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Xcel Energy Colorado Distribution Extension Policy Changes

As of October 1, 2019

FAQS

When do these changes take effect?

Applications received for design and assessed a notification date by Xcel Energy on October 1, 2019 or after will be subject to the new policy.

Why are these changes being made?

The Company's existing extension policies were developed roughly 40 years ago. While some updates have been made over time, evolving practices within our industry coupled with trends in the builder and developer markets occurring in our Colorado service territory have presented a significant opportunity for these improvements. We appreciate the partnership and guidance from our industry partners – notably the Colorado Association of Homebuilders, Colorado BUILDS and the Home Builders Association of Metro Denver – in developing these new policy enhancements.

Xcel Energy believes that the comprehensive revisions contained in its newly-approved Tariff, along with new systems and process improvements, will provide our customers more transparency of the progress of their projects and predictability of cost. It's part of Xcel Energy's ongoing commitment to improve the customer experience.

How do these changes, generally, differ from Xcel Energy's previous policy?

Under the previous policy, typically all construction costs were design estimated on a project-by-project basis and, depending on the project, both on-site and off-site project components may have been included in a single estimate. In addition to new customer service enhancements, the new policy provides a more transparent delineation of costs among major project components and includes a schedule with published costs for standard construction of residential gas and electric service lots and service laterals.

Additionally, this policy replaces the 10-year open extension period, whereby developers paid the entire amount of an off-site extension upfront and had the opportunity to receive refunds based on future customers connecting to the extension over a 10-year period. The refunds of construction costs only occurred if other customers connected behind the original extension.

All customers requesting an off-site extension will now receive an upfront credit of 35% for electric service and 28% for gas service, creating cost certainty and administrative efficiency.

What are other notable changes that are being implemented under the new policy?

Real estate subdivisions, development of land for sale, electric vehicle charging stations, gas compressor stations and data centers have been re-classified to a "permanent" load status under our policy. This means that these developments and/or facilities will be eligible to receive both an off-site line extension credit and an on-site construction allowance, consistent with changes for other applicants.

What process was undertaken to arrive at these changes?

These policy changes are the result of multiple proceedings and years of work. The Legislature approved Senate Bill 17-271 which instructed the Colorado Public Utilities Commission to open a non-adjudicatory stakeholder process to examine line extension policies in the state of Colorado. Xcel Energy and other utilities, developers and stakeholders participated in these non-adjudicatory processes. The Company worked with the stakeholders and determined a change in policy was necessary. In December of 2018 the Company initiated formal proceedings to amend its electric and gas Tariffs. These Tariff changes will be effective October 1, 2019 and are the impetus of the change discussed in this document and the result of many parties working together to improve critical policies.

How did the Company determine standard construction costs for residential On-Site and Service Lateral extensions?

A published standardized cost will be applied to both natural gas and electric service, for single-family or townhome lots with an average service frontage or rear lot line of 60 feet or less. Additionally, a standardized cost will be applied to residential service laterals up to 100 feet. These lengths reflect the utility's average cost of construction for standard conditions, and are applicable to the majority of residential construction within the Company's service territory. As such, they will be re-evaluated periodically. These changes are intended to provide greater cost transparency and more efficient processing for standard construction. Costs for nonstandard load and construction requirements, as well as commercial facilities, will continue to be estimated on a per-facility or per-project basis.

What methodology did the Company use to arrive at the On-Site and Service Lateral construction allowance(s)?

As directed by the Colorado Public Utilities Commission, construction allowances are determined using an "average embedded cost" formula that reflects an average of distribution system costs allocated among various customer classes. Under this direction, the method provides construction allowances at the same level of current gas and electric system cost such that the utility's investment of new or added load is the same as existing customers.

What methodology did the Company use to arrive at the Off-Site credit?

The Company reviewed line extension projects initiated from 2001-2008 and calculated the Net Present Value ("NPV") average of refunds issues to customers under the open extension policy. Xcel Energy may, from time to time, evaluate this credit a file with the Public Utilities commission to make adjustments.

What happens if I have an existing line extension agreement subject to the open 10-year period?

If an extension agreement is executed prior to October 1, 2019, the extension agreement will be grandfathered under the old Tariff, in which case the 10-year open extension is valid for the life of the agreement.

Are these policy changes the only improvements the Company is making regarding line extensions?

No. In addition to new personnel, internal resources and new processes dedicated solely to serving the growing needs of our region, Xcel Energy has proposed a set of new metrics to our regulators intended to measure and evaluate the effectiveness of these new policies as indicated by achieving various performance expectations.

Are there any changes to commercial line extensions?

Yes. Commercial facilities, as well as commercial and mixed-use developments will fall under the new unbundled agreement structure and construction costs for new off-site line or gas main extensions will be reduced by an upfront credit. Due to the varying nature of these projects, all on-site construction costs will continue to be estimated on a per-facility or per-project basis.

For commercial projects requiring electric service, construction allowance will be awarded to on-site extensions based on the anticipated load when a transformer is set. For commercial projects requiring gas

service, construction allowance will be awarded to on-site extensions based on the anticipated load. If the applicant does not know what the load will be for their development, construction allowance will be awarded based on the customer class annual average usage.

What are the new costs and credits for standard residential line extensions?*

STANDARD RESIDENTIAL ELECTRIC ON-SITE

	<u>Per Lot Standard Cost \$</u>	<u>Construction Allowance \$</u>	<u>Customer Responsibility \$</u>
Electric	\$ 2,511 ¹	\$ (1,070) ²	\$ 1,441
¹ Standard Construction Costs and Credits - On-Site Distribution Extension Per Lot Cost			
² Electric Residential Construction Allowance - Distribution Portion			
	Schedules R, RE-TOU.....\$ 1,070		
	Schedules RD, RD-TDR.....\$ 260/kW		

STANDARD RESIDENTIAL ELECTRIC SERVICE LATERAL

<u>Residential Service Lateral up to 100ft.</u>	<u>Service Lateral Standard Cost \$</u>	<u>Construction Allowance \$</u>	<u>Customer Responsibility \$</u>
Electric	\$ 517 ¹	\$ (150) ²	\$ 367
¹ Standard Construction Costs and Credits - Service Lateral Extension < 100 ft.			
² Electric Residential Construction Allowance - Service Lateral Portion			

STANDARD RESIDENTIAL GAS ON-SITE

	<u>Per Lot Standard Cost \$</u>	<u>Construction Allowance \$</u>	<u>Customer Responsibility \$</u>
Gas	\$ 1,663 ¹	\$ (266) ²	\$ 1,397
¹ Standard Construction Costs and Credits - On-Site Distribution Extension Per Lot Cost			
² Gas Residential Construction Allowance - Distribution Main Portion			

STANDARD RESIDENTIAL GAS SERVICE LATERAL

<u>Residential Service Lateral up to 100ft.</u>	<u>Service Lateral Standard Cost \$</u>	<u>Construction Allowance \$</u>	<u>Customer Responsibility \$</u>
Gas	\$ 999 ¹	\$ (283) ²	\$ 716
¹ Standard Construction Costs and Credits - Service Lateral Extension < 100 ft.			
² Gas Residential Construction Allowance - Service Lateral Portion			

**Tables do not include a summary of total costs or credits that a customer may be responsible for or eligible to receive. Please refer to the gas and electric tariffs on file at the Public Utilities Commission for a full schedule of costs and credits.*

Is it possible that I will have multiple agreements for my project?

Yes. There will now be separate agreements for Off-Site extensions, On-Site extensions and Service Laterals. This new structure allows for standardization of costs for residential construction and faster processing. It also enables our customers to better identify the potential costs associated with specific portions of their project.

Will municipalities and other government entities have a separate agreement?

Yes. Due to various different provisions contained within the Company's Tariff on file with the Public Utilities Commission, municipalities and other government agencies will be subject to a separate agreement, which may differ from these new policy changes.

Will there be any changes to the application process for a new line extension?

No. These changes will not impact the existing process to apply for service. We encourage all builders, developers or homeowners to visit a number of resources prior to submitting an application.

Installing and Connecting Service – Overview Design, Construction, Scheduling and Service Installation

<https://www.xcelenergy.com/InstallAndConnect>

Planning your project:

https://www.xcelenergy.com/start_stop_transfer/installing_and_connecting_service/planning_your_project

Please note total project duration is typically three to six months.

Applying for Service:

https://www.xcelenergy.com/start_stop_transfer/installing_and_connecting_service/applying_for_service

Please note it can take up to three business days to process an application.

Contact Us:

Builders Call Line
P.O. Box 569
Denver, CO 80201

Phone: 800-628-2121

Hours: 7 a.m. – 5 p.m.

BCLCO@xcelenergy.com

What if I have questions about a potential development, but I don't yet have a final plat?

Xcel Energy has added policies to encourage early discussion and identify potential design and construction needs and estimated costs elements before a customer submits a final plat for design. Industry representatives in active pre-planning phases or who have general questions in advance of applying for service are encouraged to contact Xcel Energy's Builder Developer Representative team at

BDRCO@xcelenergy.com