

RULE NO. 9

FACILITIES EXTENSIONS

Extensions of gas mains (mains), distribution service lines (services), meter set assemblies, regulators and other appurtenant device(s) necessary to furnish permanent service to applicants will be made in accordance with this rule.

A. GENERAL

1. The Company will construct, own, operate and maintain main and service extensions.
 - a. Main extensions will be of suitable capacity and installed only along public streets, roads, and highways which the Company has legal right to occupy, and on public lands and private property across which rights-of-way are satisfactory to the Company.
 - b. Service extensions will be of suitable capacity from the Company's gas main to a meter location on the property of the applicant that is satisfactory to the Company.
2. Gas main and service extensions will be made by the Company at its expense, provided the total estimated cost of the extension, less any cash or non-cash contribution in aid of construction (contribution), does not exceed the allowable investment. Non-cash contributions include, but are not limited to, customer provided trench. The Company may require the applicant to provide an advance of the allowable investment guaranteeing bona fide operation of the customer's facilities for which the extension is requested. Additionally, main and service extensions to and within individually metered subdivisions, housing projects, multi-family dwellings, and mobile home parks or estates will be made only when the entire estimated cost of such extensions (as determined by the Company), less contributions, is advanced to the Company. Contributions and advances may be adjusted to recover the cost of federal income taxes in accordance with the NAC. At its option, the Company may accept a performance bond or other security in lieu of an advance.

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(Continued)

A. GENERAL *(Continued)*

3. Each applicant for a main and/or service extension will be required to execute a contract covering the terms under which the Company will install extensions, including, but not limited to, a description of the natural gas equipment to be used. If no identifiable load is available, it will be noted on the contract.
4. The Company will not install more than one service extension to supply a single premise, except at the option of the Company for its operating convenience or necessity.
5. Where service is provided to a meter location on private property, which is subsequently subdivided into multiple premises with ownership of portions thereof divested to multiple entities, the Company shall have the right, upon written notice, to discontinue service without obligation or liability. Gas service, will be reestablished in accordance with the applicable provisions of the Company's Nevada Gas Tariff.
6. The length of the main/service required for an extension will be considered as the distance along the shortest practical available route, as determined by the Company.
7. When, in the judgment of the Company, providing natural gas service to an applicant would impair service to other customers, the cost of necessary reinforcement to eliminate such impairment which is not included in the allowable investment will be collected at the time the contract is executed.
8. Subject to any customer advance or contribution requirements, the installation of an excess flow valve shall be performed by the Company at the Company's expense on new or replaced single residence service lines. If a customer requests the installation of an excess flow valve where one would not otherwise be provided by this rule, the Company shall perform the installation subject to the feasibility of such installation and at the customer's expense.

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(Continued)

A. GENERAL *(Continued)*

9. The cost of relocating mains and/or services at the customer/applicant request will be performed at the expense of the customer/applicant. The cost of main and/or service work performed may be adjusted to recover the cost of federal income taxes in accordance with the NAC.
10. Relocation of facilities will be mandatory and at the customer's expense when actions of the customer restrict the Company's access to, or the safety of the facilities. Should access not be given to the Company, service may be terminated at the Company's discretion.
11. Investments in main and/or service extensions are made by the Company on the basis of economic feasibility. Economically feasible means, the cost to install and operate an incremental investment in mains and/or services is supported by the revenue to be derived from the related incremental investment. Economic feasibility will be determined using the Incremental Contribution Method (ICM).
12. In unusual circumstances, when the application of this rule appears impractical or unjust to either party, the Company or the applicant may refer the matter to the Commission for special ruling or for the approval of special conditions which may be mutually agreed upon, prior to commencing construction.
13. Branch Services. The Company, at its option, may install a branch service for units on adjoining premises.

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B. ALLOWABLE INVESTMENT

Allowable investment is the maximum amount that the Company will invest in new facilities such that the revenues derived from the new facilities provides a rate of return on the Company's investment no less than the overall rate of return authorized by the Commission in the Company's most recent general rate case.

1. Incremental Contribution Method - The ICM is a cost of service analysis used to calculate the expected rate of return on an investment in mains and/or services and related facilities.
 - a. If the ICM analysis results show a rate of return equal to or greater than the overall rate of return authorized by the Commission in the Company's most recent general rate case, the allowable investment is equal to the cost of the incremental investment.
 - b. The Company may extend facilities to applicants whose facilities extension does not satisfy the economic feasibility test, provided such applicant signs an extension agreement agreeing to provide a nonrefundable contribution and/or a refundable advance necessary to limit the Company's investment in the extension to the allowable investment. Any contribution or advance may be adjusted to recover the cost of federal income taxes in accordance with the NAC.
 - c. The Company, at its option, may postpone that portion of an advance which it estimates would be refunded within 12 months under the provisions of this rule. The Company may require the applicant to provide a surety bond or other Company approved surety equal to the amount of the postponed advance. At the end of the postponement period, the Company shall collect all such amounts not previously advanced which are not then refundable. When advances are postponed, the applicant may be required to furnish to the Company evidence of the necessary approvals to commence construction and of adequate financing.

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(Continued)

B. ALLOWABLE INVESTMENT *(Continued)*

2. If any applicant fails to take service in amounts stated as the basis for estimating the allowable investment, the Company may calculate and bill the customer a nonrefundable Facilities Charge. The Facilities Charge will be equal to the unpaid contribution necessary for the Company to achieve the authorized rate of return according to the Company's extension rule in effect at the time the extension was made, as though service had been requested on the basis of the actual equipment installed and utilized.

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(Continued)

C. REFUND OF ADVANCES

Amounts advanced by the applicant in accordance with this rule, less any unpaid Facility Charges, shall be refunded, without interest, under the following conditions:

1. Refunds of advances, including any amounts collected to recover the cost of federal income taxes, shall be made for each additional verified incremental permanent load connected to the extension for which an advance was collected.
2. Refunds will be made annually, or intermittently within the annual period at the option of the Company. Amounts refunded may be accumulated to a minimum of \$50, or the total refundable balance if less than \$50.
3. When two or more parties make a joint advance on the same extension, refundable amounts will be distributed to these parties in the same proportion as their individual percentages of the total joint advance.
4. The refund period shall be ten years from the date of the completion of the extension, or a period mutually agreed upon by the Company and the applicant.
5. Any assignment by a customer of their interest in any part of an advance must be made in writing and approved by the Company.
6. Amounts advanced under an extension rule previously in effect will be refunded in accordance with the provisions of such rule.

<p>Issued: June 16, 2017</p> <p>Effective: September 27, 2017</p> <p>Advice Letter No.: 506</p>	<p>Issued by Justin Lee Brown Vice President</p>	
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C. REFUND OF ADVANCES (Continued)

7. When a project is constructed in consecutive phases such that each phase is constructed separately and requires separate advances, unused allowances from one phase may be applied to an outstanding advance in any other phase of that project so long as such outstanding advance is still eligible for refund.

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FACILITIES EXTENSIONS

(Continued)

D. RESIDENTIAL AMORTIZATION PROGRAM

The program shall be available for one or more residential customers which are judged to be of a permanent and continuing nature. Pursuant to the program, main and service line extension contracts may be established to amortize that portion of an extension project's cost in excess of the Company's allowable investment. The amortization will appear as a monthly surcharge on the participating customer's bill.

Amortization of the customer contribution toward a given line extension project shall be offered in those cases where all of the following criteria are satisfied:

1. There exists reasonable certainty that both the Company's allowable investment and the amortized customer contribution can be recovered in their entirety;
2. The customer contribution toward a given line extension project represents a significant amount if paid as a lump sum and would present an undue burden upon the customer; and
3. The price of gas service, including amortization of the facilities charge, calculated on the basis of a term of four years, is demonstrated to be less than 75 percent of the customer's annualized alternative fuel costs.

In those instances in which service is extended to an area where five or less customers take service, the Company may condition the extension on the customer agreeing to be individually obligated for their share of the cost in excess of the allowable investment.

For those customers not qualifying for an amortization program pursuant to the criteria specified herein, the Company may, at its discretion, establish a main and service line extension contract to amortize that portion of an extension project's costs in excess of the Company's allowable investment.

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FACILITIES EXTENSIONS

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D. RESIDENTIAL AMORTIZATION PROGRAM (Continued)

The Company will make its decision on whether to offer amortization of a project's line extension expense on a case-by-case basis considering the following criteria:

1. The magnitude of the amount of the line extension cost for which the customer is responsible;
2. The degree of certainty with which the Company may recover the line extension costs that it permits a group of customers to amortize; and
3. The ability of the Company to recover its allowable investment over the life of the facilities.

The amortization period of the aforementioned contract shall not exceed five years. The customer's contribution toward the excess line extension project shall constitute the principal of the contract. The capital costs in excess of the allowable investment shall not be treated as a component of the Company's plant in service included in rate base either during the amortization period, or after its termination. The customer's monthly surcharge shall be determined by dividing the contract's principal by the product of: (a) the anticipated number of months over which the customer contribution is amortized, and (b) the number of customers to be served by the line extension project. All monthly surcharge revenue shall be used to reimburse the Company for the capital costs in excess of the free allowance. No interest shall be applied to the principal.

The Company shall submit to the Commission an informational filing upon the initiation of such a project which will specify:

1. A general description of the area to be served;
2. The number of customers projected to be served;
3. The total capital costs;

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D. RESIDENTIAL AMORTIZATION PROGRAM (Continued)

4. The amount of allowable investment;
5. The customer contribution;
6. The anticipated number of months over which the customer contribution is to be amortized;
7. The amount of the amortization surcharge to be assessed;
8. A copy of the service contract being utilized; and
9. A copy of the economic analysis which has been performed regarding the project in question.

If a customer that is a party to a residential amortization program contract should disconnect service, and later reconnect at the same service address, the customer shall pay the Company the sum of any unpaid monthly surcharges accrued during the period of disconnection before service shall be reestablished.

If an additional applicant requests service which requires connection to a line extension that is already subject to an amortization program, such additional applicant shall, in addition to any incremental contribution requirement, pay the monthly surcharge provided in the amortization program contract.

The monthly surcharge in the final month of the amortization period shall be adjusted to account for any change in the estimated number of customers, such that the sum of charges paid over the term of the contract equals the principal. The final payment shall not exceed the level of the surcharge assessed during the term prior to the final payment. Any excess collections shall be refunded equally to all customers of record at the time the refund is distributed.

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D. RESIDENTIAL AMORTIZATION PROGRAM *(Continued)*

In instances where an owner or tenant that was a party to such a line extension contract moves from a service address before expiration of the contract, a new owner or tenant requesting gas service shall be subject to the monthly surcharge for as long as the new owner or tenant resides at that address, until such time as the contract expires.

The Basic Service Charge and margin revenues associated with each project must be sufficient to at least cover the cost of federal income taxes on the surcharge revenues.

The residential amortization plan shall only be applicable to one or more direct residential customers and shall not be available to developers, contractors or other commercial entities.

E. EXCESS FLOW VALVE AND SERVICE LINE SHUT-OFF VALVE INSTALLATION

Subject to any customer advance or contribution requirements, the installation of an Excess Flow Valve (EFV) or a Service Line Shut-Off Valve (SLSV) shall be performed on all newly installed or replaced service lines connected to the Utility's distribution system before the service is activated as provided by this Rule. Nothing in this Rule prevents the Company from installing or specifying, in its sole discretion, the installation of an EFV or an SLSV in additional service types.

1. Applicable service line types:
 - a. A service line to a Single-Family Residential Structure;
 - b. A branch service to a Single-Family Residential Structure installed concurrently with the primary Single-Family Residential Structure service line (i.e., a single EFV may be installed to protect both service lines);

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(Continued)

E. EXCESS FLOW VALVE AND SERVICE LINE SHUT-OFF VALVE INSTALLATION
(Continued)

- c. A branch service to a Single-Family Residential Structure installed off a previously installed Single-Family Residential Structure service line that does not contain an EFV;
 - d. Multi-Family Residential Structure with known customer loads not exceeding 5,500 Standard Cubic Foot per Hour (SCFH) per service, at time of service installation based on installed meter capacity, and;
 - e. A single, small commercial customer served by a single service line with a known customer load not exceeding 5,500 SCFH, at the time of meter installation, based on installed meter capacity.
 - f. For service lines with meter capacity exceeding 5,500 SCFH, a service line shut-off valve or EFV, if appropriate, will be installed.
2. The Company is not required to install an EFV if one or more of the following conditions are present:
- a. The service line does not operate at a pressure of 10 psig or greater throughout the year;
 - b. The Company has prior experience with contaminants in the gas stream that could interfere with the EFV's operation or cause loss of service to a customer;
 - c. An EFV could interfere with the necessary operation or maintenance activities such as blowing liquids from the line; or
 - d. An EFV meeting the performance standards in 49 C.F.R § 192.381 is not commercially available to the Company.

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FACILITIES EXTENSIONS

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E. EXCESS FLOW VALVE AND SERVICE LINE SHUT-OFF VALVE INSTALLATION
(Continued)

3. Except as provided by Rule 9.E.1.e, where it is necessary to install, change or alter the EFV, due to a Customer's request, an alteration of the Customer's premises, or alteration of the Customer's load, the Customer shall reimburse the Company for all expenses in connection with upgrading or removing the EFV.
4. Customers have the right to request the installation of an EFV on their existing service line if the load does not exceed 5,500 SCFH and the conditions in Section 2 are not present.
5. If a customer requests the installation of an EFV on their existing service, the Company shall perform the installation subject to the feasibility of such installation and at a mutually agreeable date.
6. The customer's financial contribution towards the cost of a customer requested installation of an EFV is shown in the Statement of Rates – Other Service Charges

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