

CASCADE NATURAL GAS CORPORATION

RULES AND REGULATIONS

RULE 8 – EXTENSION OF DISTRIBUTION FACILITIES

EXTENSIONS OF DISTRIBUTION FACILITIES

If, in the Company's sole opinion, no significant barriers exist, the Company will install, own, and maintain distribution facilities necessary to provide gas service to an applicant who meets the requirements to become a customer and complies with the requirements established in this Rule.

Distribution facilities enabling the provision of gas service to a customer include the Company's gas main located in the street or right-of-way and the service line, which is the underground pipe running from the Company's main to a Company-installed meter that abuts the customer's dwelling or facility. The path of the service line and the location of the meter shall be at the Company's sole discretion.

LINE EXTENSION COSTS

When the allowance is greater than or equal to the line extension costs, the distribution facilities will be installed at no additional cost to the customer. If the allowance is less than the line extension costs, then prior to the installation of service, the customer must pay the total of line extension costs less the allowance, multiplied by Federal income taxes, as follows:

$$\text{Amount Due} = (\text{Line Extension Costs} - \text{Allowance}) * \text{Federal Income Taxes}$$

Line extension costs are the sum of all estimated costs of furnishing and installing the distribution facilities necessary to provide gas service or additional gas supply to a qualified gas customer.

Allowance

The Company will provide customers with an allowance to be applied to the costs incurred for installing the service line and, or main extension. Specific allowance caps for each customer class are stated below, but, in general, the maximum potential allowance per service installed is the sum of annual basic service charges and annual distribution margin divided by 7.35%, the Company's approved pre-tax rate of return per Commission Order No. 04 issued in UG-152286.

RESIDENTIAL (Rate Schedule 503)

Residential customers taking service on Rate Schedule 503 shall receive an allowance not to exceed **\$3,255**.

COMMERCIAL (Rate Schedule 504)

Commercial customers taking service on Rate Schedule 504 may receive an allowance not to exceed **\$12,350**.

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CASCADE NATURAL GAS CORPORATION

RULES AND REGULATIONS

RULE 8 – EXTENSION OF DISTRIBUTION FACILITIES (continued)

INTERRUPTIBLE, INDUSTRIAL, LARGE VOLUME, AND TRANSPORTATION (Rate Schedules 505, 511, 570, 663)

Interruptible, industrial, large volume, and transportation customers taking service on Rate Schedules 505, 511, 570, or 663 may receive an allowance not to exceed the sum of annual basic service charges plus estimated annual distribution margin (twelve consecutive months of billing revenue minus gas costs) the Company expects it will receive from the customer based on current rates, divided by 7.35%, the Company's approved pre-tax rate of return per Commission Order No. 04 issued in UG-152286.

Prior to receiving an allowance, an interruptible, industrial, large volume, or transportation customer must complete a customer load summary that, to the best of the customer's ability, accurately defines the gas fired equipment to be installed, and the estimated days and hours of equipment operation. The Company, in its sole opinion, will determine the customer's estimated annual usage, which may not conform to the customer's expectations.

The Company may offer interruptible, industrial, large volume and transportation customers the opportunity to pay line extension costs over time through a facility charge; in which case the Company may require the customer to provide an irrevocable letter of credit in the amount not to exceed the line extension costs and for the timeframe not to exceed the payback period.

GENERAL CONDITIONS

The following applies to all applicants or customers requesting new gas service:

- 1) The applicant shall grant the Company the right to enter and exit the Customer's property, and to remove (and replace) or otherwise disturb lawns, shrub or other property on the applicant's premises as reasonably necessary for the purpose of installing an extension. The Company's agents and employees shall have access at all reasonable times for reading, inspecting, constructing, reconstructing, repairing, and removing the Company's meters, metering equipment and natural gas facilities.
- 2) All necessary right-of-way assignments, easements, and permits across other properties will be secured at no cost to the Company before the Company constructs the line extension.

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CASCADE NATURAL GAS CORPORATION

RULES AND REGULATIONS

RULE 8 – EXTENSION OF DISTRIBUTION FACILITIES (continued)

GENERAL CONDITIONS (continued)

- 3) In no instance will a customer be credited an allowance that exceeds the line extension costs to install the necessary distribution facilities.
- 4) As a condition for obtaining service, the Company may require a residential or commercial customer to complete a customer load summary defining the load requirement that the customer expects to have online by a specified date.
- 5) The Company will not grant an immediate allowance if the Company, in its sole judgment, determines that the customer's load will not be in service for five years.

TRANSITIONAL SERVICE LINE AND MAIN REFUND POLICIES

The terms and conditions established in the tariff and customer agreements for the service line and/or main extension, such as a main refunding contract or a customer/developer commitment contract, where such contract was executed prior to September 1, 2016, will be upheld for the duration of the term referenced in the service agreement.

MODIFICATIONS

When an existing customer requests to have his/her distribution facilities modified to accommodate an increased load requirement, the customer will receive an allowance to be applied against the total costs of modifying the distribution facilities. The allowance will be no more than the expected incremental increase to annual distribution margin (twelve consecutive months of billing revenue minus gas costs) based on current rates, divided by 7.35%, the Company's approved pre-tax rate of return per Commission Order No. 04 issued in UG-152286.

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