

NATIONAL FUEL GAS DISTRIBUTION CORPORATION  
STATEMENT OF OPERATING CONDITIONS  
Version 1.0.0

**NATIONAL FUEL GAS DISTRIBUTION CORPORATION**

**STATEMENT OF OPERATING CONDITIONS REGARDING**  
**TRANSPORTATION SERVICES IN INTERSTATE COMMERCE**

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## **INTRODUCTORY STATEMENT**

This Statement of Operating Conditions (“Operating Statement”) relates to Transportation Service Agreements between National Fuel Gas Distribution Corporation (“Transporter” or “Distribution”) and entities wishing to transport natural gas on Transporter's system (“Shipper”) to a gas pipeline regulated by the Federal Energy Regulatory Commission (the “Commission”). This Operating Statement may be modified from time to time without advance notice to the Shipper, and any such modification shall be binding on the parties.

## **SECTION 0 – DEFINITION OF TERMS**

0.1 Definition of Terms. Except where another meaning is expressly stated, the following terms when used herein and in any service agreement incorporating this Operating Statement, are intended and used and shall be construed to have the following meanings:

The term "British thermal unit" or "Btu" shall mean the amount of heat required to raise the temperature of one pound of water 1 degree Fahrenheit at 60 degrees Fahrenheit.

The term "Mcf" shall mean 1,000 cubic feet of gas.

The term "Dekatherm" or "Dth" shall mean the quantity of heat energy which is equal to 1,000,000 Btu's.

“Web Site” shall mean the World Wide Web Site established and maintained by Transporter for the purpose of identifying the day-to-day procedures, communications protocols and business practices for transportation service on Transporter’s system. If there are inconsistencies between the web site and this Operating Statement, the Operating Statement shall control.

For purposes of this Operating Statement the “Market Price of Gas” for the month in which an imbalance is created, shall be equal to the Mcf equivalent of the highest price of the Gas Daily Index, “Daily Price Survey” for “Appalachia”, “Columbia Gas Appalachia” as published in Gas Daily plus all transportation costs (including upstream fuel shrinkage) to Transporter’s Pennsylvania city gate for imbalances in Pennsylvania, and for imbalances in New York, shall be equal to the Mcf equivalent of the highest price of the Gas Daily Index, “Daily Price Survey” for “Dominion South Point” as published in Gas Daily plus all transportation costs (including upstream fuel shrinkage) to Transporter’s New York city gate.

## **SECTION 1 - INTERRUPTIBLE SERVICE**

1.1 Interruptible Service. Pursuant to Section 284.9(a) (2) of the Commission's Regulations, the interstate transportation service hereunder is provided on an interruptible basis, which includes decreasing, suspending or discontinuing the receipt or delivery of gas. Service hereunder may be interrupted whenever necessary to transport gas supplies received to meet firm sales requirements or to provide firm transportation or due to Force Majeure as defined in the Service Agreement between Transporter and Shipper ("Service Agreement") and is also subject to the availability of any necessary upstream or downstream transportation, which shall be the responsibility of Shipper to arrange.

**SECTION 2 - QUANTITIES**

2.1 Quantities. Transporter shall not be obligated to receive during any single hour more than 1/24 of the Maximum Daily Quantity as set forth in the Service Agreement.

### **SECTION 3 - BILLING AND PAYMENT**

3.1 Rate. If the gas transported pursuant to the Service Agreement ultimately re-enters Transporter's distribution system and is delivered to an end-user, there will be no charge (including no shrinkage adjustment) for any gas delivered where Transporter is paid a transportation charge per its tariff by the end-user for that gas. Otherwise, the rate per Mcf for transportation services to be paid by Shipper as reflected in Exhibit A hereto.

Distribution is authorized to charge rates between the maximum and minimum applicable rates. The Dth quantities allocated to Shipper at delivery point shall be converted to Mcf by multiplying by 1,000 and dividing by the BTU at the delivery point as determined by Transporter on a periodic basis.

3.2 Statements. If a rate is charged, the following billing and payment provisions shall apply. A statement shall be submitted by Transporter to Shipper on or before the tenth (10th) day of each calendar month for all gas delivered and gas service furnished hereunder during the preceding billing period.

3.3 Payments. Shipper shall pay Transporter at 6363 Main Street, Williamsville, New York 14221, Attention: Transportation Services Dept. ("Transporter's Office") on or before the twenty-fifth (25th) day of the month in which the bill is received, for all gas transported by Transporter for Shipper or delivered to Shipper or for Shipper's account by Transporter during the preceding billing period, as shown by the statement.

3.4 Verification and Correction of Errors. Both Shipper and Transporter shall have the right to examine, at reasonable times, books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any of the provisions of the underlying Service Agreement. If an error is discovered in any statement, such error shall be adjusted, provided that the claim of error and request for adjustment shall have been made within six (6) months from the date of such statement.

3.5 Delayed Payment. Should Shipper fail to pay all of the amount of any bill, as herein provided, when such amount is due, interest on the unpaid portion of the bill shall accrue at the then effective prime interest rate (J.P. Morgan Chase & Co.).

However, if Shipper in good faith shall dispute the amount of any such bill or part thereof and shall pay to Transporter such amounts as it concedes to be correct, and at any time within thirty (30) days after a demand made by Transporter, shall furnish good and sufficient surety bond as reasonably judged by Transporter, guaranteeing payment to Transporter of the amount ultimately found due upon such bills after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Transporter shall not be entitled to suspend performance or terminate the contract on account of such disputed claim while so secured, until default be made in the conditions of such bond.

3.6 Delay in Billing. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, the time of payment shall be extended accordingly by Transporter, unless Shipper is responsible for such delay.

3.7 Early Termination. If any government entity of competent jurisdiction determines that a rate other than the rate (or lack thereof) specified above must be charged, then either party may immediately terminate the applicable Service Agreement.



**SECTION 4 - SERVICE REQUESTS**

4.1 Request for Interstate Transportation Service Form. Prior to the initiation of transportation service pursuant to the Service Agreement, the Shipper must fully complete a Request for Interstate Transportation Service form a copy of which is posted on Transporter's Web Site.

**SECTION 5 – FEES**

5.1 Fees. Shipper agrees to reimburse Transporter for any filing fees or charges paid to the Commission or any other governmental utility related to the transportation services provided pursuant to the Service Agreement.

## **SECTION 6 – NOMINATIONS**

6.1 Nominations. Shipper shall provide the Transporter with an Interstate Transportation Request (ITR) nomination setting forth the quantity of gas to be transported. Shipper shall specify a uniform daily quantity with respect to Receipt Point(s) (as defined in the Service Agreement) or group of Receipt Points and no other shipper may nominate on that Receipt Point or group of Receipt Points during the calendar month for which any daily nomination is effective. Such nominations, submitted by Shipper via Transporter's internet accessible Transportation Scheduling System (TSS), must be received by Transporter before the applicable nomination deadline as set forth below.

6.2 Nomination Agency. Shipper may designate another party as its agent for purposes of making such nominations and determining the proper allocation of volumes among all affected parties by submitting an ITR Agency Form prior to the timely nomination deadline for the first day of the calendar month in which a nomination is to take effect and shall continue in effect from month to month until superseded by a new agency designation. Shipper may designate Transporter as agent in lieu of placing nominations, in which case Transporter will utilize receipt information provided by the downstream confirming transporter as a substitute for an ITR.

All allocation methods are subject to the prior approval of the Transporter. The ITR Agency Form will be posted on Transporter's Web Site.

6.3 Nomination Timelines. Transporter provides on-site nominations support from 7:30 AM to 5:00 PM Eastern Clock Time on normal business days. Off-site after-hours and weekend nomination support is available through Transporter's Transportation Services Helpdesk at (716) 857-7232.

Nomination Timeline (All times listed are Central Clock Time)

Timely Nomination

Regular nomination to flow beginning the next gas day, placed by 1:00 PM to become effective at 9:00 AM on the next calendar day.

#### Evening Nomination

Intraday nomination to flow beginning the next gas day, placed by 6:00 PM to become effective at 9:00 AM on the next calendar day.

#### Intraday 1 Nomination

Intraday nomination to adjust flow for the current gas day, placed by 10:00 AM to become effective at 2:00 PM on the same calendar day. An Intraday 1 nomination to decrease flow must total at least five twenty-fourths ( $5/24$ ) of the preceding daily nomination on a contract-by-contract line item basis. Intraday nominations for lesser quantities will be scheduled accordingly.

#### Intraday 2 Nomination

Intraday nomination to adjust flow for the current gas day, placed by 2:30 PM to become effective at 6:00 PM on the same calendar day. An Intraday 2 nomination to decrease flow must total at least nine twenty-fourths ( $9/24$ ) of the preceding daily nomination on a contract-by-contract line item basis. Intraday nominations for lesser quantities will be scheduled accordingly.

#### Intraday 3 Nomination

Intraday nomination to adjust flow for the current gas day, placed by 7:00 PM to become effective at 10:00 PM on the same calendar day. An Intraday 3 nomination to decrease flow must total at least thirteen twenty-fourths ( $13/24$ ) of the preceding daily nomination on a contract-by-contract line item basis. Intraday nominations for lesser quantities will be scheduled accordingly.

6.4 Changes to Nominations. Except in the instance of a Force Majeure condition, as defined in Service Agreement, no change in service will commence

unless or until Transporter has received the ITR via TSS and has been able to confirm the revised quantity with the downstream transporter, as applicable. The Shipper will be informed by Transporter via TSS of revised service quantities and when they may commence. Shipper and Transporter shall advise one another as soon as possible with respect to any Force Majeure conditions affecting transportation service hereunder.

6.5 Imbalance Nominations. Shippers must use the ITR form to nominate for relief or payback of imbalance quantities.

## **SECTION 7 - CONFIRMATIONS AND SCHEDULING**

7.1 Confirmations and Scheduling. Transporter, as operator of the pipeline, shall schedule receipts and deliveries of gas on confirmed nominations. To the extent nominated quantities exceed the capacity available on Transporter's system, Transporter shall schedule capacity among shippers on a pro-rata basis at the point of constraint. Transporter reserves the right to limit or refuse Shipper's nomination if the applicable ITR reflects nominations in excess of that deemed reasonable based on historical delivery capability of the production of the Receipt Point(s) indicated on the ITR. Transporter may decline to schedule receipts and deliveries through segments of its system if such action is required in Transporter's judgment by weather or the necessity to conduct maintenance, repair or replacement activities with regard to its facilities, to schedule Department of Transportation compliance activities, to install taps, to test operational equipment, compressors or compressor station equipment, or similar activities affecting capacity and operations of portions of its system, or as a result of conditions of force majeure, as defined in the Service Agreement. In event of such limitations or refusals, Transporter will notify Shipper as soon as possible.

7.2 Operator Confirmations. When deemed necessary by Transporter, Transporter may require confirmation from any operator with facilities connecting with Transporter's system that scheduled receipts and deliveries will occur prior to scheduling receipts and deliveries on its system. Where other operators confirm lesser quantities than those nominated by Shipper, Transporter will schedule at the lesser quantity.

7.3 Minimum Scheduling Volumes. Transporter shall not be required to receive or deliver gas at a receipt or delivery point where the total quantity of gas for transportation scheduled is less than that required to operate existing measurement facilities at such point.

7.4 Curtailment. Transporter may discontinue or curtail service at any time if required in Transporter's judgment by weather or the necessity of repairs,

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operating changes or other Force Majeure conditions, as described in the Service Agreement, upon such notice as is reasonable under the circumstances. So far as operating conditions will permit, available natural gas shall be dispatched in as equitable a manner as possible.

## **SECTION 8 – ALLOCATIONS**

8.1 Allocation of Receipts and Deliveries. Transporter will use the best information it has available to allocate receipts and deliveries among Shippers. If the quantities received or delivered by Transporter differ from the scheduled receipts or deliveries, respectively, such differences will be allocated to balancing agreements between Transporter and the operator of receipt and/or delivery points, if any. In such cases, Shipper receipts and deliveries will be allocated based upon scheduled receipt and delivery quantities, respectively.

Otherwise, differences will be allocated first to quantities shipped on Transporter's system by operators connecting to Transporter's system and second to Transporter's own quantities flowing on its system, if any. In the absence of such quantities, the receipts or deliveries will be prorated among shippers on the basis of the receipts scheduled by Transporter for each Shipper.



## **SECTION 9 - ADJUSTMENTS AND BALANCING**

9.1 Adjustment of Receipts and Deliveries. It shall be the responsibility of the Shipper to control and, if necessary, adjust deliveries of gas to the Transporter for transportation hereunder and to control, and if necessary, adjust receipts of transportation gas from Transporter, in order to maintain a daily balance of receipts and deliveries. Transporter shall not be obligated to receive or deliver gas on any day in excess of the transportation quantities scheduled by the Transporter, nor shall Transporter be obligated to deliver to Shipper at the Delivery Point(s) transportation quantities in excess of transportation quantities received for the Shipper at the Receipt Point(s) less quantities for fuel and loss retention. Transporter will monitor, to the best of his ability, receipts and deliveries for each transportation transaction and, based upon information available to it, advise the Shipper of any imbalance situation which has occurred or may occur unless corrective action is taken. Upon notification, Shipper shall be obligated to adjust receipts and deliveries of transportation gas to correct or avoid any imbalance. Nothing in the Service Agreement or this Operating Statement shall limit Transporter's right to take actions as may be required to adjust receipts and deliveries of gas in order to alleviate conditions which threaten the integrity of its systems.

9.2 Monthly Imbalance Quantities. Transporter will notify Shipper if it appears that, with respect to any calendar month, receipts by Transporter at the Receipt Point(s) are, will be or were in excess of or less than the transportation quantities delivered to Shipper at the Delivery Point(s). The Shipper must agree to the appropriate corrective action with the Transporter's Gas Measurement Department within forty-eight (48) hours after the notification and must take the corrective action within the period agreed upon, not more than 60 days from the time of notification. If the Shipper fails to meet the deadlines stated above, Transporter shall retain any of the Shipper's excess gas in its possession, delivered during the period specified in discussion between the Transporter and Shipper, free and clear of any adverse claims of any party or, in the case of underdeliveries, shall charge Shipper two times the Market Price applicable during the month(s) in which the under deliveries occurred.

9.3 Unauthorized Delivery Imbalance Charge. Unauthorized deliveries are deliveries of gas made to Transporter prior to execution of the transportation contract or submission of the ITR. Transporter shall retain any unauthorized deliveries at no cost and free and clear of any adverse claims of any party.

9.4 Balancing at Contract Termination. Imbalance must be corrected following procedures specified in Section 9.2.

## **SECTION 10 - MEASUREMENT UNITS AND FACTORS**

10.1 Transportation Unit. The unit of measure for gas transported by Transporter shall be a dekatherm. Dekatherms delivered or received shall be determined by multiplying the Mcf by a fraction, the numerator of which is the Btu per cubic foot of gas and denominator of which is 1,000.

10.2 Unit of Volume. The unit of volume shall be one cubic foot of gas at a temperature of 60 degrees Fahrenheit and an absolute pressure of 14.73 pounds per square inch.

10.3 Atmospheric Pressure. The average absolute atmospheric pressure shall be assumed to be 14.4 pounds to the square inch, irrespective of actual elevation or location above sea level of the delivery or receipt points or variations in such actual atmospheric pressure from time to time.

10.4 Temperature of Gas. The temperature of the gas passing through the meters shall be determined by the continuous use of a recording thermometer so installed that it will record properly the temperature of the gas flowing through the meters. The arithmetic average of the hourly temperatures so recorded shall be used in measurement computations. However, in case of any small volume transaction, the installation of a thermometer may be omitted at the election of Transporter and in such case the temperature of the gas for the purpose of measurement shall be assumed to be 60 degrees Fahrenheit.

10.5 Specific Gravity. The specific gravity of the gas shall be determined once a month or as frequently as necessary for reasonably specific gravity so obtained shall be used for the purpose of measurement of gas.

10.6 Volumetric Measurement Computations. The methods of gas measurement computations shall conform with the recommendations of the ANSI/API 2530 "Orifice Metering of Natural Gas and Other Related Hydrocarbon Fluids" (A.G.A.

Report No. 3) including the A.G.A. Manual for Determination of Supercompressibility Factors of Natural Gas or the A.G.A. Transmission Measurement Committee Report No. 8 “Compressibility and Supercompressibility for Natural Gas and Other Hydrocarbon Gases”, including any revisions applying thereto adopted from time to time, applied in a practical manner.

10.7 Total Heating Value. The total heating value of the gas per cubic foot shall be determined for any month by taking the average of the heating values as recorded each day by a calorimeter or chromatograph or as determined by chromatographic analysis of a sample of gas, or methods outlined in AGA Gas Measurement Report No. 5, or any other method mutually agreed upon by Transporter and Shipper.

## **SECTION 11 - MEASUREMENT FACILITIES AND RECORDS**

11.1 Ownership and Operation. Unless otherwise agreed upon, with respect to deliveries, Transporter will install, maintain and operate at or near the delivery point(s), measuring stations properly equipped with displacement, turbine or orifice meters, gas samplers, chromatographs and other necessary measuring equipment by which the quantity of gas delivered hereunder shall be measured.

Unless otherwise agreed upon, with respect to the receipt and delivery of transportation gas, Transporter or Transporter's designee will install, as necessary maintain and operate measuring equipment as described above, at or near the receipt and delivery point(s). The cost of Transporter's or Transporter's designee's installing any incremental measuring facilities necessary with respect to the receipt and delivery of transportation gas shall be borne by the Shipper(s) of such gas, unless otherwise expressly agreed. Transporter may require Shipper to provide, or cause others to provide, records and charts, as applicable, from meters measuring deliveries of gas by Shipper to Transporter within the period of time prescribed by Transporter.

Orifice meters shall be installed and operated in accordance with specifications recommended in Gas Measurement Committee Report No. 3 of the American Gas Association, as the same may be amended from time to time, applied in a practical manner. Displacement or turbine-meters, if used, shall be installed and gas volumes computed, in accordance with generally accepted industry practices.

11.2 Installation. All installations of measuring equipment, applying to or affecting deliveries by Transporter to Shipper, shall be made in such manner as to permit an accurate determination of the quantity of gas delivered and ready verification of the accuracy of measurement. Reasonable care shall be exercised in the installation, maintenance and operation of any pressure regulating equipment so as to avoid, as far as practicable, any inaccuracy in the determination of the volume of gas delivered hereunder.

11.3 Access to Meters and Records. Transporter and Shipper shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's equipment used in measuring or checking deliveries of gas. The records from such equipment shall remain the property of their owner, but upon request will be available for inspection and verification at the Transporter's Office.

11.4 Measurement Equipment Failures. In the event measurement equipment is out of service, or registering inaccurately, the quantity and/or volume of gas delivered by Transporter to Shipper shall be calculated:

- a) By using the registration of any check meter, meters or other measurement equipment including SCADA if installed and accurately registering, or in the absence of "(a)";
- b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation or, in the absence of both "(a)" and "(b)", then;
- c) By estimating the quantity of delivery by deliveries during periods under similar conditions when the meter was registering accurately.

11.5 Accuracy of Measuring Equipment. The accuracy of Transporter's or Shipper's measuring equipment shall be verified at reasonable intervals, and if requested, in the presence of representatives of Shipper or Transporter, but neither party shall be required to verify the accuracy of equipment more frequently than once in any thirty (30)-day period. In the event either party shall notify the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. The expense of any special test, if called for, shall be borne by the requesting party if the measuring equipment tested is found to be in error by no more than two percent.

11.6 Correction of Errors. If, upon test, any measuring equipment is found to be in error not more than 2%, previous recordings of such equipment shall be

considered accurate in computing deliveries hereunder; but such equipment shall be adjusted at once to record correctly.

If, upon test, any measuring equipment shall be found to be inaccurate by an amount exceeding 2%, any previous recordings of such equipment shall be corrected to zero (0) error for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon, such correction shall be for a period extending over one-half of the time elapsed since the date of last test, not exceeding a correction period of thirty (30) days.

11.7 Preservation of Records. Each party shall preserve for a period of at least three (3) years all test data, charts and other similar records.

## **SECTION 12 - GAS QUALITY**

12.1 Quality. All gas which enters the Transporter's pipeline hereunder shall be clean and commercially free from dust, objectionable odors or other solid, gaseous or liquid matter which may interfere with its merchantability or cause injury to or interference with proper operation of the Transporter's pipelines, regulators, meters or other equipment through which the gas flows. Should any of the above substances enter the Transporter's facilities as a result of this transportation service and cause damage to any facility of the Transporter it may bill Shipper for the cost to repair such damage; and Shipper shall pay for same within 15 days of receipt of such bill. In addition, should any of the above substances enter the facilities of any pipeline company whose transportation services will be employed by the Transporter to complete the transportation contemplated herein, and cause damage to any such facilities, the Transporter may bill Shipper for any cost incurred by the Transporter to repair such damage; and Shipper shall pay for same within 15 days of receipt of such bill.

Shipper's gas which is received by the Transporter and transported hereunder shall not contain more than:

- (a) seven (7) pounds of water ( $H_2O$ ) in a vapor state per million cubic feet of gas;
- (b) three tenths (0.3) of a grain of hydrogen sulfide ( $H_2S$ ) per one hundred (100) cubic feet of gas;
- (c) twenty (20) grains of total sulphur (S) per one hundred (100) cubic feet of gas;
- (d) four percent (4%) by volume of a combined total of carbon dioxide ( $CO_2$ ) and nitrogen ( $N_2$ ) components for receipts in New York and five percent (5%) by volume of a combined total of carbon dioxide ( $CO_2$ ) and nitrogen



(N<sub>2</sub>) components for receipts in Pennsylvania provided, however, that the total carbon dioxide (CO<sub>2</sub>) content shall not exceed two percent (2%) by volume;

- (e) two tenths of one percent (0.2%) by volume of oxygen (O<sub>2</sub>). Shipper further agrees to make every effort to keep the gas completely free of oxygen (O<sub>2</sub>).

12.2 Minimum Heat Content. Minimum heat content of gas received by the Transporter shall be 967 British Thermal Units per cubic foot (dry)".

12.3 Remedies. If the gas received by the Transporter hereunder fails to meet any of the applicable quality specifications at the point(s) of receipt, in addition to the remedies provided herein, the Transporter shall have the option (1) to continue to receive such gas; (2) to refuse to receive and transport all or any portion of such gas until Shipper brings the gas into conformity with the specifications; or (3) to receive such gas and, at Shipper's expense, to treat or otherwise process same so as to cause the gas to conform to the applicable quality specifications.

12.4 Commingling. It is recognized that gas received by Transporter from or for the account of Shipper will be commingled with gas of other shippers of Transporter. It is recognized that gas delivered to or for the account of Shipper may or may not consist of the same molecules as those received from Shipper or for Shipper's account.

### **SECTION 13 - CREDITWORTHINESS**

13.1 Credit Evaluation. Transporter shall not be required to perform or to continue service under this Agreement on behalf of Shipper, if Shipper is insolvent, or if at Transporter's request, Shipper fails within a reasonable period to demonstrate credit worthiness; provided, however, Shipper may receive service under this Agreement if Shipper prepays for such service or furnishes good and sufficient security, as determined by Transporter in its reasonable discretion, for a three month period. For purposes herein, the insolvency of Shipper shall be evidenced by the filing by Shipper or any parent entity thereof (hereinafter collectively referred to as "the Shipper") of a voluntary petition in bankruptcy court or the entry of a decree or order by a court having jurisdiction in the premises adjudging the Shipper bankrupt or insolvent, or approving, as properly filed, a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Shipper under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator, (or other similar official) of the Shipper or of any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs, with said order or decree continuing unstayed and in effect for a period of sixty (60) consecutive days. For purposes herein, a Shipper's credit worthiness shall not have been demonstrated if (i) the Shipper has a poor credit history, as established by a reliable reporting agency, or with respect to any services provided by Transporter, or (ii) the Shipper's net worth, or its unencumbered assets in each state in which Transporter operates, is less than the cost of performing the service requested by Shipper for a three month period.

13.2 Creditworthiness Assessment. For those applicants that are publicly traded:

Bond ratings will be obtained (Moody's, Fitch, Standard & Poors and Dominion) to determine the initial creditworthiness of the applicant. Investment grade rated applicants must meet the minimum ratings. These ratings are: BBB from Standard and Poors, Baa2 from Moodys and BBB from Fitch. Those applicants that are not investment grade or on a credit watch for downgrade will be required to post

security. Those applicants with ratings in the mid to lower tier of investment grade may be required to provide additional information to complete a credit review. This information may include but is not limited to: annual reports, the most recent three years audited financial statements, balance sheets and foot notes.

For those applicants which are not publicly traded:

Dun & Bradstreet (“D&B”) reports will be utilized as the primary source of credit information to determine the creditworthiness of the applicant. The following standards will be used: a credit risk rating and a financial risk rating. Where D&B reports are utilized, the values for these ratings are on a scale of 1 through 5:

- "1" - assets, liabilities and payment history indicate little or no risk to creditors.
- "2" - assets, liabilities and payment history indicate some risk to creditors.
- "3" - assets, liabilities and payment history indicate a moderate risk to creditors.
- "4" - assets, liabilities and payment history indicate a greater than moderate risk to creditors.
- "5" - assets, liabilities and payment history indicate a severe risk to creditors.
- "Uncoded" - indicates that there is insufficient historical credit data available to make a reliable credit assessment of the applicant (such as the applicant being in business less than 14 months, change of ownership, etc.).

Upon receipt of the completed Credit Application, the Credit, Collections and Receivables Management Department will obtain various D&B reports for initial review and assessment. The reports will include, but not be limited to: Payment

Analysis Report, Business Information Report, Comprehensive Report and Credit Score Report. Applicants may also be required to submit the most recent three years audited financial statements including income statements and balance sheets. All non-publicly available financial information will be reviewed and maintained in a confidential manner. If necessary, a form confidentiality agreement will be executed regarding the use of this information. In addition, other criteria will be taken into consideration in assessing Distribution's potential risk exposure, such as: (1) established payment history of the applicant with Distribution and (2) the ratio of anticipated projected end-user volumes to assets available for payment; and (3) historical reliability of deliveries (nominations vs. deliveries).

#### "1" Rating

In general, if the reports indicate an overall rating of "1," no security deposit will be required at this time, subject to changes listed below. However, if anticipated projected volumes indicate a substantial risk exposure over and above indicated current assets available for payment, a security deposit may be required.

#### "2" Rating

If the reports indicate an overall rating of "2," additional background investigations will be completed. These investigations will include but not be limited to: (1) an assessment of the applicant's payment history with Distribution; (2) compilation of other creditors' and trade creditor's reports; (3) request for financial statements, if necessary. Upon completion of a review of the additional information, a determination will be made regarding Distribution's risk exposure and a recommendation made to request a security deposit.

#### "3-5" Rating

If the reports indicate an overall rating of "3-5", a security deposit will be required. No further investigations will be made unless extenuating circumstances exist and the applicant brings those situations to the attention of the reviewer.

"Uncoded "

Any applicant with a rating of "Uncoded" will automatically be designated as having a rating of "3-5"; and be required to post a security deposit.

Changes Effecting Credit Risk Ratings

All shippers will be periodically reviewed to determine if: (1) there is a change in their bond or credit risk rating; (2) security will be required on a previously unsecured account; (3) the amount of security being held should be increased or decreased to meet projected future usage, based upon historical usage data. Changes indicating that a credit review may be necessary include, but are not limited to: (1) negative changes in bond ratings or placed on credit watch for downgrade; (2) significant changes in D&B (or similar) credit reports; (3) credit related information obtained from reliable sources; (4) a change in the number of end users; (5) a change from the established payment history; as well as any other information received regarding the financial standing of the Shipper.

13.3 Security Deposit Amount. The amount of a security deposit will be determined by the following guidelines, based upon the shipper applicant's potential maximum liability over a three-month period. Monthly reviews will be conducted, based upon any changes, which may affect Distribution's risk exposure. Such reviews will be provided upon applicant request. Interest shall be paid to the customer upon the return of the deposit, or where the deposit has been held for a period of one year or more, the interest shall be credited to the customer no later than the first bill rendered after the next succeeding first day of October and at the expiration of each succeeding one year period.

13.4 Acceptable Payment of Security. Payment of security deposits can be made by cash or other acceptable form of security such as a letter of credit or a parent guaranty (provided the issuing parent meets the creditworthiness standards) in like amount.

**EXHIBIT A - STATEMENT OF RATES**

**Exhibit A**

Rate Per Mcf for Transportation Services

For Transportation within:	<u>Minimum Rate</u>	<u>Maximum Rate</u>
New York	\$0.1000	\$0.2615
Pennsylvania	\$0.1000	\$0.4379