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| RULES AND REGULATIONS (Continued) |
| RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County |

1. **PurposE and applicablilty – closed to new customers:** The purpose of this rule is to make natural Gas Service available to prospective Customers outside Kittitas County who have signed a Gas Service Agreement prior to March 1, 2017, based on long-term economic benefits consistent with prudent utility practices. However, service may not be provided, extended or modified for reasons described in WAC 480-90-123, Refusal of Service.

This rule defines the terms and conditions under which Distribution Facilities will be extended to new residential, commercial or Industrial Customers outside Kittitas County. It also defines the terms and conditions for modifying existing Distribution Facilities to meet changed requirements for Customers outside of Kittitas County.

1. **Definitions:**
   1. Customer Advance: A potentially refundable prepayment (see Sections 8 and 11 for details) by a Customer for the extension of Distribution Facilities. The amount of the advance will be calculated using the Facilities Investment Analysis. The Customer Advance will be equal to the difference between the present value of estimated future incremental net operating income from the Customer and estimated costs of construction, as described within this Rule No. 7 and Schedule No. 7. The Customer Advance shall include the effect of applicable federal income taxes as per Rule No. 28.
   2. Distribution Facilities: Mains, service piping, meters, regulators, valves and associated fittings.
   3. Estimated Annual Consumption: Estimated gas usage based on the usage parameters specified in Rate Schedule No. 7.
   4. Facilities Investment Analysis (“FIA”): A discounted cash flow calculation for determining the rate of return, Customer Advances, and Qualification Payments related to facilities extensions. (A copy of the Facilities Investment Analysis computer algorithm on electronic medium is on file with the Washington Utilities and Transportation Commission.)
   5. New Customer Rate: A rate to be applied in addition to a Customer’s underlying sales rate for the purpose of recovering the marginal revenue shortfall.

(Continued on Sheet No. 18-A)