

PUBLIC SERVICE COMPANY OF NEW MEXICO  
ELECTRIC SERVICES

NOV 15 2013

9<sup>TH</sup> REVISED RULE NO. 15  
CANCELLING 8<sup>TH</sup> REVISED RULE NO. 15

ELECTRIC LINE EXTENSION POLICY

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**INTRODUCTION**

This Electric Line Extension Policy (LXP) outlines the procedures for installing field equipment necessary to provide new electric service to Public Service Company of New Mexico (PNM) residential and small commercial customers.

When connecting customers the Company, on behalf of its other customers and itself, will not make an investment in transmission and distribution equipment that is excessive or uneconomical.

This LXP does not apply to customers who will, in the Company's opinion, ultimately take electric service under PNM Rate Schedule Large Power, Industrial Power, Water and Sewage, or Large Service for Universities. In such situations, for these customers line extensions and service agreements will be established on an individual basis.

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LXP customers may be charged for the preparation of a formal, binding cost estimate per Rate Schedule 16 for line extension construction or maintenance or related work to be performed at the customer's request, over and beyond the non-binding budgetary estimate routinely given at no cost. Each formal estimate is binding upon PNM for thirty (30) days. If the customer accepts the formal cost estimate and agrees to have PNM perform the work described in the work order estimate, the total cost of the estimate will be applied to reduce the customer's contribution to perform the job related work.

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**DEFINITIONS**

Line extension - A line extension consists of the installation of all field equipment necessary to provide for new electric service. Physical components of line extensions may include, but are not limited to, all primary wires, secondary wires, service wires, transformers, meters, equipment supporting structures, trenches, switchgear, and ductbank systems. Line extension costs include all labor, materials, vehicles, and overheads required to design and construct the line extension, and to acquire easements, permits, and rights-of-way necessary for its construction. Line extension costs also include the costs of changing existing facilities to provide the new electric service. Line relocations are not line extensions and shall be paid for by the customer.

Minimum Line Extension - The Minimum Line Extension is the line extension that would be designed solely to meet the electrical needs of the customer requesting service, and is consistent with Company and industry design and safety standards. Sound engineering and economic considerations may require systems to be designed and built which exceed the needs of the Customer requesting service. The Company shall bear the portion of the costs of

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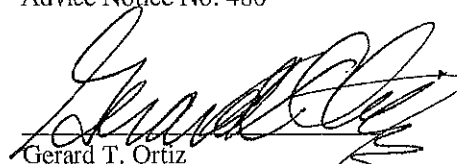
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Vice President, PNM Regulatory Affairs

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electrical system work done for the sake of area-wide system improvement. "Area-wide system improvement" shall be construed to mean any system capacity beyond what is specifically required for the particular customer in question.

**COST RESPONSIBILITY: PNM Built**

The LXP customer shall be responsible for the costs associated with the Minimum Line Extension, excluding costs associated with area-wide system improvements. The amount paid by the LXP customer will be the difference between PNM's Minimum Line Extension bid ("Bid") and an initial line extension credit, as determined by PNM. This amount must be paid, in full in accordance with the Company's line extension agreement by the LXP customer. The LXP customer will be required to execute an Electric Line Extension Agreement (PNM Built) unless otherwise determined by the Company.

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When a customer receives service under a residential tariff and upgrades their service capacity, the Company will determine necessary upgrades required of its distribution system. For upgrades where the service entrance equipment does not exceed 200 amps, the Company shall be responsible for the costs associated with the line extension. The Company will not connect upgraded services until the Company's equipment has been appropriately upgraded. Customers upgrading their service capacity above 200 amps will be required to pay for all PNM upgrade costs but will be eligible for an incremental revenue credit as determined by the Company.

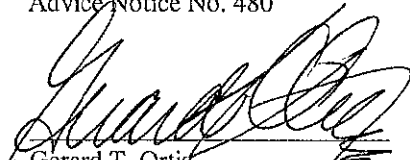
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PNM will review, on a regular basis, its procedures and assumptions for calculating the Bid to ensure that the Bid is as close as reasonable to the actual cost incurred by PNM. The amount paid by the LXP customer is non-refundable once construction activities have commenced.

**COST RESPONSIBILITY: Customer Built Option**

The LXP customer may elect to have the line extension constructed by a qualified contractor, in lieu of PNM crews. In accordance with the requirements contained in the Customer Built System Requirements attached hereto as Appendix 1, PNM shall provide the engineering design, construction inspection and easement assurance at the LXP customer's expense. Thus, the LXP Customer will pay the actual cost of PNM's activities, in addition to the contractor's price ("Customer Built Option Cost"). Upon satisfactory completion of the project construction, PNM will assume ownership and responsibility for the new line extension, and the LXP customer will receive a line extension credit determined by PNM. The LXP customer will be required to execute an Electric Line Extension Construction Agreement (Customer Built) and Electric Line Extension Sales Agreement.

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**LINE EXTENSION CREDIT**

All LXP customers are eligible to receive line extension credit. Line extension credits are established to give consideration to the current and possible future electric customers served by the line extension. The credit will be employed to reduce the amount of the line extension cost actually paid by the LXP customer. The total credit given will not ever exceed PNM's Bid or the Customer Built Option Cost, whichever is lower.

The line extension credit may include consideration for a revenue credit and, if applicable, a credit for a platted lot:

**Revenue Credit:**

The revenue credit relates to the customer's estimated annual electric usage and will be determined from the customer's final building design drawings. Customer site construction must be underway to qualify for this credit. The credit is determined from a table as set forth in the Company's Revenue Estimation Tables. There are separate tables for residential customers and for small commercial customers and these tables may be updated periodically. In situations where no standard revenue tables exist, revenue credits will be determined by the Company.

In situations where it is difficult to predict the future usage, or customers claim revenues that exceed the Revenue Estimation Tables, the LXP customer will be required to execute an Electric Line Extension Revenue Credit Guarantee Agreement ("RCGA"). LXP customers who execute a RCGA are required to generate annual revenues from the new line extension that meet or exceed the revenue credit granted.

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**Lot Credit:**

If the line extension can serve more than one lot not presently receiving service, lot credit will be determined by the number of lots platted, filed and recorded with the County Clerk as defined in the table below. Lots eligible for a revenue credit will not be eligible for a lot credit.

In situations where it is difficult to predict when lots passed by the new line extension will be developed and require new service connections, the total credits received by the LXP customer may not exceed 66% of PNM's Bid. This would be applicable to lots that have been platted, filed and recorded for ten years or more without 10% of the total platted area developed.

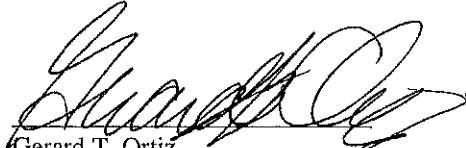
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<u>LOT CREDIT</u>	<u>LOT STATUS</u>	
\$470/Lot	For each additional lot ready for a service connection from a new line extension.	x
\$ 70/lot	For each additional lot passed by the new underground line extension, requiring a future transformer or pedestal, for a service connection.	x
\$340/Lot	For each additional lot passed by the new overhead line extension requiring a future transformer or secondary line for a service connection.	x
\$130/Lot	For each additional lot made ready for a service connection by the installation of an overhead transformer on an existing pole.	x

**COMMENCEMENT OF RESIDENTIAL SERVICE CONSTRUCTION**

In accordance with NMPRC Rule No. 410, within 30 days after a residential customer has complied with all the reasonable utility requirements, the Company shall provide to such customer a written estimate of the cost of the line extension. The Company shall complete construction of the line extension within 60 days after the residential customer signs the Company's line extension agreement, pays the required payment, and after the utility has secured all applicable permits, rights-of-way, materials and labor necessary for the line extension.

**COMMENCEMENT OF COMMERCIAL SERVICE CONSTRUCTION**

Construction of extensions for overhead and underground commercial service will commence within a reasonable time in accordance with the Company's construction schedule and after any required payment by the Customer for construction of the line extension is made.

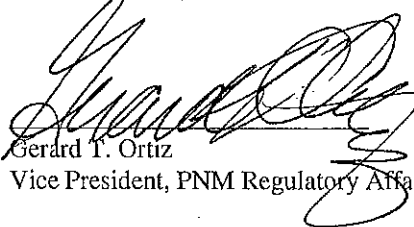
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**APPENDIX 1**

**CUSTOMER BUILT SYSTEM REQUIREMENTS**

Customers desiring new electric service lines and systems to be built to their premises may have them constructed by a competent and qualified electrical contractor. After construction and acceptance, such systems shall be sold to the Company for \$1.00 by the Customer. PNM then assumes ownership and maintenance responsibility of the system.

In recognition of the need to protect the public from electrical hazards, and the need for electrical systems which are useful and safely maintainable over a normal and customary service life, the following will govern the construction of customer-built electrical systems.

**DESIGN AND CONSTRUCTION SPECIFICATIONS**

The Company will design the Minimum Line Extension required to serve the Customer, in accordance with the Company's standards and specifications. The Customer shall execute an Electric Line Extension Construction Agreement (Customer Built).

The Company will provide electrical system design drawings and associated bills of material to the Customer. The Customer shall pay the Company for applicable design costs.

**MATERIAL SPECIFICATIONS**

The Company will specify all materials and equipment to be used in the electrical system including, but not limited to: wire, cable, conduit, transformers, poles, fixtures, switchgear, relays, capacitors, and insulators. The Customer shall be free to acquire said materials from any source, provided that all materials shall be from approved manufacturers and meet the specifications as promulgated by the Company that are in effect at the time the Company provides the Design and Construction Specifications to the Customer.

**QUALITY CONTROL AND ASSURANCE**

The Customer shall comply with Company specifications for materials, equipment, trenching, and construction standards. In order to assure compliance, the Company will select a Construction Inspector who will visit the construction site. The Inspector shall have the authority to accept, or reject, the work and materials of the Customer or contractor and shall certify such acceptance or rejection at the time of inspection. The sole function of the

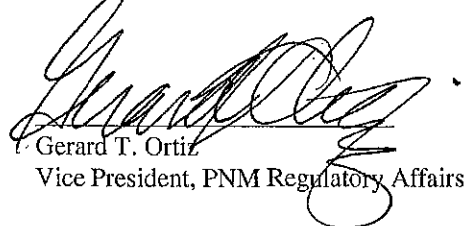
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Inspector shall be to verify compliance with design, materials, equipment and installation specifications only. Customer shall be responsible for coordinating required inspections.

The Customer shall pay the Company for its reasonable costs incurred in the inspection of the electrical system.

The Company has no obligation to purchase an electrical system which is not accepted by the Company's Construction Inspector. In addition, the Company will not provide electric service to a system which is not accepted by the Company's Construction Inspector.

**EASEMENTS AND RIGHTS-OF-WAY**

The Customer shall provide to the Company easements and rights-of-way in a Company-approved format which reflect the "as-built" configuration and location of the electric system.

The Company will assist the Customer in securing rights-of-way necessary for the extension, if requested. The Customer shall pay the Company for such assistance.

The Customer shall pay the Company for its reasonable costs incurred to verify the easements and rights-of-way.

**LICENSING REQUIREMENTS AND COMPLIANCE WITH REQUIRED GOVERNMENTAL INSPECTIONS**

The Customer will hire only those contractors who are properly and currently qualified and licensed, in accordance with State and local law and regulation, to construct electrical distribution systems, including, but not limited to, EL-1 and EE98 certification.

Also, the Customer will comply with all applicable State and local construction inspection requirements.

PNM reserves the right to disapprove of any contractor selected by the Customer on the grounds that the contractor is not properly qualified or otherwise able to construct the line extension in accordance with the Company's construction standards.

**METERS**

The purchase and installation of meters will be the sole responsibility of the Company. The Customer shall pay the Company its reasonable cost incurred to purchase and install meters.

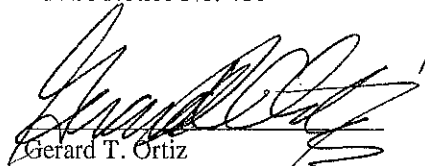
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**PURCHASE OF SYSTEM**

After the electrical system has been constructed, and accepted by the Company's Construction Inspector, the Customer shall sell to the Company and the Company will buy the line extension for \$1.00. The Company and the Customer shall execute an Electric Line Extension Sales Agreement (Customer-Built) to transfer the property. This sale shall be free of any liens or encumbrances and the customer shall provide a properly executed release and/or waiver of lien from any contractor employed in this project. The Customer may also be required to execute an Electric Line Extension Revenue Credit Guarantee Agreement.

The Customer shall supply to the Company its certified cost incurred in constructing the electric system so that proper accounting of the electric system may be made by the Company.

**LIABILITY FOR THE ELECTRICAL SYSTEM**

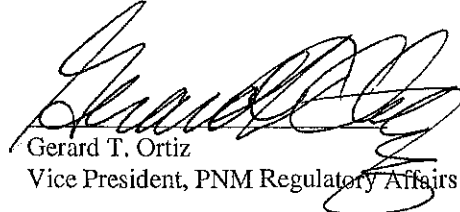
Commencing with the date of sale of the electrical system to the Company, the Company will assume full and complete operating responsibility for the system. The Customer shall be liable for the direct and indirect consequences of any defects or failures of the electrical system constructed by the Customer for a period of one year, unless such defects or failures arise from the Company's design, specifications, or improper operation of the system.

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