

RULES AND REGULATIONS APPLYING TO ALL TERRITORIES SERVED (Cont')

If the unit of refund is not equal to at least one-hundredth cent per 1,000 cubic feet, the total amount of forfeiture charges shall be retained and combined with forfeiture charges through the allocation period ending prior to the beginning of the next ensuing period described above.

In determining the unit refund per 1,000 cubic feet, the Company shall use as the denominator the projected allocated volumes for twelve months. The refund shall be made on the basis of the customer's projected allocated volumes during the twelve months of the refund period.

In the event there is no curtailment projected for the succeeding twelve months at the time of determining the refund, the Company has the option of allocating the refund to each curtailed customer on the basis of the curtailed customer's total usage during the previous twelve months. The forfeiture charges in this section are in addition to all charges under the rate which the customer receives service.

27. Financial Fitness Requirements for PTA and SATS Suppliers

Dun & Bradstreet reports will be utilized as the primary source of credit information to determine the creditworthiness of Supplier applicants for service under Rate Schedules PTA and SATS. The following Dun & Bradstreet standards will be used: a credit risk rating of A, B, C and unrated or "blank", noted on the report (the continuum range is A to unrated). The values for these rating are:

"A" assets, liabilities and payment history indicate little or no risk to creditors.

"B" assets, liabilities and payment history indicate a moderate risk to creditors.

"C" assets, liabilities and payment history indicate a risk to creditors.

"Unrated" indicates that there is insufficient historical credit data available to make a reliable credit assessment of the applicant (such as the applicant being in business less than 14 months, change of ownership, etc.).

Upon receipt of the properly completed Credit Application, the Company will obtain various Dun & Bradstreet reports for initial review and assessment. The reports will include, but not be limited to: Payment Analysis Report, Business Information Report, Credit Analysis Report and Risk Analysis

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Report; financial ratings will also be included in the analysis. In addition, other criteria will be taken into consideration in assessing the Company's potential risk exposure, such as: (1) established payment history of the applicant with the Company and (2) the ratio of anticipated projected enduser volumes to the Supplier's unencumbered assets available for payment.

"A" Rating:

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

"B" Rating:

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

"C" Rating:

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

"Unrated" or "Blank":

Any applicant with a rating of "uncoded" will automatically be designated as having a rating of "C".

Changes affecting credit risk ratings:

All approved Suppliers will be periodically reviewed to determine if: (1) there is a change in their credit risk rating; (2) security needs to be required on a previously unsecured account; (3) the amount of security being held should be increased or decreased to meet projected future usage,

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based upon historical usage data. Changes indicating that a credit review may be necessary include, but are not limited to: (1) significant changes in Dun & Bradstreet credit reports; (2) credit related information obtained from reliable sources; (3) a change in the number of end-users; (4) a change from the established payment history; as well as any other information received regarding the financial standing of the Supplier. Security deposits will be refunded to the Supplier when it is determined that the Supplier meets the level of creditworthiness criteria that no longer requires a security deposit.

Determination of Security Deposits:

The amount of a security deposit will be determined under the following formula:

a. Using historical data, three months maximum consumption for each customer anticipated to be served by the applicant PTA or SATS Supplier will be identified and multiplied by (1) the applicable transportation rate; and (2) the corresponding cost of gas. (C)

b. The "corresponding cost of gas" shall be the higher of \$10.00 per Dth or 110% of the average of the highest market price of gas for each month during the last Winter Period (November through March) as determined by references in The Gas Daily Index, "Daily Price Survey" for "Appalachia," "CNG North Point."

c. The product of the calculation at a. above shall be multiplied by .10 (10%).

Monthly reviews will be provided, based upon any changes which may affect the Company's risk exposure.

Payment of Security:

Payment of security deposits can be made by cash or acceptable form of security such as Letter of Credit or Surety Bond. Interest will be paid on cash security deposits at the same rate paid on deposits for service to non-residential customers. Responsibility for and expenses incurred in the procurement of a Letter of Credit are subject to requirements and/or negotiations with the Applicant's individual bank. Expenses associated with the procurement of a Surety Bond are subject to the requirements of the

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individual insurance company. In addition, the Company may in its sole discretion accept an agreement setting special operating standards ("Operational Default Agreement") and/or an Escrow Account Agreement in exchange for reducing the level of security otherwise required.

28. CHANGES OF RULES AND REGULATIONS

The Company reserves the right to modify, alter or amend the foregoing Rules and Regulations and to make such further and other rules and regulations as experience may suggest or the Company may deem necessary or convenient in the conduct of its business provided, however, that such modifications, alterations, or amendments shall not become effective unless and until included in this tariff.

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