OVERVIEW OF THE GAS AND ELECTRIC DISTRIBUTION AND SERVICE EXTENSION RULES

This brochure provides an overview of California's gas and electric distribution and service extension rules. For detailed information, please contact your local gas and electric utility.

The rules generally provide that revenues generated by your project are applied to certain costs associated with your project.

WHERE DO THESE RULES APPLY?

The rules discussed in this brochure are applicable only in the service territories of Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and Southwest Gas Corporation. The rules do not apply to municipal utilities and other California Public Utilities Commission-regulated utilities.

TYPE OF EXTENSIONS

There are two basic types of line extensions. 1) distribution extensions and 2) service extensions. These two types of extensions provide gas and electric facilities to serve new homes, offices, neighborhoods, businesses, and industries.

Distribution extensions are the overhead and underground electric lines and gas mains typically installed along streets and roadways as well as other lands. They generally supply electric power and natural gas to multiple customers in a given area.

Service extensions are the gas piping and electric wiring that extend from the distribution facilities to the gas or electric meter. Service extensions typically provide natural gas and electric power to one premises.

COST OF THE DISTRIBUTION EXTENSION

The following simplified formula is used to determine your payment for a distribution extension:

Utility's Total Estimated Installed Cost
(Less Allowances)
Your Payment (plus tax)

There are both refundable and non-refundable charges and taxes associated with distribution extension projects. Some charges and taxes may not be subject to allowances.

The utility will complete a distribution extension without charge provided the utility's total estimated cost (including distribution transformers and regulators) does not exceed the allowances.

COST OF THE SERVICE EXTENSION

The following simplified formula is used to determine your payment for a service extension:

Utility's Total Estimated Installed Cost
(Less Allowances)
Your Payment (plus tax)

There may be non-refundable charges and taxes associated with service extension projects. Some charges and taxes may not be subject to allowances.

The utility will complete a service extension without charge provided the utility's total estimated installed cost (including service transformers, meters, and regulators) does not exceed the allowances.

ALLOWANCES

Revenue-based allowances may be granted for gas and electric distribution and service extensions. Allowances are determined based on evidence of permanent, bona-fide loads to be served by the extension, within a reasonable time frame as determined by the utility.

The following formula is used as the basis to calculate allowances:

$$\text{Allowance} = \frac{\text{Net Revenue}}{\text{Cost of Service Factor}}$$

Allowances are calculated using the estimated amount of net revenue the utility will receive from your project. The net revenues used to set allowances are limited to distribution revenues--that is, only those revenues that support distribution and service extension costs. Estimates of net revenue are based on historical gas and electric usage patterns for

existing customers with similar appliances and equipment. The Cost of Service Factor will vary by utility.

Residential Projects

The majority of utility construction projects involve extensions serving residential loads. Therefore, to simplify the process, utilities use standard allowances that will vary by utility.

For each residential unit built, a standard allowance may be granted. A utility representative can provide an exact figure.

Once the new distribution system is operational, you will have six months to connect the residential load on which the allowances were based. If the load is not connected within this time frame, you may be asked to make an additional payment.

Non-residential Projects

Site-specific estimates will be used to calculate allowances for commercial, industrial, and agricultural loads.

Once the new distribution system is operational, you will have one year in which to connect any non-residential load on which the allowances were based. If the load is not connected within this time frame, you may be asked to make an additional payment.

Projects with Seasonal, Intermittent, or Insignificant Loads

Allowances for seasonal or intermittent loads will be determined using site-specific estimates. No allowances will be granted for extensions meant to provide service for emergency or insignificant loads (for example, gate openers, timing devices, barbecues, or log lighters).

ADVANCES

You will be responsible for paying the cost difference between the utility's total estimated installed costs and the allowances.

DISTRIBUTION EXTENSION REFUNDS

The utility can provide the specifics on its refund process. Only distribution extensions are eligible for refund. The refundable advance plus certain substructure costs are eligible for refund over a 10-year period. Following are some general guidelines.

Residential Projects

Whenever a new customer connects to an eligible distribution extension, there may be refunds granted. If the allowances granted to the new customer cover the total cost of that extension, monies may flow back, in the form of a refund, to the eligible distribution extension.

Non-residential Projects

The utility will monitor actual revenue of the project during the first three years. These reviews will determine whether you are eligible for additional refunds. It is your responsibility to notify the utility if any new permanent load is added during the fourth through tenth year. Additionally, if the allowances granted to the new customer cover the total cost of that extension, monies may flow back, in the form of a refund, to the eligible extension.

PAYMENT OPTIONS

The following payment options apply only to distribution extensions. All service extension payments are non-refundable and non-discountable.

Refundable total advance payment (as discussed previously)

or

Non-refundable contribution (discount option).

Discount Option

If you choose the discount option, you pay a percentage of the total distribution extension refundable advance payment plus any applicable non-refundable costs. The total payment is non-refundable.

Applicant's Construction Responsibilities

Electric Overhead Extensions

- Providing a clear route.
- Paying for necessary permits.

Electric Underground Extensions

- Providing a clear route.
- Paying for necessary permits.
- Installing and deeding to the utility protective structures (for example, fences, retaining walls, sound barriers, posts, or barricades).
- Trenching, excavation, backfilling, compacting, etc. (You may opt to pay the utility to perform this service.)

- Installing and deeding to the utility all distribution conduits and substructures. (You may opt to pay the utility to install these for you.)

Gas Extensions

- Providing a clear route.
- Paying for necessary permits.
- Installing and deeding to the utility protective structures (for example, fences, retaining walls, posts, or barricades)
- Applicant-provided Trench

  -Trenching, excavation, backfilling, compacting, etc. (You may opt to pay the utility to perform this service)

Utility's Construction Responsibilities

Electric Overhead Extensions

The utility is responsible for furnishing, installing, and maintaining poles, cross-arms, insulators, conductors, switches, guy-wires, and other distribution and service facilities required to complete the extension.

Electric Underground Extensions

The utility is responsible for furnishing, installing, and maintaining cables, switches, transformers, and other distribution and service facilities required to complete the extension.

Gas Extensions

The utility is responsible for installing the gas distribution and service, valves, regulators, and other distribution equipment necessary to complete the extension. The utility is also responsible for trenching in gas-only trench installations.

DESIGN OPTIONS

You may have the choice of having the gas or electric facilities designed by the utility (utility design) or by a qualified independent designer (applicant design).

INSTALLATION OPTIONS

You may have the choice of having the gas or electric facilities installed by the utility (utility installation) or by a qualified independent installer (applicant installation).

MORE INFORMATION

A utility representative will continue to assist you in planning and completing your construction projects. Please call for additional information.