
NATURAL GAS TERMS AND CONDITIONS

SECTION 8 – DISTRIBUTION EXTENSION POLICY

A. EXTENSIONS

This policy applies to facility improvements and additions required to serve new gas loads at new locations or additional gas loads at existing locations.

- (1) Permanent residential Customers will be required to pay an additional monthly charge to compensate Company for costs exceeding \$500.00. The additional monthly charge shall be calculated by amortizing costs exceeding the cost allowance over a mutually agreed upon contract term not to exceed five (5) years at a discount rate equal to the Company's most recent Commission-approved natural gas rate of return. This additional monthly charge will be in addition to any customer charge amounts set forth in the appropriate Rate Schedule. Company shall not be required to grant the above-defined cost allowance to Customers for residential structures not attached to a permanent foundation.
- (2) Nonresidential Customers will be required to pay an additional monthly charge to compensate Company for costs exceeding \$900.00. The additional monthly charge shall be calculated by amortizing costs exceeding the cost allowance over a mutually agreed upon contract term not to exceed five (5) years at a discount rate commensurate with the risk associated with serving the load, but not exceeding one-hundred fifty (150) percent of the most recent Commission-approved Company-average natural gas rate of return. This additional monthly charge will be in addition to any customer charge amounts set forth in the appropriate Rate Schedule.
- (3) This rule will apply to the extension of distribution mains only and will not be applicable to reinforcing high or intermediate pressure mains, or to tap lines in rural areas extending from transmission lines.

B. SPECIAL CONTRACTS FOR SERVICE TO NON-RESIDENTIAL SERVICES

- (1) Notwithstanding the provisions of Section 8A(2), where it is necessary to make extensions or reinforce distribution mains to provide service such that in the sole judgment of the Company, the revenue to be derived from, or the duration of the prospective business is not sufficient under the Rate Schedule stated monthly minimum to warrant the investment, the Company may require any one or more of the following of the Customer before undertaking to supply service:

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- (a) An additional monthly charge calculated with the Company's standard economic model,
 - (b) A cash contribution in advance, or
 - (c) An acceptable guarantee or bond.
- (2) In such cases, the Customer will enter into a written contract with the Company as to character, amount, and duration of the business offered. No interest will accrue or be payable on any cash contribution required by the Company.

C. BASIS OF DETERMINING COSTS

The term cost or actual cost as used herein will be the actual cost of materials used and labor required, plus cost for use of tools and equipment, storeroom and accounting expense, sales tax, overheads and superintendence. For ease of administration and Customer understanding, Company at its discretion may substitute an average labor and labor overhead component based upon a typical composite for workers and pay grades represented on a construction crew instead of actual workers on the specific job.

D. CONTRIBUTION FOR DISTRIBUTION MAIN EXTENSION ABOVE COST ALLOWANCE

If a contribution will be required of Customer for a distribution main extension above the cost allowance, such contribution may be required in advance by the Company before construction of the distribution main is started. The amount of the contribution required will be estimated by Company. When the distribution main extension has been completed, the actual cost of the extension will be compared with the estimated cost, and if the contribution advanced by the Customer is greater than the actual cost, the difference will be promptly refunded to Customer. If the actual cost is found to be greater than the estimated cost, Customer will be required to pay the difference.

E. DETERMINATION OF FACILITY COST

The distance of the Customer's premises from the nearest existing distribution main having a capacity sufficient to provide adequate service to the Customer and to other Customers thereto connected will be used in determining whether Customer is required to pay an additional monthly charge, and the cost of increasing and extending the nearest existing distribution main will be used as a basis for determining the amount of the additional

monthly charge necessary in case the extension cost is above the cost allowance. Distances will be measured along streets and alleys and not across private property. In rural areas, distances may be measured across private property if Customer provides right-of-way satisfactory to the Company.

F. AREA DEVELOPMENT

If the promoter, developer or owner of a housing development area requests that Company construct its distribution system therein in advance of the completion of a substantial number of the houses, Company may require a deposit from the promoter, developer or owner in sufficient amount to cover the cost of Company's distribution system, but the refundable portion of the deposit will be refunded without interest to the said promoter, developer, or owner, proportionately, as the houses or buildings are built, occupied and connected to the distribution system during the succeeding five (5) years.

G. RIGHT-OF-WAY AND FRANCHISE LIMITATIONS

Company will not in any case be required to secure private right-of-way for the purpose of making extensions of distribution mains or other facilities to premises of prospective Customers. When necessary Company will endeavor to secure franchise rights from municipality to cover extensions requested but will not undertake to make extensions on streets or alleys not covered by lawful franchise grants.

H. EXTENSIONS ON UNIMPROVED STREETS AND ALLEYS

Company will not be required to construct any extensions of distribution mains in any streets or alleys for which the property lines, sidewalk lines or curb lines have not been established by the city, nor on any streets or alleys which have not been previously graded by the city except where, although the street or alley is not graded, the grade will have been established and the contour of the ground will not be more than twelve (12) inches above or below the established grade at the proposed locations of Company's distribution mains.

I. PRORATION OF LINE EXTENSION CHARGES

The additional monthly charge determined in accordance with paragraphs A and B of this Section will be prorated on an equal basis between all Customers of a like classification that are initially or subsequently served by the line extension within the contract period. Adjustments to the additional monthly charge of the original Customer or Customers will only be made at Customer's request for additional permanent Customers whose premises are adjacent to and served directly from the original line extension. The total adjustment will not reduce the charge below those required in the Company's applicable Rate Schedule. In the event that multiple customers of dissimilar rate classes are served from a common extension, Company shall make a good faith effort to reallocate costs based on amount of shared line and size of connected loads. Company is not required to refund line extension charges paid in advance or prior to connection of additional customers.

J. EXTENSIONS, PROPERTY OF COMPANY

All extensions made under these rules will, at all times, be and remain the property of the Company.

K. FACILITIES AND EQUIPMENT ON CUSTOMER'S PREMISES

If, in order to serve Customer, it is found necessary or desirable for Company to install, on Customer's property, facilities and equipment, or other apparatus, Customer will furnish, without cost to Company, sufficient and adequate space for the installation. Customer will also furnish, without cost to Company, right-of-way over Customer's property for Company distribution mains or other facilities necessary to service Customer. Where Customer is not the owner of the premises to be served, written consent of the owner will be furnished to the Company on form provided for that purpose.