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|  **RULES AND REGULATIONS** (Continued) |
|  **RULE NO. 6: Extension of Distribution Facilities** |

1. **Definitions** (Continued)**:**
2. **Estimated Annual Therm:** The estimated annual Customer natural gas usage would be as calculated by the Company based upon the natural gas equipment the Customer is going to use.
3. **Incremental Therm Added:** The usage difference between Customer’s existing annual usage and the Estimated Annual Therm would be after the modification of the existing Distribution Facilities.
4. **Line Extension Costs:** The sum of Company’s estimate of the costs of furnishing and installing the Distribution Facilities to provide new Gas Service to a qualified Customer or the sum of Company’s estimate of the costs of modifying and installing the Distribution Facilities to meet the request of an existing Customer.
5. **Margin Allowance:** The amount the Company will contribute toward construction costs for new or modified natural gas Distribution Facilities. The Margin Allowance amount is determined by the applicable sum of twelve months of the Distribution Margin divided by Margin Allowance Conversion Factor.
6. **Margin Allowance Conversion Factor:** The factor is calculated as i) the Company’s authorized after‑tax rate of return divided by ii) its authorized revenue conversion factor.
7. **Customer Payment Calculation:** Customer Payment = (Line Extension Costs – Margin Allowance – Credit) \* Rule No. 28 Income Tax Rider. In addition, a security deposit may be required from a line extension Customer as described in the section 6a of this rule.
8. **Line Extension Costs:** The Company will estimate the costs associated with a new or modified Residential or Non-residential line extension and quote the customer individually.

 (Continued on Sheet No. 16-B)