributable to extending the line beyond 500 feet. For any line extension over 500 feet, the cooperative will provide the member with its calculation of the member's share before commencing the line extension. The member's share of line extension costs as calculated by the cooperative must be paid by the member to the cooperative as follows: (i) 15% of member's estimated share of the total cost will be paid before construction begins; (ii) the balance of the member's share will be due and payable upon completion of the line construction.

C. Permanent Line Conversion/Upgrade for Existing Service Capacity

Where a member presently has electric service and requests the cooperative to upgrade the existing line to provide additional capacity, the cooperative will pay for the first 500 feet of a line conversion requested by a member. The portion of the costs attributable to line conversion or upgrades which exceed 500 feet of will be shared equally by the member and the Cooperative with no deduction made for the age of the line. The cooperative will provide the member with its calculation of the member's share of the cost before any extension or conversion. The member's share of line conversion costs as calculated by the cooperative will be due and payable as follows: (i) 15% of the estimated member share of the total cost will be paid before construction begins; (ii) the balance of the member's share shall be due and payable upon completion of the line construction.

D. Permanent Line Extensions for Distributed Generation Systems

Where the Cooperative is requested to install electric service to a distributed generation system that is interconnected to the Cooperative's system, the member requesting service shall pay 100% of the line extension cost as determined by the cooperative before construction begins.

E. Provisions Applicable to Cost Reimbursements

Construction costs and the member's share will in all cases provided under subparts (B), (C), and (D) above will be as calculated by the cooperative and provided to the member prior to construction. Said costs may include all direct and indirect costs incurred in constructing the line, including, without limitation, all labor, materials, tool and equipment rental, and overhead and administrative expense as calculated by the cooperative. The member's share of costs under line extension costs incurred by the cooperative under subparts (B), (C), and (D) will remain due from the member even if the member fails to take electricity or abandons the line.

F. System Load Limitations, Load Balancing and Economic Considerations

When a member or potential member requests electric service from existing or new electric lines, and the load is of such a nature that it would cause or potentially cause the Cooperative problems in operating its electrical system in areas such, but not limited to, load balance, voltages, and system loading, the Cooperative will determine what changes or improvements are required to adequately serve the load. The requesting party may be required to share in the cost of those changes or improvements above and beyond the costs outlined in A through C above, up to 100% of the costs, depending on the economic viability of the load being added to the system. The Cooperative will analyze each project on the merits of the load and make a determination on the aid to construction applicable to the requesting party.

G. Cost Reimbursements for Aid to Construction Contributions by Additional Members Served

The cooperative, at its discretion, may repay a member for the portion of the costs the member has paid for a line extension, conversion, or upgrade under subparts (B), (C) and (D) (hereafter a "Line Improvement") in amounts determined by the cooperative, if each of the following conditions has occurred:

- (1) within five years after the completion of the Line Improvement, the cooperative uses any portion of the original line extension reimbursed under subpart (A) beyond 500 feet; or any portion of any other Line Improvement made under subparts (B) or (C); and
- (2) the cooperative has obtained reimbursement from the new member for such costs.

Reimbursement of a member under this provision is at the discretion of the cooperative and will not be made to the extent the cooperative has not been reimbursed by the new member at a service location using the Line Improvement. Notwithstanding anything to the contrary herein: no reimbursement will be sought or made: (a) if at the time the Line Improvement is first used by another member, the member who originally paid for the Line Improvement is no longer an active member of the cooperative in good standing; or (b) the new member is located on land

owned or under the control of the original member which has been subdivided into two or more service locations. Reimbursement rights under this provision are personal to the member who paid for the Line Improvement, and are not for the benefit of the heirs or successors of the member. No reimbursement will be made to any assignee or transferee of the original member, and will cease upon any transfer of the original service location served by the Line Improvement, for any reason, including without limitation, a sale, gift, assignment, transfer, dissolution, death, foreclosure, condemnation or otherwise.

H. Financing Line Improvements

A member may request that the cooperative finance up to 85% of the member's share of line extension or upgrade costs due under Parts A and B of this policy up to a maximum of \$15,000 per extension project. No loan will be approved if the total balance owing to the cooperative by the member and the member's affiliates, if any, exceeds \$20,000.

If a member requests the cooperative to finance the member's share of the balance of construction costs due on completion, the member must submit a loan application on a form provided by the Cooperative. The application must be approved before any line extension construction work is provided. The cooperative is under no obligation to finance any portion of the member's share of line extension or upgrade costs, and may refuse to provide financing in its sole discretion. Ordinarily, the member and any other owner of the property served by the extension or upgrade, will be required to sign a loan agreement or promissory note, and such other documentation as may be required by the cooperative to establish the terms of the of the loan. The cooperative may require that the member pay a fee with each application for financing and each loan that is closed.

If the cooperative elects to provide the financing, the member must pay the cooperative the amount financed, with interest in equal monthly installments over a term agreed by the cooperative and the member. Interest will accrue at a rate established, from time to time, by the cooperative for loans made for the term of the applicable loan. Payment of the line extension charge will be due monthly at the time the energy charge is due and payable. Should payments made by a customer be less than the total balance due for both line extension and energy charges, payments will be applied first satisfy all to the interest on the line extension charge, then to reduce principal due on the line extension charge. After all installments of principal and interest then due have been paid, the remaining portion of the payment will be applied to the customer's energy charges.

Unless otherwise agreed by the cooperative in writing, the entire principal balance and accrued interest owing for line extension fees will be due and payable upon destruction, abandonment, vacation or sale of the property served by the line extension, or 30 days after notice of default in payment of the line extension fee. The cooperative may exercise all rights and remedies it has for failure to pay energy charges, including without limitation, discontinuation of service, if any member fails to pay any installment owing under this provision beyond the cure period specified above.

I. Special Facilities

Where a member requests service that will require the cooperative to invest in plant that is considered by the cooperative to be of a specialized nature and not a standard cooperative construction design, the member must pay the total cost or a portion thereof of the plant investment determined by the cooperative to be special in design. The portion of the specialized costs the member must pay will be determined by the cooperative on the basis of the energy the member is forecasted to consume at the applicable location, with larger energy consumers being required to pay a smaller portion than smaller energy consumers.

Special facilities also include transmission and/or distribution plant extensions for a single large commercial or industrial account. The Cooperative will require assurances of financial performance of the account to ensure that plant investment and wholesale power supply obligations for that account are met. The form of assurance may be unique for each such account and will be handled on a case by case basis.

For special facilities constructed to accounts having a peak demand greater than 2,000 kW, the Cooperative has the option of designing a customized rate that will assure recovery of investment and power supply obligations. The Cooperative reserves the right to determine whether the proposal to serve such an account is based on the Cooperative's existing wholesale power rate or is based on wholesale market conditions. In the latter case, any such proposal will be developed jointly with the wholesale power supplier and will be presented to the CCEC board for final approval..

J. Irrigation

It is recognized that irrigation systems using electric energy have a very low annualized load factor and require special consideration for distribution plant construction. The rates established for irrigation services take this into account by comparing the motor load to the distribution plant investment cost and establishing the higher of these two formulas during an initial contract period.

K. Non-permanent line extension - See Policy 306

III. RESPONSIBILITY

The president/CEO shall be responsible for the administration of this policy.

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