

RULE NO. 15

GAS MAIN EXTENSIONS

APPLICABILITY

This rule is applicable in the Utility's South Lake Tahoe service territory to the extension of gas Distribution Mains necessary to furnish Permanent Service to Applicants and will be made in accordance with the following provisions: (Certain words are defined either within the provisions of this rule or in Section I of this rule.)

A. GENERAL

1. Extension Basis

a. Design

The Utility will be responsible for planning, designing and engineering extensions using the Utility's standards for materials, design and construction.

Applicants may also elect to design that portion of the new extension normally designed by the Utility, in accordance with the Applicant Design Option provisions of Section F.

b. Installation

(1) The Applicant may select the Utility to install an extension in accordance with Section B.2, or

(2) The Applicant may select to install an extension in accordance with Section B.1 and the Applicant Installation Option in Section G.

c. Ownership

The extension facilities installed under the provisions of this rule shall be owned, operated and maintained by the Utility, except for Substructures and enclosures that are on, under, within or part of a building or structure.

d. Private Lines

The Utility shall not be required to serve any Applicant from extension facilities that are not owned, operated and maintained by the Utility.

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(Continued)

A. GENERAL *(Continued)*

2. Extension Locations

a. Rights-of-Way

The Utility will own, operate and maintain extension facilities only:

- (1) Along public streets, alleys, roads, highways and other publicly dedicated ways and places which the Utility has the legal right to occupy (Franchise Areas).
- (2) On public lands and private property across which easements and permits satisfactory to the Utility may be obtained without cost to or condemnation by the Utility.

b. Normal Route of Line

The length and normal route of an extension will be determined by the Utility and considered as the distance along the shortest, most practical, available and acceptable route which is clear of obstructions from the Utility's nearest permanent and available distribution facility to the point from which the service facilities will be connected.

3. Special or Added Facilities

Any special or added facilities the Utility agrees to install at the request of Applicant will be installed at Applicant's expense.

4. Temporary Service

Facilities installed for temporary service or for operations of speculative character or questionable permanency shall be made in accordance with the fundamental installation and ownership provisions of this rule, except that all charges and refunds shall be made under the provisions of Rule No. 13, Temporary Service.

5. Services

Service facilities connected to the Distribution Mains to serve a customer's premises will be installed, owned and maintained as provided in Rule No. 16, Gas Service Extensions.

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A. GENERAL (Continued)

6. Contracts

Each Applicant requesting an extension may be required to execute a written contract(s) prior to the Utility performing its work on the extension. Such contracts shall be in the form on file with the California Public Utilities Commission (Commission).

B. INSTALLATION RESPONSIBILITIES

1. Applicant Responsibility

In accordance with the Utility's design, specifications and requirements, Applicant is responsible for:

a. Substructures

Furnishing, installing and upon acceptance by the Utility, conveying to the Utility ownership of all necessary installed Substructures.

b. Protective Structures

Furnishing, installing and upon acceptance by the Utility, conveying to the Utility ownership of all necessary Protective Structures.

2. Utility Responsibility

The Utility, if selected by the Applicant, is responsible for the installation of Distribution Main, valves, regulators and other related distribution equipment required to complete the extension, including all necessary Trenching, backfilling and other digging as required.

The Applicant may elect to provide the trench, as discussed in Section B.3.6. If Applicant chooses to perform the Trenching, it must also secure permits from the governmental authorities having jurisdiction. If Applicant qualifies for an extension allowance under Section C, the Utility will provide Applicant with a reimbursement or credit for the Utility's project-specific estimated cost-per-foot of trench.

SOUTHWEST GAS CORPORATION

P.O. Box 98510

Las Vegas, Nevada 89193-8510

California — South Lake Tahoe Tariff

Original Cal. P.U.C. Sheet No. 107
 Canceling _____ Cal. P.U.C. Sheet No. _____

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B. INSTALLATION RESPONSIBILITIES *(Continued)*

3. Installation Options

a. Utility-Performed Work

Where requested by Applicant and mutually agreed upon, the Utility may furnish and install the Substructures and/or Protective Structures, provided Applicant pays the Utility its total estimated installed cost.

b. Applicant Performed Work

Applicant may elect to install that portion of the new extension normally installed by the Utility, in accordance with the Utility's design and specifications, using qualified contractors. (See Section G, Applicant Installation Option.)

C. EXTENSION ALLOWANCES

1. General

The Utility will complete an extension without charge provided the Utility's total estimated installed cost (excluding services and Meter Set Assemblies subject to Rule No. 16) does not exceed the allowances, from permanent, bona fide loads to be served by the extension, within a reasonable time as determined by the Utility.

2. Basis of Allowances

Allowances shall be granted to an Applicant for Permanent Service or to an Applicant for a subdivision or development under the following conditions:

- a. The Utility is provided evidence that construction will proceed promptly and financing is adequate.
- b. Applicant has submitted evidence of building permit(s) or fully-executed home purchase contract(s) or lease agreement(s).
- c. Where there is equivalent evidence of occupancy or gas usage satisfactory to the Utility.

Advice Letter No. 730
 Decision No. D.05-03-010

Issued by
 John P. Hester
 Vice President

Date Filed April 29, 2005
 Effective April 29, 2005
 Resolution No. _____

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C. EXTENSION ALLOWANCES (Continued)

2. Basis of Allowances (Continued)

The allowances in Sections C.3 and C.4 are based on a revenue-supported methodology using the following formulas:

$$\text{ALLOWANCE} = \frac{\text{NET REVENUE}}{\text{COST OF SERVICE FACTOR}}$$

3. Residential Allowances

The allowance for Permanent Residential Service per meter or residential dwelling unit, on a per-unit basis, is as follows:

Water Heating	\$ 231
Space Heating	\$ 862
Oven/Range	\$ 28
Dryer Stub	\$ 70
Space Cooling	Not Applicable

Residential Applicants for both main and service extensions who are entitled to a Main Extension allowance in excess of the total estimated cost of the Main Extension may apply the amount of the unused portion of such Main Extension allowance toward the cost of the service extension, provided that the sum of the main and service allowances granted by the Utility does not exceed the total allowances provided in Rule No. 15, Gas Main Extensions, and Rule No. 16, Gas Service Extensions.

Allowances will be applied first to the Meter Set Assembly; then services; then mains.

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C. EXTENSION ALLOWANCES (Continued)

4. Non-Residential Allowances

The total allowance for Gas Main Extensions, service extensions, or a combination thereof, for Permanent Non-Residential Service is determined by the Utility using the formula in Section C.2. The Utility, at its election, may apply a Non-Residential Allowance Net Revenue Multiplier of 5.7 times Net Revenue.

Where the extension will serve a combination of residential and non-residential meters, residential allowances will be added to the non-residential allowances.

5. Seasonal, Intermittent, Insignificant and Emergency Loads

When Applicant requests service that requires an extension to serve loads that are seasonal or intermittent, the allowance for such loads shall be determined using the formula in Section C.2. No allowance will be provided where service is used only for emergency purposes or for Insignificant Loads.

D. CONTRIBUTIONS OR ADVANCES BY APPLICANT

1. General

Contributions or Advances by an Applicant to the Utility for the installation of an extension to receive Utility service consist of such things as cash payments, the value of the facilities deeded to the Utility and the value of Trenching performed by Applicant.

2. Project-Specific Cost Estimates

The Utility's total estimated installed cost will be based on a project-specific estimated cost.

3. Cash Payment

A cash payment will only be required if Applicant's allowance is less than the Utility's total estimated installed cost (excluding Meter Set Assemblies, services and Betterment).

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D. CONTRIBUTIONS OR ADVANCES BY APPLICANT (Continued)

4. Postponement

At the Utility's option, the payment of that portion of such an Advance that the Utility estimates would be refunded within six (6) months under other provisions of this rule may be postponed for six (6) months if: (1) the Utility is provided evidence the construction will proceed promptly and financing is adequate; (2) Applicant has submitted evidence of building permit(s) or fully-executed home purchase contract(s) or lease agreement(s); or (3) where there is equivalent evidence of occupancy or gas usage satisfactory to the Utility; and (4) Applicant agrees in writing to pay at the end of six (6) months all amounts not previously Advanced.

5. Tax

All Contributions and Advances by Applicant are taxable and shall include an Income Tax Component Contribution (ITCC) at the rate provided in the Utility's Preliminary Statements. ITCC Tax will be either refundable or non-refundable in accordance with the corresponding Contribution.

6. Refundable and Non-Refundable Amounts

Applicant shall advance or contribute, before the start of the Utility's construction, the following:

a. Refundable Amount

Applicant's refundable amount is the portion of the Utility's total estimated installed cost, including taxes, to complete the extension (excluding Meter Set Assemblies, services and Betterment), including the estimated value of the Trenching, that exceeds the amount of extension allowance determined in Section C; or,

b. Non-Refundable Discount Option

In lieu of contributing the refundable amount determined in Section D.6.a, Residential Applicants have the option of contributing, on a non-refundable basis, fifty percent (50%), of such refundable amount. Non-Residential Applicants may be eligible at the Utility's option, based on expected revenues, plus;

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D. CONTRIBUTIONS OR ADVANCES BY APPLICANT (Continued)

6. Refundable and Non-Refundable Amounts (Continued)

c. Other Non-Refundable Amounts

Applicant's non-refundable amount is the Utility's estimated value of the Substructures and Protective Structures required by the Utility for the extension under Section B.1.

7. Joint Applicants

The total Contribution or Advance from a group of Applicants will be apportioned among the members of the group in such manner as they may mutually agree.

8. Payment Adjustments

a. Contract Compliance

If, after six (6) months following the date the Utility is first ready to serve residential loads for which allowances were granted [three (3) years for non-residential loads], Applicant fails to take service or fails to use the service contracted for, Applicant shall pay the Utility an additional Contribution or Advance based on the allowances for the revenues actually generated.

b. Excess Facilities

If the loads provided by Applicant(s) result in the Utility installing facilities which are in excess of those needed to serve the actual loads and the Utility elects to reduce such excess facilities, Applicant shall pay the Utility its estimated total cost to remove, abandon or replace its excess facilities, less the estimated salvage value of any removed facilities.

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E. REFUND BASIS

1. General

Refunds are based on the allowances and conditions in effect at the time the contract is signed.

2. Total Refundable Amount

The total amount subject to refund is the sum of the refundable amounts made under Section D.6.

3. Refund Period

The total refundable amount is subject to refund for a period of ten (10) years after the extension is first ready for service.

4. Residential

Refunds will be made on the basis of a new customer's permanent load which produces additional revenues to the Utility. The refund will be deducted from the total refundable amount and the remaining amount subject to refund represents that portion of the extension cost not supported by revenues. (See Section E.11 for series refund provisions.)

5. Non-Residential

The Utility shall be responsible for reviewing Applicant's actual base annual revenue for the first three (3) years from the date the Utility is first ready to serve. Applicant shall be responsible for notifying the Utility if new, permanent load is added from the fourth (4th) through the tenth (10th) year from the date first ready to serve. Such review shall determine if the additional revenue supports any refunds to the Applicant. (See Section E.11 for series refund provisions.)

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GAS MAIN EXTENSIONS*(Continued)*E. REFUND BASIS *(Continued)*

6. Unsupported Extension Cost

When any portion of a refundable amount has not qualified for a refund at the end of thirty-six (36) months from the date the Utility is first ready to serve, Applicant will pay to the Utility an Ownership Charge on the remaining refundable balance. Ownership Charges are in addition to the refundable amount and will normally be accumulated and deducted from refunds due Applicant. This provision does not apply to individual residential Applicants.

7. Refund Timing

Refunds will be made without interest within ninety (90) days after the date of first service to new permanent loads, except that refunds may be accumulated to a fifty dollar (\$50) minimum or the total refundable balance, if less than fifty dollars (\$50).

8. Maximum Refund

No refund shall be made in excess of the refundable amount nor after a period of ten (10) years from the date the Utility is first ready to serve. Any unrefunded amount remaining at the end of the ten (10) year period shall become the property of the Utility.

9. Previous Rules

Refundable amounts paid, contributed or advanced under conditions of a rule previously in effect will be refunded in accordance with the provisions of such earlier rule.

10. Joint Applicants

When two (2) or more parties make joint Contributions or Advances on the same extension, refunds will be distributed to these parties in the same proportion as their individual Contributions or Advances bear to the total refundable amount, or as they may mutually agree.

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E. REFUND BASIS (Continued)

11. Series of Extensions

Where there are a series of extensions, commencing with an extension having an outstanding amount subject to refund and each extension is dependent upon the previous extension as a direct source of supply, a series refund will be made as follows:

- a. Additional service connections supplied from an extension on which there is a refundable amount will provide refunds first to the extension to which they are connected.
- b. When the amount subject to refund on an extension in a series is fully refunded, the excess refundable amount will provide refunds to the extension having the oldest outstanding amount subject to refund in the series.

F. APPLICANT DESIGN OPTION FOR NEW INSTALLATIONS

1. Competitive Bidding

When Applicant selects the Applicant Design Option, the extension may be designed by Applicant's Qualified Contractor or Subcontractor (QC/S) in accordance with Utility's design and construction standards. All applicant design work of gas facilities must be performed by, or under the direction of, a licensed professional engineer, and all design work submitted to the Utility must be certified by an appropriately-licensed professional engineer, consistent with the applicable federal, state and local codes and ordinances. The Applicant Design Option is available to Applicants for new service and is not available for replacement, reinforcement, or relocation of existing systems where there is no applicant for new main or service extension work. Under this option, the following applies:

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F. APPLICANT DESIGN OPTION FOR NEW INSTALLATIONS (Continued)

1. Competitive Bidding (Continued)

- a. Applicant shall notify Utility in a manner acceptable to the Utility.
- b. Applicant designs shall conform to all applicable federal, state, and local codes and ordinances for utility installation designs (such as, but not limited to the California Business and Professions Code).
- c. Utility may require applicant designers to meet the Utility's prequalification requirements prior to participating in applicant design.
- d. Applicant designers shall obtain Utility design and construction standards and specifications prior to performing applicant design. The Utility may charge for any of these services.
- e. Utility will perform one plan check on each applicant design project at no expense to Applicant. Utility will perform all subsequent plan checks at Applicant's expense.
- f. For designs performed by non-utility designers, Utility will credit Applicant with the amount of Utility's design bid less any appropriate charges, such as for plan checking, changes or revisions.
- g. In the case of applicant design projects requiring an advance, Utility will apply the design credit to the Applicant's advance.
- h. If no advance is required, Utility will refund/reimburse the Applicant for the Utility's estimated cost of design after the (Service/Main) Extension is first ready for service.
- i. Utility shall perform all Utility's project accounting and cost estimating.

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G. APPLICANT INSTALLATION OPTION

- 1. When Applicant selects the Applicant Installation Option, the extension may be installed by the Applicant's qualified contractor or subcontractor (QC/S) in accordance with the Utility's design and specifications.

Applicants choosing the Applicant Installation Option are subject to the preceding general rules, as well as the following rules and as they might modify the preceding sections.

- a. Upon completion of Applicant's installation, and acceptance by the Utility, ownership of all such facilities will transfer to the Utility.
- b. Applicant shall provide to the Utility, prior to the Utility preparing the Gas Main extension contract, the Applicant's Contract Anticipated Costs, which are subject to refund, to perform the work normally provided by the Utility. The Applicant shall submit, on a form provided by the Utility, a statement of such costs. If the Applicant elects not to provide such costs to the Utility, the Applicant shall acknowledge its election on the form and the Utility will use its estimated costs.
- c. Applicant shall pay to the Utility, subject to the refund and allowance provisions of Rules 15 and 16, the Utility's estimated cost of work performed by the Utility for the Gas Main extension, including the estimated cost for design, administration, and installation of any additional facilities.
- d. The lower of the Utility's estimated refundable cost, or Applicant's Contract Anticipated Costs, as reported to the Utility in G.1.b, for the work normally performed by the Utility, shall be subject to the refund and allowance provisions of Rule Nos. 15 and 16.
- e. Applicant shall pay to the Utility the estimated cost of the Utility's inspection, which shall be a fixed amount, not subject to reconciliation to actual inspection costs. Such inspection cost is refundable within the allowance up to the difference between the Applicant's Contract Anticipated Costs, as reported in G.1.b, and the Utility's estimated costs to perform the same work, but not to exceed the Utility's estimated costs.
- f. Only duly authorized employees of the Utility are allowed to connect to, disconnect from, or perform any work upon the Utility's facilities.

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G. APPLICANT INSTALLATION OPTION (Continued)

2. Minimum Contractor Qualifications

Applicant to insure and demonstrate to Utility upon request, that the Applicant or Applicant's QC/S is in compliance with the following:

- a. Be licensed in California for the appropriate type of work, such as, but not limited to, gas and general.
- b. Employ workers properly qualified for the specific skills required (plastic fusion, welding, etc.).
- c. Comply with applicable laws, regulations and ordinances (Equal Opportunity regulations, OSHA, EPA, etc.).

3. Other Contractor Qualifications

An Applicant for service who intends to employ a QC/S also should consider whether the QC/S:

- a. Is technically competent.
- b. Has access to proper equipment.
- c. Demonstrates financial responsibility commensurate with the scope of the contract.
- d. Has adequate insurance coverage (worker's compensation, liability, property damage, etc.).
- e. Is able to furnish a surety bond for performance of the contract, if required.

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H. SPECIAL CONDITIONS

1. Facility Relocation or Rearrangement

Any relocation or rearrangement of the Utility's existing facilities, at the request of, or to meet the convenience of, an Applicant or customer and agreed upon by the Utility, normally shall be performed by the Utility at Applicant's expense. Where new facilities can be constructed in a separate location, before abandonment or removal of any existing facilities, and Applicant requests to perform the new construction work, it can be performed under the applicable provisions of Section G, Applicant Installation Option.

In all instances, the Utility shall abandon or remove its existing facilities at the option of the Utility. The Applicant or customer shall be responsible for the costs of all related relocation, rearrangement and removal work.

2. Periodic Review

The Utility will periodically review the factors it uses to determine its residential allowances, non-refundable discount option percentage rate, Non-residential Allowance Net Revenue Multiplier and cost of service factor stated in this rule. If such review results in a change of more than five percent (5%), the Utility will submit a tariff revision proposal to the Commission for review and approval. Such proposed changes shall be submitted no sooner than six (6) months after the last revision.

Additionally, the Utility shall submit tariff revisions to implement relevant Commission decisions from other proceedings that affect this rule.

3. Exceptional Cases

When the application of this rule appears impractical or unjust to either party or the ratepayers, the Utility or Applicant may refer the matter to the Commission for a special ruling or for the approval of special condition(s) which may be mutually agreed upon.

4. Service from Gas Transmission Lines

The Utility will not tap a gas transmission line except at its option when conditions in its opinion justify such a tap. Such taps are made in accordance with the provisions of this rule.

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GAS MAIN EXTENSIONS

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I. DEFINITIONS FOR RULE NO. 15

- Advance: Cash payment made to the Utility prior to the initiation of any work done by the Utility which is not covered by allowances.
- Applicant: A person or agency requesting the Utility to supply gas service.
- Applicant's Contract Anticipated Cost: The cost estimate provided by the Applicant's contractor to the Applicant for performing the applicable refundable work, as stated on the Application-Installation Cost Verification form (Form 130.16), or in the case where work is performed by the Applicant, the Applicant's own cost estimate on the signed form.
- Betterment: Facilities installed for the Utility's operating convenience such as, but not limited to the following: to improve gas flow or correct poor pressure conditions, to increase line capacity available to an existing system, to permit pressure conversion of an area or to install proportionally larger pipe than necessary to provide for future load growth, will be installed at the expense of the Utility.
- Contribution: In-kind services and/or the value of all property conveyed to the Utility at any time during the Utility's work on an extension which is part of the Utility's total estimated installed cost of its facilities or cash payments not covered by Applicant's allowances.
- Cost of Service Factor: The factor determined by the Utility that includes taxes, return, depreciation that is applied to the Net Revenue to determine the Utility's investment in distribution facilities.
- Distribution Mains: Facilities which are operated at distribution pressure and supply three (3) or more services or run parallel to the property line in a public right-of-way.

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GAS MAIN EXTENSIONS

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I. DEFINITIONS FOR RULE NO. 15 *(Continued)*

Excavation: All necessary Trenching, backfilling and other digging as required to install extension facilities, including furnishing of any imported backfill material and disposal of spoil as required, surface repair and replacement and landscape repair and replacement.

Franchise Area: Public streets, roads, highways and other public ways and places where the Utility has a legal right to occupy under franchise agreements with governmental bodies having jurisdiction.

Insignificant Loads: Small operating loads such as log lighters, barbecues, outdoor lighting, etc.

Intermittent Loads: Loads which, in the opinion of the Utility, are subject to discontinuance for a time or at intervals.

Joint Trench: Excavation that intentionally provides for more than one service, such as gas, electricity, cable television, telephone, etc.

Main Extension: The length of main and its related facilities required to transport gas from the existing distribution facilities to the point of connection with the service pipe.

A Main Extension consists of new distribution facilities of the Utility that are required to extend service into an open area not previously supplied to serve an Applicant. It is a continuation of, or branch from, the nearest available existing permanent Distribution Main, to the point of connection of the last service. The Utility's Main Extension includes any required Substructures and facilities for transmission taps, but excludes services and Meter Set Assemblies.

Meter Set Assembly: Consists of the customer meter, service pressure regulator and associated pipe and fittings.

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I. DEFINITIONS FOR RULE NO. 15 *(Continued)*

- Net Revenue: That portion of the total rate that supports the Utility's extension costs and excludes such items as fuel costs, transmission, storage, public purpose programs, and other costs that do not support the extension costs.
- Non-Residential Allowance Net Revenue Multiplier: This is a revenue-supported factor determined by the Utility that is applied to the net revenues expected from non-residential loads to determine non-residential allowances.
- Ownership Charge: Monthly charge as a percentage rate applied against the outstanding unrefunded refundable balance after thirty-six (36) months from the date the Utility is first ready to serve. Serves to recover the cost of operating and maintaining customer-financed facilities that are not fully utilized. The Ownership Charge percentage rate is equal to the inverse of the Non-Residential Allowance Net Revenue Multiplier contained in Rule 15, Section C.4.
- Permanent Service: Service which, in the opinion of the Utility, is of a permanent and established character. This may be continuous, intermittent or seasonal in nature.
- Protective Structures: Fences, retaining walls (in lieu of grading), barriers, posts, barricades and other structures as required by the Utility.
- Residential Development: Five (5) or more dwelling units in two (2) or more buildings located on a single parcel of land.
- Residential Subdivision: An area of five (5) or more lots for residential dwelling units which may be identified by filed subdivision plans or an area in which a group of dwellings may be constructed about the same time, either by a builder or several builders working on a coordinated basis.
- Seasonal Service: Gas service to establishments which are occupied seasonally or intermittently, such as seasonal resorts, cottages or other part-time establishments.

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I. DEFINITIONS FOR RULE NO. 15 (Continued)

Substructures: The surface and subsurface structures which are necessary to contain or support the Utility's gas facilities. This includes, but is not limited to, equipment vaults and boxes, required sleeves for street crossings and enclosures, foundations or pads for surface-mounted equipment.

Trenching: All necessary Excavation, backfilling and other digging to install extension facilities, including furnishing of any imported backfill material and disposal of spoil as required, surface repair and replacement, and landscape repair and replacement.