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RATE SCHEDULE NO. 6
EXTENSION OF FACILITIES

6. <u>EXTENSION OF FACILITIES</u>

6.1. SERVICE LINES AND CONNECTIONS

6.1.1. The Company shall install service lines and connections in compliance with the requirements of OAC 165:45-3-3. In the event of abnormal construction conditions, such as solid rock, road crossings that require a bore, the need to bore under landscaping, etc., or in regard to the installation of excess flow valves, any additional costs incurred by the Company will be charged to the customer. The Company may waive these charges when it determines that it is economically justifiable to do so.

6.2. MAIN EXTENSIONS

6.2.1. Extensions from the Company's distribution lines, will be made under the following conditions and circumstances:

6.2.1.A. Subject to the availability of capital funds, the Company shall construct main extensions from its existing facilities to serve new customers where the cost of the Company's capital investment is economically feasible. Determination of whether a proposed extension is economically feasible shall be made through the use of an economic model that will take into consideration the following factors:

(1) construction cost estimate;
(2) non-gas revenue;
(3) depreciation;
(4) incremental operating costs; and,
(5) any other factors relevant to economic feasibility of the project.

6.2.1.B. If it is determined that the Company's return on investment (ROI) on the proposed main extension will equal or exceed the

Company's cost of funding capital projects, the extension will be made at no cost to the customer. If it is determined that the Company's ROI will be less than the Company's cost of funding capital projects, the customer shall be required to pay an amount ("contribution in aid of construction" or "CIAC") sufficient to ensure that the Company is able to earn an ROI equal to its cost of funding capital projects. On such a contribution, the Company may enter into an agreement with the customer to refund the customer contribution. Refunds will be based only on changes in the factors considered in the economic model under which the investment was originally made. Refunds shall cease after 5 years and shall not exceed the original contribution amount. The Company shall establish, when capital funds are available, such new distribution service where the Company will be reasonably assured of a sufficient number of customers and an annual revenue to justify the capital expenditure. The Company may, however, refuse to extend facilities in the event system design and/or operational considerations so dictate.

6.2.1.C. For the pilot period of August 1, 2011 through July 31, 2016, the Company may, at its option, elect to apply a Facilities Rate in lieu of the CIAC. The Facilities Rate shall apply to billings for customers who are served directly from the extended facilities for a period not to exceed 120 months. If the CIAC, before the addition of State and Federal taxes, would have been equal to or less than $500.00 per customer, the monthly per customer CIAC Facilities Rate shall be $7.00. If such cost is greater than $500.00, but not greater than $1,000.00, the monthly per customer Facilities Rate shall be $14.00. If such cost for a customer exceeds $1,000.00, the $14.00 monthly charge shall be applied and the $1,000.00 shall be deducted from the amount of the CIAC, which amount shall be paid by the customer as a cash advance. The amount of the cash advance will be increased to cover the cost of State and Federal taxes due on the cash advance. The Company will review such extensions annually to determine if sufficient growth has occurred to eliminate or reduce the Facilities Rate. An annual report listing customers being charged the Facilities Rate will be provided to the Public Utility Division Staff (PUD) prior to March 15th of each year.

6.2.1.D. For the pilot period of August 1, 2011 through July 31, 2016, the Company may, at its option, deviate from the requirements of Paragraphs 6.2.1.A and 6.2.1.B and waive the CIAC required by Paragraph 6.2.1.B in whole or in part, provided that the Company believes that a project that does not meet the economic feasibility parameters of Paragraph 6.2.1.B will allow the Company to serve areas with significant growth potential such that, when considered in total, the Company believes that it will meet its economic requirements. Prior to any such deviation, where the amount of the CIAC exceeds $5,000.00, the Company will provide to the PUD for its review the Company's economic analysis. The Company shall seek a letter of non-opposition from the PUD prior to waiving a CIAC greater than $25,000.00. An annual report listing these CIAC waivers will be provided to the PUD prior to March 15th of each year.

6.2.1.E. For the pilot period of August 1, 2011 through July 31, 2016, for extensions required to serve individually-metered multi-unit properties (which shall include residential dwellings that consist of two or more units that install at minimum a natural gas water heater or furnace), where the costs per meter of the mains and service lines within the multi-unit development are less than the Company's typical investment in main and service lines required to serve a residential single-family development, the Company may, at its option, provide the difference in cost as a cash incentive to the developer to defray the cost of gas piping, other facilities required for gas utilization in the development, or to be used by the developer to defray its other costs. An annual report of cash incentives provided pursuant hereto, including the incentive amounts and customer units gained, will be provided to the PUD prior to March 15th of each year. Cash payments and waived CIAC pursuant to this Paragraph 6.2.1.E shall be limited to $100,000 annually, excluding those amounts spent as part of the Company's approved energy efficiency programs.

6.2.2. The Company will not be required to enlarge its system of mains to meet the demand for gas of a prospective customer or to provide for an appreciable increase in the demands of a present customer, unless in the judgment of the Company, a reasonable rate of return is assured as a result of the expenditure required.

6.2.3. When the Company extends its main to serve new customers, the Company will extend its main, in a manner which, in its judgment, will be most advantageous for rendering service.

6.2.4. Where the customer requires that his meter be placed in a particular location, the customer will be required to pay any additional cost that may result from compliance with the customer's request.

6.2.5. The Company will not make or serve a tap on any federally certificated transmission line, unless, in the judgment of the Company, a reasonable rate of return can be earned as a result of the expenditure required to construct the tap and serve the customer, without unreasonable consequences to other customers. In addition, the Company will not make or serve a tap on any other transmission line, field gathering pipeline, or lines to wells which in the Company's opinion, presently contain or may in the foreseeable future contain undehydrated gas, liquid hydrocarbons, sour gas, or gas that is otherwise not merchantable. The Company may discontinue service whenever it believes reliable service cannot continue to be provided for any reason, including, but not limited to, water content of the gas furnished.