

16. Pipeline Safety

Safety requirements and procedures for the Company's system are in accordance with Chapter 420 of the MPUC Rules and Regulations.

II. SERVICE AND MAIN LINE EXTENSIONS AND SYSTEM IMPROVEMENTS

1. In areas in which operation by the Company is authorized, service and main lines will be extended for new customers pursuant to these Terms and Conditions and the MPUC Rules and Regulations; gas service will be provided under the rate schedules which are part of this tariff; and system improvements will be undertaken for customer initiated load increases subject to the results of a discounted cash flow ("DCF") (i.e., a Net Present Value ("NPV")):

The Company uses a DCF method to evaluate main and service line extensions. This method considers an estimate of the cost of capital expenditures associated with the proposed extension, an estimate of the net revenue (revenues exclusive of related gas costs recoveries) to be derived from the expected new customer(s), an estimate of the associated operation and maintenance expenses, depreciation and property and other taxes. These amounts are reflected on an annual basis and result in the annual cash flow (after-tax) associated with the proposed new main or service line extension. These annual cash flows are discounted to a present value at a rate representative of the Company's prospective after-tax cost of capital. If the NPV is zero or greater, then no contribution is required. However, if the NPV is negative, then the Excess Cost is required as a Contribution in Aid of Construction ("CIAC").

Payment of the CIAC will be apportioned among the Initial Customers according to their relative cost and usage. Payment will be required in advance or in accordance with installment program provisions in effect at the time that the installment contract is signed.

2. Subsequent Customer Contributions and Refunds

If the connection of a Subsequent Customer(s) results in a negative NPV for such Customer(s), then such Customer(s) will be required to pay the Company for such additional cost. If the NPV is positive for such Customer(s), no payment is required from such additional Customer(s).

If during the period of five years immediately following the date of construction completion, additional Customers (the "Subsequent Customer") whose gas use was not reflected in any previous computation or re-computation of the CIAC, are connected to an extension which was installed subject to a CIAC, the CIAC will be recalculated. Such recomputation will result in a refund of some or all of the CIAC to the Initial Customer(s) if such subsequent customer(s) produces a positive NPV. A refund will be made by the Company to the customer(s) who made the original payment and who continue to be customers of the Company.

3. As an alternative to the above, Customers may be required to pay the Company under its Targeted Area Buildout (“TAB”) Tariff.

4. Easements

The Company shall not be required to construct extensions hereunder other than on public ways unless the prospective Customer shall provide without expense or cost to the Company, the necessary permits, consents or easements for a satisfactory right-of-way for the construction, maintenance and operation of the main.

5. Winter Construction

Ordinarily no new service pipes or main extensions are installed during winter conditions (when frost is in the ground) unless the Customer defrays the extra expenses.

6. Title

Title of all extensions constructed in accordance with the above shall be vested in the Company.

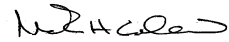
7. Reasonable Duration

Under none of the foregoing provisions will the Company be required to install service pipes or to construct main extensions where the business to be secured will not be of reasonable duration.

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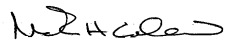
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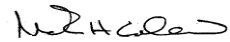
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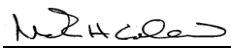
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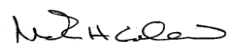
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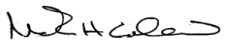
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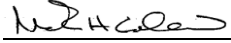
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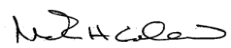
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