

4.00 GAS MAINS

CenterPoint Energy will install mains under the following guidelines and conditions:

4.01 Gas Main Design and Ownership

CenterPoint Energy will determine the location, size, kind and type of all gas mains, and the method and manner of installation.

All gas mains are the property of CenterPoint Energy. No building, structure or slab shall be constructed over a gas main without CenterPoint Energy's prior written consent.

4.02 Location of Gas Mains

Gas mains will normally be installed in streets or alleys which have been dedicated as a public way, or in dedicated utility easements, all of which will be graded to within six (6) inches, if required, of a permanent established elevation.

Gas mains will not be installed on private property unless CenterPoint Energy deems it necessary and desirable to do so and all necessary easements are obtained.

4.03 Permits

All permits, or blanket approvals, as may be required, must be issued to CenterPoint Energy prior to installation of gas mains.

4.04 Economic Feasibility

CenterPoint Energy will apply the general principle that the rendering of gas service to the applicant shall be economically feasible so that the cost of extending such service will not have an undue burden on other customers. In determining whether the expenditure for gas service is economically feasible, CenterPoint Energy shall take into consideration the total cost of serving the applicant and the expected revenue from the applicant.

Once CenterPoint Energy waives any additional customer charges for main and service extensions, CenterPoint Energy cannot at any point recover those charges from ratepayers.

4.04 Economic Feasibility (Continued)

Cost Justification Formula

All Commercial/Industrial main line extension projects and service line extension projects will be justified using the following formula:

Allowable Investment	=	Est. Annual Gas Margin	Divided by	Cost of Service Factor
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COST OF SERVICE FACTOR	I/C FIRM	DUAL FUEL
	13.31%	16.59%

Estimated annual gas margin is the annual basic charge plus the delivery charge per therm less the conservation cost recovery charge (CCRC) per therm multiplied by estimated annual sales.

$$\text{Cost of Service Factor} = \frac{\text{Annual costs incurred as a percentage of the original investment}}{\text{Net investment balance as a percentage of the original investment}} \times \text{Net investment balance as a percentage of the original investment}$$

The following Cost of Service Factors will be updated annually using the calculation above:

- Commercial/Industrial New Installation
- Dual Fuel New Installation

Original investment is the cost incurred to add a new firm or interruptible commercial/industrial customer.

The costs incurred include depreciation, property taxes and pre-tax rate of return. Depreciation is based on the rates from the most recent filed depreciation study. Property taxes are based on the actual rate for the previous year. The pre-tax rate of return is based on the capital structure approved in the most recent rate case.

The net investment balance is the balance of the original investment less accumulated depreciation and accumulated deferred income taxes. Tax depreciation rates used to calculate accumulated deferred income taxes are from the most recent applicable depreciation tables issued by the Internal Revenue Service. This factor is calculated at the 5th year for firm customers and the 1st year for interruptible customers.

Federal and state tax rates used in the calculation are the current statutory rates for Minnesota utilities.

4.05 Expense of Installation - Gas Mains

If in the opinion of CenterPoint Energy, gas service is not now, nor ever will be, economically feasible, CenterPoint Energy will make an estimate of the cost of the project and the extension will nevertheless be made only if the applicant pays a non-refundable contribution-in-aid-of-construction to CenterPoint Energy for the portion of the capital expenditure and annual operating costs not justified by the annual revenue.

The applicant may pay the contribution in equal monthly installments over a period not to exceed ninety (90) days interest free.

4.05 Expense of Installation - Gas Mains (Continued)

CenterPoint Energy may install gas mains without charge to service residential, commercial or industrial users where it deems the anticipated revenue is sufficient to warrant such installation or in other cases where CenterPoint Energy determines the conditions justify such installation.

CenterPoint Energy may in its discretion install gas mains without charge to areas where water and sanitary sewer mains are in place.

When the gas main line is installed between November 1 and April 1, inclusive, because the requirements set forth by CenterPoint Energy to complete installation during normal construction were not met or because the customer's property, or the streets leading thereto, are not ready to receive the pipe, such work may be subject to a fixed winter construction charge. (See Section VI, Part 15.01 on page 41.) Winter construction will not be undertaken by CenterPoint Energy where prohibited by law or where it is not practical or prudent to install gas service pipe during the winter season.

4.06 Advance for Construction Requirements

If the installation of a gas main is expected to be supported by future annual revenues, CenterPoint Energy shall require the applicant to make a refundable cash advance or provide a Letter of Credit for construction of main extension from the gas main in excess of 150 ft. of gas main allowance per residential structure using gas for primary space heating, calculated at \$3.00 per foot for each foot of gas main in excess of the allowance. The advance must be received before construction begins.

4.06 Advance for Construction Requirements (Continued)

Advances for residential gas main extensions are refundable without interest for a period of up to three (3) years from the date of completion of the main extension as additional customers are connected to the particular main extension for which the advance was made. For each such additional customer connected to the main extension within the three year period, CenterPoint Energy will refund semi-annually based upon the customer footage allowance and the cost per foot of main effective the year the main extension was installed.

The total amount refunded shall not exceed the amount of the original advance and any remaining balance at the end of three (3) years becomes a non-refundable contribution-in-aid of construction.