

Black Hills Colorado Gas, Inc.
d/b/a Black Hills Energy

Colo. PUC No. 1
Third Revised Sheet No. R40
Cancels Second Revised Sheet No. R40

RULES AND REGULATIONS
APPLICABLE TO ALL GAS SERVICES
(Continued)

LINE EXTENSION
(Applicable to All Rate Schedules)

METERS AND REGULATORS

Within the Company's service territory, the Company shall, at its expense, install meters and meter connections. The meters and meter connections always remain the property of the Company and may be removed when the service is terminated for any cause.

DEFINITION OF TERMS

"Construction Allowance" is the amount of Construction Costs of Main and Service Line extensions incurred by the Company for the new customer.

"Construction Costs" are the cost of Main and Service Line extensions and shall include the Company's estimate of the combined costs of all facilities necessary for the main and/or service line extension, including satisfactory rights-of-way.

"Customer Contribution" is the required amount advanced by the Customer (or applicant) to pay all construction costs, including gross-up for taxes, related to a new main and/or service line extension. A portion may be refundable to the Customer.

$$\text{Total Construction Costs} - \text{Construction Allowance} = \text{Customer Contribution}$$

"Main Line Extension" is the distribution or supply mains, including all facilities, necessary to supply service to additional customers.

"Service Line Extension" is the supply pipe extending from the distribution main to and including the first valve or cock past the meter for the new Customer.

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RULES AND REGULATIONS
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LINE EXTENSION
(Applicable to All Rate Schedules)
(Continued)

MAIN AND SERVICE LINE EXTENSION POLICY

1. Within the Company's service territory, the Company shall make such reasonable, economically viable extensions of the Mains and/or Service Lines from time to time consistent with the construction allowance as warranted by expansion and development of demand, subject to the Customer's compliance with any prior contractual relationships involving the Company. The Company shall apply its Line Extension Policy in a non-discriminatory manner to all applicants under similar circumstances and conditions.
2. Any and all contractors used for excavation, backfill, or construction of Main and/or Service Line extensions owned or operated by the Company must be approved by the Company. Installation will be performed by the Company or a Company-approved, DOT-qualified third-party contractor.
3. The Company shall bear the expense of any required maintenance, repair, or replacement of pipeline or facilities owned by the Company.
4. The Main and Service Line Extension Policy shall not apply to Customers behind a master meter system.
5. The Customer will be responsible for all Main and/or Service Line extension costs in excess of the Construction Allowances. The Customer and Company may sign a five-year agreement covering the Customer Contribution paid to the Company for Main and/or Service Line extensions. The Customer Contribution paid to the Company may be refundable for a five-year period in the amount stipulated in the agreement for each subsequent Customer connected to the same extension, provided however that the refunds will not exceed the total amount of the Customer Contribution.
6. The Customer specifically agrees that the Company may make additional extensions from the original extension, and the Company will evaluate the refund obligation on a case-by-case basis.
7. In all cases where it is deemed desirable or necessary by the Company to construct a Main Line extension of greater capacity than that which is required for the Customer, in order to conform to future plans of the Company, the excess construction cost of the Main Line shall be borne by the Company.

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LINE EXTENSION
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MAIN AND SERVICE LINE EXTENSION POLICY (Continued)

GAS MAIN AND SERVICE LINE INSTALLATIONS

Service Line Installation

For gas service of a permanent character, the Company will install the necessary gas service meter, service regulator, and Service Line as set out herein.

The ownership of the Service Line and meter shall be vested in the Company and the control of same shall remain with the Company while customer is connected to Company's distribution main. As a condition of receiving service, the customer and/or applicant shall be deemed to have granted an easement to the Company for all necessary facilities. The Customer is responsible for the cost of the Service Line in excess of the Construction Allowance.

Main Line Extension

The Customer is responsible for the cost of the Main Line extension in excess of the Construction Allowance.

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 (Continued)**

**LINE EXTENSION
 (Applicable to All Rate Schedules)
 (Continued)**

MAIN AND SERVICE LINE EXTENSION POLICY (Continued)

CONSTRUCTION ALLOWANCE

The Construction Allowance for new Main and/or Service Line extensions offered to new Customers within the service territory, where the home or structure has primary gas heat and gas water heating or has gas appliance(s) with comparable typical expected annual usage on the Company's system will be:

Rate Schedule	Fixed Amount by Base Rate Area			Per Dth by Base Rate Area		
	1	2	3	1	2	3
Residential						
Service Line	\$465.00	\$525.00	\$252.00	-	-	-
Distribution Main	\$996.00	\$1,151.00	\$418.00	-	-	-
Small Commercial						
Service Line	\$512.00	\$577.00	\$303.00	-	-	-
Distribution Main	\$2,158.00	\$2,704.00	\$647.00	-	-	-
Large Commercial						
Service Line	\$1,862.00	\$1,576.00	\$1,262.00	-	-	-
Distribution Main	-	-	-	\$9.21	\$11.73	\$3.64
Irrigation / Seasonal						
Service Line	\$1,978.00	\$1,592.00	\$1,263.00	-	-	-
Distribution Main	-	-	-	\$4.53	\$5.79	\$1.36

The Company will determine the amount of the construction allowance (service line only, distribution main only, or both service line and distribution main) provided to the customer.

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LINE EXTENSION
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MAIN AND SERVICE LINE EXTENSION POLICY (Continued)

CUSTOMER CONTRIBUTION PAYMENT OPTION ("Payment Option")

In lieu of making an up-front, lump-sum Customer Contribution payment before construction commences, an Applicant may, under this Payment Option, request that the Company finance all or a portion of the Customer Contribution. Financing of the Customer Contribution will be at the Company's discretion, where Applicant's financial condition is determined by the Company to be satisfactory. In addition, the following conditions apply:

1. The Payment Option is only available to Applicants receiving Permanent Service. The Payment Option is not available for Multi-Tenant Residential dwelling units, or rented property, including mobile homes on rented lots.
2. Only the property owner at the address requesting service is eligible to contract for the Payment Option. The property owner must also be the Applicant and the customer of record.
3. Prior to extension of service, (i) Applicant must pay to the Company any Customer Contribution amount not being financed and (ii) a Customer Contribution Payment Loan Agreement ("Loan Agreement") must be fully executed by Applicant and the Company in order to legally guaranty Applicant's repayment of the Customer Contribution Payment Loan Amount ("Loan Amount").
4. Interest on the Loan Amount is calculated based upon the most recently approved weighted average cost of capital ("WACC") grossed-up for taxes, compounded annually for a term no longer than ten (10) years and is subject to a credit evaluation. This interest rate will be set forth in the Loan Agreement and will not be subject to change after Applicant's execution of the Loan Agreement.
5. Applicant authorizes Company to request credit scores from any or all of the three (3) major credit reporting agencies in order to determine Applicant's creditworthiness for the Payment Option.
6. Under the Loan Agreement, the Company will have the option to secure any outstanding balance in the form of a lien against the Applicant's premises.

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MAIN AND SERVICE LINE EXTENSION POLICY (Continued)

CUSTOMER CONTRIBUTION PAYMENT OPTION ("Payment Option") (Continued)

7. The monthly payments required under the Loan Agreement will be on Applicant's regular utility bill.
8. If Applicant (i) no longer requires gas service at the premise which is the subject of the Loan Agreement or (ii) sells, conveys or otherwise transfers the premise (absent an assignment of the Loan Agreement approved in writing by Black Hills in accordance with number nine below and the terms of the Loan Agreement), the outstanding balance of the loan shall become immediately due and payable. The continuation of gas service at the subject location to any subsequent property owner or customer shall be conditioned upon payment in full having been received by the Company pursuant to the terms and conditions of the Loan Agreement.
9. The rights and obligations of Applicant under the Loan Agreement shall not be assigned or transferred to a subsequent property owner or customer without the advance written approval of the Company. The Company shall not be required to approve any such assignment or transfer unless, in the Company's opinion, the prospective assignee or transferee is financially qualified to assume the responsibilities thereunder and provides the Company with all documentation required by the Company reflecting the assignee or transferee's agreement to be bound by the terms and conditions thereof.
10. All General Service Rules and Regulations contained in this tariff shall apply to the Payment Option as set forth in this section, including, but not limited to, the rights and remedies under Discontinuation of Service. Any amounts financed by Applicant pursuant to the Payment Option shall be considered indebtedness incurred for utility service rendered by the Company in the State of Colorado.