

**AFFILIATED INTEREST AGREEMENT**  
**BETWEEN**  
**CORNING NATURAL GAS CORPORATION**  
**AND**  
**PIKE COUNTY LIGHT & POWER COMPANY**

**Dated: \_\_\_\_\_, 2015**

**ATTACHMENT 12**

## **AFFILIATED INTEREST AGREEMENT**

This Agreement ("Agreement") is entered into as of the \_\_\_\_ day of \_\_\_\_ 2015, by and between Pike County Light and Power Corporation ("Pike"), and Corning Natural Gas Corporation ("CNG") (collectively Pike and CNG may hereafter be referred to as the "Parties").

WHEREAS, Pike is a public utility certificated by the Pennsylvania Public Utility Commission ("Commission") that provides electric and natural gas service within the Commonwealth of Pennsylvania;

WHEREAS, Pike, as shown on the organizational chart attached hereto as Exhibit A, is a subsidiary of Corning Natural Gas Holding Company ("CNGHC") being incorporated in New York State;

WHEREAS, CNG is a subsidiary of CNGHC and can provide expertise in the construction, operation and maintenance of natural gas utility distribution systems and other services as described in Exhibit B;

WHEREAS, the Parties believe that it is in their interest to enter into an arrangement whereby Pike may agree to purchase certain administrative, management, construction, operation, maintenance and other goods or services as described in Exhibit B from CNG as Pike may choose the lower of cost or market determined in accordance with this Agreement;

NOW, THEREFORE, in consideration of mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, hereby agree as follows:

### **1. DESCRIPTION OF GOODS OR SERVICES.**

CNG agrees to provide certain administrative, management or other services or goods to Pike as described in Exhibit B. Such services shall be provided to Pike at the request of Pike.

A Party purchasing goods or services is hereinafter referred to as the "Client Company" and a Party providing goods or services is hereinafter the "Service Company." Exhibit B hereto lists and describes all of the administrative, management or other services that are available from CNG (hereinafter goods and services collectively being referred to as the "Services").

### **2. PERSONNEL.**

In order to provide the Services, the Parties will employ executive officers, accountants, financial advisers, technical advisers, attorneys, and other persons with the necessary qualifications. If necessary, the Parties may also arrange for the services of nonaffiliated experts, consultants and attorneys in connection with the performance of any of the provided under this Agreement.

**3. COMPENSATION AND ALLOCATION.**

The Service Company shall directly assign the costs for such Services, and where direct assignment of costs is not practicable, such costs shall be allocated as indicated in Exhibits B and C.

**4. TERMINATION.**

This Agreement shall be in full force and effect as of the date of execution, subject to any necessary approval of governmental agencies having jurisdiction over this matter, and shall continue until terminated by any of the Parties hereto giving the other Party ninety days written notice of termination; provided, however, that this Agreement shall terminate immediately with regard to any Party as of the date such Party ceases to be affiliated with the other Party. This Agreement shall also be subject to termination, without notice, if and to the extent performance under this Agreement may conflict with any state or federal statute, or any rule, decision, or order of any state or federal regulatory agency having jurisdiction over one or more of the Parties. The Parties' obligations under this Agreement, which by their nature are intended to continue beyond the termination or expiration of this Agreement, shall survive such termination or expiration.

**5. SERVICE REQUESTS.**

A Client Company requesting Services will prepare a Service Request on or before December 1st of each year listing the Services to be provided by the Service Company in the coming year and any special arrangements related to the provision of such Services for the coming year, based on the Services provided during the preceding year. The Client Company and Service Company may supplement the Service Request during the year to reflect any additional or special Services as described in Exhibit B that Client Company wishes to obtain from the Service Company, and the arrangements relating thereto. If the Client Company requests services not described in Exhibit B it will need to receive approval from the Commission via an updated or new Affiliated Interest Agreement.

**6. BILLING AND PAYMENT.**

As soon as practical after the last day of each month, a billing shall be rendered for all amounts due for Services and expenses for such period, computed pursuant to this Agreement. All amounts so billed shall be paid within 30 days. Payment for Services provided shall be by making remittance of the amount billed or by making appropriate accounting entries on the books of Client Company and Service Company. The Parties shall keep their books and records available at all reasonable times for inspection by representatives of the other Party or by regulatory bodies having jurisdiction over them and, upon request, shall furnish any and all information required with respect to the services rendered, the costs thereof, and the allocation of costs among all Parties to this Agreement.

7. **NOTICE.**

All notices, requests and other communications shall be deemed to have been duly given or delivered if transmitted by personal service or, if mailed, postage prepaid, return receipt requested, to the following addresses:

**Pike County Light & Power Company:**

President  
Pike County Light & Power Company  
105 Schneider Lane  
Milford, PA 18337

**CNG**

President  
Corning Natural Gas Corporation  
330 West William Street  
Corning, NY 14830

8. **GOVERNING LAW.**

The construction and interpretation of the terms and provisions of this Agreement shall be in accordance with and governed by the laws of the Commonwealth of Pennsylvania without giving effect to choice of law principles.

9. **COMPLIANCE WITH LAW AND REGULATIONS.**

Unless specifically exempted, this Agreement will be performed in full conformance with all applicable federal, state, and local labor and employment laws and regulations.

10. **MODIFICATION.**

No amendment, change, or modification to this Agreement shall be valid, unless made in writing and signed by all Parties hereto; provided however that all substantive amendments, changes, and modifications must be approved by the Pennsylvania Public Utility Commission.

11. **ENTIRE AGREEMENT.**

This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the Parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective Parties hereof, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and canceled in their entirety and are of no further force and effect, except to the extent transactions thereunder have taken place prior to such effective date in which case such agreements will govern the terms of such transactions.

12. **WAIVER.**

No waiver by either party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

13. **FORCE MAJEURE.**

It is agreed that, in the event a *force majeure* renders any Party wholly or partially unable to carry out its obligations under this Agreement, other than its obligations to make payments on money due incident to performance hereunder, the obligation of the Party so affected shall be suspended during the continuance of any such liability. "*Force Majeure*" shall mean acts of God, strikes, lockouts or other industrial disturbances; acts of the public enemy, wars, blockages, boycotts, insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, storms, floods, washouts, arrest and restraints (either economic or physical) of government, rulers and people, civil disturbances, explosions, governmental regulations, curtailment or other inability to obtain required governmental permits and other causes, whether of the kind herein enumerated or otherwise, not within the reasonable control of a Party, and which by the exercise of reasonable diligence such Party is unable to prevent or overcome; provided that the settlement of strikes or lockouts by a Party to this Agreement shall be entirely within the discretion of the Party to the Agreement having the difficulty, and the above requirements that any event of *force majeure* shall be remedied with all reasonable dispatch and shall not require the settlement of strikes or lockouts by a Party to this Agreement when such course is deemed inadvisable in the discretion of the Party to the Agreement having the difficulty.

14. **ASSIGNMENT.**

This Agreement shall inure to the benefit of and shall be binding upon the Parties and their respective successors and assigns. The rights, interests, or obligations hereunder and under any agreements with third parties may be assigned between Pike and Service Company, through mutual consent, and with any necessary regulatory approvals, which consent shall not be unreasonably withheld, delayed, or conditioned.

15. **SEVERABILITY.**

If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

16. **REPRESENTATIONS.**

By their execution hereof, the Parties represent and warrant that they are authorized to enter into this Agreement, that it does not conflict with any contract, lease, instrument, or other obligation, that it represents their valid and binding obligation, enforceable in

accordance with its terms, and that each Party has all legal power and authority to own and use its properties and to transact the business in which it engages or proposes to engage, and has all governmental authorizations necessary and required therefore.

17. **CONFIDENTIALITY.**

A Party shall hold in confidence any information concerning the affairs of the other Party that it has reason to believe is reasonably considered by the other Party to be confidential and shall not (except as required by law or regulatory authority, subject to available confidentiality protections) disclose, publish, or make use of such information without the consent of the other Party.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives, effective as of the \_\_\_\_ day of \_\_\_\_\_, 2015.

**Pike County Light and Power Corporation**

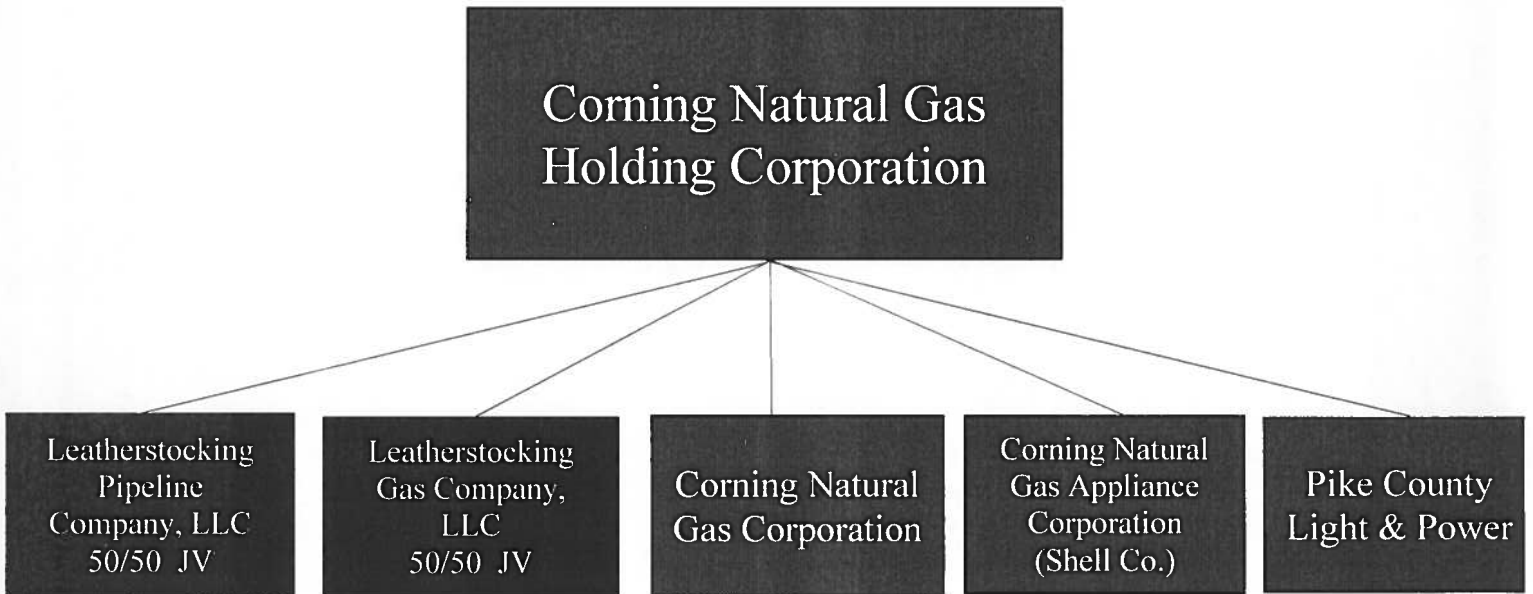
By: \_\_\_\_\_

**Corning Natural Gas Corporation**

By: \_\_\_\_\_

EXHIBIT A

Organizational Structure



## **EXHIBIT B**

### **DESCRIPTION OF SERVICES AND ALLOCATION METHODOLOGIES**

This Exhibit provides a description of all products and services provided to CNGHC subsidiaries under the Service Agreement (“Agreement”) and the cost allocation methodologies to be used in connection therewith. As used herein, the term “Service Company” refers to the company providing services and the term “Client Company” refers to the company receiving services.

### **DESCRIPTIONS OF PRODUCTS AND SERVICES**

CNG agree to provide the following services to CNGHC subsidiaries at the request of the subsidiaries. All such services shall be provided at the lower of cost or market and charged based upon the Direct Charge method except as set forth in this document. CNG shall provide to CNGHC subsidiaries, upon request, proof of the costs of services.

1. **Accounting**. Provide the organization, direction and resources to Client Company for accounting matters, including the development of accounting practices, procedures and controls, the maintenance of the general ledger and related subsidiary systems, the preparation and analysis of financial reports, and the processing of certain accounts such as accounts payable and accounts receivable. Coordinate the examination of accounting records with the independent public accountants.
2. **Auditing**. Periodically audit the accounting and other records and processes maintained by Client Company and coordinate their examination, where applicable, with that of independent public accountants. The audit staff will report on their examination and submit recommendations, as appropriate, on improving methods of internal control and accounting procedures.
3. **Budgets & Financial Strategy**. Provide the organization, direction and resources to Client Company for the study, planning and reporting of 5-year financial business plan and financial strategy, O&M and capital expenditures, economic analyses, special projects and benchmarking.
4. **Business Operations**. Perform general business and operations support services, including business, plant and facilities operation, physical security, maintenance and management including physical security, fleet and mail services.
5. **Corporate Governance**. Provide organization, direction, resources to ensure compliance with SEC, regulatory, financial Shareholder reporting requirements
6. **Customer Services**. Provide organization, direction, resources and systems dedicated to customer service, including billing, remittance, credit, collections, customer relations, call centers and metering.
7. **Employee Benefits/Pension Investment**. Provide central administration for employee benefit and pension plans of Client Company. Advise and assist Client Company in the administration of such plans and prepare and maintain records of employee and company



accounts under the said plans, together with such statistical data and reports as are pertinent to the plans.

8. Sales and Transportation. Plan, formulate, implement and administer Client Company's sales and transportation programs, as well as provide associated sales services to assist Client Company with improving customer satisfaction, load retention, growth of gas and electric sales and deliveries.
9. Executive and Administrative. Direct and advise Client Company in the solution of major problems and in the formulation and execution of the general plans and policies of Client Company. Advise and direct Client Company as to operations, issues arising out of or required by the various Federal and State regulatory requirements, business, public utilities and corporation laws, the selection of management and administrative personnel, the representation of Client Company before regulatory bodies, proposals for capital expenditures, budgets, financing, acquisition and disposition of properties, expansion of business, rate structures, public relationships and other related matters.
10. External Affairs. Formulate and support public relations, advertising, and external/internal communications programs and with the administration of corporate contribution and community affairs programs.
11. Gas and Electric Supply. Direct and advise Client Company in all matters relating to Gas and Electric Supply including planning, supply portfolio design, interstate and local gas acquisition, gas hedging, gas and electric scheduling, contract support and regulatory support. Also, provide customer requirements forecasting in support of daily, monthly, seasonal and long-range usage and financial estimates.
12. Human Resources. Provide the organization, direction and resources to Client Company for the formulation and administration of human resources policies and programs relating to the Client Company's payroll, labor relations, personnel administration, training, wage and salary administration and employee services and health and workers' compensation. Direct and administer all medical and health activities of Client Company.
13. Information Technology, Electronic Transmission and Computer Services. Provide the organization and resources for the operation of an information technology function including the development, implementation and operation of a centralized data processing facility and the management of a telecommunications network. This function includes the central processing of computerized applications and support of individual applications in Client Company. Develop, implement, and process those computerized applications for Client Company that can be economically best accomplished on a centralized basis.
14. Legal. Provide legal services in connection with, or in support of, any of the other services provided hereunder including, but not limited to, general corporate matters.
15. Operations. Direct and advise Client Company in the study, planning, engineering and construction of plant facilities of the Client Company as a whole, and advise, assist and manage the planning, engineering (including maps and records), field customer service, construction, operations, maintenance, employee safety, environmental and other

compliance activities of Client Company. Develop long-range operational programs for the Client Company.

16. Rates and Regulatory Affairs. Provide the organization, direction and resources to Client Company for the submission and support of all state and federal regulatory filings and programs and manage their relationships with state and federal commissions, federal, state and local governments, agencies and legislative bodies. Prepare and support all regulatory filings including base rate case, gas and electric cost recovery and tariff filings. Advise and direct the analysis of rate structure, and the formulation of rate policies. Provide the organization, direction and resources to Client Company for proceedings before regulatory bodies involving the rates and operations of Client Company where such rates and operations directly or indirectly affect Client Company. Provide the organization, direction and resources to Client Company to create and manage various universal service programs in compliance with regulatory requirements.
17. Risk Management. Provide the organization, direction and resources to Client Company for securing requisite insurance, in the purchase and administration of all property, casualty and in providing risk prevention advice.
18. Software Pooling. Accept from Client Company ownership of and rights to use, assign, license or sub-license all software owned, acquired or developed by or for Client Company which Client Company can and does transfer or assign to it. Preserve and protect the rights to all such software to the extent reasonable and appropriate under the circumstances; license Client Company, on a non-exclusive, no-charge or at-cost basis, to use all software which Service Company has the right to sell, license or sub-license; and, at the relevant Client Company's expense, permit Client Company to enhance any such software and license others to use all such software and enhancements to the extent that Service Company shall have the legal right to so permit, provided however that, in no case, shall the Client Company be billed by the Service Company for enhancements made by the Client Company to the extent that such billings would be in excess of what the Services Company paid the Client Company to acquire the right to use enhancements.
19. Supply Chain. Direct and advise Client Company in the procurement of real and personal property, materials, supplies and services, conduct purchase negotiations, prepare procurement agreements and administer programs of material control.
20. Tax. Provide the organization, direction and resources to Client Company for the preparation of Federal and other tax returns, and generally advise Client Company as to any problems involving taxes.
21. Treasury/Finance. Provide direction and services related to managing all administrative activities associated with financing, including management of capital structure; cash, credit and other risk management activities; investment and commercial banking relationships; oversight of ratepayer trust funds and general financing activities.

## EXHIBIT C

### COST OF SERVICES AND ALLOCATION METHODOLOGIES

- I. The costs of services provided by Service Company will be provided at the lower of cost or market and directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. The primary basis for charges is the **Direct Charge** method. The cost of services provided by the Service Company that cannot be charged directly to the Client Company receiving the service will be allocated among the Client Company and Service Company by utilizing one of the methods described below that most accurately distributes the costs. The method of cost allocation varies based on the department rendering the Service.
  
- II. The costs of rendering service by Service Company will include all costs of doing business. Costs of doing business include, as applicable, wages and salaries of employees and related fringe benefit expenses (such as health care, life insurance, payroll taxes, pensions and other employee welfare expenses), equipment, tooling, materials, subcontract costs, overheads, cost of capital and taxes.
  - A. Service Company will maintain a separate record of each department's costs of rendering services. The costs of services of each department will include:
    1. Those expenses that are directly attributable to such department, and
    2. An appropriate portion of those office and housekeeping expenses that are not directly attributable to a department but which are necessary to the operation of such department (excluding building rents and other facilities charges), which shall be allocated to the department in accordance with the allocation procedures set forth in this Agreement.
  
  - B. The costs of rendering services of a department will include:
    1. Those incremental out-of-pocket expenses that are incurred for the direct benefit and convenience of Client Company,
    2. Service Company overhead expenses that are attributable to maintaining the corporate existence of Service Company (including building rents and other facilities charges), and all other incidental overhead expenses including those auditing fees, internal auditing department expenses and accounting department expenses attributable to Service Company.
  
  - C. Service Company will establish annual budgets for controlling the expenses of each department and for determining estimated costs to be included in interim monthly billing.
  
- III. The charges to Client Company for a particular service will be determined by multiplying the hours reported by employees in rendering such service to Client Company by the hourly rates applicable to such employees.

- IV. To the extent appropriate and practical, the foregoing computations of hourly rates and charges may be determined for groups of employees within reasonable salary range limits.
- V. Those expenses of Service Company that are not included in the annual expense of a department under Section II above will be charged to Client Company receiving service as follows:
  - A. Incremental out-of-pocket costs incurred for the direct benefit and convenience of a Client Company will be charged directly to such Client Company.
  - B. Service Company overhead expenses referred to in Section II above will be charged to the Client Company either on the proportion of direct charges to that Client Company or, if such allocation is not possible, under the allocation formulas set forth in this Agreement.
- VI. Monthly bills will be issued for the Services rendered to the Client Company on an actual basis. However, if such actual information is not available at the time of preparation of the monthly bill, estimates may be used. Estimates will normally be predicated on service department budgets and estimated productive hours of employees for the year. At the end of each quarter, estimated figures will be revised and adjustments will be made in amounts billed to give effect to such revision.
- VII. The following table shows the formulas (by Service Department and Function) that shall be used to allocate the costs of services, which are not directly charged.

Service Department or Function Provided to a Client Company	Basis of Allocation
<i>Accounting:</i>	
Accounts Payable Processing – Non-payroll corporate disbursement services including accounting distribution to the general ledger. Resolve problems associated with invoice processing and maintain the accounts payable system.	Number of accounts payable documents processed during the preceding year ended December 31 <sup>st</sup> .
Fixed Assets Accounting.	Fixed assets added, retired or transferred during the preceding year ended December 31 <sup>st</sup> .
Accounts Receivable Processing.	Number of invoices processed during the preceding year ended December 31 <sup>st</sup> .
General Accounting- Accounting practices, general ledger maintenance and financial report preparation and analysis.	Total operations and maintenance expense, excluding purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .

Service Department or Function Provided to a Client Company	Basis of Allocation
<i>Accounting:</i>	
Accounting Research - Provide accounting research and consulting to ensure compliance with existing and proposed financial reporting, and regulatory accounting requirements.	Total cost based on hours for this service will be allocated to the Client Company.
Supplier Services - Provide customer services support to gas and electric distribution/supplier, administer and maintain electronic Data Interface function and invoice suppliers.	Total cost based on hours for this service will be allocated to the Client Company.
Billing - Provide billing functions for residential, commercial, industrial, governmental customers.	Number of bills processed during the preceding year ended December 31 <sup>st</sup> .
Revenue Reporting - Perform and manage revenue reporting functions.	Total revenues billed during the preceding year ended December 31 <sup>st</sup> .
Billing Exceptions - Process Billing Exceptions.	Total revenues billed during the preceding year ended December 31 <sup>st</sup> .
Remittance Processing - Processing customer payments and deposit funds.	Total revenues billed during the preceding year ended December 31 <sup>st</sup> .
Arrears Management - Coordinate and perform arrears, credit and bankruptcy functions. Manage outside collection agencies.	Total revenues billed during the preceding year ended December 31 <sup>st</sup> .
Revenue Protection Administration - Perform revenue reporting and compliance functions.	Total revenues billed during the preceding year ended December 31 <sup>st</sup> .
Bill Administration/Forms Administration - Design standardized customers' bills, envelopes, and forms.	Total revenues billed during the preceding year ended December 31 <sup>st</sup> .
Identify revenue enhancements and cost reductions.	Total revenues billed during the preceding year ended December 31 <sup>st</sup> .
Calculate customer external and internal invoices and operate and maintain systems to render, collect and account for these invoices.	Total revenues billed during the preceding year ended December 31 <sup>st</sup> .
Plant Accounting/ Property Record: Support management in the maintenance and perpetuation of the Plant and Depreciation accounting records, as required.	Total fixed assets during the preceding year ended December 31 <sup>st</sup> .
Plant Accounting/Inside Plant: To prepare the appropriate inside plant accounting entries and complete the functions necessary to perpetuate the Continuing Property Record for Inside Plant Property and Equipment.	Total fixed assets during the preceding year ended December 31 <sup>st</sup> .

<b>Service Department or Function Provided to a Client Company</b>	<b>Basis of Allocation</b>
<i>Accounting:</i>	
Plant Accounting/ Outside Plant: Prepare and process the appropriate and necessary accounting entries and fix asset database transactions to perpetuate the Continuing Property Record for outside plant facilities and equipment.	Total fixed assets during the preceding year ended December 31 <sup>st</sup> .
Regulatory Services: Coordinate, prepare and file in all jurisdictions regulatory filings required for ratemaking purposes.	Total cost based on hours for this service will be allocated to the Client Company.
<i>Auditing:</i>	
Audit Services - Perform internal audit services based on risk levels and/or requests financial, performance analysis, safeguarding of assets, computer-related and fraud investigations.	Service will be provided by outside Auditing firm.
Internal Auditing: Services will meet the Standards for the Professional Practices of Internal Auditing as promulgated by the Institute of Internal Auditors and the Standards for the performance of Environmental, Health and Safety Audits promulgated by the Environmental Auditing Roundtable.	Total cost based on hours for this service will be allocated to the Client Company.
<i>Budgets and Financial Strategy:</i>	
Budgets and Financial Strategy.	Total capital expenditures plus total operating expenses less purchased gas expense, for the preceding year ended December 31 <sup>st</sup> .
<i>Business and Operations Services:</i>	
Facility Services related to the operation and maintenance of buildings and furniture.	Square footage of office space as of the preceding year ended December 31 <sup>st</sup> .
Fleet Administration.	Total cost based on hours for this service will be allocated to the Client Company.
<i>Corporate Governance:</i>	
Executive Management - Consultation and services in management and administration of all aspects of the business.	Total cost based on hours for this service will be allocated to the Client Company.

Service Department or Function Provided to a Client Company	Basis of Allocation
<i>Customer Services:</i>	
Customer Payment (Remittance) Processing.	Number of bills processed during the preceding year ended December 31 <sup>st</sup> .
Customer service- is responsible for the call center, policy and compliance, billing, meter reading and collections, electric meter shops, revenue protection, new business services, quality assurance and energy services operations.	Total revenues billed during the preceding year ended December 31 <sup>st</sup> .
<i>Employee Benefits/Pension Investment:</i>	
Employee Benefits/Pension Investments.	Total payroll cost distributed during the preceding year ended December 31 <sup>st</sup> .
Manage employee compensation and benefits - provide management and supervision for employee compensation.	Total payroll cost distributed during the preceding year ended December 31 <sup>st</sup> .
Manage Workers Compensation - provide management and supervision for workers compensation and disability programs.	Total payroll cost distributed during the preceding year ended December 31 <sup>st</sup> .
Provide Employment services - by providing staffing relocation and employment expertise.	Total payroll cost distributed during the preceding year ended December 31 <sup>st</sup> .
Regulatory Services: Coordinate, prepare and file in all jurisdictions regulatory filings required for ratemaking purposes.	Total cost based on hours for this service will be allocated to the Client Company.
Financial Services/ Corporate Budget: Develop current years' monthly operating budget and forecast. Develop income statements, source and use statements and balance sheets.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Labor Relations - Overall responsibility for labor relations matters and strategy within the company.	Total payroll cost distributed during the preceding year ended December 31 <sup>st</sup> .
Facilities: Maintain all operating facilities.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Energy Forecasting: Provide periodic forecasts of gas energy requirements and revenues for all operating areas (PA).	Total cost based on hours for this service will be allocated to the Client Company.

Service Department or Function Provided to a Client Company	Basis of Allocation
<i>Sales and Transportation:</i>	
Fleet Administrative Services: Create a vehicle and equipment replacement program and administer all federal and state tax registration and licensing requirements.	Total cost based on hours for this service will be allocated to the Client Company.
<i>Executive and Administrative:</i>	
Stores Accounting: Report and record all billing adjustments associated to purchases. Report and record all associated storage cost applicable.	Total material issued for the preceding year ended December 31 <sup>st</sup> .
Rate Engineering: To design and implement gas rates that address competitive issues, meet regulatory requirements, and balance the interest of ratepayers and shareholders.	Total cost based on hours for this service will be allocated to the Client Company.
<i>External Affairs:</i>	
Shared Projects.	Annual planned expenses for the current year.
<i>Gas Supply, Energy Services and Marketing:</i>	
Gas and Electric Supply – Includes supply planning, gas acquisition, gas hedging, gas scheduling, and procurement contract support.	Gas and electric volumes purchased for the preceding year ended December 31 <sup>st</sup> .
Act as an agent to provide for management of gas and electric supply dispatching services. Provide forecasts of customer loads.	Gas and electric volumes purchased for the preceding year ended December 31 <sup>st</sup> .
Manage the gas and electric supply portfolio in a manner that results in the lowest reasonable cost of gas for the companies.	Gas and electric volumes purchased for the preceding year ended December 31 <sup>st</sup> .
<i>Human Resources:</i>	
Human Resources.	Total payroll cost distributed during the preceding year ended December 31 <sup>st</sup> .
Payroll Processing.	Total payroll cost distributed during the preceding year ended December 31 <sup>st</sup> .



Service Department or Function Provided to a Client Company	Basis of Allocation
<i>Human Resources:</i>	
<p>Compensation: Develop, install and administer compensation programs, conduct major internal organization and job evaluation studies, develop analysis and comparisons to demonstrate appropriate base and total compensation pay levels, develop and write policy and procedure, review organization charts and function responsibility, and review all personnel change authorizations.</p>	<p>Total payroll cost distributed during the preceding year ended December 31<sup>st</sup>.</p>
<p>Employee Benefits: Provide management and supervision for employee and executive compensation and benefits.</p>	<p>Total payroll cost distributed during the preceding year ended December 31<sup>st</sup>.</p>
<p>Human Resources: Provide tuition support to employees, corporate recruitment, employee verification, new hire/termination process; maintain internal and external job postings.</p>	<p>Total payroll cost distributed during the preceding year ended December 31<sup>st</sup>.</p>
<p>Training: Provide quality career development, operations and safety training to all employees.</p>	<p>Total payroll cost distributed during the preceding year ended December 31<sup>st</sup>.</p>
<i>Information Technology, Electronic Transmission, and Computer Services:</i>	
<p>LDC Computer Applications.</p>	<p>Number of customers at the end of the preceding year ended December 31<sup>st</sup>.</p>
<p>Other Computer Applications.</p>	<p>Number of customers at the end of the preceding year ended December 31<sup>st</sup>.</p>
<p>Network Computer Applications.</p>	<p>Number of customers at the end of the preceding year ended December 31<sup>st</sup>.</p>
<p>Telecommunications Applications including maintenance on shared use facilities.</p>	<p>Number of customers at the end of the preceding year ended December 31<sup>st</sup>.</p>
<p>Software.</p>	<p>Number of customers at the end of the preceding year ended December 31<sup>st</sup>.</p>
<i>Information Technology, Electronic Transmission, and Computer Services:</i>	

<b>Service Department or Function Provided to a Client Company</b>	<b>Basis of Allocation</b>
Data Center: Operate Data Center; Operate on-line applications; run batch jobs; keep management informed of major problems; print reports, bills, checks, etc.; responsible for disaster recovery.	Number of customers at the end of the preceding year ended December 31 <sup>st</sup> .
Software Maintenance: Implement vendor software upgrades and Implement enhancements to existing applications.	Number of customers at the end of the preceding year ended December 31 <sup>st</sup> .
Help Desk: Install network management software; provide onsite support dispatched by Help Desk; Oversee equipment installs.	Number of customers at the end of the preceding year ended December 31 <sup>st</sup> .
Information Resources Management Services: Arrange for IT Training; project planning, maintain applications, respond to system failures of all types, system administration, application enhancements, develop new applications and test new applications.	Number of customers at the end of the preceding year ended December 31 <sup>st</sup> .
Technology Support: Develop strategic technology plan, manage desktops, and provide e-mail and other productivity products.	Number of customers at the end of the preceding year ended December 31 <sup>st</sup> .
Telecommunications Administration Services: Pay Telecommunication bills, place orders for equipment, negotiate contracts; negotiate major contracts for telecommunications service.	Number of customers at the end of the preceding year ended December 31 <sup>st</sup> .
<b>Legal:</b>	
Provide Governmental Affairs Support - Activities associated with developing and maintaining relationship with government institutions; includes lobbying, litigation, and other support activities.	Total cost based on hours for this service will be allocated to the Client Company.
Human Resources, Employee Benefits, Tax, International, Regulatory, Non-Utility, Environmental, Real Estate, Corporate, Claims Legal Consultation and case management.	Total cost based on hours for this service will be allocated to the Client Company.
Provide legal services that are high in quality, responsive to client needs, timely, and cost effective.	Total cost based on hours for this service will be allocated to the Client Company.

Service Department or Function Provided to a Client Company	Basis of Allocation
<i>Operations (includes the study and planning of field work for the client companies. Field work may include construction of facilities, field customer service, safety, environmental, and compliance activities)</i>	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Distribution Reliability and Asset Records - Services include public works coordination, reliability reporting to regions and PUC.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Design standards - Services include line material construction standards, distribution line and underground maintenance practices and support, new business process support, and service practices.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Equipment Repair/Testing - services include the maintenance, testing, and repair of utility equipment.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Perform facility design and project management and pipeline material standards, right-of-way and survey services, pipeline maintenance plan coordination, practices and support.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Perform planning and protection support for pipeline and facility and overview and interconnection coordination for distribution system.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Capital Budget and Equipment Support or equipment specifications and procurement/repair actives for major equipment.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Infrastructure review and maintenance of pipeline.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
<i>Rates and Regulatory Affairs:</i>	
Rates and Regulatory Affairs.	Total regulated company operating expenses, excluding purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .

Service Department or Function Provided to a Client Company	Basis of Allocation
Regulator Interface and Process Improvement Supplier - Liaison to ensure Customer Choice requirements and develop and execute plans to improve supplier services processes.	Total regulated company operating expenses, excluding purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
<i>Rates and Regulatory Affairs:</i>	
Regulatory Interface and Process Improvement Regulatory - respond to regulatory complaints from customers and develop and execute plans to improve regulatory compliance processes.	Total regulated company operating expenses, excluding purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Regulatory Activities and Consulting - Manage regulatory activities and interfaces, including tariff development and interpretation. Monitor and participate in regulatory affairs at the local, state and federal levels.	Total regulated company operating expenses, excluding purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
<i>Supply Chain:</i>	
Purchasing.	Dollar value of purchases for the preceding year ended December 31 <sup>st</sup> .
Materials Management.	Material inventory purchases as of the preceding year ended December 31 <sup>st</sup> .
<i>Tax:</i>	
Tax Accounting and Compliance.	The sum of the total income and total deductions as reported for Federal Income Tax purposes on the last return filed.
Tax Department: review all services on a timely basis based on established due dates prescribed by federal, state, and local taxing regulations.	The sum of the total income and total deductions as reported for Federal Income Tax purposes on the last return filed.
Tax consulting and research - conduct tax research and tax consulting to assure compliance with statutes, while evaluating alternative tax strategies within the constraints of regulations that provide additional shareholder value to the company.	The sum of the total income and total deductions as reported for Federal Income Tax purposes on the last return filed.

<b>Service Department or Function Provided to a Client Company</b>	<b>Basis of Allocation</b>
Tax Compliance - Prepare and process all schedules and information associated with corporate and subsidiary tax returns, audits, and tax litigation, assuring compliance with tax regulations and statutes.	The sum of the total income and total deductions as reported for Federal Income Tax purposes on the last return filed.
<i>Treasury/ Finance:</i>	
Treasury and Cash Management.	Total capital expenditures plus total operating expenses less purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .
Payment processing: All payments will be opened and processed to thru receivable systems with 24 hours of receipt.	Based on revenue billed, for the preceding year ended December 31 <sup>st</sup> .
Real estate: Provide management oversight of all real estate activities.	Total fixed assets during the preceding year ended December 31 <sup>st</sup> .
Pension Administration: Prepare reports summarizing the funds, their performance, asset allocation, and activity during the period.	Total payroll cost distributed during the preceding year ended December 31 <sup>st</sup> .
Risk Management/Insurance Department: Evaluate exposure and implement insurance programs.	Total fixed assets during the preceding year ended December 31 <sup>st</sup> .
Investor Services: Ensure shareholder satisfaction with financial information	Total fixed assets during the preceding year ended December 31 <sup>st</sup> .
Disbursements: Ensure that all disbursements are made on the date required.	Total operations and maintenance expense, excluding purchased gas and electric expense, for the preceding year ended December 31 <sup>st</sup> .