Knoxville Utilities Board
Board Meeting
Minutes
Thursday, November 19, 2015, Noon

Call to Order

The Knoxville Utilities Board met in regular session in the Larry A. Fleming Board Room at 445 S. Gay Street, on Thursday, November 19, 2015, pursuant to the public notice published in the January 10, 2015, edition of the News Sentinel. Chair Thompson called the meeting to order at 12:00 p.m.

Roll Call

Commissioners Present: Bruce Anderson, Kathy Hamilton, Celeste Herbert, Sara Pinnell, Nikitia Thompson, and John Worden

Commissioners Absent: Eston Williams

Approval of Minutes

The Minutes of the October 15, 2015, Board Meeting were approved as distributed upon a motion by Commissioner Anderson and seconded by Commissioner Herbert.

Old Business

None

New Business

Resolution 1336, Adopting Rules and Regulations for the Gas Division of the Knoxville Utilities Board Providing for the Efficient Use, Operation, and Management of the Gas System, Thereby Replacing the Existing Rules and Regulations of the Gas Division

President Roach reminded Commissioners that KUB has Rules and Regulations for each of the four systems and that they are periodically reviewed to ensure there is clarity and that they match current business practices. As a result of a recent review, staff is recommending several modifications to the Gas Rules and Regulations. She recognized, Mark Walker, Senior Vice President and Chief Financial Officer, to provide details of the changes and to request Board approval.
November 19, 2015

President Roach recommended adoption of Resolution 1336 on first and final reading. Her written recommendation is included in Attachment 1.

Upon a motion by Commissioner Herbert and a second by Commissioner Anderson, Resolution 1336 (Attachment 1) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Anderson, Hamilton, Herbert, Pinnell, Thompson, and Worden. No Commissioner voted “nay”.

President's Report

Winter Update

President Roach recognized Jamie Davis, Manager of Procurement and Assistant to the CFO, who presented an update on KUB’s natural gas purchasing and hedging programs and residential energy bill projections for the upcoming winter.

Gas System Update

President Roach recognized Brooke Sinclair, Manager of Safety, Security, and Technical Services, who provided an operational update on the Gas System.

Other Business

None

Public Comment

Xavier Presley – 1134 Glade Hill Drive – Knoxville, TN 37909

Adjournment

Chair Thompson stated that following adjournment, the Board would continue with an open lunch session where KUB matters may be discussed. There being nothing further to come before the Board, Chair Thompson declared the meeting adjourned at 12:55 p.m.

Mark Walker, Board Secretary

Nikitia Thompson, Chair
## Attachments

| Attachment 1 | Recommendation Letter and Resolution 1336, Adopting Rules and Regulations for the Gas Division of the Knoxville Utilities Board Providing for the Efficient Use, Operation, and Management of the Gas System, Thereby Replacing the Existing Rules and Regulations of the Gas Division | Page(s) | 7216 – 7233 |
November 13, 2015

Knoxville Utilities Board
445 South Gay Street
Knoxville, Tennessee 37902-1109

Commissioners:

As you may recall, each KUB utility division operates under a set of rules and regulations adopted by the Board of Commissioners. These documents dictate the general policies and procedures under which each utility system is to be operated.

KUB staff, in conjunction with legal counsel, periodically review the rules and regulations to ensure the governing documents are consistent and accurately reflect KUB's current business structure and practices.

The Gas Division Rules and Regulations have recently been reviewed and proposed modifications have been identified, including housekeeping items to improve the overall clarity of the document, and changes to reflect current business practices.

Resolution 1336 adopts revised Gas Division Rules and Regulations reflecting the aforementioned modifications. A draft of the proposed Gas Division Rules and Regulations is enclosed for your review, along with a summary of the modifications.

I recommend adoption of Resolution 1336 on first and final reading.

Respectfully submitted,

Mintha E. Roach
President and CEO
RESOLUTION NO. 1336

A Resolution Adopting Rules and Regulations for the Gas Division of the Knoxville Utilities Board Providing for the Efficient Use, Operation, and Management of the Gas System, Thereby Replacing the Existing Rules and Regulations of the Gas Division

Whereas, Section 1106(G) of the Charter of the City of Knoxville provides that the Knoxville Utilities Board ("KUB") has the authority to make and enforce all necessary and desirable rules and regulations for the efficient use, operation, and management of the KUB system; and

Whereas, the KUB Board of Commissioners ("Board"), by Resolution No. 1170, previously adopted Gas Division Rules and Regulations; and

Whereas, KUB staff periodically reviews the Gas Division Rules and Regulations for clarity and to ensure consistency with applicable laws, other KUB governance documents, and KUB’s current business structure and practices; and

Whereas, KUB staff, in conjunction with legal counsel, has identified certain modifications to the Gas Division Rules and Regulations, which will provide greater clarity and more accurately reflect KUB’s current business practices; and

Whereas, the Board finds that it is in the best interest of KUB and its customers to adopt revised Gas Division Rules and Regulations.

Now, Therefore, Be It Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:

Section 1. The Gas Division Rules and Regulations, attached hereto and incorporated herein as Exhibit A to this Resolution, are hereby adopted in their entirety and as of and after the effective date of this Resolution shall be applicable in place of the existing Gas Division Rules and Regulations.

Section 2. The President and CEO is authorized to take such actions and to authorize other persons to take such actions as may be necessary, proper, and convenient to carry into effect the Gas Division Rules and Regulations.
Section 3. This Resolution shall take effect from and after its passage.

Nikitia Thompson/s
Nikitia Thompson, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING:  11-19-15
EFFECTIVE DATE:  11-19-15
MINUTE BOOK 35 PAGE 7217-7233
Gas Division
Rules and Regulations
**Rules and Regulations for the Gas Division**

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Section I. Purpose

It is the intent of the Knoxville Utilities Board ("KUB") that these Rules and Regulations promote the following principles:

1. Assure the safe and efficient use, administration, operation, expansion, extension, and preservation of KUB's gas system.
2. Assure its customers' compliance with these Rules and Regulations, Rate Schedules for gas service adopted by the Board and Service Procedures established by KUB to implement these Rules and Regulations.
3. Promote fair, reasonable, and uniform treatment of customers in each of the rate classes of KUB's Gas Division.
4. Protect our environment through the professional management of our system and maintain public confidence in KUB's gas system.
5. Encourage economic development by promoting extensions of the KUB gas system.
6. Simplify, clarify, and modernize the policies governing the operation of KUB's Gas Division.
7. Assure that the KUB gas system operating practices are as uniform as appropriate.
8. Promote the continued evolution and development of KUB's gas system operating guidelines and practices.

Section II. Scope

These Rules and Regulations apply to the application, implementation, and operation of KUB's gas system and the provision of gas service.

1. Conflict. In addition to these Rules and Regulations, the following documents, listed in order of precedence, are hereby made a part of all contracts and are enforceable through all contracts, actual and implied, for customers and users receiving gas service from KUB and apply to all gas services received by customers, whether the service is based upon contract, agreement, signed application or otherwise:

   i) the Gas Division Rate Schedules;
   ii) these Rules and Regulations as may be amended from time to time; and
   iii) the Service Procedures.

In the event of a conflict between the documents listed above, the order of precedence shall govern.
2. Severability. If any clause, sentence, paragraph, section or part of these Rules and Regulations, any applicable Gas Division Rate Schedule, or any provision of the Service Procedures shall be declared invalid or unconstitutional, it shall not affect the validity of the remaining parts of these Rules and Regulations or the applicable Gas Division Rate Schedule, or the Service Procedures.

3. Authority. Subject to the limitations set forth in the Charter, these Rules and Regulations, applicable Rate Schedules and any other official Board action or resolution, the President and CEO, and his/her designees, has all rights, powers, duties and authorities to implement, and enforce these Rules and Regulations. The President and CEO, and his/her designees, has all rights, powers, duties, and authorities to establish and enforce Service Procedures and other such policies and programs necessary to implement these Rules and Regulations.

4. Rules and Regulations Oversight Committee. The Rules and Regulations Oversight Committee shall consist of the Chief Operating Officer (COO), and other members of KUB management, as so designated by the President and CEO. The COO shall chair the Committee. The Rules and Regulations Oversight Committee will provide oversight of the implementation, enforcement and administration of the Rules and Regulations. The Rules and Regulations Oversight Committee is responsible for recommending changes to the Rules and Regulations to the President and CEO. Any substantive amendments or changes to these Rules and Regulations are subject to the approval of the President and CEO and adoption by the Board in accordance with the Board's procedures.

5. Access to Premises. The customer, user, and if a different person, owner of premises to which gas service is provided shall, by its receipt and acceptance of gas service, grant to KUB permission to access the premises at all times, including immediate access if determined to be necessary by KUB in the event of an emergency, for the purpose of:

i. Reading meters;
ii. Installing, testing, inspecting, repairing, operating, maintaining, removing, and replacing any KUB gas system component;
iii. Clearing hazards away from KUB's gas system
iv. Inspecting and operating the customer's, user's, and if a different person, owner's gas piping and equipment;
v. Inspecting the premises; and
vi. Providing notifications
in order to determine that KUB’s Rules and Regulations and/or Service Procedures implementing the Rules and Regulations, the regulations of the Federal Department of Transportation, and the regulations and requirements of the applicable Tennessee state regulatory authority, are being complied with and to ensure compliance with applicable federal, state, and local law(s) and regulation(s).

6. Responsibility for KUB’s Property. The customer, user, and if a different person, owner shall provide a space for and exercise proper care to protect any KUB property located on the premises; and in the event of loss or damage to KUB’s property, arising from the negligence to care for said property, the cost of necessary repairs or replacements shall be paid by the negligent party.

No person shall perform excavation without a valid TN811 locate request ticket. The Tennessee Underground Utility Damage Prevention Act specifies the requirements for safe digging or other work near utilities.

7. Responsibility for Compliance with Rules and Regulations. Every customer, user, and if a different person, owner shall comply with these Rules and Regulations, Rate Schedules of the Gas Division adopted by the Board, and Service Procedures established by KUB to implement these Rules and Regulations.

8. Promotion of Technology. KUB may establish and maintain processes consistent with these Rules and Regulations that promote and utilize new technologies for the operation of its gas system which improve system reliability, increase operational flexibility and/or lower costs of operation. Examples include, but are not limited to, automated remote metering, estimated metering, etc.

9. Health and Safety. All Rules and Regulations and Service Procedures affecting health and safety, including (without limitation) all provisions relating to inspection, general safety precautions for utilization, operation and maintenance of KUB’s gas system (including but not limited to pre-qualified gas contractor requirements as required by 49 Code of Federal Regulations for the Federal Department of Transportation), and rules governing installations, are for the guidance and benefit of customers, users, and if a different person, owners, and KUB shall not be responsible for the health and safety thereof, or for any loss, damage, or injury resulting from any violation thereof, but KUB reserves the right, in its discretion, to refuse to furnish gas service, or to discontinue furnishing gas service, where the customer, user, and if a different person, owner fails to comply therewith.
10. Interpretation. It is the intent of KUB that these *Rules and Regulations* be liberally interpreted.

Section III. Definitions

For the purpose of these *Rules and Regulations*, and unless the context specifically indicates otherwise, the following terms shall have the meaning ascribed:

Wherever the context shall require, words used herein in the singular shall include the plural, words used in the plural shall include the singular, words used in the masculine shall include the feminine, and words used in the feminine shall include the masculine.

*Board* shall mean the *KUB Board* of Commissioners, as appointed from time to time by the Mayor and City Council of the City of Knoxville, Tennessee.

*Chief Executive Officer* or *President and CEO* shall mean the *President* and *Chief Executive Officer* of the *Knoxville Utilities Board*.

*Chief Operating Officer* or *COO* shall mean the *Chief Operating Officer* of the *Knoxville Utilities Board*. The COO, subject to the supervision of the CEO, shall administer, implement, and enforce the provisions of these *Rules and Regulations*.

*City* shall mean the City of Knoxville, Tennessee.

*Commercial and industrial use* shall mean all uses with the exception of *domestic use* as defined in these *Rules and Regulations*.

*Contribution in Aid of Construction (CIAC)* shall mean a payment required of the *customer* for the extension of KUB’s *gas system*.

*Customer* shall mean any *person* who receives *gas service* from KUB under either an express or implied contract requiring such *person* to pay KUB for such service. The term shall also include illicit *users* of *gas service* from KUB.

*Domestic use* of the *gas system* shall be defined and limited to single-family, multifamily, apartment or other *dwelling unit* or *dwelling unit equivalent* connecting to KUB’s *gas system* and used for residential purposes only.
Dwelling unit shall mean any structure occupied by one or more persons of a single family for residential purposes. Apartment buildings and other structures occupied by more than one family shall be considered multiple dwelling units.

Fee is any amount levied that is: (1) infrequent in nature, and/or (2) generally not consumption based, and/or (3) set at the discretion of management of KUB as authorized by the Board, but does not include a rate.

Fuel line shall mean the line from the outlet of the meter center to the equipment utilizing gas on the customer's, user's, and if a different person, owner's premises.

Gas distribution main shall mean the principal or major pipe in the gas system conveying gas to gas service lines for distribution.

Gas Division or division shall mean the part of the KUB system having charge of the physical operation and financial oversight of KUB's gas system.

Gas service line shall mean the pipe, which leads from the gas distribution main to the shut-off cock; it does not include the metering equipment. The gas service line shall be operated and maintained by KUB.

Gas system shall mean all components for distributing and receiving gas, including but not limited to gas distribution mains, gas service lines, and metering equipment.

Gas and/or gas service means natural gas made available for consumption by KUB for its customers, users, and if a different person, owner for domestic, commercial and/or industrial use by delivering or distributing natural gas via the KUB gas system.

Knoxville Utilities Board, or KUB, shall mean the Knoxville Utilities Board of the City of Knoxville, Tennessee, or, as the context requires, the management of KUB, its contractors or agents.

Metering equipment shall mean the meter and all associated gas equipment such as meter connections, pressure regulators, piping, shut-off cocks, valves, gauges, and vents (collectively, the meter center).

Person shall mean any individual, partnership, firm, company, association, society, corporation, limited liability company, trust, estate, governmental entity, or any other legal entity, or its legal representatives, agents, or assigns. This definition includes all federal, state and local governmental entities and shall also include illicit users of gas service from KUB.
Point of Delivery shall mean the point at the outlet of the meter center, unless otherwise designated by KUB.

Pre-qualified gas contractor shall mean any contractor employee performing work on the KUB gas system in any of the covered functions set forth in the applicable parts of 49 Code of Federal Regulations (CFR) for the Federal Department of Transportation and/or KUB’s Operator Qualification Program, provided such contractor employee is in a drug and alcohol testing program that meets the Pipeline and Hazardous Materials Safety Administration (PHMSA) regulations, and such contractor employee is in compliance with the Operator Qualification Standard in 49 Code of Federal Regulations.

Premises shall mean any structure, group of structures, or property, whether occupied or unoccupied, operated as a single business, enterprise, or dwelling unit, but shall not include more than one dwelling unit.

Private gas system is any gas system owned and maintained by the customer, whose operation is regulated by entities other than KUB including but not limited to the applicable Tennessee state regulatory authority and the Federal Department of Transportation. The gas use of a private gas system shall be master metered by KUB at a central location.

Rate is any quantitative value used to determine an amount levied on a customer directly related to the provision and/or consumption of gas typically associated with utility usage, as set forth in a Gas Division Rate Schedule adopted by the Board.

Rules and Regulations means the rules and regulations adopted by the Board governing the operation and use of KUB's gas system.

Service Procedures means those governing procedures set forth in a document or document(s) adopted by the President and CEO implementing the Rules and Regulations for the KUB gas system and outlining the guidelines necessary to oversee the daily operation of KUB’s gas system.

Standards and specifications shall mean a set of processes or procedures regarding certain aspects of the KUB gas system, which may be in effect from time to time, but may not be included in the Service Procedures.

User shall mean any premise having a connection to the KUB gas system or having access thereto. The term shall include illicit users of gas service from KUB.
Section IV. Initiation of Gas Service

1. **Residential use.** A formal request for either original or additional gas service must be made to KUB by the customer and be duly approved by KUB before connection to the KUB gas system is made. The request shall be in the prescribed form according to the Service Procedures. The receipt by KUB of a prospective customer's request for gas service shall not obligate KUB to render gas service. KUB may, at its sole discretion, require the customer to provide security, assurance, or guaranty prior to KUB rendering gas service.

2. **Commercial and industrial use.** A formal request for either original or additional gas service must be made to KUB and be duly approved before connection is made. The request shall be in the prescribed form according to the Service Procedures. The receipt by KUB of a prospective customer's request for gas service shall not obligate KUB to render the gas service. KUB may, at its sole discretion, require the customer to provide security, assurance, or guaranty prior to KUB rendering gas service.

3. **Intergovernmental agreements.** At KUB's sole discretion, KUB may enter into agreements with municipalities and unincorporated areas in the metropolitan area of service for the distribution of gas service. Any such agreement must comply with all applicable federal, state and local laws, ordinances, regulations and KUB's Rules and Regulations. There shall be no liability on the part of KUB to the requestor for refusal of such service.

4. **Private gas systems.** At KUB's sole discretion, KUB may allow the connection of private gas systems to the KUB gas system. Any person owning or controlling premises either within or without the current KUB gas system area of service desiring to install a private gas system and to connect to the KUB gas system must comply with all applicable federal, state and local laws, ordinances, regulations and KUB's Rules and Regulations and Service Procedures. KUB may enter into an agreement with said persons at KUB's sole discretion. There shall be no liability on the part of KUB to the requestor for refusal of such service.

Section V. Connections to KUB Gas System

1. **Gas system extensions or relocations.** Gas system extensions or relocations will be located in a right-of-way or dedicated easement acceptable to KUB. The customer shall grant an easement, without cost to KUB, for that portion of the right-of-way that traverses property owned by the customer or runs along a roadway on property owned by the customer. If additional easements are required, the customer shall bear KUB's costs of obtaining said easements. Unless approved by KUB, the
right-of-way must be adjacent to a road that is suitably maintained so as to permit KUB to have direct access to the KUB gas system. Should the right-of-way be adjacent to a private road, rights of ingress and egress shall be granted to KUB, and a dedicated easement shall be provided before any gas distribution main is installed.

2. **Point of delivery**

A. The **point of delivery** shall be the point at the outlet of the meter center, unless otherwise designated by KUB. Costs and expenses incidental to the installation, connection and inspection of gas piping and equipment beyond the **point of delivery** shall be borne by the customer.

B. All connections to the KUB gas system are to be made in accordance with all applicable KUB standards and specifications.

C. **KUB** operates, maintains, repairs, and replaces all portions of the KUB gas system. **KUB** shall perform all work in accordance with Federal Department of Transportation regulations, KUB's standards and specifications, these Rules and Regulations, and any other applicable codes and ordinances.

D. The Codes Inspector for the City for connections within the City and the appropriate regulatory authority for the area of connection outside the City, including but not limited to the County inspector and the inspector for the Town of Farragut, must inspect and approve the fuel line before any meter is set by KUB. For connections for government entities within KUB’s service area, the appropriate regulatory authority, if any, shall make gas inspections, before any meter is set by KUB.

E. The location of KUB’s metering equipment shall not change the location of the point of delivery.

F. All gas piping or equipment beyond the point of delivery shall be owned and maintained by the customer, user, and if a different person, owner unless otherwise agreed to in writing by KUB.

G. KUB shall not be liable for any injury to persons or property on account of any defect or negligence in the installation, maintenance, or use of the customer's, user's, and if a different person, owner's equipment beyond the point of delivery.
3. Mains on Private Property. KUB reserves the right to install gas distribution main in dedicated easements on private property for residential and business developments, including but not limited to condominium developments and commercial strip malls.

4. Pressure Fluctuations. Gas service must be used by the customer, user, and if a different person, owner in such a manner as to not cause unusual pressure fluctuations or disturbances to KUB's gas system. KUB may require any such party, at their expense, to install a suitable apparatus that will reasonably limit such fluctuations. KUB shall inspect and approve any such apparatus and will require installation to meet all applicable codes and KUB standards and specifications.

5. Additional Load. The gas service line and metering equipment for each customer, user, and if a different person, owner have definite capacity and no major addition to the equipment or load connected thereto, as determined by KUB in its sole discretion, will be allowed except by consent of KUB. Failure to give written notice of major additions or changes in load, as determined by KUB in its sole discretion, and to obtain KUB’s written consent for same shall render said party liable for any damage to KUB’s gas system caused by the additional or changed installation.

6. Interconnection. No interconnection of any kind shall be permitted between KUB's gas system and any gas or other fuel supply from any other source, nor shall any gas or other fuel supply from any other source be permitted to migrate into KUB's gas system, unless approved in writing by the COO or the President and CEO. Additionally, KUB will require technical information, including but not limited to manufacturer drawings, equipment layout, and details concerning the transfer switching apparatus, in regard to the interconnection or gas backup system. KUB reserves the right to alter or modify the requesting party’s plans to address safety concerns or KUB's gas system integrity.

Section VI. Interruption of Gas Service

KUB shall not be liable for any damage resulting from failure of any KUB gas system component, or by fluctuations in gas pressure, or by discontinuing the operation of any segment of its gas system for repair, extensions or connections, or from the accidental failure of its gas system from any cause whatsoever, or the termination of gas service as the result of violations by any customer, user, and if a different person, owner, of any applicable federal, state and local laws and/or these Rules and Regulations or KUB’s Service Procedures, or damage resulting from KUB’s failure to terminate gas service after notice of termination of gas service by the customer. In cases of emergency, KUB shall have the right to restrict the use of its gas system in any reasonable manner for the protection of KUB’s gas system, customers, the public, and the environment.
Section VII. Restricted Use of Gas

In the event of an emergency or other condition causing a shortage in the amount of gas for KUB to meet the demands on its gas system, KUB may, by a method deemed equitable by KUB, fix the amount of gas to be made available for use by customers and/or may otherwise restrict the time and purpose of gas use by customers. A method for the distribution of gas under such circumstances may be set forth in the Service Procedures.

If such conditions become necessary, a customer may request a variance because of unusual circumstances including matters adversely affecting public health, safety, and welfare. If the customer fails to comply with such restriction, KUB may take such remedial action, as it deems appropriate under the circumstances including but not limited to temporarily terminating gas service or charging additional amounts because of the excess use of gas.

KUB also reserves the right to grant no further applications for gas service until such time that the shortage of gas for KUB to meet the demands on its gas system has been alleviated.

Section VIII. Termination of Gas Service; Refusal to Connect Gas Service

KUB has the right to terminate or refuse gas service based on outstanding debts owed to KUB related to the non-payment of utility bills, a dispute as to the ownership of the premises requesting gas service or the customer's disputed right to occupancy of the premises, a violation of these Rules and Regulations, a violation of Service Procedures, a violation of a customer contract, non-payment of a utility bill by the customer, non-usage of gas service for a reasonable period of time, a violation of any other applicable rule, law, or ordinance, or any other legitimate reason deemed in KUB's best interests and the best interests of KUB's gas system.

Section IX. Rates for Gas Service

Gas service rates shall be set forth in the Gas Division Rate Schedules as adopted by the KUB Board.

Section X. Billing for Gas Service

The billing for gas service shall be in accordance with the Rate Schedules of the Gas Division as approved by the Board and this section of the Rules and Regulations.

1. Minimum charges. The minimum charge, if any, will be as stated in the Rate Schedules of the Gas Division.
2. **Estimated billing.** *KUB* may periodically estimate a customer's gas consumption and submit to customer for payment such estimated service bill.

3. **Billing adjustments.** *KUB* may adjust customer billing for reasons including but not limited to the following: billing for over or under registration of meters, for the determination of gas consumption by customers when meters have been inoperative, for an obviously incorrect meter reading, or for other recognized and proper adjustments as determined by *KUB*.

**Section XI. Authority to Levy Charges and Fees**

Under the provisions of its charter and of the general laws of the State of Tennessee, *KUB* is authorized and empowered to fix, levy and collect fees, rents, tolls or other charges for the use of or in connection with the *KUB gas system*. This authorization includes but is not limited to the establishment, levy and collection of a service charge, improvement charge or other charges deemed necessary. The CEO and/or his/her designee may establish Service Procedures addressing the establishment of charges and fees associated with gas service.

**Section XII. KUB Gas System Extensions**

1. **General Extension Policy**

   A. The investment that *KUB* will make, if any, toward an extension of the *KUB gas system* will be equitably determined by *KUB* on the basis of economic and/or technical feasibility. In making such determination, *KUB* shall consider the total capital cost, the anticipated revenues, the estimated expenses associated with the extension, such other economic factors as *KUB* may deem appropriate under the circumstances and the availability of adequate capacity in the *KUB gas system*. *KUB* may require the person to pay a Ciac.

   B. *KUB* may require the person to execute an extension agreement which requires and/or provides for assurances or other security or credit arrangements as may be required by *KUB* in its sole discretion, with respect to the extension, including, but not limited to, refundable construction advances, minimum demand or bill requirements, and such other forms of security, assurance, and/or guaranty, as *KUB* determines to be necessary or appropriate to protect the interest of *KUB* and its customers. *KUB* shall not be obligated to provide refunds unless specified in a contract. In no event shall a refund be in excess of the amount of the advance for or actual cost of construction.
C. KUB shall have the authority to extend its gas system in a manner different from that set forth in the Rules and Regulations and charge a CIAC when any such extension is determined to be in the best interest of KUB, economic interest of the community, or to the benefit of the public health of the community.

D. The authority to make gas extensions is in KUB’s sole discretion even though all requirements have been met. Nothing contained herein shall be construed as requiring KUB to extend gas service to any property. KUB gas system extensions shall not be denied on the basis of race, sex, religion, color, age or national origin.

2. Construction of KUB Gas System

A. KUB’s gas system shall be constructed by KUB personnel or a KUB pre-qualified gas contractor. KUB may approve advance written requests from persons to contract with KUB pre-qualified gas contractors to install gas distribution main and gas service lines.

B. The size, type and installation of gas system components shall comply with KUB’s standards and specifications and must be approved by KUB.

C. Construction work on KUB’s gas system shall at all times be subject to inspection by KUB to assure that the work conforms to KUB’s standards and specifications.

D. No approval or inspection by KUB hereunder shall relieve a KUB pre-approved gas contractor or a person who contracted with a KUB pre-approved gas contractor of any liability for work performed on the KUB gas system.

E. Upon the completion of construction and subsequent inspection and approval by KUB, such construction shall become the property of KUB and thereafter become a part of KUB’s gas system. The persons paying the cost of construction shall execute any written instrument requested by KUB to provide evidence of KUB’s title. In consideration of such being transferred to KUB, KUB shall incorporate such as an integral part of KUB’s gas system in accordance with these Rules and Regulations.

F. KUB may, at the request of a person, relocate or change existing KUB gas system components. The person may be required to reimburse KUB for costs of such relocation or change including but not limited to appropriate overheads and associated costs for easement acquisitions. When a public right-of-way is changed for the benefit of private interests and KUB’s gas system must be
adjusted to accommodate said change, the cost of such
adjustments shall be paid in advance on a non-refundable basis by
the requesting parties.

3. Construction and Responsibility for Private Gas Systems. KUB
reserves the authority to allow and/or deny private gas systems that
either directly or indirectly draw gas flow from the KUB gas system.
Any such private gas system shall be approved by the applicable
governing entities, including but not limited to the applicable
Tennessee state regulatory authority and the Federal Department of
Transportation. The owner of the private gas system, such as the
developer, the developer's legally authorized successor, property
owner, etc., shall retain ownership of and be responsible for all
operation and maintenance of the private gas system. KUB shall retain
ownership of and be responsible for the operation and maintenance of
the master metering equipment, which registers gas usage by the
private gas system.

Section XIII. Prohibition of Gas Resale.

No person shall resell gas from KUB's gas system without KUB's express written
permission.