

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

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

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 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 Service Lines or Main 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 Regular Construction Allowances. The Customer and Company may sign an agreement covering Advances for Construction for costs paid to the Company for Main and/or Service Line extensions. The additional costs paid to the Company may be refundable in the amount stipulated in the agreement for each subsequent Customer connected to the same extension, for up to a ten-year period for Base Rate Area 3 and a three-year period for Base Rate Areas 1 & 2, provided however that the refunds will not exceed the total amount of the contribution in advance to construction.
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.

Amended Advice Letter No. 2

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Black Hills Colorado Gas, Inc.
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Colo. PUC No. 1
Second Revised Sheet No. R41
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**RULES AND REGULATIONS
APPLICABLE TO ALL GAS SERVICES
(Continued)**

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

MAIN AND SERVICE LINE EXTENSION POLICY (Continued)

- In all cases where it is deemed desirable or necessary by the Company to construct a Main extension of greater capacity than that which is required for Customer in order to conform to future plans of the Company, the excess construction cost of the Mains shall be borne by the Company.

REGULAR CONSTRUCTION ALLOWANCE

The Regular Construction Allowance for new Main and/or Service Line extensions offered to new Customers within the service territory for Mains and/or Service Lines 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:

Base Rate Area	Fixed Amount	Per Dth
Rate Area 1	\$790.00	-
Rate Area 2	\$830.00	-
Rate Area 3 - Class and Rate Schedule	Service Line	Main
Residential R-3	\$174.00	\$376.00
Small Commercial SC-3	\$174.00	\$512.00
Small Volume (SVF-3, SVI-3)	\$0.39 / Dth	\$3.08 / Dth
Large Volume (LVF-3, LVI-3, LCTS-3)	\$0.03 / Dth	\$2.68 / Dth
Irrigation (I/S-3)	\$0.12 / Dth	\$1.74 / Dth

Customers shall pay any costs (including installation) in excess of the Regular Construction Allowance.

Notes:

- Where the allowance is calculated on a Dth basis, an Applicant's projected average usage is used to determine the allowance consistent with its requested peak day capacity.
- The Main portion of the Construction Allowance will be reduced at the same percentage that the transportation delivery charge for an Applicant under Schedules LCTS-3 and I/ST-3 is discounted.

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RULES AND REGULATIONS
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(Continued)

LINE EXTENSION
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(Continued)

MAIN AND SERVICE LINE EXTENSION POLICY (Continued)

ADDITIONAL REGULAR CONSTRUCTION ALLOWANCE – BASE RATE AREA 1 AND 2

The Customer may qualify for Additional Regular Construction Allowance from the Company if the Customer has an expected annual usage in excess of the minimum described below.

For Base Rate Area 1, the Additional Regular Construction Allowance will be calculated at rate of \$2.40 per therm of estimated additional annual usage in excess of the 757 therms.

For Base Rate Area 2, the Additional Regular Construction Allowance will be calculated at rate of \$2.20 per therm of estimated additional annual usage in excess of the 760 therms.

The Additional Regular Construction Allowance shall be made on a sound economic basis and applied in a non-discriminatory manner to all applicants under similar circumstances and conditions.

EXTRA CONSTRUCTION ALLOWANCE – BASE RATE AREA 1 AND 2

An Extra Construction Allowance for new Main and/or Service Line extensions offered to new Customers within the service territory shall be available in an amount up to a maximum of the cost of connection exceeding the sum of both the Regular Construction Allowance and the Additional Regular Construction Allowance, but not to exceed the Regular Construction Allowance by:

1. Up to \$1,925 for Customers selecting the \$20 per month Extra Construction Allowance Charge,
2. Up to \$2,885 for Customers selecting the \$30 per month Extra Construction Allowance Charge,
3. Up to \$3,845 for Customers selecting the \$40 per month Extra Construction Allowance Charge,
or
4. Up to \$4,805 for Customers selecting the \$50 per month Extra Construction Allowance Charge.

where:

- 1) The cost of connection exceeds the Regular Construction Allowance and any applicable Additional Regular Construction Allowance;

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RULES AND REGULATIONS
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LINE EXTENSION
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(Continued)

MAIN AND SERVICE LINE EXTENSION POLICY (Continued)

EXTRA CONSTRUCTION ALLOWANCE – BASE RATE AREA 1 AND 2 (Continued)

- 2) Customer shall pay any costs (including installation) in excess of the sum of the applicable Regular Construction Allowance (in the event that the Customer is eligible for the Regular Construction Allowance) and the Extra Construction Allowance; and
- 3) Only the property owner at the address requesting service is eligible to contract for the Extra Construction Allowance;
- 4) The Company shall establish a reimbursement schedule to recover the costs of providing the Extra Construction Allowance, with the reimbursement period not to exceed 180 months and with the cost of recovery calculated to account for the time value of money at a rate equal to the Company's Commission authorized rate of return on rate base of 6.76 percent;
- 5) Customers have the option to make lump sum pay off of any remaining balance associated with the Extra Construction Allowance at any time. When requested by a Customer, the Company will calculate the lump sum payment amount based upon the remaining unpaid Extra Construction Allowance on a specified payment date. A lump sum payment made in full on or before the date specified by the Company will eliminate the Customer's obligation to make further Extra Construction Allowance payments; and
- 6) The liability for the Extra Construction Allowance Charge remains with the premise, such that in the event a new customer becomes responsible for paying the Company for service at that premise, that new customer will assume the responsibility for reimbursing the Company for the Extra Construction Allowance Charge. The Company will notify any subsequent Customer upon request for service when that Customer's premise is subject to the Extra Construction Allowance Charge.

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(Continued)

LINE EXTENSION
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(Continued)

MAIN AND SERVICE LINE EXTENSION POLICY (Continued)

CONSTRUCTION PAYMENT OPTION – BASE RATE AREA 3

In lieu of making an up-front, lump-sum Construction Payment before construction commences, an Applicant receiving Permanent Service may, under this Construction Payment Option, request that the Company finance all or a portion of Construction Payment amounts between \$500 and \$10,000. At the Company's discretion, amounts in excess of \$10,000 may be financed with the Company's written approval where Applicant's financial condition is determined by the Company to be satisfactory. In addition, the following conditions apply:

1. The Construction Payment Option is only available to Applicants receiving Permanent Service. The Construction 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 Construction 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 Construction Payment amount not being financed and (ii) a Construction Payment Loan Agreement must be fully executed by Applicant and the Company in order to legally guaranty Applicant's repayment of the Construction Payment Loan Amount.
4. Interest on the Construction Payment Loan Amount is calculated based upon the most recently approved weighted average cost of capital (WACC) grossed-up for taxes, which is 8.27%, 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 Construction Payment Loan Agreement and will not be subject to change after Applicant's execution of the Construction Payment 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 Construction Payment Option.
6. Under the Construction Payment 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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RULES AND REGULATIONS
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LINE EXTENSION
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(Continued)

MAIN AND SERVICE LINE EXTENSION POLICY (Continued)

CONSTRUCTION PAYMENT OPTION – BASE RATE AREA 3 (Continued)

7. An Applicant qualifying for financing will have the Construction Payment Loan Amount and payment terms agreed upon in the Construction Payment Loan Agreement. The monthly payments required under the Construction Payment Loan Agreement will be on Applicant's regular utility bill. Applicant will have the option to make a lump sum payoff at any time during the financing period with no penalty. When a lump sum payoff is requested by the Applicant, the Company will calculate the lump sum payment amount based upon the remaining unpaid balance on a specified or requested payment date.
8. If Applicant (i) no longer requires gas service at the premise which is the subject of the Construction Payment Loan Agreement or (ii) sells, conveys or otherwise transfers the premise (absent an assignment of the Construction Payment Loan Agreement approved in writing by Black Hills in accordance with number nine below and the terms of the Construction Payment 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 Construction Payment Loan Agreement.
9. The rights and obligations of Applicant under the Construction Payment 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 Construction 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 Construction Payment Option shall be considered indebtedness incurred for utility service rendered by the Company in the State of Colorado.

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