

**RULES FOR ELECTRIC SERVICE
RULE 3 – EXTENSION OF SERVICE**

A. GENERAL PROVISIONS

(1) The Company constructs line extensions and service extensions from the nearest suitable and available distribution line to supply new customers, or to change the supply to existing customers, under Company's standard rate schedules subject to the provisions of this rule. However, the estimated cost of facilities subject to annual charges under Rule 4 or CIAC are not subject to the provisions of this rule.

(2) All provisions of these rules and of the applicable rate schedule, including any provisions relating to net and gross payments, apply to service supplied and charges made under this rule except as specifically provided herein.

(3) The Company requires, before construction of a line extension or service extension, including speculative line extensions and service extensions, that:

- (a) Customers supplied from a line extension or service extension, including speculative extensions, for which an annual guarantee is required, sign a contract acceptable to the Company with an initial term of not more than five years. A contract may be canceled at the request of the customer before the end of the initial term by immediately fulfilling all contractual obligations for the remainder of the initial term.
- (b) The Company may, at its discretion, file a memorandum of the guarantee in the land records of the customer's property where service is being provided.
- (c) Customers install infrastructure necessary to use the Company's service.
- (d) Satisfactory ROW, in accordance with Rule 2, and other necessary permits are granted to Company to construct the line extension or service extension along the route selected by the Company.
- (e) Customer agrees to pay to the Company any initial and recurring ROW rental fees in excess of a nominal amount that are incurred by the Company in constructing and maintaining the line extension or service extension.
- (f) Customer agrees that when the net distribution service revenues received during the guarantee period from the start of the initial term of the contract to the end of the current year total less than the sum of the customer's annual guarantee over that period, the difference becomes immediately due and payable.

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- (g) The customer may elect to make a one-time payment to the Company in lieu of annual differential billings during the guarantee period. The payment, which will be equal to the total amount of the guarantee, will be subject to partial refunds each year based upon the actual amount of distribution base rate revenue received from the customer's distribution service billings.
- (h) The Company may require, in addition to any deposit necessary to secure payment of service bills, a surety bond or other security acceptable to the Company, to guarantee the fulfillment of the minimum distribution revenue guarantee agreement.
- (i) When the accumulated distribution revenue from the start of the initial term of contract equals the total amount to be guaranteed by the customer, service is supplied without the application of the annual guarantee determined under this rule.
- (j) Customers supplied from a line extension or service extension for which a minimum distribution revenue guarantee is required will be responsible for the balance of any such minimum distribution revenue guarantee remaining after the guarantee period expires, service is terminated, or service is discontinued, whichever occurs first.

(4) Taxes on Contributions in Aid of Construction and Customer Advances - Any distribution service-related CIAC, customer advance or other like amounts received from the customer which shall constitute taxable income as defined by the Internal Revenue Service will have the income taxes segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with a CIAC or customer advance will not be charged to the specific contributor of the capital.

B. LINE EXTENSIONS

(1) The Company requires a minimum distribution revenue guarantee for installation of any length of single phase or multi-phase line extension in excess of 2,500 ft. along the normal route of development of the distribution system. The length of a line extension is the total length of new pole line installed by the Company to the property line of the customers served from that extension, plus the length of any line installed on existing poles where the existing facilities are unsuitable.

(2) Minimum distribution revenue guarantees for single phase extensions are based only on the estimated contractor costs, if any, and the estimated direct labor costs and estimated direct material costs attributable to construction of the line extension beyond 2,500 ft. Guarantees for multi-phase extensions are based on estimated fully allocated costs, and are credited with the equivalent single phase length allowance for up to 2,500 ft. of new pole line along the normal route of development of the distribution system.

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(3) Any length of line extension on, or through, restricted lands (i.e., Pennsylvania State Game Lands) is excluded from the single-phase length allowance and is subject to a line extension guarantee.

(4) The estimated excess cost of construction, beyond what is normally required for a line extension, must be paid by the customer prior to installation.

(5) Determination of Annual Guarantee

(a) When only one customer is served by the line extension that customer is responsible for the entire minimum distribution revenue guarantee.

(b) The Company reserves the right to determine the guarantee of a customer on the proportionate length of the line extension used in common with other customers plus the additional length required to serve the individual customer.

(c) The total guarantee for a line extension is divided among the customers to be supplied initially from the line extension to determine the total amount to be guaranteed per customer, which is then divided by the number of years in the initial term of the contract to determine the customer's annual guarantee. A customer may assume more than a pro rata share of the guarantee for the line extension.

(d) When additional customers are connected to an existing or additional line extension during the guarantee period, the remaining total amount to be guaranteed for the existing line extension is reapportioned for all customers including the new customers, providing such reapportionment does not increase the guarantees of the existing customers. Otherwise, the additional line extension is considered as a new line extension.

(6) Line Extensions for Development Areas

(a) The Company constructs line extensions to supply service to customers in residential, commercial or industrial developments, and may require annual guarantees determined in accordance with this Rule 3, based on the number of customers which the Company estimates to be served in the development within two years from initial construction. The developer (or property owner) shall provide, without charge to the Company, ROW, in accordance with Rule 2, for lines and equipment which is suitable in the opinion of the Company for the installation of Company facilities throughout the development.

(7) Speculative Line Extensions

(a) A line extension is speculative when, in the Company's judgment, the continued future use of the facilities by any customer is uncertain.

RULE 3 – EXTENSION OF SERVICE (CONTINUED)

- (b) The Company requires a minimum distribution revenue guarantee for speculative single-phase and multi-phase line extensions equal to the Company's estimated fully allocated installation and removal costs, less salvage, with no length allowance. Prior to construction, the Company may require from the customer a surety bond, or other security acceptable to Company, in the amount of the guarantee in addition to any deposit required to secure payment of service bills.
- (c) Distribution revenue guarantees for speculative line extensions include service extension facilities.
- (d) A speculative line extension requires payment of the fully allocated costs of engineering design and survey work to produce a detailed estimate at the time of application.

C. SERVICE EXTENSIONS

(1) All service extensions connecting to the Company's distribution system to serve individual customers are installed in accordance with the provisions below and consistent with Tariff Rule 4.

(2) The Company extends service facilities from its distribution lines to the customer's point of delivery. The customer pays the estimated cost of service extension length over 500 ft. and the estimated cost of any additional facilities necessary to accommodate the customer's requests.

(3) Speculative Service Extensions

- (a) A service extension is speculative when, in the Company's opinion, there is doubt as to the initial or continued use of the new facilities by the customer. This may include, but is not limited to separate points of delivery, and service at locations which are relatively inaccessible or remote, or where the customer has less investment than is required by the Company to provide service.
- (b) When a service extension is speculative, the Company requires a minimum distribution revenue guarantee equal to the Company's estimated fully allocated cost of installation and removal of all facilities less any CIAC by the customer.
- (c) A speculative service extension guarantee may be discontinued prior to expiration of the contract whenever, at the Company's discretion, the service becomes non-speculative in nature.
- (d) Where the customer requires a speculative service extension to be disconnected and Company facilities left in place for subsequent reconnection, the service extension shall be treated as temporary service under Tariff Rule 7. In addition, for each reconnection of service the customer pays the cost of connection and disconnection.

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- (e) A speculative service extension requires payment of the fully allocated costs of engineering design and survey work to produce a detailed estimate at the time of application.