

WN U-3

CASCADE NATURAL GAS CORPORATION

RULES AND REGULATIONS

**RULE 8 - EXTENSION OF DISTRIBUTION FACILITIES**

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Extensions of the Company's distribution facilities (main, service piping, meters, regulators, valves, and associated fittings) shall be subject to a facilities investment analysis to determine economic viability. The Company will furnish extensions of its distribution facilities to General Service Customers (Residential, small Commercial & small Industrial customers that the Company estimates will use less than 50,000 therms per year), based upon a comparison of estimated commodity margin of the customer to the estimated construction cost of the new distribution facilities, wherein the meter shall be provided free of charge. For customers that are estimated to use 50,000 therms or more per year, or for service to a temporary structure, or for service to a customer under unusual circumstances, the facilities investment analysis shall be based upon a discounted cash flow calculation, and any resulting customer advance, monthly facilities charge or refund obligation shall be defined in the Contract for Service between the Company and the customer. The description of the discounted cash flow analysis is contained in the **FACILITIES EXTENSIONS FOR LARGE VOLUME OR TEMPORARY STRUCTURE CUSTOMERS** section of this rule.

If the Company provides an extension of its distribution facilities and the customer fails to commence gas usage and/or fails to install any or all of the gas appliances which were included in the extension analysis within 12 months from the date the distribution main was put into service, the Company shall bill the customer for the costs and expenses associated with its extension of the distribution facilities, based upon the feasibility of the extension with the actually installed appliances. If requested by the Company, the customer shall provide the Company with a copy of the installation invoice to verify the installation of the gas appliances. In the absence of installation documentation, the customer shall allow reasonable access to customer's premises for the verification of installation of those appliances, upon the Company's request. If, subsequent to paying for such costs, the customer installs the missing appliances and commences gas usage within five years from the date the extended facilities were installed, the costs of the distribution facilities paid to the Company by the customer associated with each installed missing appliance shall be refunded without interest.

**GENERAL SERVICE CUSTOMERS (RESIDENTIAL, SMALL COMMERCIAL & SMALL INDUSTRIAL CUSTOMERS)**

The Company will estimate the annual consumption and commodity margin (revenue minus gas costs and minus customer service charges) of a customer or group of customers requesting distribution facilities extension or modifications based upon COMPANY PROCEDURE #165. The Company will also estimate construction costs associated with the extension or modification. The Company will provided a free allowance toward the construction of an extension of its distribution system to provide firm natural gas service to the applicant for such service then located beyond the existing main system up to an estimated cost of construction to provide such service equal to 6.6 times the estimated commodity margin, based upon the limitations contained in the **SERVICE PIPING & REGULATOR INSTALLATIONS** and the **REFUNDABLE CUSTOMER ADVANCES FOR THE EXTENSION OF DISTRIBUTION MAIN ALONG WITH SERVICE PIPING AND REGULATOR** sections of this rule.

In the case of existing facilities modified at the customer's request, the economic test will be based on the incremental commodity margin. All requests for such service shall be of such permanence as to warrant the distribution facilities expenditure required. The Company is not required to provide any free amount of distribution facilities extension to applicants for interruptible natural gas service or to a temporary structure. The Company reserves the right to designate the location of service line, meters and regulators, and select the amount of space which must be left unobstructed for the installation and continuing operations. The Company shall not be required to relocate an existing service line at no cost to customer where such relocation is to be made for the convenience of the customer. The customer shall indemnify and hold the Company harmless from claims, etc., for trespassing or injury to building and property crossed by the installation of the service line.

All facilities installed under this rule shall be the property of and under the control of the Company at all times and the distribution main facilities may be extended to serve other customers at the option of the Company.

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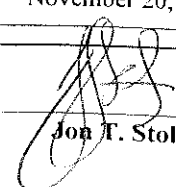
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CNG/W97-11-01

BY AUTH. OF ORDER OF WASH. UTILITIES & TRANSPORTATION COMM., DOCKET NO. **UG-971666**

ISSUED November 20, 1997

EFFECTIVE ~~December 21, 1997~~ **November 27, 1997**

BY  **Jon T. Stoltz**

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

TITLE **Senior Vice President  
Planning & Rates**

CASCADE NATURAL GAS CORPORATION

RULES AND REGULATIONS

**RULE 8 – EXTENSION OF DISTRIBUTION FACILITIES (Continued from Previous Page)**

(C)

**SERVICE PIPING & REGULATOR INSTALLATIONS:**

**Limitations on Service Piping & Regulators Expenditures:**

At no time will the Company be required to invest more than 3.3 times estimated commodity margin for the service piping, regulators and associated fittings on applications for service from an already existing main or where the estimated cost of the distribution main extension exceeds 3.3 times the estimated commodity margin. If the estimated direct cost for the service piping, regulators and associated fittings exceeds 3.3 times estimated commodity margin, the Company shall require a non-refundable advance of funds from the individual applicant. The amount of the advance shall be the amount that the estimated cost exceeds 3.3 times estimated commodity margin and shall also include the Federal Income Tax affect such an advance creates for the Company (see Rule 2 – Definitions for the currently effective multiplier). This advance shall be referred to as a Customer Excess Service Line Charge.

Applications for service which require the installation of service piping, regulators and associated fittings to an already existing main which has been in service less than five (5) years shall be subject to the same level of customer advance as earlier customers were required to pay to receive service from that main, if any, unless such main was constructed under the **RESIDENTIAL AREA SURCHARGE RATE OPTION (EXPERIMENTAL)** section, discussed below. Such advance shall be subject to refund pursuant to the terms described under the **CUSTOMER ADVANCES AND REFUND OF CUSTOMER ADVANCES** section of this rule.

Applications for service which require the installation of service piping, regulators and associated fittings to an already existing main constructed under the **RESIDENTIAL AREA SURCHARGE RATE OPTION (EXPERIMENTAL)** section of this rule, which has been in service less than ten (10) years, shall be subject to a non-refundable Connection Fee and an Area Surcharge Rate associated with that main, if any, until that Area Surcharge Rate terminates pursuant to the terms described under that section of the rule.

Applications for service which require the installation of service piping, regulators and associated fittings to an already existing main which has been in service longer than the refund period or longer than the area surcharge rate period or where no customer advances were required shall be subject to a service facilities investment analysis as described above. Customer may be subject to a Customer Excess Service Line Charge.

**REFUNDABLE CUSTOMER ADVANCES FOR THE EXTENSION OF DISTRIBUTION MAIN ALONG WITH SERVICE PIPING AND REGULATOR:**

If the estimated costs for the extension of distribution main along with service piping and regulator is less than or equal to 6.6 times the estimated commodity margin of the applicant(s), the distribution facilities extension or modifications will be made without charge. If the results of the facilities investment analysis indicates an estimated cost above the 6.6 times the estimated margin, the Company shall require an advance of funds, subject to refund, from the applicant or applicants. The amount of the advance shall be the amount that the estimated cost exceeds 6.6 times estimated commodity margin and shall also include the Federal Income Tax affect such an advance creates for the Company (see Rule 2 – Definitions for the currently effective multiplier). All additional customers requesting service any time during the first five years the distribution facilities extension is in service shall be subject to the same net customer advance that is paid by the initial customers, as that customer advance amount is adjusted through the following refund mechanism. Projects involving 10 or more initial customers and where the average individual advance exceeds \$500 per customer shall have the option to select the **Residential Area Surcharge Rate Option (Experimental)** described below. The Company will waive the customer advance requirement on projects where the total of all indicated customer advances is \$250 or less. The Company will also waive the customer advance requirement on multi-customer projects, where the indicated advance per customer is \$50 or less. The amount of the Customer advance paid, including the income tax affect, shall be subject to refund without interest on the following basis:

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RULE 8 - EXTENSION OF DISTRIBUTION FACILITIES (Continued from Previous Page)

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REFUNDABLE CUSTOMER ADVANCES FOR THE EXTENSION OF DISTRIBUTION MAIN ALONG WITH SERVICE PIPING AND REGULATOR: (Continued from Previous Page)

1. The initial amount of advance per customer shall apply to all of the initial customers and each additional customer that is connected directly to the distribution facilities extension during the first year the extension is in service.
2. Refunds will be calculated once a year for the first five years that the extended distribution facilities are in-service.
3. The amount of the refund shall be based upon all of the additional customers and additional natural gas appliances that were directly connected to the distribution main during the previous year. It is the customer's responsibility to notify the Company that additional gas appliance(s) have been installed. After 5 years and 6 months beyond the date the distribution main facilities are placed in service, the Company shall not accept any notifications of the installation of additional gas appliances and shall not be required to provide any refund for such appliances. If requested by the Company, the customer shall provide the Company with a copy of the installation invoice to verify the installation of the gas appliances. In the absence of installation documentation, the customer shall allow reasonable access to customer's premises for the verification of installation of those appliances, upon the Company's request. Refunds for additional appliances shall be based upon 6.6 times the estimated commodity margin of the appliance and shall also include the Federal Income Tax affect of that refund amount. The refund amount for additional customers shall be equal to 6.6 times the estimated commodity margin of the additional customers plus the amount of customer advances paid by the additional customers minus the estimated Company investment toward the cost of construction for the service lines associated with the additional customers. This amount will be compared to the unrefunded balance of the original amount and the difference will be refunded to the customers in proportion to each customer's remaining advance. Refunds shall be issued as a credit on the customer's active natural gas account with the Company. Customers that do not have an active account shall be issued a refund check.
4. The new amount of advance required, if any, shall be equal to the new unrefunded average balance and shall apply to new additional customers connected to the distribution facilities extension in the subsequent year.
5. Subsequent annual refunds shall be calculated as described in 3 above.
6. Refund or refunds to a customer in total shall not exceed the total amount advanced by the customer. If the total amount advanced has not been fully refunded within five (5) years of the date the advance was received by the Company, any remaining unrefunded amount after application of refund amounts made in accordance with item (3) above, shall become the property of the Company and no further refund or refunds shall be payable. It is the customer's responsibility to notify the Company of any change of mailing address that may occur during the refund period. Any refund amounts that can not be delivered to the customer because the customer no longer has an active account and the customer has failed to provide the Company with a forwarding address shall remain the property of the Company.
7. When two (2) or more parties make a joint advance on the same main extension, refund amounts which become payable will be paid to such parties in the proportion that each party's individual advanced amount bears to the total advanced amount.

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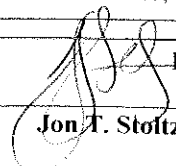
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RULES AND REGULATIONS

**RULE 8 – EXTENSION OF DISTRIBUTION FACILITIES (Continued from Previous Page)**

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**RESIDENTIAL AREA SURCHARGE RATE OPTION (EXPERIMENTAL):**

This Residential Area Surcharge Rate Option is available as an experimental program for the extension of distribution facilities that involve 10 or more initial customers and the individual advance exceeds \$500 per customer. If the majority of the initial residential customers elect main extension and service line installation service under this optional rule, the terms of this option shall apply to all customers directly connected to the extended distribution main that is built to serve the potential customers. The Company shall reduce the amount required to be recovered under this surcharge option by including in its feasibility analysis 3.3 times the average margin (based upon the estimated terms of initial customers) times 25% of the non-participating existing or under construction residential homes located along the route of the extension of distribution main. The amount required to be recovered under this surcharge option shall include the income tax effect that customer advances create (see Rule 2 – Definitions for the currently effective multiplier) and shall be divided by the total of the initial customers plus times 25% of the non-participating potential customers to arrive at an average surcharge amount per customer. All initial customers shall pay at least a \$300 non-refundable Connection Fee.

**Area Surcharge Commodity Rate Per Therm:**

The amount of the surcharge that exceeds \$300 per customer shall be converted into an area surcharge commodity rate per therm to be effective for a period of 120 months. The per therm rate shall be calculated based upon a discount rate of 2.4175%, where the period shall be 120 months and principal shall be average surcharge amount per customer that exceeds \$300 per customer and the estimated average number of therms per month. If the resulting per therm rate exceeds \$0.250 per therm, the Company shall not be required to offer the area surcharge rate option unless the Company and the initial customers can agree to a larger than \$300 non-refundable Connection Fee and a maximum surcharge rate of \$0.250 per therm. This increased amount shall include the income tax effect that customer advances create. All customers connecting to the extended distribution main shall be subject to the same area surcharge rate per therm and the non-refundable Connection Fee as the initial customers during the first 120 months that the distribution main facilities are in service.

As an experimental program designed to assist established neighborhoods obtain natural gas service, the Company reserves the right to cancel this option through an appropriate tariff filing, if, in its sole judgement, the added financial risk associated with this option outweighs the financial rewards.

**COMMERCIAL & INDUSTRIAL AREA SURCHARGE RATE OPTION:**

A similar Area Surcharge Rate Option shall be available to Commercial and Industrial customers on a case by case facilities investment analysis basis and shall be included in the terms and conditions of the Service Extension Agreement between the Company and the Commercial and/or Industrial customer.

**SERVICE TO NEW DEVELOPMENTS:**

For new development plats, the facilities investment analysis for distribution main only will be prepared on the project build-out plan outlined in the Developer Agreement. The build-out plan shall specify the number of dwellings, estimated square footage and types of natural gas appliances of the dwellings and the expected completion date of the dwellings. The company will estimate the direct cost of construction and the estimated commodity margin of the gas appliances. The Company will invest up to 3.3 times the commodity margin in distribution main for dwellings to be constructed in the first year, 3.0 times the commodity margin for dwellings to be constructed in the second year, 2.7 times margin for the third year, 2.5 times margin for the fourth and 2.2 times margin for the fifth year. If the estimated construction cost exceeds the commodity margin allowance, an advance shall be required from the developer. If no customer advance is required, based on the facilities investment analysis results, the facilities will be extended at no charge. The Developer Agreement shall indicate the minimum number of dwellings and gas appliances required to make the extension feasible. If an advance is required, the amount of the advance shall include the income tax effect that customer advances create (see Rule 2 – Definitions for the currently effective multiplier).

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TITLE Senior Vice President  
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**RULE 8 - EXTENSION OF DISTRIBUTION FACILITIES (Continued from Previous Page)**

**SERVICE TO NEW DEVELOPMENTS: (Continued)**

If the developer fails to build or have built the required number of dwellings with the indicated gas appliances within the time frame specified in the build-out plan, the Company shall bill the developer for the costs and expenses associated with its extension of the distribution facilities for the missing dwellings and gas appliances, based upon times the estimated margin for the missing appliance(s). Such amount shall include the income tax effect that customer advances create for the Company. If, subsequent to paying for missing appliances, the developer builds or has built dwellings that install the missing appliances and gas usage commences within five years from the year the missing appliance(s) were originally scheduled to be installed, the costs paid by the developer associated with each installed missing appliance shall be refunded without interest.

Service lines to the dwellings shall be considered separately under the **Service Piping & Regulator Installations** sections of this rule. For the purpose of determining the amount of advance under that section of the rule, each dwelling in the developer agreement build-out plan shall be considered as a "customer".

**FACILITIES EXTENSIONS FOR LARGE VOLUME OR TEMPORARY STRUCTURE CUSTOMERS:**

Extensions of the Company's distribution facilities (main, service piping, meters, regulators, valves, and associated fittings) for large volume (50,000 therms per year or more) or for applicants for service to a temporary structure or for service to a customer under unusual circumstances, shall be subject to a facilities investment analysis to determine economic viability. This analysis shall be based upon a discounted cash flow calculation and shall be used to determine the level of customer contribution required, if any. The Company will estimate the annual consumption for each year of the contract, incremental operating and maintenance expenses and the estimated construction costs, including appropriate overhead costs and taxes, associated with the large volume customer or group of customers requesting distribution facilities extension or modifications. If the results of the facilities investment analysis for the extension of distribution main along with service piping, meters and regulator meet or exceed the Company's rate of return, the distribution facilities extension or modifications will be made without charge. If the results of the facilities investment analysis indicate a return below the Company's rate of return, the Company shall require either an advance of funds, subject to refund, from the applicant or applicants or a non-refundable monthly facilities charge of such an amount as to cause the facilities investment analysis to meet the Company's rate of return. The advance shall be the amount required to make the facilities investment analysis meet the Company's rate of return and shall include the Federal Income Tax affect such an advance creates for the Company (see Rule 2 - Definitions for the currently effective multiplier). The advance shall be subject to refund pursuant to the conditions described in the Contract for Service between the Company and the customer.

**RESIDENTIAL EXCESS FLOW VALVES:**

Beginning February 3, 1999, the Company will inform all new residential customers and all existing residential customers that request a modification of their service line, that an Excess Flow Valve is available as an added safety feature in the event that the service line is suddenly severed. The Excess Flow Valve shall also be available to any existing residential customer, upon request. At the customer's request, the Company will install the Excess Flow Valve for the following fees:

In Conjunction With The Construction Of A New Service Line:	\$ 38.00
Modifying an Existing Service Line:	
Time of Construction Crew	up to \$220.00 per hour
Cost of Materials required to open and close service connection trench, including asphalt replacement, if any.	
Installation of the Excess Flow Valve	\$ 38.00

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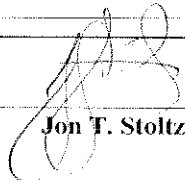
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BY

  
Jon T. Stoltz

ISSUED BY CASCADE NATURAL GAS CORPORATION

TITLE Senior Vice President

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CASCADE NATURAL GAS CORPORATION

RULES AND REGULATIONS

**RULE 8 - EXTENSION OF DISTRIBUTION FACILITIES (Continued from Previous Page)**

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**RESIDENTIAL EXCESS FLOW VALVES: (Continued)**

The customer will be responsible for any future maintenance or replacement costs that may be incurred due to the excess flow valve. Such cost shall be based upon time and materials, as follows:

Time of Construction Crew	up to	\$220.00 per hour
Cost of Materials required to open and close service connection trench, including asphalt replacement, if any.		
Installation of replacement Excess Flow Valve, if necessary		\$ 38.00

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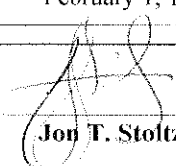
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Jon T. Stoltz

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TITLE **Senior Vice President**  
**Planning, Regulatory & Rates Affairs**