

Before the  
Pennsylvania Public Utility Commission

Re National Fuel Gas Distribution Corporation -- System Wide Energy Select Program -- Supplement No. 97 to Tariff Gas-Pa. PUC No. 8  
Docket No. R-00984531

**JOINT PETITION FOR SETTLEMENT**

National Fuel Gas Distribution Corporation ("Distribution") and the Office of Consumer Advocate ("OCA"), by their respective counsel, file this Joint Petition for Settlement ("Joint Petition") of issues arising out of Distribution's filing of Supplement No. 97 to Tariff Gas- Pa. PUC No. 8 ("Supplement No. 97"), which proposes procedures to provide all of Distribution's customers with choice of suppliers. Distribution and OCA request that the Pennsylvania Public Utility Commission ("Commission") approve this Joint Petition for the reasons set forth herein.

**1. Background**

1. Distribution currently provides choice of suppliers on a pilot basis to approximately 19,000 customers in the vicinity of Sharon, Pennsylvania. The Energy Select Pilot commenced on October 1, 1997, and will expire on April 1, 1999. Customers under the Energy Select pilot have been able to reduce bills for service by approximately 5-10%. Customers have also received innovative offers such as fixed prices and percentage discounts.
2. On October 30, 1998, Distribution filed Supplement No. 97, which proposes to Provide choice of suppliers to customers throughout Distribution's Pennsylvania service territory.

Under the proposed Energy Select program, choice of suppliers would be available to 213,275 residential, commercial and small industrial customers. All small customers, other than customers who elect to participate in Distribution's Low Income Residential Assistance ("LIRA") program, would be eligible to select a supplier other than Distribution. Distribution would remain the supplier of last resort for those customers who do not choose or cannot obtain an alternative supplier.

3. Under Distribution's proposed Energy Select program, suppliers will be provided with interstate transportation and storage capacity sufficient to meet the needs of customers that they will serve. Accordingly, as in the pilot, suppliers will have sufficient capacity to continue to provide highly reliable service to customers.<sup>1/</sup> The proposed tariff also contains procedures for Distribution to monitor necessary deliveries, penalties if suppliers fail to deliver, and procedures for termination of suppliers' participation. Finally, the tariff contains a procedure for suppliers to assume responsibility for capacity contracts as they expire and, thereby, provides for a transition to a competitive market without creating stranded capacity costs.

4. On December 3, 1998 OCA filed a Notice of Intervention. Distribution and OCA have discussed various issues raised by Supplement No. 97 and have reached the settlement embodied in this Joint Petition.

---

<sup>1/</sup> In order to maintain reliability and operational flexibility, Distribution will retain a portion of its interstate pipeline capacity and suppliers will be required to deliver a specified percentage of gas supplies needed to serve their customers into this capacity. The cost of this portion of the capacity used to serve transportation customers is included in transportation rates. In order to implement the Energy Select program, Distribution must obtain a waiver of FERC's "shipper must have title" rule as to this capacity. Distribution filed a Request for Limited Waiver with FERC on December 23, 1998, which is docketed at RP99-190. Distribution expects FERC to act on this Request for Limited Waiver after the Commission acts to approve the Energy Select program.

## II. Settlement

5. Distribution and OCA agree that Distribution's proposed Energy Select program should be approved based upon the following terms and conditions.

- a. The provisions of Distribution's tariff which authorize Distribution to terminate a customer for failure to pay a supplier receivable purchased by Distribution will be deleted. Distribution will not terminate for non-payment of supplier's bills or for non-payment of accounts receivables purchased from suppliers. The form of compliance tariff attached hereto as Appendix "A" reflects this change.
- b. The provisions of Distribution's Energy Select pilot tariff concerning standards for supplier credit-worthiness will be incorporated in the Energy Select program tariff. The form of compliance tariff attached hereto as Appendix A reflects this change.
- c. Distribution and OCA recognize that Distribution's LIRA program involves intensive counseling as well as rate reductions for low income customers to assist such customers in developing consistent payments. Distribution and OCA agree to meet to discuss and attempt to develop procedures by which LIRA customers can participate in supplier choice.

6. Distribution and OCA request that the Commission approve the proposed Energy Select program, as modified by this Joint Petition, and authorize Distribution to file the attached form of tariff supplement on one day's notice following the Commission's approval of this Joint Petition.

### III. Conditions of Stipulation

7. This Joint Petition is conditioned upon the Commission's approval of terms and conditions contained herein without modification. If the Commission modifies the terms and conditions contained in this Joint Petition, any Party may elect to withdraw from this Joint Petition and may proceed with litigation and, in such event, this Joint Petition shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon the other party within five (5) business days after the entry of an order modifying the terms and conditions contained in this Joint Petition. This Joint Petition is proposed by the Parties to settle all issues in the instant proceeding and is made without any admission against, or prejudice to, any position which any party to this Joint Petition may adopt during any subsequent litigation of this or any other proceeding, except to the extent necessary to implement or enforce the terms and conditions of this Joint Petition.

WHEREFORE, National Fuel Gas Distribution Corporation and the Office of Consumer Advocate, by their respective counsel, request that the Pennsylvania Public Utility Commission approve this Joint Petition and authorize the filing of the tariff supplement attached hereto as Appendix A on one day's notice.

---

Edmund J. Berger  
Joel H. Cheskis  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1921

---

Michael W. Gang  
John H. Isom  
Morgan, Lewis & Bockius LLP  
417 Walnut Street  
Harrisburg, PA 17101  
Attorneys for National Fuel Gas  
Distribution Company

# **APPENDIX A**

NATIONAL FUEL GAS DISTRIBUTION CORPORATION  
BUFFALO, NEW YORK

RATES, RULES AND REGULATIONS

GOVERNING THE FURNISHING

OF

NATURAL GAS SERVICE

IN

TERRITORY DESCRIBED HEREIN

Issued:

Effective:

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.

TABLE OF CONTENTS

	Page	
List of Changes.....	2	Eighty-Fifth Revised
	2A	Twenty-Eighth Revised
	2B	First Revised
Table of Contents.....	3	Eighty-Sixth Revised
	4	eventy-Fourth Revised
	5	eventy-Sixth Revised
Description of Territory .....	5A	Thirteenth Revised
	6	Original
	7	First Revised
Rules and Regulations.....	8	Original
	9	Fourth Revised
	10	Eighth Revised
	11	riginal
	12	First Revised
	13	First Revised
	14	Second Revised
	15	First Revised
	16	riginal
	17	Second Revised
	15	Original
	19	Third Revised
	20	Original
	21	hird Revised
	22	econd Revised
	23	Second Revised
	24	First Revised
	25	Second Revised
	26	Original
	27	riginal
	28	riginal
	29	irst Revised
	30	hird Revised
	30A	First Revised
	30B	First Revised
	30C	First Revised
Residential Service Schedule.....	31	Forty-Fifth Revised
Rate Schedule LIRAS		
Low Income Residential Assistance Service	31A	Thirty-Fifth
	31B	Second Revised
	31C	Original
Commercial and Public Authority Service Rate Schedule.....	32	Eighteenth Revised
	32A	Thirtieth Revised
Commercial Rider BDS - Business Development Service Rider.....	33	Fourth Revised
	34	riginal
	35	riginal
Rate Schedule CPA-LBS Load Balancing Service for Commercial and Public Authority Customers. . .	36	First Revised

(C) Indicates Changes

Issued:

Effective:



37 Third Revised  
38 Twenty-Sixth Revised  
39 Fourteenth Revised  
40 Forty-Fourth Revised  
40A Sixth Revised

(C) Indicates Changes

---

Issued:

Effective:

TABLE OF CONTENTS (Cont'd)  
Page

Rate Schedule SVIS		
Small Volume Industrial Service.....	41	Twenty-First Revised
	41A	Twenty-Fifth Revised
Rate Schedule IVIS	41B	Third Revised
Intermediate Volume Industrial Service	41C	Sixteenth Revised
Intermediate Volume Industrial Service		
Rider BDS - Business Development		
Service Rider.....	42	Fourth Revised
	43	First Revised
	44	First Revised
Rate Schedule IVI-LBS		
Load Balancing Service for		
Small Volume Industrial Custom.....	45	Second Revised
	46	Fourth Revised
	47	Twenty-Sixth Revised
	48	Forty-Second Revised
	49	Thirty-Third Revised
Rate Schedule LVIS		
Large Volume Industrial Service.....	50	Second Revised
	51	
	52	ortieth Revised
		ourth Revised
Large Volume Industrial -Service		
BDS - Business Development		
Service Rider.I.....	53	Fourth Revised
	54	Original
	55	Original
Rate Schedule LVI-LBS		
Load Balancing Service 4-or		
Large Volume Industrial Customers.....	56	Second Revised
	57	Fourth Revised
	58	
	59	wenty-Eighth Revised
	60	orty-First Revised
		hirty-First Revised
Rate Schedule LIS		
Large Industrial Service.....	61	Twenty-Fifth Revised
	62	Twenty-Third Revised
Rate Schedule LI-LBS		
Load Balancing Service for		
Large Industrial Customers .....	63	Second Revised
	64	Fourth Revised
	65	Twenty-Sixth Revised
	66	Forty-Second Revised
	67	
		hirty-Second Revised
Rate Schedule NGV		
Natural Gas Vehicle Service.....	67A	Thirtieth Revised
	67B	Fifty-Sixth Revised
	67C	Thirty-Seventh Revised
Rate Schedule BP		
Service for Customers		
with Bypass Facilities .....	68	Thirteenth Revised
	69	Thirteenth Revised
	70	Sixth Revised
	71	Sixth Revised
	72	Sixth Revised
	72A	First Revised
	72B	First Revised

(C) Indicates Changes

Issued:

Effective:

(C) Indicates Changes

---

Issued:

Effective:

TABLE OF CONTENTS (Cont'd)

	Page	
Rate Schedule PSB		
Priority Standby Service. ....	73A	Seventeenth Revised
Rate Schedule SB		
Standby Service.....	74	Thirteenth Revised
	75	
		wenty-Seventh Revised
	76	Eleventh Revised
	76	
		vised Revised
Blank Page.	77	Tenth Revised
	77A	First Revised
Rate Schedule for		
Monthly Metered Transportation Service.....	78	Eighth Revised
	79	Fourteenth Revised
	80	
		hirtieth Revised
	81	
		wenty-Third Revised
	82	
		ourteenth Revised
	82A	Twelfth Revised
	82B	Third Revised
	82C	Twenty-Third Revised
	82D	Fourth Revised
Rate Schedule for		
Daily Metered Transportation Service.....	83	Fifth Revised
	83A	Fifth Revised
	83B	Eleventh Revised
	83C	Eighth Revised
	83D	Fifth Revised
	83E	Thirteenth Revised
	83E-1	Original
	83F	Third Revised
	83G	Twenty-Third Revised
	83H	Fourth Revised
Rate Schedule PCR		
Pipeline Capacity Reallocation.....	83I	Fourth Revised
	83J	Third Revised
	83K	Third Revised
Rate Schedule PTA		
Pilot Transportation/Aggregation Service.....	83L	Sixth Revised
	83M	Fifth Revised
	83N	Fifth Revised
	83O	
		ifth Revised
	83P	Second Revised
	83Q	First Revised
	83R	First Revised
	83S	First Revised
	83T	First Revised
	83U	First Revised
	83V	First Revised
	83W	First Revised
	83X	First Revised
	83Y	First Revised
	83Z	First Revised
	83AA	First Revised
	83AB	Original

(C) Indicates Changes

Issued:

Effective:

TABLE OF CONTENTS (Cont'd)

	Page	
Rate Schedule SATC		
Small Aggregation Transportation	83AC	Original
Customer Service	83AD	Original
	83AE	Original
	83AF	original
Rate Schedule SATS		
Small Aggregation Transportation,	83AG	Original
Customer Supplier Service	83AH	Original
	83AI	original
	83AJ	Original
	83AK	Original
	83AL	original
	83AM	Original
	83.@	Original,
	83AO	Original
	83AP	Original
	83AQ	Original
	83AR	Original
	83AS	Original
	83AT	Original
	83AU	Original
	83AV	Original
Rider A		
Section 1307(f) Purchased Gas Costs.....	84	Thirty-Eighth Revised
	85	ighth Revised
	86	eventh Revised
	87	inth Revised
	88	ineteenth Revised
	89	wentieth Revised
	90	ifth Revised
Blank Pages.....	91	Second Revised
Rider B -		
State Tax Adjustment Surcharge.....	92	Eighteenth Revised
Rider C -		
Provision for Recovery of		
Contract Reformation (Take or Pay) Costs.....	93	Sixteenth Revised
Rider D -		
Flow-Through of Bypass Revenues.....	94	Tenth Revised
Rider G -		
Transition Costs.....	95	Thirty-First Revised
	96	Sixth Revised
	97	Third Revised
Rider I -		
Case R-942991 Inflation Adjustment Surcharge	98	Fourth Revised

(C) Indicates Changes

Issued:

Effective:

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

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 (C)

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: (C)

"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

(C) Indicates Changes

---

Issued:

Effective:

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

based upon historical usage data. Changes indicating that a credit review may be necessary include, but are not limited to: (a.) 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: (C)

- 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.
- 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

---

(C) Indicates Changes

Issued:

Effective:

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.

(C)

APPLICABILITY

Applicable in all areas served under this tariff.

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 R-942991 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

---

Issued:

Effective:



APPLICABILITY

Applicable in all areas served under this tariff.

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 Changes

Issued:

Effective:

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 Changes

---

Issued:

Effective:

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 LVIS 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 Changes

---

Issued:

Effective:

---

RATE SCHEDULE SATC

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.

(C) Indicates Changes

---

Issued:

Effective:

RATE SCHEDULE SATC  
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 Changes

Issued:

Effective:

RATE SCHEDULE SATC  
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 Changes

Issued:

Effective:

---

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

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 Changes

---

Issued:

Effective:

---

RATE SCHEDULE SATS  
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 20,000 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 Changes

---

Issued:

Effective:



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

2. Billing Service Charges

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.

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 Changes

Issued:

Effective:

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.1.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.

(C) Indicates Changes

Issued:

Effective:

RATE SCHEDULE SATS  
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.1.b. above, the Company will release additional capacity as required, based on the percentage set forth at C.1.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:

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

(C) Indicates Changes

Issued:

Effective:

RATE SCHEDULE SATS  
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 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 Changes

Issued:

Effective:

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

## 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.

---

(C) Indicates Changes

Issued:

Effective:

---

RATE SCHEDULE SATS  
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.

(C) Indicates Changes

---

Issued:

Effective:

---

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

D. City Gate Balancing

E.

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.1. 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.

---

(C) Indicates Changes

Issued:

Effective:

RATE SCHEDULE SATS  
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").

(C) Indicates Changes

Issued:

Effective:



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 Changes

Issued:

Effective:

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

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 Changes

Issued:

Effective:

---

RATE SCHEDULE SATS  
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:

---

(C) Indicates Changes

Issued:

Effective:

RATE SCHEDULE SATS  
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.1.a., H.1.b., H.1.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.1.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 Changes

Issued:

Effective:

---

RATE SCHEDULE SATS  
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 Changes

---

Issued:

Effective:

---

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 Changes

Issued:

Effective:

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 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 Changes

Issued:

Effective:

---

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.

O. 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.

(C) Indicates Changes

---

Issued:

Effective:



RATE SCHEDULE PTA  
PILOT TRANSPORTATION/AGGREGATION SERVICE

APPLICABLE TO USE FOR

(C)  
(C)

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

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 "NonSupplied" 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 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 Changes

Issued:

Effective:

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.

|  
(C)  
|

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.

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	(C)
Priority Standby	\$0.9309	
Small Aggregation Transportation Customer Rate Schedule	\$0.8440	

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:

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

(C) Indicates Changes

Issued:

Effective:

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 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.

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) Indicates Changes

Issued:

Effective:

NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

---

"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 (0.01¢), in accordance with the formula set forth below:

(C)

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

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 (0.01¢) 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 Changes

Issued:

Effective:

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. (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.

"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 (0.01c) , in accordance with the formula set forth below:

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

"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.

"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.

(C) Indicates Changes

Issued:

Effective:

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 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:
  - (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 Changes

Issued:

Effective:

- (4) An amount determined by multiplying gas billing demand units ("Gas BDU") billed under the Commercial and Public Authority Load Balancing Service ("LBS"), Inter-mediate 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.
- (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 Social 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 purchases shall be assigned a gas cost equal to the monthly average commodity cost of scheduled purchases.

(C) Indicates Changes

Issued:

Effective:

- (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.
- (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 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 LES, 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 Changes

Issued:

Effective: