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NATIONAL FUEL GAS DISTRIBUTION CORPORATION

Pennsylvania Public Utility Commission
Docket No. R-00984531

SYSTEM - WIDE ENERGY SELECT PROGRAM

SATC SERVICE & SATS SERVICE

Small Aggregation Transportation Customer Service
Small Aggregation Transportation Supplier Service

October 30, 1998

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DESCRIPTION

I. Introduction.

National Fuel Gas Distribution Corporation's ("National Fuel Distribution" or "the Company") SATC Service coupled with SATS Service will provide all of its small volume natural gas customers[1] in northwestern Pennsylvania the opportunity to have National Fuel Distribution transport natural gas supplies purchased from gas suppliers other than National Fuel.

Beginning April 1, 1999, through the SATC Service participating customers ("SATC Customers" or "Customers") will be able to purchase competitive and reliable gas supplies from qualified participating sellers using SATS Service ("SATS Suppliers" or "Suppliers"). This service is consistent with the underlying premises of the unbundling initiative in Pennsylvania and will bring choice of supplier to all of the Company's Pennsylvania customers in the near term. The program is ambitious in both its size and scope, however protections provided to customers through state regulatory oversight will continue.

II. Regulatory Context.

In Pennsylvania, the Public Utility Commission ("PUC" or "Commission") has been working to address gas unbundling and customer choice issues on a generic basis. Chairman Quain's collaborative has been working on a model for unbundling the gas industry and amending the Public Utility Code.

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[1] Customers shall not participate in both the LIRA pilot and the SATC program.

The Commission and a number of Pennsylvania utilities have not stood still while generic models were being contemplated. With Commission approval utilities have tested numerous customer choice concepts.[2] Other gas utilities have expanded their small customer transportation programs during the past year.

III. Energy Select

- **Pilot Results**

National Fuel itself has undertaken its own Pilot which is in its second phase and is slated to end on March 31, 1999. The Company considers the Pilot a success as it has provided all customers in the Pilot area a choice of a supplier other than the Company and, as well, it has tested whether it was possible for the utility's role of supplier of last resort to be provided in some other way, namely through the Default Supplier and the Hardship Pool. The Company expects that under any unbundling model, at least in the short-term., the utility will remain the supplier of last resort. Therefore, the Company has chosen to modify Energy Select in its system-wide offering, by remaining the supplier of last resort for those customers who cannot or do not choose.

In addition, given the Company's experience in its Pilot and the results of its surveys undertaken there, it is abundantly clear that certain customers seek choice of supplier. As well it is clear customers want the utility to remain a choice. It would be inconsistent with the alms of the PUC as well as poor planning on the part of the Company to simply end the Pilot without offering a replacement, and more importantly, an expanded replacement in order to provide this choice to more customers. Therefore, the Company has endeavored to create a competitive choice model that will allow all of its customers the opportunity to choose their supplier.

- **System-Wide Energy Select**

[2] In April 1996, the Commission stated that "the time is ripe for the institution of a pilot customer choice program for natural gas customers." Petition for the Establishment of a Pennsylvania Pilot Program of Retail Choice and Competition for Energy Services in the Borough of Pleasant Hills, Allegheny County, Docket No. P-00950980 (Order entered April 29, 1996). Furthermore, the Electric Act requires electric utilities to develop pilot programs to test retail choice offerings during the course of the larger unbundling process.

In offering its new aggregated transportation services (SATC and SATS Service) on a system-wide basis, the Company has continued many of the features of the Pilot and modified others. One significant change is that the Company will undertake its expected role as supplier of last resort, and the roles of Default Supplier and Hardship Pool will no longer exist. Since the Company is required to serve as the supplier of last resort, and remain the party responsible for safety matters and termination of service the Company must maintain a billing relationship with all customers. This is consistent with other current unbundling programs in Pennsylvania.

Further, under any system-wide competitive choice model, in order for the Company to assure reliability, the Company has developed what it considers essential capacity requirements. These capacity requirements include the Company keeping key operational upstream capacity connected to the system and allocating receipt points into that capacity through which Suppliers in the program will flow their gas. The costs of such allocated capacity will be included in the Company's SATC transportation rates. Other upstream capacity will be assigned to suppliers until contracts are terminated and replaced by the suppliers. A collaborative mechanism is proposed to accomplish this process.

With these key changes to the Pilot Program, the Company here offers SATC and SATS Services in order for all of its customers to have the opportunity of choosing their supplier.

IV. Filing Overview.

The following narrative first briefly outlines the goals of the System-Wide Energy Select Program; the SATC and SATS Services. The key components of SATC and SATS Services are then listed, followed by a more detailed summary of each important area of SATC and SATS Services. A number of attachments are also provided, including Appendix B, the proposed tariffs which will implement the SATC and SATS Services.

The description provided here is aimed at describing with specificity how the program will work.

V. The System-Wide Energy Select Program Goals.

The goals of National Fuel Distribution's System-Wide Energy Select Program are:

1. To provide all of its customers the opportunity to make an informed choice regarding their gas supplier through a program that provides the same reliability of service that customers have experienced in the past.

2. To provide a process for making that choice as informative for the customer as possible, while assuring that the process is not a burden.

3. To provide third party suppliers an operationally efficient market environment that generates interest and encourages participation and competition which provides customers with the services they want.

VI. Key Components of the Service.

Location: The Company's entire service territory in Pennsylvania.

Size: Approximately 213,275 customers.

Effective Date: SATC and SATS Services are planned to begin April 1, 1999.

SATS/SATC Service: SATS Suppliers will be required to use *Small Aggregation Transportation Supplier Service* ("SATS Service"), which is the service on the National Fuel Distribution system which will allow Suppliers to move gas to aggregated customer accounts that form a pool of customers (an "SATC Group").
Aggregating customers under SATS Service will allow Suppliers to minimize administrative cost. A minimum of 250 customers or a volume of at least 30,000 Mcf annually will be required to enter into an SATS Service Agreement. *Small Aggregation Transportation Customer Service* ("SATC Service") will provide the means for aggregated gas to be transported to the Suppliers' Customers.

Customer Enrollment: Enrollment will generally occur for gas deliveries to begin during April of each year. Rolling enrollments will be allowed throughout the summer season until September 15. Enrollment will involve SATS Suppliers signing up customers and then advising the Company of their SATC Customer pool.

Billing: The Company will bill the SATC Customer for transportation charges and the SATS Supplier may bill the Customer for gas supply charges. The Supplier may enter into a contract with the Company for the Company to provide a single bill to customers for both their gas supply service costs and transportation costs.

SATS Supplier Criterion: SATS Suppliers will qualify for the program on the basis of their ability to have contracted to aggregate gas service for a minimum of 250 customers or a group of customers whose aggregate volume totals at least 30,000 Mcf annually. SATS Suppliers must satisfy the Company's creditworthiness standards, as well as agree to the Company's tariff with regard to customer protection policies.

Remaining Company

Obligation: The Company shall remain responsible for all aspects of the physical gas service to customers, including turn-on, shut-off and emergency services. The Company shall also provide customers with customer protections related to termination.

Upstream Capacity: A variety of upstream capacity options will be used to meet the needs of the SATS Suppliers' customers. Upstream capacity that is operationally required to serve customers will be retained and included in SATC rates. There will be allocated receipt points to Suppliers for this capacity. There will be mandatory assignment of other upstream capacity and storage. Over time, as these assigned upstream contracts are available for termination, Suppliers will have the opportunity to contract for their own capacity, which meets the Company's standards for comparable capacity, to enable them to provide firm service to SATC Service customers.

Customer Protections: Customers will be provided equivalent levels of state protection while receiving SATC Service since National Fuel Distribution will remain supplier of last resort.

VII. Detailed Discussion of System-Wide Energy Select Program.

A. Geographic Area.

National Fuel Distribution's service territory in northwestern Pennsylvania is shown in the two maps in Appendix A. The first map shows the delivery points to National Fuel Supply from the upstream pipelines. The second map shows how many of those pipelines operate in effect as a part of the Distribution system. The Company has a strong presence in its territory and is comfortable that it will be able to communicate with the participants effectively.

B. Small Aggregation Transportation Customer Service (SATC Service).

The concept of Small Aggregation Transportation Customer Service is that National Fuel Distribution will transport the gas supplies provided by the SATS Supplier. Except for gas supply related matters, National Fuel Distribution's relationship with the end use customer remains the same.

C. Small Aggregation Transportation Supplier Service (SATS Service).

The concept of Small Aggregation Transportation Supplier Service is that National Fuel Distribution will aggregate the gas supplies provided by the SATS Supplier. The Company shall charge the SATS Supplier a monthly fee of $.Ol per 100 cu. Ft. of gas supplies aggregated by the Supplier, based on the burner-tip consumption for the Supplier's customer group, as explained in the supporting data at Appendix B. Except for gas purchasing related matters, National Fuel Distribution's relationship with the end use customer remains the same.

D. Communication Plan.

Prior to enrolling customers, the Company will undertake a customer outreach and education/communication campaign for its Pennsylvania customers. The Company will work to educate Customers on customer choice and the Company's plans under the System-Wide Energy Select Program, in order to educate customers as well as to obtain customer feedback and insight about expected customer response to the Program. The communication program will consist of outreach and education sessions. National Fuel Distribution will educate its customers prior to SATC Service beginning. Participating SATS Suppliers will also educate their customers about SATC Service as they market their services.

The goals of the outreach and education/communication plan are to: educate the customer about the impact of changing regulation and customer choice; inform customers about customer choice through SATC Service; build customer interest in electing their own SATS Supplier; and clearly communicate the process by which customers may obtain SATC Service. The Company and Qualified Suppliers will assist customers with questions about the System-Wide Energy Select Program through these educational efforts and through the Company's established 800 number.

E. SATS Supplier Qualification.

National Fuel Distribution will determine those suppliers that are qualified to participate in SATS Service in the following manner:

Upon request, the Company will send an informational package to the SATS Suppliers which contains a program description and application as well as an SATS Service Agreement. There will be a $500 fee payable upon return of the application.

The major qualification criteria that Suppliers must satisfy to be eligible to participate in SATS Service relate to creditworthiness, and their agreement to abide by particular customer protection policies specified in the SATS tariff. The SATS and SATC tariff provisions are attached as Appendix C. The creditworthiness standards are intended to protect the Company from loss in the event of a failure to pay for aggregation, failure on the part of the Supplier to pay its upstream transportation costs, supplemental supply and balancing service, as well as for any non-performance penalties.

Suppliers must demonstrate to the Company's satisfaction that they have the operational capability to meet the gas needs of the Customers in their SATC Group.

While National Fuel Distribution shall remain responsible for all issues related to the physical gas service provided to the customer (i.e. turn-on, termination and gas emergencies), Suppliers must also have in place a system to handle customer service and emergency questions and complaints.

Qualified Suppliers may contact customers any time after the tariffs are approved.

F. Company Obligations.

The Company shall remain responsible for all issues associated with the customers' physical receipt of gas service. Such issues shall include turning on service, termination of service, metering, and gas service emergencies. SATS Suppliers shall be obligated to include on their bills to customers the Company phone number to call with any questions regarding gas delivery service and safety.

G. SATC Service Customer/SATS Service Supplier Participation.

- **Enrollment Process.**

The planned service start date for gas flows under the System-Wide Energy Select is during the month of April 1999. This will be the first enrollment opportunity. Generally, enrollment will be available to occur during the months preceding each April, for gas flows to start during the month of April, in order to coincide with the beginning of the storage injection cycle. Enrollments may continue on a rolling basis through the summer season of each year (ending September 15). Enrollments made prior to the 15th of any month shall be effective at the beginning of the next billing cycle following the start of the next month. Enrollments shall end on September 15 in order for the Company to plan its gas supply requirements for the winter season. Enrollments will be binding for the remainder of the service year ending on March 3 1, of the following year. Suppliers must have a minimum of 250 customers or a pool of customers whose aggregate volume totals 30,000 Mcf annually to provide for efficient pool administration.

If additional Customers enroll with a Supplier after March 15 of any year, the Supplier will be required to pay for the costs associated with obtaining the storage gas that must be transferred to the Supplier for such additional Customers. The following shows the percentage of the peak day storage quantity needed for Customers that would be transferred depending upon the month of enrollment:

Capacity transfer month ending:	Volumes of storage gas transferred as a percentage of peak day storage capacity:
April	14.29%
May	28.57%
June	42.86%
July	57.14%
August	71.43%
September	85.71%

Suppliers also will be required to pay a portion of storage demand costs commencing April 1 as part of the transfer charge.

Enrollments will be handled electronically by the Suppliers submitting a valid account number to the Company, after which the Company will send a confirmation to the Customer to assure that service was intended. Suppliers will be obligated to keep on file a signature card showing each customer's election of SATS Supplier. The Company reserves the right to review such election cards upon request. The Customer may cancel the selection by notifying the Company within ten (10) days of the Company's mailing of the notice.

- **Information Provided to SATS Suppliers.**

As customers sign up with a Supplier, information on usage will be supplied. Once authorized by the customer, SATS Suppliers will receive the historical usage for their customers.

- **Customer Participation.**

Residential customers (exclusive of LIRA customers), all commercial and public authority customers, and small and intermediate volume industrial customers are eligible to participate. Upon the effective date of an SATC Customer's SATC Service, final payment will be due to the Company for service prior to that date.

H. Upstream Capacity.

Through the System-Wide Energy Select Program participating SATS Suppliers will obtain upstream supplies in a variety of ways. Suppliers will have a portion of mandatorily released capacity both on the upstream pipeline and on Supply, and as well they shall be allocated receipt points into capacity retained by the Company. As the opportunity becomes available for the Company to terminate upstream capacity, Suppliers will have the opportunity to bring their own capacity to the system.

- **SATS Upstream Capacity Portfolio.**

Upstream capacity which makes up an SATS Supplier's portfolio to supply its customers is shown below. Descriptions of how gas flows to the Company on peak day provided in Appendix D. A full listing of the contracts for each type of capacity is provided in Appendix E.

	Percent of Peak Day Met by Upstream Capacity	Capacity
1.	52%	NFGSC ESS Storage & EFT Transportation

2.	23%	Released Capacity
3.	25%	Allocated Receipt Point Capacity
4.	0%	SATS Supplier Provided Capacity

- **Retained Upstream Capacity.**

In order to be able to offer full customer choice service to all of its customers, the Company has determined that certain upstream capacity must be retained by the Company. This capacity is used for 1) reliability; 2) operational and flexibility needs, (namely, that capacity includes the Company's Tennessee Gas Pipeline Company ("Tennessee") capacity, and National Fuel Gas Supply Corporation ("Supply") capacity), and 3) to serve isolated load pockets in the Company's service territory . All of these capacity issues are more fully described in Appendix F.

Capacity for reliability is high deliverability supply which, as well as meeting the needs of the Company's sales customers, will also assure peak day balancing. Given the Company's role as supplier of last resort, this capacity will serve as insurance in the winter when the probability for marketer default is the highest. As SATS/SATC Service grows on the Company's system, it is expected that the percent of the Company's gas supply capabilities required for peaking needs will increase.

Operational and flexibility capacity is upstream capacity which in effect operates as an extension of the Company's system; i.e. the Tennessee capacity and Supply capacity interconnecting the Company's service territory. Because of Tennessee's rigid design, and inflexible transportation and release system, the Company cannot simply maintain the essential market area capacity nor can it replicate the current enhanced flexibility of its contract with Tennessee through simply a release of the capacity to suppliers. The amount of Tennessee capacity retained can be only reduced to the extent changes are made to Tennessee's system which allows segmenting of the market area capacity from the long-line portions of the Tennessee capacity. This would allow the Company to retain essential flexibility associated with the market area capacity and release the long-line sections to Suppliers for their own use. Until that time the Company will allocate receipt points into the Company's capacity for Suppliers' use.

Similar to the market area Tennessee capacity, the Supply capacity operates as an extension of the Company's system, assuring gas is delivered where and when needed at the Company's over 250 interconnecting points with Supply. Therefore the Company's EFT capacity on Supply, (excluding the EFT associated with ESS) will be retained by the Company and managed by the Company and rolled into transportation rates. Retention of the Tennessee and Supply capacity is essential for efficient, reliable service to continue.

The Company will also keep load pocket capacity for the Company's CNG full requirements areas and Columbia full requirement areas which assures that customers isolated on particular pieces of capacity will continue to have a choice of supplier and access to the same supply choices as other customers, and as a result a more competitive gas supply choice.

The Tennessee and certain of the Supply EFT and Load Pocket Capacity will be retained by the Company and rolled into transportation rates. Retaining any upstream capacity which will be made available to SATS Suppliers for their use will of course require the Company to seek and to receive from FERC a waiver of the FERC's Shipper-Must-Have-Title policy, similar to the waiver Atlanta Gas Light obtained in its request from the FERC.[3]

- **Assignment of Upstream Capacity.**

To participate in the System-Wide Energy Select Program, Suppliers will accept from the Company assignment of a portion of the Company's upstream pipeline capacity, Supply Enhanced Storage Service ("ESS") and associated EFT based on the estimated extreme day requirements of the SATS Supplier's customer group. The mandatory assignment requirement for the pipeline capacity upstream of Supply will continue until the time when Suppliers have the opportunity to contract for, and in fact do contract for comparable pipeline capacity on their own. Much of this capacity will be available for Suppliers to obtain within the next five years. Appendix E lists the upstream pipeline contracts making up this capacity and associated termination dates.

Once the program begins, before the notice date regarding termination of any contract, the Company will hold a collaborative session with Suppliers to determine if the Company should terminate, renew or replace capacity, in whole or part. If Suppliers demonstrate that they will provide comparable firm capacity (firm winter season delivery into primary points held on Supply) then the Company will proceed to terminate such capacity to that extent. To the extent Suppliers no longer serve SATC Customers (they default or simply choose to leave the program), the Company will have the option to require the Supplier to assign or release such capacity to the Company.

As noted, the Company will release to Suppliers the appropriate amount of Supply ESS and associated EFT retained by the Company but available for Suppliers' use to replicate the no-notice service that the Company currently uses to serve its core customers.

A credit/surcharge mechanism will be used by the Company to insure that costs associated with the mandatory released pipeline capacity upstream of Supply above are equal to

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[3] Atlanta Gas Light Company, 84 FERC ¶61,119 (1998).

National Fuel Distribution's weighted average cost of that released pipeline capacity. This credit/surcharge will be applied to all Suppliers.

In releasing to Suppliers upstream capacity and in allocating to Suppliers upstream pipeline receipt points of the capacity not reserved for its sales customers, National Fuel Distribution will attempt to accommodate Suppliers' requests on a first-come, first-served basis. Where this cannot be accomplished, the Company will designate the applicable capacity and/or points.

I. Defaulting SATC Customers.

Customers that violate the terms of their contract with an SATS Supplier can, upon fifteen (15) days notice to the Company, be transferred back to the Company at the beginning of the next billing cycle following the notice period. The Company shall have the option to: 1) recall the mandatorily released capacity used by the Supplier to serve those customers; and 2) require the SATS Supplier to sell to the Company any gas held in storage for those customers. The price for such gas in storage will be as provided in Section C. 1. d. of the SATS tariff. Upon their transfer to the Company, such customers shall have a receivable balance with the Company for any money owed associated with the gas supply received from the SATS Supplier, if the Company has done the billing for the Supplier where the Company has bought the Supplier's receivables. The SATS Supplier, if it bills the Customer itself or through a third party, remains the party responsible for undertaking any collection activity associated with those billings.

J. Defaulting Suppliers.

Suppliers which violate the terms of their contract with the Company shall be subject to termination from the SATS/SATC program. Further, to the extent an SATS Supplier fails to deliver its Aggregated Daily Delivery Quantity (discussed in Section L herein) for any three days during a month, the SATS Supplier shall be considered in default and subject to termination. Terminated Suppliers will transfer their SATC Customers to the Company. The Company shall have the option to recall the capacity released to the SATS Supplier or to require the Supplier to assign to the Company any comparable capacity obtained and used by the Supplier to serve those customers. The Company shall also have the option to require the SATS Supplier to sell to the Company the gas in storage at the price provided in Section C. 1. d. of the SATS tariff.

K. Customer Protection.

Customers receiving SATC Service shall maintain equivalent protections to those that they currently enjoy. Customer protections will be maintained through provisions to be incorporated in the SATS Supplier's SATS Service Agreement with the Company and in accordance with the protections required in the Company's SATS tariff. As part of that agreement, the Suppliers will agree to render bills in clear and plain language, include the phone number of the PUC, ensure that customers receive adequate prior notice of termination of SATC gas supply services and respond to consumer complaints promptly.

National Fuel Distribution will provide the full level of customer protections against unreasonable termination provided by current regulations. Customers cannot be terminated by Suppliers and will be terminated by the Company only after full compliance with regulations of the Commission.

L. City Gate Balancing Requirements for SATS Suppliers.

SATS Suppliers will be the party of primary responsibility with regard to gas supply, upstream and on-system aggregation service obligations for the designated customers.

Suppliers will meet their obligations on a daily basis through their use of released capacity and deliveries into allocated receipt points on retained capacity. As required under the Company's Small Aggregation Transportation Service tariff Suppliers will be required to keep their daily deliveries equal to within a two percent (2%) tolerance of its Aggregated Daily Delivery Quantity ("ADDQ"). The ADDQ equals each SATS Supplier's total pool of SATS customers' estimated demand for a given day, which the Company will calculate based on weather forecasts and estimated customers' usage on a monthly, 10-day, weekly and/or daily basis. Such usage estimates will then be posted on the SATS Supplier's and on National Fuel Distribution's Electronic Communication Facilities ("ECF"). These postings will be provided such that Suppliers have sufficient time to nominate on the upstream pipelines.

An SATS Supplier will meet its ADDQ by nominating deliveries from ESS storage to cover the demand not met by upstream capacity. Imbalances on the upstream pipelines and on National Fuel Supply will be governed by those pipelines' FERC gas tariffs. Suppliers will have all the flexibility that the utility has in regard to the released upstream and storage capacity.

M. Balancing Penalties.

An SATS Supplier's deliveries are expected to be equal to the ADDQ of the SATS Supplier's SATC Group. As noted above, in general, an SATS Supplier's nominations from ESS should cover any short-fall or take up any overdelivery. The SATS Supplier will be responsible for any city gate imbalance penalties resulting from delivery shortfalls. An SATS Supplier will also be required to meet standard targets with regard to storage inventories needed for the Supplier's SATC Group.

If on any day an SATS Supplier fails to deliver the ADDQ, within a tolerance of two percent (2%), then city gate balancing penalties will be applied as follows:

> For underdeliveries in the Summer Months (April through October), the penalty shall be equal to the higher of $7.OO/Dth or 110% of the Market Price for the date(s) the SATS Supplier failed to deliver the ADDQ. The Market Price shall be determined by referencing the following publication and Indice and shall apply to each Dth not delivered: **Gas Daily**, for "Appalachia", "CNG North Point".

For underdeliveries in the Winter Months (November through March), the penalty shall be equal to the higher of $10.00/Dth or I 10% of the Market Price for the date(s) the SATS Supplier delivered in excess of the ADDQ. The Market Price shall be determined by referencing the following publication and Indice and shall apply to each Dth delivered over the ADDQ: **Gas Daily**, for "Appalachia", "CNG North Point".

During "OFO" and "SMO" periods (both discussed below in Section N), in addition to those charges above, a charge of the higher of $25 per Dth or the Market Price of gas for that day which shall be determined by references in The Index, "Daily Price Survey" for "Appalachia", "CNG North Point" shall be applied.

For overdeliveries to meet the SATS Supplier's ADDQ there shall be no penalties, however, the Company shall have no obligation to accept any such overdeliveries. SATS Suppliers shall be allowed to deliver gas into their allocated receipt points into upstream capacity for the purpose of deliveries to storage, to the extent confirmed by the upstream pipeline.

Imbalances between the ADDQ and actual consumption by the Supplier's customer group (Burner Tip Imbalances) can be cashed out or rolled over to adjust the subsequent month's ADDQ. The default method for such imbalances shall be a cashout.

N. System Maintenance Orders and Operational Flow Orders.

The Company may issue System Maintenance Orders ("SMOs") from time-to-time which assure that gas is flowing to the City Gate where and when needed. Such SMOs shall include but not be limited to orders to flow gas at the points assigned or received to serve their ADDQ, and to flow gas at particular primary delivery points into Supply as well as orders to flow additional gas from storage. Should SATS Suppliers fail to comply then the Company shall issue Operational Flow Orders ("OFOs").

0. Billing.

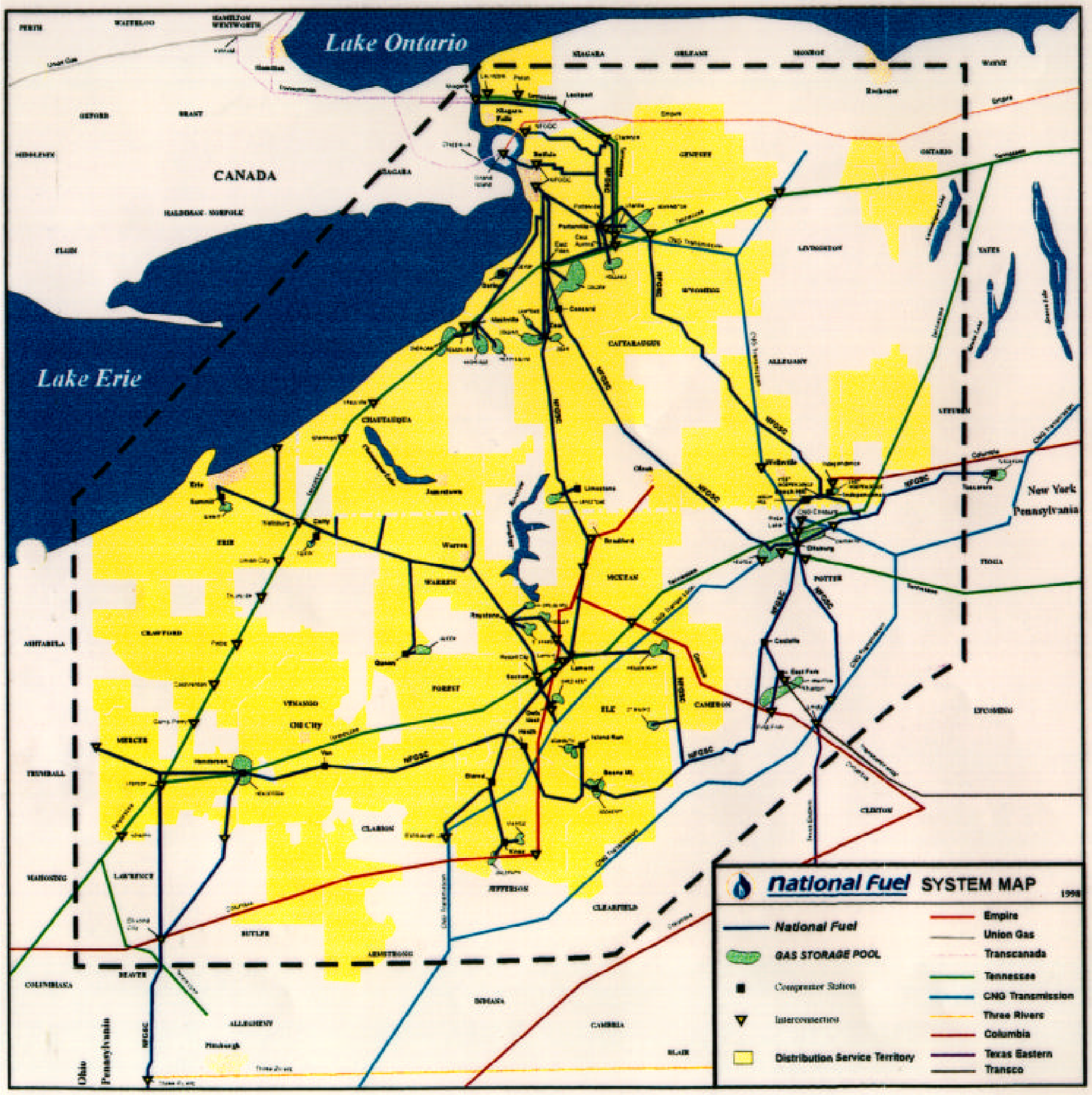
The Company shall provide a bill to SATC Customers for transportation charges. The SATS Supplier has the right to bill the Customer for gas supply charges. The Supplier may enter into a contract with the Company for the Company to provide a single bill to the Customer for both their gas supply service costs and transportation costs. The Company is considering a billing program where it would purchase the receivables from the Supplier. Where the Supplier provides a separate bill to the Customer for gas supply service the Company will provide the Suppliers with the cycle meter read consumption data to facilitate such billing.

VIII. Conclusion

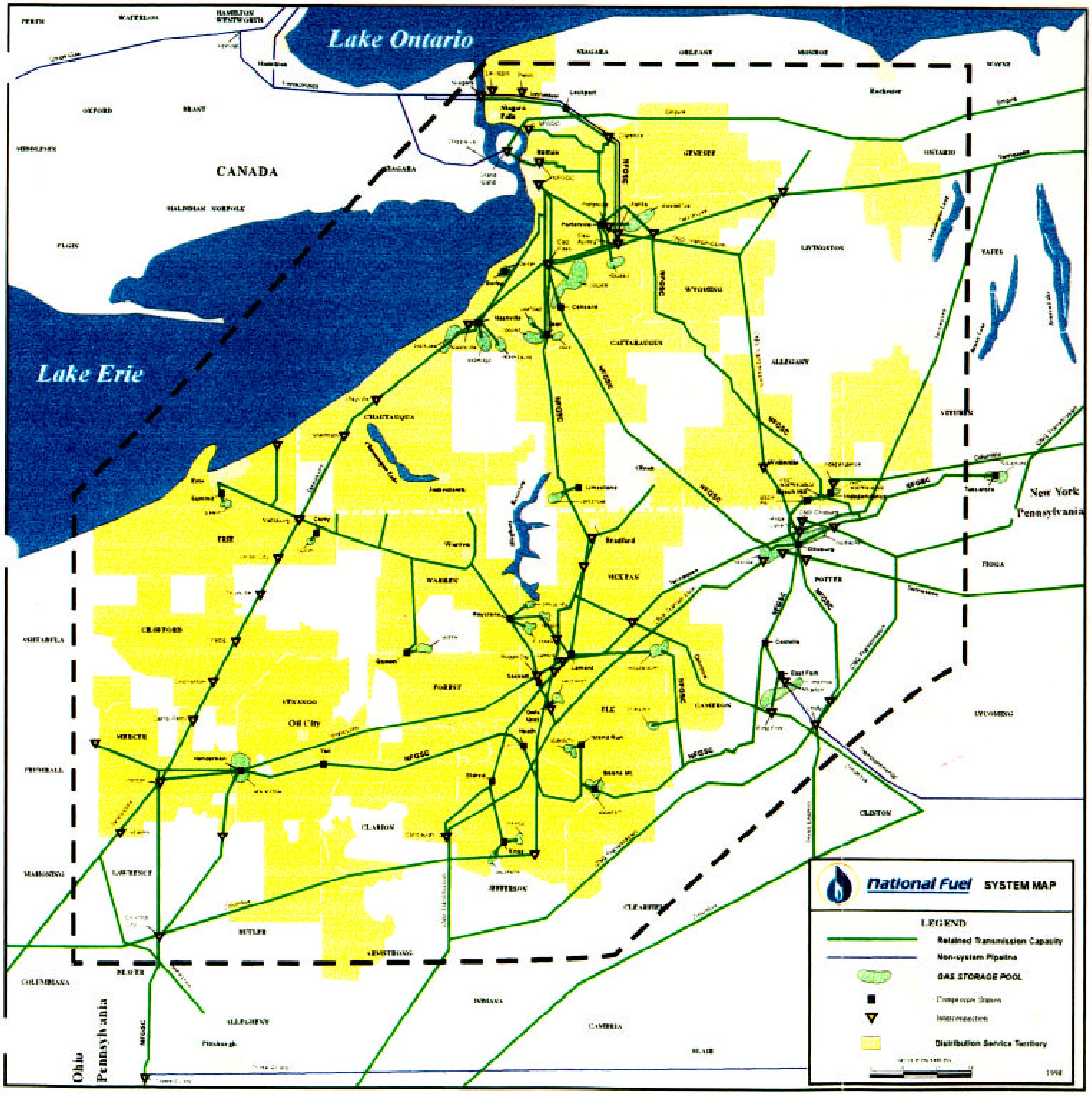
The System-Wide Energy Select Program represents an important and critical step in the transition to a competitive environment that will provide choice to all of the Company's Pennsylvania gas utility customers. The Company reiterates its commitment to the success of this program and to continuing to work with other stakeholders in a collaborative manner to ensure that success is achieved.

APPENDIX A

Appendix A
Map 1



Appendix A
Map 2



APPENDIX B

STATEMENT OF NATIONAL FUEL GAS DISTRIBUTION CORPORATION IN SUPPORT OF SUPPLEMENT NO. 97 TO TARIFF GAS - PA. P.U.C. NO. 8 ISSUED ON OCTOBER 30,1998 TO BECOME EFFECTIVE FOR SERVICE RENDERED ON, AND AFTER, DECEMBER 29,1998 - REVISIONS TO TARIFF TO PROPOSE SYSTEM-WIDE ENERGY SELECT PROGRAM SMALL VOLUME TRANSPORTATION PROGRAM

National Fuel Gas Distribution Corporation ("Distribution") submits this statement in support of Supplement No. 97 to its Tariff Gas - Pa. P.U.C. No. 8 ("Supplement No. 97"). The following information is being submitted in response to the Pennsylvania Public Utility Commission's ("Commission") filing requirements concerning changes in tariffs, which requirements are codified at 52 Pa. Code §53.52. For the convenience of the Commission each filing requirement will be set forth immediately before the response thereto.

(a) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered, it shall submit to the Commission, with the tariff, revision or supplement, statements showing the following:

(1) The specific reasons for each change.

INTRODUCTION

This tariff supplement is filed to implement a System-Wide Energy Select Program for transportation of gas to residential and small commercial customers in Distribution's service territory on a competitive basis. The provision of gas supplies to all customers on a competitive basis is desirable for the customer and the LDC because it will extend the benefits of competition to all customers.

DESCRIPTION OF THE SYSTEM-WIDE ENERGY SELECT PROGRAM

The System-Wide Energy Select Program is described in detail in the folder entitled *SYSTEM-WIDE* **ENERGY SELECT** *PROGRAM* which is included with this tariff filing and incorporated here-in by reference. Supplement No. 97 contains detailed tariff provisions concerning operations under the program and procedures for implementing the program.

In general, the program provides an opportunity for all residential and small commercial customers within Distribution's Pennsylvania Division to select a supplier of natural gas services other than Distribution. If customers do not choose an alternate supplier they will continue to be served by Distribution through the appropriate sales service rate schedule of Distribution.

Distribution is requesting approval of two new rate schedules: (1) Rate Schedule SATC - Small Aggregation Transportation Customer Service, and (2) Rate Schedule SATS - Small Aggregation Transportation Supplier Service. Rate Schedule SATC is the customer transportation service that will permit small volume customers to obtain transportation service from Distribution and receive gas supplies from an aggregated pool of gas provided by approved suppliers. Rate Schedule SATS is the supplier service that will permit suppliers to aggregate the supply requirements of small volume customers and deliver those supplies to Distribution's system in a reliable manner.

In order to facilitate delivery of gas by the suppliers to Distribution for transportation to customers, Distribution will release storage capacity and associated pipeline capacity on National Fuel Gas Supply Corporation ("Supply") and pipeline capacity upstream of Supply. Releases will be at maximum rates and will be based upon the coincidental peak day requirements of each supplier's group of customers. Suppliers must accept capacity in order to participate. Suppliers will also be required to provide a proportion of their customer requirements through upstream pipeline capacity retained by the Company and included in the transportation rates billed to customers. Since capacity currently used to serve customers will be released to suppliers or recovered through transportation rates, there will be no stranded costs or cost shifts to other customers. As upstream contracts expire marketers will have the opportunity to replace these contracts with their own capacity.

CONCLUSION OF ENERGY SELECT PILOT PROGRAM

By this filing the Company will also conclude its Energy Select Pilot Program. The Energy Select Pilot Program was implemented in October 1997 by the Commission's approval of Distribution's Rate Schedule PTA - Pilot Transportation/Aggregation Service. Rate schedule PTA is a transportation program designed to test the procedures associated with small volume transportation program. Rate schedule PTA applied to customers in the cities of Sharon, Farell, and Hermitage, Boroughs of Sharpsville, West Middlesex and Wheatland, and Township of Shenango ("Pilot Area"). By this filing Distribution is requesting the termination of the pilot program.[1] Distribution is also requesting that the provisions restricting the Pilot Area from the applicability section of the Residential Service Rate Schedule, Commercial and

[1] The PTA tariff will be maintained due to the requirement to complete billing for the services rendered under the tariff. Customers will no longer be served under the PTA tariff after their April 1, 1999 billing cycle is completed.

Public Authority Service Rate Schedule, Small Volume Industrial Service Rate Schedule, and the Intermediate Volume Industrial Service Rate Schedule be removed from these rate schedules.

The Company considers the Energy Select Pilot program a success and has used the lessons learned from that program in designing the System-Wide Energy Select Program.

(2) The total number of customers served by the utility.

As of September 30, 1998, the Company served the following number of customers:

Class of Service		Total Customers Served
Residential		196,465
Commercial		14,454
Industrial		583
Other		---
	Total	211,502

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

Customers bills that will be affected by the change include customers in the Pilot Area (approximately 18,000 residential and 1,000 nonresidential customers) and existing sales customers outside the pilot area that choose to be supplied by an approved supplier. Customers in the Pilot Area choosing to continue to be served by a supplier other than Distribution will now receive a bill from Distribution for transportation services provided by Distribution. Customers in the Pilot Area that choose to receive sales service from Distribution will receive a Distribution sales service bill. Customers outside the pilot area that choose a supplier other than Distribution will receive a Distribution bill for transportation service rather than a Distribution bill for sales service. Those customers outside the Pilot Area that do not choose a supplier other than Distribution will see no changes to their bills.

(4) The effect of the change on the utility's customers.

Residential and small commercial customers system-wide will now have the ability to choose an alternative supplier of natural gas supplies. Residential and small commercial customers in the Pilot Area will have the ability to return to Distribution's sales service if they so choose. Residential and small commercial customers in the pilot area may continue to receive service from a supplier other than Distribution.

The protections which Distribution has built into the program will permit customers to choose alternative suppliers without risking reliability of service. By assigning capacity to suppliers, they are given the full capability to provide full reliable service. Suppliers are required by tariff to meet the daily gas volumes of their customers. Procedures are included in the tariff for transferring capacity and gas from a supplier to Distribution in the event the supplier fails to maintain required deliveries. Accordingly, there will be no change in reliability of service.

Also, a full set of consumer protections is provided in Rate Schedule SATS.

(5) The effect, whether direct or indirect, of the proposed change on the utility's revenue and expenses.

Revenues received from customers in the Pilot Area are likely to increase since these customers will no longer be restricted from choosing Distribution's sales service. The increase in revenue is directly related to the purchased gas revenues and gross receipt taxes included in sales rates. The number of customers in the Pilot Area that will choose to return to sales service is not known at this time.

Revenues received from customers outside the pilot area are likely to decrease because Distribution will no longer bill customers that choose an alternate supplier commodity gas costs and demand gas costs associated with assigned capacity. There will also be a corresponding decrease in expenses for these customers since Distribution will no longer purchase gas to serve these customers and Distribution will receive credits for released capacity. There will also be a decrease in revenues related to gross receipts tax and a corresponding decrease in gross receipt taxes paid by the Company due to customers transferring from sales to transportation.

There will also be an incremental increase in expenses associated with the administration and customer education efforts of the program. These estimated expenses are provided in Attachment "A". The basis for these expense estimates is the experience that Distribution has gained through the administration and education effort associated with the Energy Select Pilot. Distribution is proposing to recover these incremental program expenses from an aggregation charge billed to suppliers under Rate Schedule SATS. The calculation of the aggregation unit costs to include in Rate Schedule SATS is also provided in Attachment "A". As demonstrated in Attachment "A", Distribution's proposed aggregation rate of $0.10/Mcf is a reasonable estimate given that the recovery of aggregation costs in a unit rate is contingent upon the volume associated with customers converting.

(6) The effect of the change on the service rendered by the utility.

See the responses to 52 Pa. Code §53.52(a)(1) and (4).

(7) A list of the factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement as to why these factors were chosen and the relative importance of each.

The factors motivating the proposed tariff modifications are set forth in the responses to 52 Pa. Code §53.52(a)(1) and in the System-Wide Energy Select Program Description (see specifically the section entitled The System Wide Energy Select Program Goals).

(8) Studies undertaken by the utility in order to draft its proposed change.

Distribution reviewed the levels of pipeline and storage capacity that would be necessary to be provided to participating suppliers to permit them to provide reliable service to customers. The details of the necessary levels of pipeline and storage capacity are provided in the System-Wide Energy Select Program Description.

(9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.

Distribution utilized the Energy Select Pilot Program to determine customer reaction to a choice of competitive suppliers. The Energy Select Pilot Program was a success in determining the required program features needed to offer choice on a system-wide basis. As explained in the System-Wide Energy Select Program Description, the lessons of the Energy Select Pilot

Program have been incorporated into the proposed tariffs.

Distribution also utilized a survey of its residential customers to determine the likelihood of conversions at various savings levels.

(10) Plans the utility has for introducing or implementing the changes with respect to ratepayers.

As explained in the System-Wide Energy Select Program Description, Distribution will undertake a customer outreach and education/communication campaign to communicate to customers the opportunity to choose a supplier other than Distribution.

(11) FCC, FERC or Commission Orders or Rulings applicable to filing.

As explained in the System-Wide Energy Select Program Description, Distribution is proposing to retain and roll into base rates certain FERC regulated pipeline capacity in order to maintain system reliability, flexibility, and service to "load pockets". The retention of this capacity and the supplier delivery requirements associated with this capacity will require the Company to seek and receive from FERC a waiver of the FERC's Shipper-Must-Have-Title policy. Due to this requirement, Distribution has made the availability of its proposed SATC Service and SATS Service contingent upon FERC approval of the requested waivers.

(b) Whenever a public utility, other than a canal, turnpike. bridge or wharf company files a tariff, revision or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the tariff, revision or supplement, statements showing all of the following:

(1) The specific reasons for each increase or decrease.

See the responses to 52 Pa. Code §53.52(a)(1) and (7).

(2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and sewer utilities with annual revenues under $100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing.

The operating income statement for the twelve months ended September 30, 1998 is attached as Attachment "B".

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

See the responses to 52 Pa. Code §53.52(a)(5).

(4) A calculation of the total increase in dollars, by tariff subdivision, projected to an annual basis.

See the responses to 52 Pa. Code §53.52(a)(5).

(5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

See the responses to 52 Pa. Code §53.52(a)(5).

(6) A calculation of the total decrease in dollars, by tariff subdivision. projected to an annual basis.

See the responses to 52 Pa. Code §53.52(a)(5).

ATTACHMENT A

National Fuel Gas Distribution Corporation

Pennsylvania Division

Development of the SATS Aggregation Rate

			Projected Conversions			
			High	Moderate	Low	
				5% - 10%	0% - 5%	0%
			Savings	Savings	Savings	Average
Projected Aggregation Costs						
Supplier Administrative	$ 61,847					
Customer Administrative	$ 114,367					
Customer Outreach	$ 41,779					
Other Administrative	$ 73,089					
Miscellaneous	$ 8,918					
Total Projected Aggregation Costs			$ 300,000	$300,000	$300,000	
Total Qualifying Volumes (Mmcf)						
Residential	24,436					
Small Commercial <250	962					
Small Commercial >250 and <1000	2,520					
Large Commercial	3,982					
Small Industrial	138					
Intermediate Industrial	919					
Total		32,957				
Projected Conversions			21%	10%	5%	
Projected Volumes			6,921	3,296	1,648	
Projected Unit Costs			$ 0.04	$ 0.09	$ 0.18	$ 0.11

ATTACHMENT B

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
PENNSYLVANIA DIVISION
STATEMENT OF UTILITY OPERATING INCOME
TWELVE MONTHS ENDED SEPTEMBER 30,1998

OPERATING INCOME		Pennsylvania Division $
Sale of Natural Gas		
480	Residential	157,169,599
481.1	Commercial	31,616,604
481.2	Industrial	4,469,321
481.3	Public Authority	6,058,447
483.4	Off System Sales	18,840,932
483.5	Provision for Refund	0
	Total Sales of Gas	218,154,903
Other Operating Revenues		
487	Forfeited Discounts	854,547
489	Rev. from Transport of Gas of Others	24,109,516
493	Rents from Gas Property	(6,613)
495	Other Gas Revenues	24,207
	Total Other Revenues	24,981,657
	Total Operating Revenues	243,136,560

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
PENNSYLVANIA DIVISION
STATEMENT OF UTILITY OPERATING INCOME
TWELVE MONTHS ENDED SEPTEMBER 30,1998

OPERATING EXPENSES	Pennsylvania Division $
401-402 Operation & Maintenance Expenses	
Purchased Gas Sold	
Natural Gas Field Line Purchases (801)	75,920,073
Natural Gas Trans. Line Purchases (803)	5,859,957
Other Gas Purchases	58,303,201
Total Purchased Gas Sold	140,083,231
Natural Gas Production	5,441
Other Gas Supply	810,346
Transmission	1,044,529
Distribution	13,142,924
Customer Account	12,768,087
Customer Service	3,052,925
Sales Promotion	73,788
Administrative & General	16,832,405
Subtotal	47,730,445
403 Depreciation Expense	10,361,268
408.1 Taxes Other than Income Taxes	1,277,886
408.3 Taxes Other than Income Taxes	11,862,521
Total Operating Revenue Deductions Before State & Federal Inc. Tax	211,315,351
Net Utility Operating Income Before Income Taxes	31,821,209
409.1 Income Taxes: Federal	10,552,657
State	2,504,927
410.1 Provision for Deferred Income Taxes	9,837,241
411.1 Provision for Deferred Income Taxes Cr.	(13,502,973)
411.8 Misc. Adjustment for Income Taxes	0
Total Income Taxes	9,391,852
Net Utility Income	22,429,357

APPENDIX C

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
BUFFALO, NEW YORK

RATES, RULES AND REGULATIONS

GOVERNING THE FURNISHING

OF

NATURAL GAS SERVICE

IN
TERRITORY DESCRIBED HEREIN

Issued: October 30, 1998 Effective: December 29, 1998

P.C. ACKERMAN, PRESIDENT
BUFFALO, NEW YORK

This Supplement Make Changes
to Existing Rules and Rates. See Page 2

LIST OF CHANGES MADE BY THIS TARIFF

CHANGES:

1.) New "Rate Schedule SATC" for Small Aggregation Transportation Customer Service has been added.
Pages 83AC-83AF.

2.) New "Rate Schedule SATS" for Small Aggregation Transportation Supplier Service has been added.
Pages 83AG-83AV.

3.) Language pertained to "Rate Schedule PTA" has been deleted. Pages 31, 32A, 41 and 41B

4.) The termination of "Rate Schedule PTA" has been clarified. Page 83L.

5.) Language on the gas cost treatment of "Rate Schedules SATC and SATS" has been added.
Pages 84-90.

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RESIDENTIAL SERVICE RATE SCHEDULE

RESIDENTIAL CLASSIFICATION

This classification shall include gas supplied for residential purposes such as a private dwelling, apartment house with a single meter supplying four or less dwelling units, separately metered apartments of a multiple dwelling, accessory buildings to dwellings or apartment houses such as garages, except at residences receiving service under Rate Schedule LIRAS for Low Income Residential Assistance Service and other places of residence where gas is used for residential purposes.

Churches and missions (places of worship) shall be entitled to Service under the Residential service rate schedule.

AVAILABILITY OF SERVICE

Gas service shall be available at one location, except as otherwise provided, for residential customers.

APPLICABILITY

Applicable in all areas served under this tariff. (C)

MONTHLY RATE

$ 11.68	Basic Service Charge	
71.184¢	per 100 cubic feet for the first	5,000 cubic feet
66.160¢	per 100 cubic feet for all over	5,000 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge and Rider I - Case R942991 Inflation Adjustment Surcharge, as set forth in this tariff.

RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(C)Indicates Changes

APPLICABILITY

Applicable in all areas served under this tariff. (C)

MONTHLY RATE

For "Small" Commercial/Public Authority Customers using not more than 250,000 cubic feet per year:

$16.25	Basic Service Charge
74.438¢	per 100 cubic feet for the first 5,000 cubic feet
72.718¢	per 100 cubic feet for all over 5,000 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge and Rider I - Case R-942991 Inflation Adjustment Surcharge, as set forth in this tariff.

For "Small" Commercial/Public Authority Customers using greater than 250,000 cubic feet but not more than 1,000,000 cubic feet per year:

$27.50	Basic Service Charge
70.008¢	per 100 cubic feet for the first 20,000 cubic feet
68.648¢	per 100 cubic feet for all over 20,000 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge and Rider I - Case R-942991 Inflation Adjustment Surcharge, as set forth in this tariff.

For "Large" Commercial/Public Authority Customers:

$127.50	Basic Service Charge
61.381¢	per 100 cubic feet for the first 300,000 cubic feet
60.007¢	per 100 cubic feet for the next 1,700,000 cubic feet
58.276¢	per 100 cubic feet for all over 2,000,000 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge and Rider I - Case R-942991 Inflation Adjustment Surcharge, as set forth in this tariff.

APPLICATION PERIOD

The Application Period shall be the twelve months beginning March 1 of each year.

RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

SVIS

SMALL VOLUME INDUSTRIAL SERVICE RATE SCHEDULE

INDUSTRIAL CLASSIFICATION

An Industrial customer shall be defined as a customer using gas primarily in a process which grades or changes raw material or unfinished material into another form or product including establishments in mining and manufacturing. The nature of the customer's primary business or economic activity at the location served determines the classification.

If a particular load to a manufacturing or processing plant represents gas used for plant cafeteria or a heating load, with or without processing load, whether or not separately metered, the account shall be classified as Industrial.

AVAILABILITY OF SERVICE

Gas service shall be available at one location, except as otherwise provided, for Industrial customers. All industrial customers shall receive service under this rate schedule except industrial customers eligible for service under Rate Schedule IVIS for Intermediate Volume Industrial Service, Rate Schedule LVIS for Large Volume Industrial Service or under Rate Schedule LIS for Large Industrial Service. Customers served under this rate schedule will be billed according to their annual consumption level as follows. Those customers with actual deliveries of 1,000,000 cubic feet (1,000 Mcf) or less during the twelve billing months of the calendar year preceding the next-succeeding Application Period, as defined in this rate schedule, shall be considered to be a SVIS customer. The actual deliveries of gas to the Customer shall include not only volumes of gas purchased from the Company by such Customer but also volumes of Customer-owned gas transported by the Company to such Customer.

A proposed new Industrial Customer who does not qualify for the IVIS, LVIS or LIS Rate Schedules, not previously receiving any service from the Company, shall be considered a SVIS Customer unless both the Company and the Customer agree that the projected total volume of gas, including not only volumes of gas to be purchased from the Company by such Industrial Customer but also volumes of Customer-owned gas projected to be transported by the Company to such Customer, measured in thousand cubic feet (Mcf), will be not less than 1,000 Mcf during the succeeding twelve months.

APPLICABILITY

Applicable in all areas served under this tariff. (C)

(C) Indicates Change

IVIS

INTERMEDIATE VOLUME INDUSTRIAL SERVICE RATE SCHEDULE

INDUSTRIAL CLASSIFICATION

An Industrial customer shall be defined as a customer using gas primarily in a process which grades or changes raw material or unfinished material into another form or product including establishments in mining and manufacturing. The nature of the customer's primary business or economic activity at the location served determines the classification.

If a particular load to a manufacturing or processing plant represents gas used for plant cafeteria or a heating load, with or without processing load, whether or not separately metered, the account shall be classified as Industrial.

AVAILABILITY OF SERVICE

Gas service shall be available at one location, except as otherwise provided, for Industrial customers. All industrial customers shall receive service under this rate schedule except industrial customers eligible for service under Rate Schedule SVIS for Small Volume Industrial Service, Rate Schedule LVIS for Large Volume Industrial Service or under Rate Schedule LIS for Large Industrial Service. Customers served under this rate schedule will be billed according to their annual consumption level as follows. Those customers with actual deliveries in excess of 1,000 Mcf but less than 50,000 Mcf during the twelve billing months of the calendar year preceding the next-succeeding Application Period, as defined in this rate schedule, shall be considered to be an IVIS customer. The actual deliveries of gas to the Customer shall include not only volumes of gas purchased from the Company by such Customer but also volumes of Customer-owned gas transported by the Company to such Customer.

A proposed new Industrial Customer who does not qualify for the IVIS, LVIS or LIS Rate Schedules, not previously receiving any service from the Company, shall be considered a SVIS Customer unless both the Company and the Customer agree that the projected total volume of gas, including not only volumes of gas to be purchased from the Company by such Industrial Customer but also volumes of Customer-owned gas projected to be transported by the Company to such Customer, measured in thousand cubic feet (Mcf), will be not less than 1,000 Mcf during the succeeding twelve months.

APPLICABILITY

Applicable in all areas served under this tariff. (C)

(C) Indicates Change

RATE SCHEDULE PTA
PILOT TRANSPORTATION/AGGREGATION SERVICE

APPLICABLE TO USE FOR

Delivery services to customers under this service classification will terminate at the completion of the customer's April 1999 billing cycle. (C)
(C)

This Service will be provided to third party suppliers in order for them to serve the customers in the Cities of Sharon, Farrell and Hermitage, Boroughs of Sharpsville, West Middlesex and Wheatland, and Township of Shenango, pursuant to the Company's test program for residential and remaining sales customers unbundling ("Pilot Program"). Under the Pilot Program all customers in those counties will obtain gas supplies from suppliers other than the Company, through transportation provided by the Company. These "Non-Supplied" Customers primarily affected by the Pilot Program are all residential and remaining sales customers and they will participate in the Pilot Program by either choosing a supplier during the enrollment period of the Pilot Program, or if they do not choose a supplier they will be served by a supplier that has been chosen by the Company to serve all such non-electing customers.

Service hereunder is available to any qualified party (hereinafter called the Supplier) which: (1) has either a) obtained the consent and appointment of a group of at least 500 relevant customers or a group of relevant customers whose volumes total at least 60,000 Mcf on an annual basis ("PTA Customer(s)" or "PTA Customer Group"), and agrees to assume the primary responsibility for all gas supply service obligations for that group of PTA Customers, or b) has been appointed by the Company to be the Supplier that will serve all customers not served by other Suppliers ("the Default supplier") and agrees to assume the primary responsibility for all gas supply service obligations for such designated customers, subject to the provisions herein; (2) meets all applicable requirements established by the Company, including the Company's requirements for creditworthiness; and (3) has entered into a PTA Service Agreement with the Company.

CHARACTER OF SERVICE

Pilot Transportation/Aggregation Service ("PTA Service") billed to Suppliers which is the transportation service by which the residential and remaining sales customers in the Cities of Sharon, Farrell and Hermitage, Boroughs of Sharpsville, West Middlesex and Wheatland, and Township of Shenango will receive unbundled services from Suppliers other than the Company as a part of the Company's Pilot Program. Through the procedures and provisions of this Pilot Transportation/Aggregation rate schedule and the Company's Pilot Program approved by the Public Utility Commission, the customers will: 1) contract for service with a Supplier and be served by such Supplier for an initial term ending March 31, 1998; or 2) if customers in the Pilot Program do not select a Supplier by the close of the Enrollment Period (as defined in Section H.2 herein) then such PTA Customer shall be served by the Default Supplier pursuant

(C) Indicates Change

RATE SCHEDULE SATC (C)
SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE

APPLICABLE TO USE FOR

Service hereunder is available on or after April 1, 1999 to any qualified customer ("SATC Customer" or "Customer") that has enrolled to receive gas supply service from a qualified supplier under the Company's Small Aggregation Transportation Supplier Service ("SATS Supplier" or "Supplier"). Service is available under this Rate Schedule only if the Federal Energy Regulatory Commission grants a waiver of the requirement that the SATS Supplier must have title to capacity retained by the Company as provided under Rate Schedule SATS.

CHARACTER OF SERVICE

Through the procedures and provisions of this Small Aggregation Transportation rate schedule SATC Customers will contract for service with a SATS Supplier and be served by such Supplier for an established term ending at the SATC Customer's meter reading in April (April billing cycle). The enrollment period and service starting dates will be as specified in Rate Schedule SATS.

The Company will bill the SATC Customer for transportation services rendered by the Company for the SATC Customer.

Customers shall not participate in both the LIRA pilot and the Small Aggregation Transportation Customer Service program.

RATES AND CHARGES

A. Customer Transportation Service Rates

The Company will provide transportation services to deliver gas supplies to the SATC Customer(s). The Customer shall be billed the charges for the transportation services rendered for it at the appropriate charges provided herein for which service the SATC Customer qualifies.

The SATC Customer shall pay the following transportation charges for the transportation of gas. The commodity rates set forth below contain a component, presently $0.08440 per Ccf, for the recovery of purchased gas demand costs and shall be adjusted pursuant to Rider A of the tariff. Such purchased gas costs collected through these rates shall be included as revenues for the recovery of purchased gas costs as specified in Rider A of this tariff.

RATE SCHEDULE SATC (C)
SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE (Cont.)

1. Residential Transportation Rates

SATC Customers that meet the qualifications under the Residential Service Rate Schedule classification:

Rates per Residential SATC Customer per Month:

$11.10	Basic Service Charge
.28812	Per 100 cu. ft. for the first 5,000 cu. ft.
.24039	Per 100 cu. ft. for all Over 5,000 cu. ft.

2. Commercial and Public Authority Transportation Rates

SATC Customers that meet the qualifications under the Commercial and Public Authority Service Rate Schedule classification:

a) Rates per Commercial/Public Authority customer per month for "Small" Commercial/Public Customers using not more than 250,000 cubic feet per year:

$15.44	Basic Service Charge
.31903	per 100 cu. ft. for the first 5,000 cu. ft.
.30269	per 100 cu. ft. for all Over 5,000 cu. ft.

b) Rates per Commercial/Public Authority customer per month for "Small" Commercial/Public Customers using greater than 250,000 cubic feet but not more than 1,000,000 cubic feet per year:

$26.13	Basic Service Charge
.27695	per 100 cu. ft. for the first 20,000 cu. ft.
.26403	per 100 cu. ft. for all over 20,000 cu. ft.

c) Rates per Commercial/Public Authority customer per month for 'Large" Commercial/Public Customers:

$121.13	Basic Service Charge
.19499	per 100 cu. ft. for the first 300,000 cu. ft.
.18194	per 100 cu. ft. for the next 1,700,000 cu. ft.
.16549	per 100 cu. ft. for all over 2,000,000 cu. ft.

(C) Indicates Change

RATE SCHEDULE SATC (C)
SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE (Cont.)

3. Small Volume Industrial Service Transportation Rates

SATC Customers that meet the qualifications under the Small Volume Industrial Service Rate Schedule classification:

Rates per Small Volume Industrial Service SATC Customer per Month:

$65.08	Basic Service Charge
.27767	Per 100 cu. ft.

4. Intermediate Volume Industrial Service Transportation Rates

SATC Customers that meet the qualifications under the Intermediate Volume Industrial Service Rate Schedule classification:

Rates per Intermediate Volume Industrial Service SATC Customer per Month:

$142.50	Basic Service Charge
.22488	per 100 cu. ft for the first 100,000 cu. ft.
.18836	per 100 cu. ft for the next 1,900,000 cu. ft.
.15975	per 100 cu. ft. for all over 2,000,000 cu. ft.

B. Miscellaneous Customer Surcharges

1. E-Factor Charges
For a period of 12 months starting when service hereunder is rendered to the SATC Customer by the SATS Suppliers, the rates for transportation services under this service classification shall include an amount per 100 cubic feet equal to the commodity "CE" factor included in the currently applicable Purchased Gas Commodity rate as specified in Rider A of this tariff and any portion of the Demand "DE" Factor included in the currently applicable Purchased Gas Demand rate as specified in Rider A of this tariff that is not included in the Customer Transportation Service Rates provided in Rates and Charges Section A of this tariff.

2. Transition costs associated with FERC Order No. 636. The rates for service rendered pursuant to the service classification shall be subject to a monthly transition cost surcharge as described in Rider G to this tariff.

(C) Indicates Change

RATE SCHEDULE SATC
SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE (Cont.) (C)

3. Rider I Surcharge
The rates for service rendered pursuant to this service classification shall be subject to surcharges in accordance with the provisions of Rider I - Case R-942991 Inflation Adjustment Surcharge, as set forth in this tariff.

SPECIAL PROVISIONS

A. Qualified Suppliers

Customers under this service classification may only receive service from qualified SATS Suppliers. Such qualified SATS Suppliers are required, among other things, to meet the Consumer Protections requirements of the SATS Rate Schedule.

B. Termination of SATS Supplier

If the SATS Supplier serving the SATC Customer is terminated the SATC Customer shall be served by the Company under the appropriate sales service rate schedule for all services provided after the termination of the Supplier.

(C) Indicates Change

RATE SCHEDULE SATS (C)
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE

APPLICABLE TO USE FOR

Service hereunder is available on or after April 1, 1999 to any supplier ("SATS Supplier" or "Supplier") which has obtained the consent and appointment of a group of at least 250 relevant customers or a group of relevant customers whose volumes total at least 30,000 Mcf on an annual basis ("SATC Customer(s)" or "SATC Customer Group"), and agrees to assume the primary responsibility for the gas supply obligations for that group of SATC Customers. Service is available under this Rate Schedule only if the Federal Energy Regulatory Commission grants a waiver of the requirement that the SATS Supplier must have title to capacity retained by the Company under Special Provision C.3. of this Rate Schedule.

CHARACTER OF SERVICE

Through the procedures and provisions of this Small Aggregated Transportation Supplier rate schedule qualified SATS Suppliers will contract for service with qualified SATC Customers and shall serve such SATC Customers for an established term ending at the conclusion of the SATC Customer's meter reading in April (April billing cycle).

The Company will bill the Supplier for aggregation services (including any purchases of Company gas) provided to the Supplier.

RATES AND CHARGES

A. Supplier Aggregation Charges

The SATS Supplier shall be billed the charges for the aggregation services rendered for it at the appropriate Supplier aggregation charges provided herein. A SATS Service Agreement will allow Suppliers under this service classification to aggregate supplies to serve individual qualified SATC residential customers and qualified SATC non-residential customers.

1. Aggregation Charge

The Company shall charge the SATS Supplier a monthly fee of $0.010 per 100 cu. ft. of gas supplies aggregated by the Supplier based on the burner-tip consumption for its Customer Group.

(C) Indicates Change

RATE SCHEDULE SATS
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

2. Billing Service Charges (C)

The Company will bill the SATC Customer for gas supplies sold by the Supplier to the Customer subject to the Supplier entering into a billing service contract with the Company. Payments made by the Customer under the billing service will be applied first to amounts to past service due under an amortization agreement with the Company, next to current bills due to the Company, next to gas supply charges owed to the Supplier, and lastly to charges for other services. The terms and charges for the Supplier billing services will be negotiated between the Company and the Supplier. The Company shall be under no obligation to provide the Supplier billing services if mutually agreeable terms and charges cannot be negotiated.

The Company, at its option, may purchase the accounts receivable from participating Suppliers at a discount to be negotiated with the Supplier. If the Company purchases the accounts receivable from the supplier, the Company retains the right to terminate service for failure to pay either transportation or supply charges, in accordance with Commission Regulations.

SPECIAL PROVISIONS

A. Gas Quality

Gas delivered by the Supplier must satisfy the quality specifications of the pipelines used to transport Supplier's gas. For deliveries to the Company, such deliveries must be made at an appropriate Company facility located within the Territory, as described in this tariff, or at another point or points acceptable to the Company.

B. Allowance for Losses

As allowance for losses incurred in the process of delivery, the Supplier shall provide the Company with a volume of gas equal to 3.25% of the amount delivered to the Company. In addition, for deliveries into Company capacity retained pursuant to Section C.3., Suppliers shall provide incremental quantities of gas equal to the amount of retainage required to transport gas from the receipt point into such Company retained capacity to the entry point to the Company's system ("City Gate").

(C) Indicates Change

RATE SCHEDULE SATS (C)
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

C. Total Upstream Capacity Requirements for SATS Suppliers

SATS Suppliers shall be required to provide sufficient firm pipeline transportation and storage capacity to meet the estimated extreme day requirements of their SATC Customer groups as further described below.

Such sufficient pipeline transportation and storage capacity shall be provided through the following means:

1. Released ESS Storage Capacity and Associated EFT Capacity

a. Requirements To Be Met Through ESS Storage

52% of extreme peak day requirements shall be provided through the Company's ESS storage and associated EFT transportation capacity on NFGSC. Such NFGSC storage and transmission capacity shall be released to SATS Suppliers at the maximum rate under the pipeline's FERC gas tariff.

b. Initial Assignment of ESS Storage Capacity

Each year, interested SATS Suppliers may request an initial assignment of storage capacity, based on the percentage set forth at C.l.a. above, to meet the Supplier's estimate of market share for the upcoming winter period. The request deadline for such assignments will be March 15 for an effective date of April 1. Fifteen days prior to the close of nominations for the month of November, the Company will reduce the quantity of storage capacity released to match the SATS Supplier's revised winter requirements based on the number of SATC Customers aggregated by the Supplier, to be effective November 1, and such capacity to be returned to the Company shall include an equal volume of storage gas. The Company shall compensate the SATS Supplier for such storage gas transferred at a price equal to the Company's lowest monthly weighted average commodity cost of gas delivered to the Company's City Gate during the previous storage injection period (April through October), plus applicable storage demand capacity charges since April 1 for such returned volumes. The SATS Supplier shall be responsible for all taxes and pipeline fees associated with moving or transferring the storage gas to the Company.

RATE SCHEDULE SATS (C)
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

c. Additional Assignments of ESS Storage Capacity

If additional SATC Customers join a SATS Supplier's SATC Customer Group, or if a Supplier requests and the Company grants an assignment of storage capacity after the initial assignment period described at C.l.b. above, the Company will release additional capacity as required, based on the percentage set forth at C.l.a. above. In addition, the SATS Supplier will be required to pay the Company for storage gas transferred and all taxes and pipeline fees associated with moving or transferring the storage gas to the Supplier. The storage gas transfer rate shall be the sum of (1) the higher of the Company's fiscal year weighted average cost of gas (including all pipeline demand and storage costs), or the Market Price of gas for that day which shall be determined by reference to The Gas Daily Index, 'Daily Price Survey" for "Appalachia," "CNG North Point," plus all transportation costs to the Company's City Gate, plus (2) the Demand Transfer Recovery Rate ("DTR rate"). The DTR rate shall equal the per Mcf System Average Unrecovered Demand Charge revenue beginning in the month of April through the initial month that storage capacity is released to the Supplier. The System Average Unrecovered Demand Charge Revenue shall equal the sum of the differences between the average demand charge revenues and the average fixed demand costs beginning the month of April through the initial month that storage capacity is released to the Supplier.

All revenues received from such storage gas transfers shall be credited as revenues for the recovery of purchased gas costs as specified in Rider A of this tariff.

Storage gas shall be transferred with released capacity as follows:

Capacity Transfer Month Ending	Volumes of Storage Gas Transferred as a Percentage of Released Capacity
April	14.29%
May	28.57%
June	42.86%
July	57.14%
August	71.43%
September	85.71%

(C) Indicates Change

RATE SCHEDULE SATS (C)
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

d. Return of ESS Storage Capacity

If a SATS Supplier that has received released storage capacity in the prior year elects, effective April 1, to return storage capacity to the Company or a third party, the Supplier may either (1) transfer the remaining storage gas to a third party, subject to applicable pipeline requirements and charges; or (2) transfer the storage gas to the Company at the lesser of (a) 95% of the Company's lowest monthly weighted average commodity cost of gas during the previous storage injection period (April through October), plus associated variable transportation cost to NFGSC's City Gate; or (b) 95% of the Market Price of gas for that day which shall be determined by reference to the Gas Daily Index, "Daily Price Survey" for "Appalachia," "CNG North Point," plus associated variable transportation costs to the Company's City Gate. The SATS Supplier shall be responsible for all taxes and pipeline fees associated with moving or transferring the storage gas to the Company.

If a Supplier's SATS Agreement is canceled or terminated, the Company may recall ESS storage and associated EFT transmission capacity that has been released to the Supplier. The Company shall have the right but not the obligation to purchase the remaining storage gas at the lesser of (a) 95% of the Company's lowest monthly weighted average commodity cost of gas during the previous injection period (April through October), plus associated variable transportation costs to NFGSC's City Gate and a proportionate share of storage demand capacity charges on such volumes since April 1; or (b) 95% of the Market Price of gas for that day which shall be determined by reference to the Gas Daily Index, "Daily Price Survey" for "Appalachia," "CNG North Point," plus associated variable transportation costs to the Company's City Gate and proportionate storage demand capacity charges on such volumes since April 1.
The SATS Supplier shall be responsible for all taxes and pipeline fees associated with moving or transferring the storage gas to the Company.

e. Required ESS Storage Inventory Levels

Suppliers will be required to follow a schedule set out by the Company such that the particular storage levels are obtained throughout the year, to assure the Supplier's SATC customers' needs are met by the Supplier.

In addition to meeting the City Gate balancing requirements set forth below, Suppliers must a meet minimum storage inventory level of 86% at September 30; 98% at October 31; 92% at November 30; a minimum inventory level of 80% at December 31; a minimum of 50% on January 31, a minimum of 22% on February 28 and a minimum of 17% on March 15. Any deficiency will be automatically adjusted by the Company to meet the required level. The Supplier will be charged per Mcf for such automatic adjustment at the higher $7.00 per Mcf or the Market Price of gas for that day which shall be determined by reference to The Gas Daily Index, "Daily Price Survey" for "Appalachia", "CNG North Point", plus all transportation costs to the Company's City Gate.

(C) Indicates Change

RATE SCHEDULE SATS
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.) (C)

2. Released Transmission Capacity Not Included in SATC Transportation Rates

23% of extreme peak day requirements is to be provided by the release of pipeline capacity upstream of NFGSC which is not included in transportation rates. All such capacity shall be released to SATS Suppliers, and SATS Suppliers shall take such released capacity, at the maximum rate under the pipeline's FERC gas tariff. To the extent that the actual demand cost per Dth of such upstream pipeline transmission capacity agreed to be released is greater than the Company's weighted average demand cost per Dth of upstream pipeline transmission capacity not included in transportation rates, the SATS Supplier shall receive a credit for such difference in capacity costs for the billing month. To the extent that the actual demand cost per Dth of such upstream pipeline transmission capacity agreed to be released is less than the Company's weighted average demand cost per Dth of the upstream pipeline transmission capacity not included in transportation rates, the Supplier shall be surcharged for such difference in capacity costs for the billing month. These credits and charges will be reflected in the Company's purchased gas cost rate under Rider A of this tariff. The actual pipeline capacity path upstream of NFGSC to be released to the Supplier by the Company shall be designated by the Company from its available capacity. The Company will attempt to accommodate a Supplier's request for particular capacity on a first-come first-serve basis.

For capacity termination notices which occur after January 1, 1999, prior to the termination notice date of any capacity contract in this Section C.2., the Company will hold a collaborative session with all interested qualified Suppliers under this tariff to determine if the Company should terminate, renew, or replace such contract, in whole or in part. The Company will agree to terminate a proportionate share of the capacity contract if: (1) Suppliers demonstrate that they will provide comparable firm capacity to serve the Company's core customers, and (2) the Suppliers agree to assign such comparable capacity at the contracted price to the Company upon Company request if such capacity is required to meet supply requirements of SATC Customers due to the termination of the SATS Supplier pursuant to section H.1 or if the Supplier has reduced the level of delivery requirements from the previous periods requirements. Comparable capacity must have firm rights for at least the seven (7) winter months, and such capacity must have primary delivery rights into available primary receipt rights on NFGSC held by the Company.

RATE SCHEDULE SATS (C)
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

If the Company terminates capacity included in this Section C.2., the requirement to take released capacity pursuant to this Section C.2. shall be adjusted downward for the Supplier that replaces the terminated capacity to reflect such termination. Corresponding changes will be made in Section C.4.

3. Capacity Upstream of NFGSC Included in Transportation Rates

25% of extreme peak day requirements is to be provided by a SATS Supplier's maximum daily delivery into allocated upstream pipeline receipt points which the Company has retained ("Company Retained Upstream Capacity") and the cost of which capacity is included in transportation rates. The actual pipeline point upstream of NFGSC to be made available to the Supplier by the Company shall be designated by the Company. The Company will respond to requests for particular capacity and receipt points on a first-come first-serve basis and will reallocate capacity each April.

4. SATS Supplier Provided Capacity

0% of the extreme peak day requirements is to be provided by a SATS Supplier's own firm capacity. The percentage provided by SATS Supplier's own firm capacity is subject to increases if the Company terminates capacity as specified in Section C.2. The Supplier shall assign such SATS Supplier capacity to the Company upon Company request if such capacity is required to meet supply requirements of SATC Customers due to the termination of the SATS Supplier pursuant to section H.1 or if the Supplier has reduced the level of delivery requirements from the previous period requirements.

5. NFGSC Capacity Included in Transportation Rates

The Company will deliver all upstream pipeline deliveries associated with Special Provisions Sections C.2, C.3, and C.4 above through the NFGSC EFT capacity retained by the Company and included in transportation rates.

RATE SCHEDULE SATS (C)
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

D. City Gate Balancing

1. Determination of Daily Delivery Quantities and Aggregate Daily Delivery Quantities

The Company, based upon each SATC Customer's historical load profile and/or estimates of consumption as applied to any forecasted weather, shall determine a SATS Supplier's SATC Customer's projected weather normalized consumption for a given period; either monthly, weekly, or daily. Based upon this projected consumption, the Company will determine each SATC Customer's Daily Delivery Quantity (DDQ) and the Company will also determine the Supplier's SATC Customer Group's Aggregate Daily Delivery Quantity (ADDQ) by summing all DDQs of the SATC Customers in the Supplier's SATC Customer Group. The DDQs and ADDQ so calculated will be used to determine the Supplier's daily delivery obligations at the Company City Gate. The DDQs and ADDQs shall also be used to determine the specific rates and charges as outlined in this rate schedule.

A SATS Supplier taking service under this rate schedule accepts the Company's calculation of the DDQ and/or ADDQ. The Company shall not be liable for the difference between the projected consumption and the consumption determination by the Company.

2. Delivery Requirements

Deliveries of natural gas at the City Gate under this rate schedule both from direct deliveries at the City Gate under Special Provisions Section C.l. and as a result of deliveries to upstream pipeline transfer points made under Special Provisions Sections C.2., C.3, and C.4. shall be made to meet the DDQs for all customers in a SATS Supplier's SATC Customer Group (the ADDQ) within a tolerance band described below. The Company will deliver to each individual SATC Customer the Customer's requirements.

To the extent the Supplier's City Gate deliveries differ from the ADDQ provided to the Supplier by the Company then a City Gate Imbalance shall occur ('Imbalance") and charges for such Imbalance will be incurred as described below.

The Company is not obligated to accept any quantities nominated by Supplier in excess of its SATC Customer Group's ADDQ.

RATE SCHEDULE SATS (C)
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

3. City Gate Imbalance Charges

For City Gate deliveries by the SATS Supplier that differ from the applicable ADDQ, the Supplier will incur the following charges:

a. Charges for Daily City Gate Underdeliveries:

i. For Daily City Gate underdeliveries up to or equal to (2) percent of the applicable ADDQ, there will be no charge.

ii. For Daily City Gate underdeliveries in excess of two(2) percent of the applicable ADDQ during the Summer Period (April through October), the charge for the gas supplied by the Company to make up for the underdeliveries shall be equal to the higher of $7.00 per Dth or 110% of the Market Price of gas for that day which shall be determined by references in The Gas Daily Index, "Daily Price Survey" for "Appalachia", "CNG North Point".

iii. For Daily City Gate underdeliveries in excess of two(2) percent of the applicable ADDQ during the Winter Period (November through March), the charge for the gas supplied by the Company to make up for the underdeliveries shall be equal to the higher of $10.00 per Dth or 110% of the Market Price of gas for that day which shall be determined by references in The Gas Daily Index, "Daily Price Survey" for "Appalachia", "CNG North Point".

iv. During OFO periods, the charges described in Section F herein shall apply in addition to those charges specified in this Section D.3.

b. Charges for Daily City Gate Overdeliveries

There shall be no charges for Daily City Gate overdeliveries of up to two(2) percent of the applicable ADDQ, however, any such overdeliveries in excess of two(2) percent of the applicable ADDQ may be rejected by the Company in its sole discretion.

E. Burner Tip Imbalances

1. Aggregation of Customer Burner Tip Imbalance

For the SATC customers included in the SATS Supplier's SATC Customer Group, the Company will net all the imbalances for which the Supplier is responsible pursuant to this rate schedule into a single imbalance ("SATS Imbalance").

RATE SCHEDULE SATS
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.) (C)

2. Resolution of Burner Tip Imbalances

The Company will resolve burnertip imbalances through either a rollover to subsequent months or a cash-out. Unless the Supplier elects the rollover option, the default method of burnertip imbalances resolution will be cash-out.

a. Rollover Option

At the close of the billing month, the Company will calculate the SATS Imbalance, as described above, for each SATC Customer Group. The Company shall adjust the applicable ADDQ for the next following month that operating conditions permit, upward to reconcile a net deficiency in the billing month, or downward to reconcile a net surplus in the billing month.

b. Cash Out Option

i. Burner Tip Imbalances Resulting in Net Overdelivery

For SATS Imbalances which result in a net overdelivery of volumes of gas for a SATC Customer Group during the month, the Company shall have the right to purchase, without further notice, the amount of overdelivery at a rate equal to the lowest commodity price the Company offers to pay for monthly spot purchases of gas produced directly into the Company's system.

ii. Burner Tip Imbalances Resulting in Net Underdelivery

For SATS Imbalances which result in a net underdelivery of volumes of gas for a SATC Customer Group during the month, the Company shall charge the Supplier for the gas supplied by the Company to make up for the underdeliveries a charge equal to the higher of $7.00 per Dth or 110% of the Market Price of gas for that day which shall be determined by references in The Gas Daily Index, "Daily Price Survey" for "Appalachia", "CNG North Point".

F. System Maintenance Order ("SMO")

1. Issuance of SMOs

The Company shall issue System Maintenance Orders from time to time which assure that gas is flowing to the City Gate where and when needed. Such SMOs shall include but not be limited to orders to deliver gas at any or all of the points obtained by or allocated to Suppliers in Special Provisions Section 3 above, to deliver gas at particular primary points into NFGSC, or into the particular primary points of the Company Retained Upstream Capacity, as well as orders to deliver additional gas to or from storage. Should SATS Suppliers fail to comply with such SMOs then the Company shall issue OFOs as described below.

(C) Indicates Change

RATE SCHEDULE SATS (C)
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

2. Communication of SMOs

SMOs will be communicated to the Supplier through the Company's electronic communications facilities ("ECF") with four hours advanced notice. Such notice will be supplemented by the use of internet E-mail notification to a Supplier's Internet address.

G. Operational Flow Order ('OFO")

1. Issuance of OFOs

The Company reserves the right to issue Operational Flow Orders as necessary to preserve the operational integrity of its system. Such OFOs may include, but shall not be limited to the following: a requirement to flow gas to or from storage on NFGSC, and a requirement to flow gas to the Supplier's primary receipt points on NFGSC.

2. Charges for Violation of OFOs

In addition to all other charges due the Company, any gas not delivered by SATS Supplier in violation of any OFO issued under this Section F. may be assessed a charge of the higher of $25 per Dth or the Market Price of gas for that day which shall be determined by references in The Index, "Daily Price Survey" for "Appalachia", "CNG North Point".

3. Communication of OFOs

OFOs will be communicated to the Supplier through the Company's ECF with four hours advanced notice. Such notice will be supplemented by the use of internet E-mail notification to a Supplier's Internet address.

H. Termination of Service for Failure to Deliver Daily Quantity

1. The Company shall have the right to terminate service under this rate schedule to any Supplier that fails for any three (3) days to deliver at least ninety (90) percent of the applicable ADDQ for the Supplier's SATC Customer Group, measured during a single thirty-day period ("Terminated Supplier"). The Terminated Supplier, at the Company's option, may be prohibited from receiving service under this rate schedule for the greater of 6 months or until such time as another Enrollment Period as defined in Section J.1. is established by the Company. Such Terminated Supplier's SATC Customers will be served by the Company with the obligation that the gas supplies in storage and the capacity reserved for those customers shall be transferred to the Company through sale and recall as follows:

RATE SCHEDULE SATS (C)
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

a. Upon notice by the Company to the Terminated Supplier, the Company at its option may recall the capacity that it has released to the Terminated Supplier; and or require release of the Supplier's capacity as provided under Section C.4.

b. Inventory remaining in storage shall be sold to the Company at a price equal to the Company's lowest monthly weighted average commodity cost experienced over the last twelve months.

C. The Terminated Supplier shall be responsible for any and all fees and taxes associated with moving or transferring the storage inventory to the Company.

d. Any failure to comply with the provisions under Sections H.l.a., H.l.b., H.l.c., and C.4. will result in the permanent ineligibility to receive service under this rate schedule.

e. Supplier's SATC customers may be notified by the Company as to the impending transfer to Company service, together with a statement that the transfer is the result of the Supplier's failure to perform as required. The Company shall recover the cost of such notice from the Supplier by either, (1) adjusting the inventory sales price described in Section H.l.b., or (2) drawing down the Supplier's security deposit (or other security instrument.

I. Supplier Qualification Criteria

1. Service under this rate schedule is contingent upon the SATS Supplier meeting the Company's creditworthiness standards. Applicants for service hereunder will be required to complete a Credit Application for evaluation by the Company based on the criteria set forth in this tariff. The results of the creditworthiness checks performed by the Company will be communicated to the applicant within two weeks of the Company's receipt of the properly completed application.

2. The SATS Supplier's application shall include a description of the SATS Supplier's operational capability for meeting the requirements of its SATC Customer Group. The Company shall then make a determination as to whether this capability is sufficient.

3. SATS Suppliers shall also describe in the application the means by which they will handle marketing and billing for 250 or more customers. Alternatively, SATS Suppliers may identify a third party and describe how such party will handle such tasks. The Company shall then make a determination as to whether this capacity is sufficient.

(C) Indicates Change

RATE SCHEDULE SATS (C)

SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

4. SATS Suppliers shall include with their application payment of a non-refundable $500 fee.

5. SATS Suppliers shall also include with their application a copy of their intended pro forma contract for their prospective SATC Customers (minus confidential pricing provisions) demonstrating inclusion of the provisions set out in Section J. herein.

J. SATS Supplier Obligations

1. Suppliers may enroll customers for service commencing with the SATC Customer's meter reading in any month of April through September which corresponds to the billing months of May through October ("Enrollment Period"). Service to the SATC Customer shall begin at the start of the customer's billing cycle after enrollment confirmation has been provided by the Company.

2. Once qualified, SATS Suppliers will be obligated to notify the Company on a weekly basis during the Enrollment Period of those customers enrolled in the Suppliers' SATC Customer Groups. Enrollments will not be accepted after September 15 of each year.

3. Enrollment shall occur electronically, however, each SATS Supplier will be obligated to keep on file, written evidence of each customer's enrollment with that Supplier, which evidence shall be available for Company review at any time, upon 24 hours' notice. The Company will provide the SATC Customer with a letter confirming enrollment, if the Customer notifies the Company within 10 days of issuance of the confirmation letter that the Customer does not wish to be served by the SATS Supplier, the enrollment for the Customer will be rescinded.

4. To the extent a SATS Supplier's SATC Customer at any time is not served any longer by that SATS Supplier and is then the responsibility of the Company, effective upon the transfer of that customer to the Company, the Company shall have the option to recall capacity released to the Supplier under Special Provisions Section C.1 and C.2 or require assignment of capacity under Special Provisions Section C.4.

5. SATS Suppliers agree to abide by any other specific requirements in the Company's Aggregation Application as such is approved by the Public Utility Commission.

(C) Indicates Change

(C)

RATE SCHEDULE SATS

SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

K. Consumer Protections

In addition to satisfying the criteria set out in Sections G and H above, SATS Suppliers seeking to obtain service hereunder to sell gas to customers must demonstrate to the Company that they will meet the following requirements:

1. Contracts between SATS Suppliers and residential SATC Customers will contain specific language advising customers that the following consumer protections (Sections I.2.-7.) will be provided by the Supplier.

2. The SATS Supplier has established a dispute resolution process satisfactory to the Company. Questions or complaints received by the Company will be processed to determine the nature of the dispute, and then forwarded as appropriate to the SATS Supplier. The Company shall provide the Commission's Competition Hotline phone number to each SATC Customer who has submitted a question or complaint concerning the SATS Supplier.

3. The bills rendered by the SATS Supplier will be clear and in plain language and shall meet the billing information requirements of Chapter 56 of the Commission's regulations, including the requirement that bills contain a statement directing the customer to "register any question or complaint about the bill prior to the due date," with the Company telephone number where the customer may initiate the inquiry or complaint. The Supplier shall submit a sample bill to the Company.

4. The SATS Supplier shall provide SATC Customers with minimum payment periods required by the Commission's regulations; i.e. residential customers shall have 20 days to pay and commercial customers shall have 15 days. If a customer fails to pay by the due date, the Supplier shall notify the SATC Customer by mail that failure to pay will result in transfer to the Company in 15 days, whereupon the Company has the ability to terminate service for nonpayment in accordance with the Commission's regulations.

5. Procedures are in place to ensure residential SATC Customers receive adequate prior notice of termination of gas supply services. The procedures must provide that notifications be sent to the residential SATC Customer(s) and to the Company at least 15 days before discontinuation of supply service to allow residential SATC Customers the opportunity to pay the overdue bill. Customers will only be transferred from a Supplier to the Company upon the "Control Date" for such customer, as such is established by the Company.

(C) Indicates Change

(C)

RATE SCHEDULE SATS

SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

L. SATS Service Agreement

The initial term of the SATS Service Agreement between the Company and the SATS Supplier shall be for a period ending March 31, 2000 and renewable annually for successive one-year terms unless canceled by default of any terms or conditions hereof, or by the Company or the Supplier on sixty (60) days written notice prior to the end of a term, or otherwise by mutual agreement. A SATC Customer shall be obligated to contract with Suppliers for terms ending with the customer’s April billing cycle. Notice for termination of such contracts shall be a matter to be determined by the SATS Supplier and SATC Customer.

M. Force Majeure

SATS Supplier will be excused from delivering the required daily quantity of supply on any given day for Force Majeure events which directly and substantially affect a SATS Supplier's natural gas deliveries to the Company and for which alternate supply arrangements cannot be obtained by SATS Supplier or, if the SATS Supplier is unsuccessful in obtaining alternate supplies, for which the Company cannot obtain supplies on behalf of the SATS Supplier. For supplies provided by the Company, the SATS Supplier shall be charged the higher of 125% of the Residential purchased gas cost (commodity and demand) identified in Rider A or the highest price reported in the “Appalachia", "CNG North Point" index of the Gas Daily "Daily Price Survey" for each day such alternate supplies are delivered on behalf of SATS Supplier. For purposes of this rate schedule, a Force Majeure event will be any failure of the final pipeline delivering gas to the Company or an upstream pipeline feeding such pipeline, with such failure having been classified as a Force Majeure event pursuant to the terms of that pipeline's Federal Energy Regulatory Commission approved tariff. The advent of the Year 2000 or any leap year, and any events or disruptions related to the advent of the Year 2000 or any leap year, shall not constitute a “Force Majeure" event or otherwise be treated as force majeure. A Force Majeure event that curtails the SATS Supplier's assigned firm transportation service on an upstream pipeline that ultimately feeds a downstream pipeline, which directly and substantially affects a SATS Supplier's natural gas deliveries to the Company, and for which no alternative supplies are available from the Company or other sources will excuse a SATS Supplier from performing pursuant to this rate schedule to the extent of such curtailment. If at such time the SATS Supplier is delivering gas to other customers on the same interstate pipeline system, the volume excused from performance on the Company's system will be no more than a proportionate amount of the affected deliveries curtailed by the Force Majeure event. The SATS Supplier is responsible for supplying complete information and verifiable proof of all the particulars requested by the Company related to any such Force Majeure exclusion.

(C) Indicates Change

(C)

RATE SCHEDULE SATS
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

In order to validate a claim of Force Majeure, the SATS Supplier must have a firm, non-interruptible service with the affected pipeline that is covered by the Force Majeure event and must be willing to present such agreements to the Company.

Volumes not delivered pursuant to this Special Provision must be made up by SATS Supplier as soon as possible at a delivery rate to be established by the Company. Any curtailed volumes which are not made-up within thirty (30) days will be sold to SATS Supplier at a rate of $10.00 per Mcf.

N. Title to Gas

Supplier warrants that, at the time of delivery of gas to the Company's City Gate or at the receipt point in to the Company Retained Upstream Capacity pursuant to Special Provisions Section C.3. and for deliveries of supply associated with Special Provisions Sections C.2. and C.4., Supplier or Customer shall have good title to deliver all volumes made available.

0. Control and Possession

After Supplier delivers gas or causes gas to be delivered to the Company, the Company shall be deemed to be in control and possession of the gas until it is redelivered to the Customer at Customer's meter.

P. 24 Hour Availability

Supplier shall include on the SATS Service Agreement a phone number by which Supplier can be reached on a twenty-four (24) hour basis.

Q. Nominations of Supplies

For deliveries into Company Retained Upstream Pipeline Capacity pursuant to Section C.3. and for deliveries of Supply associated with Sections C.2 and C.4, Supplier shall notify the Company through the Company's ECF one hour in advance of the deadline the Company has to submit nominations to upstream transporters of any and all information required by upstream transporters to nominate, confirm, and schedule gas on their facilities.

RIDER A
SECTION 1307(f) PURCHASED GAS COSTS
PROVISION FOR RECOVERY OF PURCHASED GAS COSTS

Rates for each Mcf (1,000 cubic feet) of gas supplied under Residential, Low Income Residential Assistance Service, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Volume Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial, Large Volume Industrial LBS and Natural Gas Vehicle Service rate schedules of this tariff, shall include $3.2306 per Mcf for recovery of purchased gas commodity costs, calculated in the manner set forth below, pursuant to Section 1307(f) of the Public Utility Code.

Rates for each Mcf (1,000 cubic feet) of gas supplied under Residential, Commercial and Public Authority, Small Volume Industrial Service, Intermediate Volume Industrial, Large Volume Industrial Service, Large Industrial Service and Standby Service rate schedules of this tariff, shall include $1.7434 per Mcf for recovery of purchased gas demand costs, calculated in the manner set forth below, pursuant to Section 1307(f) of the Public Utility Code.

Rates for each Mcf (1,000 cubic feet) of gas transported under the Small Aggregation Transportation Customer Rate Schedule shall include $0.8440 per Mcf for the recovery of purchased gas demand costs. (C)

Such rates for gas service shall be increased or decreased, from time to time, as provided by Section 1307(f) of the Public Utility Code and the Commission's regulations, to reflect changes in the level of purchased gas costs.

The amounts per Mcf for recovery of purchased gas costs (commodity and demand) and related gross receipts tax included in rates under each rate schedule of the tariff are as follows:

Residential	$4.9740	
Low Income Residential Assistance Service	$4.9740	
Commercial and Public Authority	$4.9740	
Small Volume Industrial	$4.9740	
Intermediate Volume Industrial	$4.9740	
Large Volume Industrial	$4.9740	
Large Industrial	$4.9740	
Standby	$0.4534	
Priority Standby	$0.9309	
Small Aggregation Transportation Customer Rate Schedule	$0.8440	(C)

COMPUTATION OF PURCHASED GAS COMMODITY COSTS PER MCF
Purchased gas commodity costs, per Mcf, shall be computed to the nearest one-hundredth cent (0.01¢) in accordance with the formula set forth below:

$$PGCC = \frac{(CC - CE) \div (1-T)}{(S)}$$

(C) Indicates Change

Purchased gas commodity costs, so computed, shall be included in rates charged to customers for gas service under the Residential, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Volume Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial and Large volume Industrial LBS Service rate schedules for an initial period determined by the Commission and for consecutive twelve month periods beginning August 1 of each year thereafter, unless such period is revised by the Commission. The amount of purchased gas commodity costs, per Mcf, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) or the Commission's regulations adopted pursuant thereto.

In computing purchased gas commodity costs, per Mcf, pursuant to the formula, above, the following definitions shall apply:

"PGCC" - purchased gas commodity costs determined to the nearest one- hundredth cent (0.01¢) to be included in rates for each Mcf of gas supplied under Residential, Low Income Residential Assistance Service, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Volume Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial, Large Volume Industrial LBS and Natural Gas Vehicle Service rate schedules of this tariff.

"CC" - the estimated current commodity cost of gas, determined as follows: (a) for all type of purchased gas, project the commodity cost for each purchase (adjusted for net current gas stored) for the projected period when rates will be in effect plus (b) the arithmetical sum of (1) the projected book value of noncurrent gas at the beginning of the computation year minus (2) the projected book value of noncurrent gas at the end of the computation year. This factor shall include no amount for purchased gas demand or winter requirement charges of an interstate pipeline company.

"CE" - experienced net overcollection or undercollection of purchased gas commodity costs. For the initial filing, pursuant to 1307(f) of the Public Utility Code, in order to achieve an orderly transition from Gas Cost Rate procedures to Section 1307(f) procedures, such experienced net overcollection or undercollection, to be reflected in rates effective September 1, 1985, shall be the net overcollection or undercollection arising under the Gas Cost Rate procedure. The amount of such net overcollection or undercollection shall include the historic net amount as of March 31, 1985 together with the projected net overcollection or undercollection for the five-month period ending August 31, 1985. (C)

After the transition from the Gas Cost Rate procedures, established pursuant to the Commission's order of October 1, 1978 at M-78050055, (52 Pa P.U.C. 217) as amended, to procedures established pursuant to Section 1307(f) of the Public Utility Code, such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-under collection calculation reflected in rates.

The annual filing date shall be the date specified by the Company's Section 1307(f) tariff filing and not the date established by the Commission for pre-filing of certain information pursuant to 52 Pa. Code Sections 53.64(b)(1) and 53.65.

Supplier commodity refunds received will be included in the calculation of "CE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. (C)

“S" - projected Mcf of gas to be billed to customers under the commodity charges of the Residential, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Volume Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial and Large Volume Industrial LBS Service rate schedules of this tariff during the period when rates will be in effect.

"T" - base-rate portion of Gross Receipts Tax.

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER MCF OF GAS SUPPLIED UNDER THE RESIDENTIAL, COMMERCIAL AND PUBLIC AUTHORITY, SMALL VOLUME INDUSTRIAL, INTERMEDIATE VOLUME INDUSTRIAL, LARGE VOLUME INDUSTRIAL, LARGE INDUSTRIAL AND STANDBY SERVICE RATE SCHEDULES

Purchased gas demand costs, per Mcf, to be included in rates under Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial, Large Industrial and Standby rate schedules shall be computed to the nearest one-hundredth cent (O.Ol¢), in accordance with the formula set forth below:

$$PGDC = \frac{(DC + DE)}{(S + SATCVP) - (SBS)} \div (1 - T) \qquad \text{(C)}$$

Purchased gas demand costs, so computed, shall be included in the rates charged to customers for gas service, pursuant to the Residential, Commercial and Public Authority, Small Volume Industrial Service, Intermediate Volume Industrial Service, Large Volume Industrial Service, Large Industrial Service and Standby Service rate schedules, for an initial period determined by the Commission and for consecutive twelve-month periods beginning August 1 of each year thereafter unless such period is revised by the Commission. The amount of purchased gas demand costs, per Mcf, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) or the Commission's regulations adopted pursuant thereto.

In computing purchased gas demand costs, per Mcf, pursuant to the formula, above, the following definitions shall apply:

"PGDC" - purchased gas demand costs determined to the nearest one-hundredth cent (O.Olc) to be included in rates for each Mcf of gas supplied under Residential, Commercial and Public Authority, Small Volume Industrial Service, Intermediate Volume Industrial Service, Large Volume Industrial Service, Large Industrial Service and Standby Service rate schedules of this tariff.

"DC" - the estimated current demand cost of gas, determined by projecting, for all types of purchased gas, the total demand and winter-requirement charges from any interstate pipeline company or any other source of gas supply purchased by the Company for the projected period when rates will be in effect. (C)

"DE" - experienced net overcollection or undercollection of purchased gas demand costs. For the initial filing, pursuant to 1307(f) of the Public Utility Code, in order to achieve an orderly transition from Gas Cost Rate procedures to Section 1307(f) procedures, such experienced net overcollection or undercollection, to be reflected in rates effective September 1, 1985, shall be the net overcollection or undercollection arising under the Gas Cost Rate procedure. The amount of such net overcollection or undercollection shall include the historic net amount as of March 31, 1985 together with the projected net overcollection or undercollection for the five month period ending August 31, 1985.

(C) Indicates Change

After the transition from the Gas Cost Rate procedures, established pursuant to the Commission's order of October 1, 1978 at M-78050055, (52 Pa P.U.C. 217) as amended, to procedures established pursuant to Section 1307(f) of the Public Utility Code, such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-under collection calculation reflected in rates. (C)

The annual filing date shall be the date specified by the Company's Section 1307(f) tariff filing and not the date established by the Commission for pre-filing of certain information pursuant to 52 Pa. Code Sections 53.64(b)(1) and 53.65.

Supplier demand refunds received will be included in the calculation of "DE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded.

“S” - projected Mcf to be billed to customers during the projected period under the Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate (C)
volume Industrial, Large Industrial and Large Volume Industrial Service rate schedules.

"SATCVP" - projected Mcf to be transported to customers through pipeline capacity upstream of National Fuel Gas Supply Corporation retained by the Company during the projected period under the Small Aggregation and Transportation Rate Schedule.

“SBS" - projected Mcf volume to be billed to customers during the projected period"under the Standby Service rate schedule.

"T" - base-rate portion of Gross Receipts Tax.

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER MCF OF GAS TRANSPORTED UNDER THE RATE SCHEDULE SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE

Purchased gas demand costs transportation, per Mcf, to be included in rates under the Rate Schedule Small Aggregation Transportation Customer Service shall be computed to the nearest one-hundredth cent (O.Olc), in accordance with the formula set forth below:

$$PGDCT \qquad \frac{(DCT + DE)}{(S + SATCV) - (SBS)}$$

"DCT" - the estimated current demand cost of gas, determined by projecting, for all types of demand purchased gas capacity costs included in Small Aggregation Transportation Customer Service Rates, the total usage, demand and winter-requirement charges from any interstate pipeline company or any other source of gas supply purchased by the Company for the projected period when rates will be in effect. (C)

"DE" - experienced net overcollection or undercollection of purchased gas demand costs. Such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-under collection calculation reflected in rates.

The annual filing date shall be the date specified by the Company's Section 1307(f) tariff filing and not the date established by the Commission for pre-filing of certain information pursuant to 52 Pa. Code Sections 53.64(b)(1) and 53.65.

Supplier demand refunds received will be included in the calculation of "DE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. (C)

"S" - projected Mcf to be billed to customers during the projected period under the Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Industrial and Large Volume Industrial Service rate schedules.

"SATCV" - projected Mcf to be transported to customers during the projected period under the Small Aggregation and Transportation Rate Schedule.

"SBS" - projected Mcf volume to be billed to customers during the projected period under the Standby Service rate schedule.

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS

The Company shall determine separate commodity cost and demand cost over/undercollections. In computing the experienced over/undercollection of purchased gas demand and commodity costs for a period defined by the Commission, the following procedure shall be used:

(a) All experienced purchased gas costs, actually incurred by the Company to serve customers pursuant to all rate schedules of this tariff shall be included as costs of purchased gas and shall be identified as demand or commodity costs;

(b) The following amount shall be included as purchased gas commodity or purchased gas demand revenues for recovery of gas costs: (C)

(1) An amount determined by multiplying commodity volumes billed under the Residential, Low Income Residential Assistance Service, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial, Large Volume Industrial LBS and Natural Gas Vehicle rate schedules, for the applicable over/undercollection period, times the PGCC component excluding E Factor, and excluding Gross Receipts Tax; plus

(2) An amount determined by multiplying commodity volumes billed under the Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial and Large Industrial rate schedules for the applicable over/undercollection period, times the PGDC charge as determined under this rider excluding Gross Receipts Tax; plus

(3) An amount determined by multiplying demand volumes billed under Rate Schedule SB to LVIS and LIS customers times the PGDC charge excluding Gross Receipts Tax; plus

(C) Indicates Change

(4) An amount determined by multiplying gas billing demand units ("Gas BDU") billed under the Commercial and Public Authority Load Balancing Service ("LBS"), Intermediate Volume Industrial LBS, Large Industrial LBS and Large Volume Industrial LBS rate schedules, for the applicable over/undercollection period, times the Rate Per Gas BDU applicable to customers under the LBS rate schedules. (C)

(5) An amount determined by multiplying commodity volumes billed under the rate schedule for Natural Gas Vehicle Service for the applicable over/under collection period, times the applicable rate applicable to customers under the new Rate Schedule.

(6) An amount equal to all actual purchased gas costs recovered under the rate schedule Monthly Metered Transportation Service plus an additional amount equal to the amount of purchased gas costs that would have been recovered from customers served under the rate schedule for Daily Metered Transportation Service if they had been served under the rate schedule for Monthly Metered Transportation Service. In computing revenues for recovery of purchased gas costs under this item (6), any adjustment to rates under Special Provision L. of the Rate Schedule for Monthly Metered Transportation Service will be eliminated from the calculation.

(7) An amount determined by multiplying the volume expressed in Mcf of gas transported under any Load Balancing Service rate schedule times the portion of the Commodity Rate for recovery of purchased gas costs.

(8) An amount equal to seventy percent of the revenues before income taxes from off-system sales over the monthly average commodity cost of gas plus variable transportation costs to deliver the gas to the off-system customer. The monthly average commodity cost of gas shall be defined as the monthly average commodity cost of gas purchases for all supplies scheduled at the beginning of the month; provided, however, that, if an additional unscheduled purchase is made during the month specifically for an off-system sale, such purchase shall be considered to be the gas used to make the off-system sale and the commodity cost of such purchase will be assigned to off-system sales up to the volume of the purchase. Off,-system sales for 30-day nonrefundable sales commencing on the first of the month shall be treated as specific purchase sales for determining the cost of gas assigned to the sale. Gas will not be withdrawn from storage to make off-system sales, and the prices charged for off-system sales will not reflect the price attributable to gas withdrawn from storage. Any remaining off-system sale not covered by such unscheduled purchase(s) shall be assigned a gas cost equal to the monthly average commodity cost of scheduled purchases.

(C) Indicates Change

(9) An amount equal to the revenues generated from the release of pipeline transmission and storage capacity to Suppliers under Rate Schedule PTA, including any capacity credits or surcharges. (C)

(10) The first $100,000 in excess of $1,344,053 generated from release of National Fuel Gas Supply Corporation's EFT capacity and overdelivery charges shall be credited to sales customers during the twelve months ending July 31, 1999.

(11) Credits obtained from releasing National Fuel Gas Supply Corporation's EFT capacity in excess of 37,023 Mcf on any day shall be credited to sales customers.

(12) An amount determined by multiplying volumes billed under the Small Aggregation Transportation Service rate schedule times the PGDCT charge recovered through rates under rate schedule Small Aggregation Transportation Customer Service.

Interest shall be computed monthly at the appropriate rate provided for in Section 1307(f)(5) of the Public Utility Code from the month that the over or undercollection occurs to the effective month such overcollection is refunded. Customers shall not be liable for interest on net undercollections.

ADJUSTMENT OF "CE" and "DE" FACTOR AMOUNTS

Each 1307(f) rate shall also provide for refund or recovery of amounts necessary to adjust for over or underrecoveries of "CE" and "DE" factor amounts included in prior 1307(f) rates. In computing the amount to be included for over or undercollection of "CE" and "DE" factor amounts, the amount recovered for "CE" and "DE" factor amounts under the prior 1307(f) rate shall be determined by multiplying the commodity volumes billed under the Residential, Low Income Residential Assistance Service, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Volume Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial, Large Volume Industrial LBS, and Natural Gas Vehicle Service rate schedules during the applicable 1307(f) period times the portions of the PGCC and PGDC component that provide for recovery of "CE" and "DE" factor amounts, and adding to that product, the amount recovered from Small Aggregation Transportation Customer Service customers for "DE" factor amounts under the prior 1307(f) rate which shall be determined by multiplying the commodity volumes billed under the Small Aggregation Transportation Customer Service rate schedules during the applicable 1307(f) period times the PGDC component that provides for recovery of "DE" factor amounts under the Small Aggregation Transportation Customer Service. Amounts recovered shall also include amounts charged to the PTA customers for the 1 year period following transfer to Rate Schedule PTA.

If the Pilot Transportation/Aggregation Program is discontinued, the next 1307(f) proceeding shall include in the "DE" factor the total Final Adjustment Charge/Refund amount.

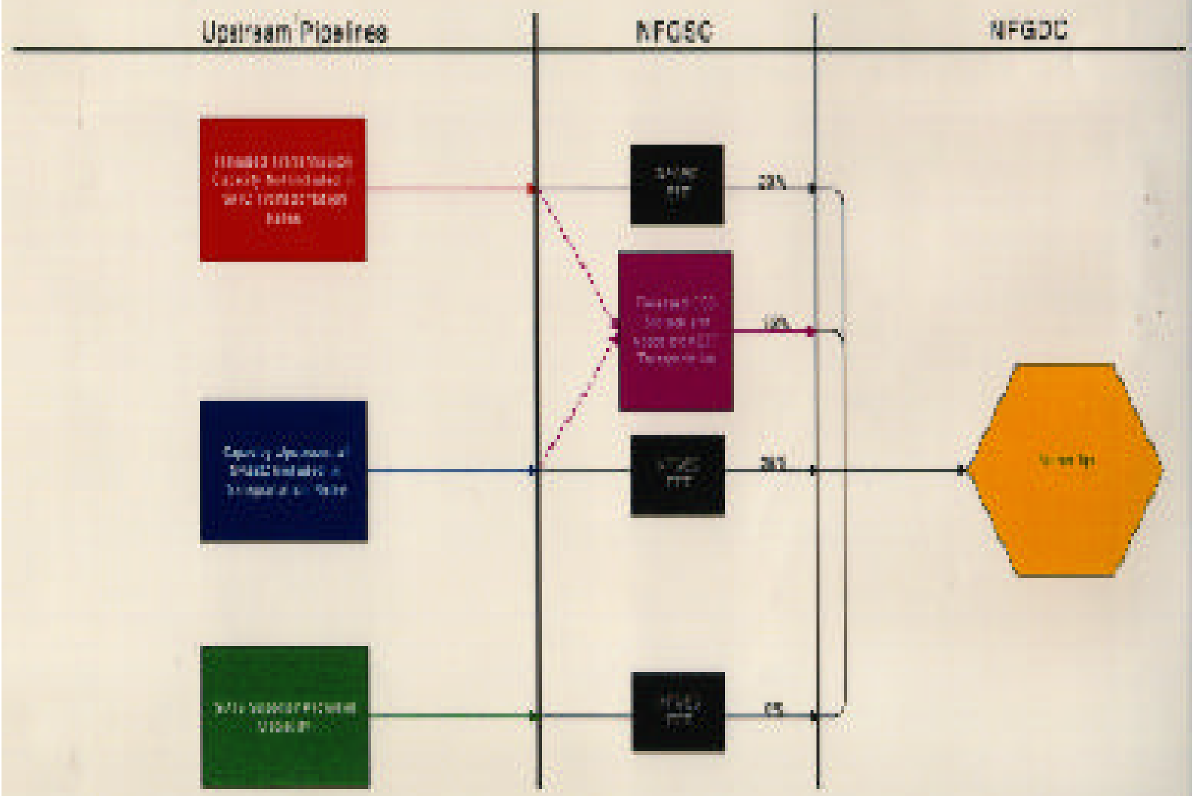
(C) Indicates Change

APPENDIX D

Appen. . D

PA SAT PEAK DAY UPSTREAM CAPACITY REQUIREMENTS

Pink: (C1) Released SGS Storage and Associated SST Transportation (32%)
Red: (C2) Released Transmission Capacity Not Included in SATC Transportation Rates (33%)
Blue: (C3) Capacity Upstream of NFGSC Included in Transportation Rates (35%)
Green: (C4) SATS Supplier Provided Capacity (0%)
Black: NFGSC EFT and NFGDC Transportation Included in Transportation Rates



APPENDIX E

PA SAT PEAK DAY UPSTREAM CAPACITY

C1: Released ESS Storage and Associated EFT Transportation

PIPELINE	DAILY QUANTITY (Dth)	EXPIRATION DATE
NFGSC EFT	154,245 (1)	3/31/03
NFGSC ESS	149,751	3/31/03
NFGSC ESS	4,494	4/15/06

(1) Total NFGSC EFT capacity allocated to PA is 389,736 Dth. 235,491 Dth of this is associated with C2 and C3 below and is included in SATC Transportation rates.

C2: Released Transmission Capacity Not Included in SATC Transportation Rates

PIPELINE	DAILY QUANTITY (Dth)	EXPIRATION DATE
CNG FT	21,180	03/31/01
CNG FT-GSS	21,929	03/31/01
Col. Gas FTS	507	10/31/04
NFGSC FSS	2,125	03/31/04
Tetco CDS	6,786	10/31/05
Tetco FT-1	17,865	10/31/00
Tetco FT-1 (CNG)	15,035	10/31/01
TGP FT-A (CNG)	2,639	11/01/00
TGPL FT (CNG) (Zone 2 - 6)	3,913	10/31/12
TGPL FT (CNG) (Zone 3 - 6)	87	10/31/12
TGPL FT (Zone 1 - 6)	1,519	10/31/04
TGPL FT (Zone 2 - 6)	2,234	10/31/04
TGPL FT (Zone 3 - 6)	5,182	10/31/04

C3: Capacity Upstream of NFGSC Included In Transportation Rates

PIPELINE	DAILY QUANTITY (Dth)	EXPIRATION DATE
CNG FT-GSS	5,108	03/31/01
Col. Gas SST	514	10/31/04
TGP FT-A / Z4	53,885	11/01/00
TGP FT-A / Z5	27,863	11/01/00

APPENDIX F

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
UPSTREAM CAPACITY REQUIREMENTS

INTRODUCTION

In keeping with its legal obligation, as the supplier of last resort, National Fuel Gas Distribution Corporation ("National Fuel" or "the Company") has specific reliability concerns related to its system. Ultimately, any unbundling plan must deal with existing physical limitations related to availability of competing capacity, the location of gas delivery points and the isolation of certain market areas. A description of the unique characteristics of the National Fuel system is thus a necessary starting point before determining how to manage upstream pipeline capacity in order to assure reliability while opening the system and providing choice to all customers.

A. National Fuel's System.

The National Fuel distribution system includes numerous areas of small, geographically dispersed systems serving local, non-contiguous markets. Due to the geographic expanse of National Fuel's service territory, these markets are connected only by upstream pipeline systems.

Appendix A, Map 1 to the Energy Select Description shows how it is primarily National Fuel Gas Supply Corporation's ("Supply Corporation") substantial transmission system that interconnects these markets. Other interstate pipelines which connect National Fuel's markets are Tennessee Gas Pipeline Company ("Tennessee"), CNG Transmission Corporation ("CNG") and small pieces of Columbia Gas Transmission Corporation ("Columbia") and Empire Gas Transmission Corporation ("Empire").

Appendix A, Map 2 more clearly shows how these upstream pipelines operate within National Fuel's distribution territory as a piece or extension of its system.

Map 3 to Appendix A illustrates specific load pocket markets where upstream capacity is restricted. These areas present special reliability concerns which are discussed below.

B. National Fuel Must Retain Some Upstream Capacity for Reliability and to Efficiently Balance the System.

Any unbundling of National Fuel's system must take into account the physical limitations of a distribution system such as National Fuel's. On the National Fuel system, the pipeline capacity servicing the system can be divided into four distinct categories: Reliability Capacity; Operational and Flexibility Capacity; Load Pocket Capacity; Capacity Retained for Sales Obligation or for Release. The capacity identified as "Reliability", "Operational and Flexibility" and "Load Pocket" must be retained to ensure system integrity. Capacity not needed to meet sales obligations will not be renewed.

National Fuel's rationale for keeping capacity to meet reliability and the operational and flexibility needs of the system is not simply the critical role that the capacity plays in meeting its customers' needs. Retaining this capacity is in fact the most efficient model for creating a system where all sales customers are served by many suppliers. Whether that capacity is held by National Fuel or by other parties, it must be used as National Fuel uses it now to serve the system. By leaving that capacity in National Fuel's hands, a smooth, cost-effective overlay is made for the system.

As we move to a time when many customers are buying from many suppliers there are two possible arrangements whereby we can assure that deliveries of suppliers equals demands for receipts. Under the first, we would track the location of every customer of every supplier and require each supplier to deliver the requisite volumes to the delivery point specific to each supplier's customers. Alternatively, we could require each supplier to deliver a proportionate part of their total requirements to every delivery point.

The second is preferable although still substantially complex, especially if we require deliveries at each of the more than 250 delivery points into National Fuel in Pennsylvania. This alternative becomes substantially more user friendly as we move upstream with the points of required delivery. By retaining the majority of the capacity on Supply, the requirement of delivering into each of more than 250 points can be reduced to approximately 60 points. In turn by retaining capacity on Tennessee and the capacity needed for the load pockets, those 60 points can potentially (if primary segmenting becomes possible on all pipelines) be reduced to something less, approximately 6 points.[1] We believe simplifications such as this will be necessary to make our system viable for any but the very largest marketers.

Any proposal for keeping upstream capacity will require National Fuel to obtain a waiver of the Federal Energy Regulatory Commission's ("FERC") Shipper-Must-Have-

[1] As discussed further herein, the Federal Energy Regulatory Commission has issued a Notice of Proposed Rulemaking in Docket RM98-10 which may ultimately require pipelines to offer primary segmenting, in which case National Fuel would be able to retain the market area segment of Tennessee and terminate the capacity from the Gulf of Mexico to the market area.

Title policy because this proposal entails National Fuel moving gas for other shippers within capacity it will retain and not release. Atlanta Gas Light recently received approval from the FERC of its request for a waiver of its proposal at Atlanta Gas Light, 84 FERC 61,119 (1998).

1. Reliability.

To assure reliability, National Fuel intends to have under contract high deliverability sources of supply. Such capacity will assure peak day balancing needs are met at a low cost. For instance, National Fuel currently has a ten (10) day peaking service contract with Engage Energy US, L.P. and high deliverability storage contracts with Columbia that it intends to maintain. The Company may in the future contract for other high deliverability storage to further meet this reliability role. Such peaking capacity is much less expensive than maintaining peak winter deliverability through an upstream pipeline. Moreover, in the future it will serve the role of insurance at the time of year when a marketer is most likely to default on its supply obligations and when alternate supplies can be difficult to arrange.

2. Operational and Flexibility Capacity.

As discussed, certain capacity is critical to National Fuel's system because of its flexibility and because of how National Fuel's market operates. This capacity assures that gas will be delivered when and where needed. This capacity is best understood as an extension of the National Fuel distribution system since the piping system of the distribution system was built in recognition of and in reliance on the existence of these other systems and since it is most efficiently managed primarily as a whole. The two most significant pieces of this capacity are on Supply Corporation and Tennessee.

- **Supply Corporation**

National Fuel's physical system is best thought of as a series of webs with Supply Corporation pipelines interconnecting the webs. In addition, Supply both interconnects the series of webs with the upstream pipelines, and interconnects both those upstream pipelines and the dispersed webs with Supply's thirty-four (34) storages. Currently, there are over 250 delivery points between the two companies in Pennsylvania. Depending on the time of year gas can be flowing directly from the upstream pipelines and storage to National Fuel's market, or from the upstream pipelines into storage, or possibly to market and into storage. Because of this physical complexity of gas flows, it is imperative that National Fuel retains this capacity to ensure that gas service is available to all corners of its system at any time of year. Otherwise, deliveries could be required to be scheduled to each of these over 250 points every day.

To better explain, gas supplies delivered from the upstream pipelines flow to Supply and then are delivered where and when needed through this network which knits together National Fuel's system. These gas flows are enhanced through the extensive storage facilities of Supply, which National Fuel has reserved and which meet nearly half of National Fuel's peak winter needs. This storage only reaches National Fuel through the transportation capacity on Supply. Therefore, this transportation capacity which is the critical link to virtually all of National Fuel's upstream capacity and storage will be retained in any system-wide unbundling model.

- **Tennessee**

The Tennessee capacity contract that National Fuel acquired pursuant to FERC Order No. 636 has distinctive enhanced flexibility associated with its delivery points. National Fuel refers to this enhanced flexibility as "redundancy". This redundancy duplicates the service National Fuel received from Tennessee prior to Order No. 636. Specifically, the contract allows National Fuel to elect delivery of gas at its choice of twenty-five points. Typically, pipeline capacity is contracted for based on a specific quantity of gas being delivered at specific points. If National Fuel were required to contract for and pay for each Dth of deliverability at all of these twenty-five points, the Tennessee contract costs would be raised substantially. Therefore, this redundancy on Tennessee is highly valuable. With it National Fuel can deliver gas to different points at different times of the year, thereby incurring a lower cost than if the company had separate capacity for each delivery point.

This delivery capability is an outgrowth of how National Fuel's predecessors, United Natural Gas and Pennsylvania gas Company in Pennsylvania, and Iroquois Gas Corporation in New York, and Tennessee developed their systems during the 1950s. These companies relied on Tennessee to deliver gas to the market in the winter and to storage in the summer. This use of Tennessee by the current LDC, National Fuel, still continues today.

In moving to a system-wide choice model there are two issues that stand in the way of the Company releasing the Tennessee capacity. First and foremost, Tennessee's release mechanism currently works on a point-to-point basis. Hence, there is no way to release the capacity and maintain this efficient redundancy or delivery point flexibility with that released capacity. A releasee would only obtain a specific stream of capacity, without the ability to deliver to any other point. National Fuel at present therefore, must retain the contract itself. Indeed, the company's current plans are to renew at least a piece of its Tennessee capacity because of its redundancy. This flexibility exists with respect to Zone 4 and Zone 5 on the Tennessee system. This release capability may ultimately be releasable as a result of the NOPR issued by FERC in September. The resolution of the NOPR issue, however, will not occur for some time.

Moreover, notwithstanding that Tennessee's release system may be improved as a result of the NOPR, that does not remedy the fact that Tennessee's market area capacity (Zone 4/Zone 5) acts as an extension of the National Fuel system, just as Supply capacity does. For that reason, this market area capacity will be retained in order to create the efficient fully unbundled model previously discussed. At present however, just as Tennessee's release mechanism is inflexible and rigid, so too is the ability for shippers on Tennessee to break a stream of capacity into pieces (or segment the capacity) and preserve the reliability of that capacity, i.e. National Fuel cannot at present simply keep the market area capacity. Segmenting is at issue in the NOPR and relief may be forthcoming with its resolution which may provide the ability to segment the capacity so that National Fuel could simply keep the Tennessee market area capacity. Once that capability exists, National Fuel would not maintain capacity extending to the Gulf of Mexico.

3. Load Pocket Capacity.

This capacity is composed of the specific pieces of capacity that are critical to the load pocket markets previously mentioned. In unbundling it is likely that one party will obtain the capacity to an isolated market, so that market power could be exercised over customers in that load pocket. This could lead to balkanization of National Fuel's customers, with some customers receiving lower cost supplies as a result of competition and others paying whatever their sole supplier might require.

Given that gas marketers are unregulated companies whose legal obligation is to maximize profit for the benefit of their shareholders, it is not farfetched to assume that they will aggressively seek monopoly control of a market. This is particularly true when it is as easy as purchasing small pieces of capacity on one pipeline serving isolated markets. A recent example of the potential for market power when few parties control capacity to a market is NGC Corporation's acquisition of a significant portion of El Paso Natural Gas transmission capacity into California. Since, and as a result of that acquisition, prices have been reported to have dramatically increased.[2] Because of these concerns, National Fuel proposes to retain such capacity.

4. Capacity Retained for Sales Obligations or Available for Release.

The Company will continue to retain capacity that it needs to meet sales obligations. This capacity will be secured, however, on as short a term basis as is consistent with cost-efficiency and other prudent contracting practices.

[2] Gas Daily, March 24, 1998 at page 1,6.

Maintaining shorter term contracts will facilitate adjustment to the changing market. At the outset, this capacity will simply be a subset of the capacity National Fuel currently has under contract.

CONCLUSION

With the unique characteristics of the National Fuel system as a starting point, the Company has worked to develop an efficient method of handling upstream capacity in order to allow choice for all customers while at the same time assuring reliability is maintained.