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April 7, 2015

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105

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RE: Application of Orwell Gas Company, Utility Pipeline Ltd. and Knox Energy
Cooperative Association, Inc.; Docket No. A- 2015-_____

Dear Secretary Chiavetta:

Enclosed for filing with the Commission are a public version (marked "Public Version") and a confidential version (marked "Confidential Version") of the Application of Orwell Gas Company ("Orwell"), Utility Pipeline Ltd. ("UPL") and Knox Energy Cooperative Association, Inc. ("Knox") for Commission approval of the transfer of the distribution assets of Orwell to UPL and, immediately thereafter, to Knox, and for the abandonment of all Pennsylvania regulated service by Orwell, with the immediate commencement of service by Knox. A check in the amount of \$350.00 is included to cover the applicable filing fee.

Also enclosed for filing is a Motion for Protective Order executed by counsel to Orwell. As indicated in the Motion, Orwell is requesting protected treatment of certain financial information contained in the application. The parties respectfully request that the confidential version of this application be maintained in a sealed file until such time as a determination on Orwell's Motion for Protective Order is made by the Commission. Please note that neither UPL nor Knox have any objections to Orwell's Motion.

As indicated below, courtesy copies of these filings have been mailed to the Pennsylvania Office of Consumer Advocate and the Pennsylvania Office of Small Business Advocate.

MAILING ADDRESS: P.O. BOX 1778 HARRISBURG, PA 17105

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
April 7, 2015
Page 2

Thank you for your attention to these matters. Please contact me at the above-listed number with any questions you may have.

Sincerely,



Steven K. Haas

*Counsel to Utility Pipeline Ltd. and
Knox Energy Cooperative Association, Inc.*

SKH/jld

Enclosures

cc: PA Office of Consumer Advocate
PA Office of Small Business Advocate

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In the Matter of the Application of :
Orwell Natural Gas Company For :
Commission Approval of the Transfer :
of its Distribution System Assets to :
Utility Pipeline Ltd. and immediately :
thereafter to Knox Energy Cooperative :
Association, Inc., a Bona Fide :
Cooperative, and for the Abandonment :
of all Pennsylvania Regulated Service :
by Orwell Natural Gas Company, with :
the Immediate Commencement of :
Service by Knox Energy Cooperative :
Association, Inc. :

Docket No. A-_____

APPLICATION FOR THE TRANSFER OF ASSETS

PUBLIC VERSION

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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In the Matter of the Application of :
Orwell Natural Gas Company For :
Commission Approval of the Transfer :
of its Distribution System Assets to :
Utility Pipeline Ltd. and immediately :
thereafter to Knox Energy Cooperative :
Association, Inc., a Bona Fide :
Cooperative, and for the Abandonment :
of all Pennsylvania Regulated Service :
by Orwell Natural Gas Company, with :
the Immediate Commencement of :
Service by Knox Energy Cooperative :
Association, Inc. :

Docket No. A-_____

APPLICATION FOR THE TRANSFER OF ASSETS

NOW COMES Orwell Natural Gas Company (“Orwell”), an Ohio company that provides natural gas distribution service in the Borough of Bruin, Butler County, Armstrong County, Jefferson County and Clarion County, Pennsylvania, which service is regulated by the Pennsylvania Public Utility Commission (“Commission”), and seeks approval under Section 1102(a)(3) of the Pennsylvania Public Utility Code, 66 Pa. C.S. §1102(a)(3), for the transfer of all of its Pennsylvania distribution system assets and facilities to Utility Pipeline Ltd. (“UPL”), and immediately thereafter to Knox Energy Cooperative Association, Inc. (“Knox”), a not-for-profit, member-owned bona fide cooperative association, as described in Section 501(c)(12) of the Internal Revenue Code, existing under the Ohio Revised Code Section 4905.02 (b),¹ and for the technical “abandonment” of service under 66 Pa. C.S. §1102(a)(2) to customers in the

¹ This section specifically exempts from rate regulation “Public utilities, other than telephone companies, that are owned and operated exclusively by and solely for the utilities’ customers purchasing, delivering, storing, or transporting, or seeking to purchase, deliver, store, or transport, natural gas exclusively by and solely for the consumer’s or customer’s own intended use as the end user or end users and not for profit”(Knox is subject only to the pipeline safety jurisdiction of the Ohio Public Utility Commission).

Borough of Bruin, Butler County, Armstrong County, Jefferson County and Clarion County, Pennsylvania, with the immediate uninterrupted commencement of the provision of service by Knox. Consequently, because there will be no interruption or termination of service, there will be no *de facto* abandonment of gas service to customers.

Orwell, Knox and UPL are represented in this proceeding by the following respective attorneys:

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On behalf of Orwell Natural Gas Company

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Phone (717) 236-1300
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skhaas@hmslegal.com

*On behalf of Utility Pipeline Ltd. and
Knox Energy Cooperative Association, Inc.*

In support thereof, Orwell, UPL and Knox represent as follows:

OVERVIEW

1. Orwell, an Ohio company, is a Pennsylvania jurisdictional public utility that has been in operation since 1987. Originally started in Orwell, Ohio, Orwell has expanded operations in eight counties within Ohio. In 2005 Orwell Natural Gas acquired the Clarion River and Walker Gas Companies, both Pennsylvania utilities currently serving, in total, about 602

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customers throughout four Pennsylvania Counties. These Pennsylvania operations supply natural gas to residential and commercial end users.

2. Orwell provides natural gas service to approximately 546 residential and approximately 56 commercial customers in the Borough of Bruin, Butler County, Armstrong County, Jefferson County and Clarion County, Pennsylvania. Orwell is seeking to sell all of its Pennsylvania natural gas distribution assets (the former Clarion River and Walker Gas companies) and cease providing any service in Pennsylvania regulated by the Commission.

3. Orwell has entered into an Asset Purchase Agreement with UPL, dated January 14, 2015, subject to Commission approval as sought in this Application. Immediately upon the approval of the transfer of the Pennsylvania distribution system assets to UPL, UPL proposes to transfer all of the newly acquired assets and facilities to Knox. See **Appendix “A”** for a copy of the Asset Purchase Agreement.

4. UPL is a privately-owned pipeline design, engineering, construction, financing and management company located in North Canton, Ohio. UPL, which has been in business since 1995, also provides administrative and maintenance services to gas distribution system operators in Ohio, Pennsylvania and Indiana. In this proposed transaction, UPL, by first acquiring Orwell’s distribution system assets, will act as the financier to assist Knox with this transaction, and thereafter will provide ongoing administrative and maintenance services to Knox. In Pennsylvania, UPL constructed and provides these services to the Keystone Cooperative Association, Inc. (“Keystone”) distribution system located in Windber, Pennsylvania. UPL also provides these services in Pennsylvania for Knox in Kane and Wetmore Townships (McKean County), Claysville (Washington County) and Jones Township, Elk County. The provision of gas service by Knox in Pennsylvania previously was approved by the Commission through prior

applications for the transfer of assets and the abandonment of service by Gasco Distribution Systems, Inc.² and Sergeant Gas Company.³

5. Since its formation, UPL has constructed over 500 miles of new distribution systems for other companies seeking to provide new natural gas service in unserved areas. In this effort, UPL has also provided financing to third party companies, such as Knox, to assist these organizations with the upfront capital requirements necessary to construct, acquire, and upgrade pipeline distribution systems. To receive a payback of such financing, UPL will receive a rate per mcf for gas flowing through the system, with no guarantees as to the payment amount. This mechanism places the risk on UPL that the cooperative association will be capable of repaying its obligations to UPL.

6. UPL has signed a Management Agreement with Knox that will obligate UPL to provide ongoing pipeline administrative and maintenance services to Knox, a copy of which is attached to this Application as **Appendix "B."** These services will include all routine maintenance, customer billing, compliance, construction and gas purchasing services, etc. This contract is a 30-year contract.

7. The rates to be established by Knox for current Orwell customers shall be set with the primary objective being to match or be equivalent to the current rates in effect for current Knox members in the former Gasco and Sergeant Pennsylvania territories.

8. As a non-profit, member-owned bona fide cooperative, the Board of Directors of Knox shall consist of members of the cooperative and shall be subject to periodic elections. Any member shall be eligible to run for election to the Board. UPL currently has (and will continue to have) no involvement or control whatsoever over the Board of Directors of Knox.

² Docket No. A-120002F2000 (Order entered March 22, 2007) ("Kane Order") and Docket No. A-120002F2001 (Order entered September 29, 2006) ("Claysville Order").

³Docket No. A-2011-2239524 (Order entered September 22, 2011) ("Sergeant Order").

9. Knox is a non-profit, member-owned, bona fide natural gas cooperative under Section 102 (Definitions) of the Pennsylvania Public Utility Code, 66 Pa. C.S.A. §102,⁴originally formed in 1998 to provide natural gas service to residential communities in Ohio. Knox currently has approximately 12,300 members located in 75 separate operations throughout Ohio, and has approximately 4,500 members located in its Pennsylvania operations. As a cooperative, Knox is not a jurisdictional natural gas company in either Ohio or Pennsylvania, and is not subject to comprehensive regulation by the Ohio Public Utility Commission or this Commission. Knox is, however, required by law to follow U. S. Department of Transportation pipeline safety regulations. Further, Knox is subject to the Ohio Public Utility Commission's gas pipeline safety jurisdiction and, as such, is subject to annual safety and compliance audits. Knox employs in Pennsylvania all of the same safety procedures it observes in Ohio. As ordered by this Commission in the *Kane*, *Claysville* and *Sergeant* Orders, the Commission's Bureau of Audits and Gas Safety Division monitored UPL and Knox for compliance with the Orders for a period of three years following approval of each application, including, but not limited to, monitoring of the conditions stated in the Order, operations and financial condition. As reported in each of the annual monitoring reports issued by the Commission during the three year monitoring periods, no compliance issues or deficiencies were found with the applicable requirements of the Commission at Orders A-120002F2001, A-120002F2000 and A-2011-2239524.

10. As indicated previously, the proposed transaction will involve the immediate transfer of the distribution system assets from Orwell to UPL to Knox.

11. The proposed transfer will not result in any interruption of service to any current Orwell customers. The parties will provide a written notification to all affected customers, to be enclosed in the monthly bills, describing the transaction and will make available upon request a

⁴ 66 Pa. C.S.A §102 (section (2)(ii) under definition of "Public Utility"); *Kane* Order; *Claysville* Order.

copy of the Rules and Regulations for Knox. A copy of the notification is attached as **Appendix “C.”** After the transfer, all of Orwell’s natural gas customers will be eligible to serve as Board members on the Knox Board of Directors.

12. Knox maintains a dedicated field office in Kane, Pennsylvania and, along with the current subcontractors for Orwell’s Pennsylvania systems, will be able to respond to any service issues on the system in a timely manner. Knox will continue to repair and maintain the system and provide safe, reliable service to all of Orwell’s former customers.

ORWELL

13. The number of customers, by class, to whom Orwell furnishes natural gas service through its distribution system as of February 1, 2015 is:

Residential	546
<u>Commercial</u>	<u>56</u>
Total	602

14. Attached to this Application as **Appendix “D”** is Orwell’s most recent Balance Sheets for its Clarion River and Walker Gas divisions, as of December 31, 2014.

15. Attached as **Appendix “E”** is Orwell’s System Income Statement for its Clarion River and Walker Gas divisions for the twelve months ended December 31, 2014.

16. Attached as **Appendix “F”** are maps of the Clarion River and Walker Gas division systems showing the distribution system assets to be transferred. These maps and the attached Financial Statements for the Orwell distribution system reflect the utility plant to be transferred.

17. All of the annual reports, tariffs, certificates of public convenience, and securities certificates filed with the Commission by Orwell, are made a part hereof by reference.

18. As noted, the property to be transferred is the gas distribution assets owned by Orwell, located in the Borough of Bruin, Butler County, Armstrong County, Jefferson County and Clarion County, Pennsylvania. This system consists of small diameter (mostly 2" to 4") pipe with about 19.87 miles of plastic main and about 11.62 miles of steel main. The normal operating pressure is about 15 psi.

19. All of the real and personal property rights and interests of Orwell's Pennsylvania distribution system will be transferred to UPL pursuant to the Asset Purchase Agreement between Orwell and UPL, and immediately thereafter to Knox. The transfer/assignment of the assets from UPL to Knox is attached at the end of **Appendix "A."**

20. The consideration being paid to Orwell as described in the Asset Purchase Agreement, namely \$900,000, was determined by arms' length negotiation between the parties. UPL will be paying the purchase price to Orwell as described in Section 1.04 of the Asset Purchase Agreement. *No portion of the purchase price will be financed by UPL.*

UPL

21. As indicated above, UPL was first formed in 1995 for the primary purpose of building new gas distribution systems in areas not formerly served by natural gas. UPL developed a business plan that allows it to work with the homeowners in a community for them to take control and ownership of the natural gas system serving their homes. UPL's primary role is to serve as the general contractor that designs, engineers, constructs and finances the new systems for the homeowners. This procedure has now been applied to approximately 90 communities in three states. The systems built and financed by UPL now serve approximately 37,000 homeowners and businesses, through 5 separate non-profit, member-owned cooperative

associations, 4 local distribution companies, and municipal and private systems. One of these communities is located in Windber, Pennsylvania, and operates under the name of Keystone Cooperative Association, Inc. See *Re Keystone Cooperative Association*, Docket No. P-00991710, 1999 WL 1040450 (Pa. PUC) (“Keystone Order”) (finding that Keystone was a bona fide cooperative association operating outside of this Commission’s jurisdiction). The cooperative structure used in these projects requires no commitment from the local residents. Their decision to join the cooperative is strictly voluntary, with the homeowners/customers having the right to terminate service at any time with no additional commitments.

KNOX

22. As noted previously, Knox was formed in April 1998 as a non-profit, member-owned bona fide natural gas cooperative (as described in Section 501(c)(12) of the Internal Revenue Code and the Ohio Revised Code Section 4905.02(b)) for the purpose of bringing new gas distribution systems into unserved areas. The first project was located in the Apple Valley Lake community near Mt. Vernon, Ohio. Since that time, Knox either has constructed or purchased additional gas distribution systems throughout Ohio and Pennsylvania. As noted, Knox is managed by a nine (9) member Board of Directors, the members of which are elected through periodic elections. All members of the cooperative are eligible for election to the Board of Directors. More recently, Knox acquired from Gasco its Claysville and Kane Division distribution systems, and from Sergeant its Pennsylvania distribution system, as approved by this Commission in its Orders entered September 29, 2006, March 27, 2007, and September 22, 2011. See fn. 2.

23. The number of customers, by class, to whom Knox furnishes gas service is:

Residential	16,040
Commercial	778
Industrial	<u>2</u>
Total	16,820

24. Attached as **Appendix "G"** is Knox's Balance Sheet as of December 31, 2014.

25. Attached as **Appendix "H"** are Income Statements of Knox for the period January 1, 2014 to December 31, 2014.

26. After constructing the pipeline system near Mt. Vernon, Ohio for Knox, UPL began to receive requests to duplicate its construction efforts in other areas of Ohio. The Board of Directors of Knox decided that growth and expansion of its non-profit organization would be beneficial to its members because this would enable the cooperative to have more purchasing power with other pipeline companies and gas marketers. Knox's expansion began with construction in more lake communities and continued with new subdivisions/developments off the distribution systems owned by other regulated utilities in Ohio, such as Columbia Gas of Ohio. Eventually, Knox also got involved in the acquisition of other gas distribution systems, both regulated and unregulated cooperative systems. In 2004, Knox successfully acquired a troubled regulated utility known as Horizon Utility Group, ("Horizon") located in West Portsmouth, Ohio. Horizon had many financial and operational problems, which UPL and Knox were successfully able to correct and restore to a reliable and stable cooperative system. This system conversion was similar to the current situation as it involved the approval by the Ohio Public Utility Commission of a regulated utility system being sold and converted to a non-profit, member-owned cooperative system.

THE TRANSACTION

27. Orwell proposes to transfer its Pennsylvania distribution assets to UPL, which immediately thereafter will transfer the assets to Knox. There will be no interruption in service as a result of the proposed transaction.⁵

28. The transfer from UPL to Knox shall be free and clear of all liens and encumbrances.

29. No investment securities are being transferred as part of this transaction.

30. Knox shall have an ongoing obligation to repay UPL via a throughput fee in the rates specified in the assignment from UPL to Knox, which assignment is attached at the end of **Appendix "A."**

31. This mechanism shall assure the members of Knox that sufficient funds are available to repay its obligations to UPL.

32. As noted above, rates for current Orwell customers shall be established to be equivalent to the current Knox rates for its existing customers.

33. Knox agreed to a number of member benefits and protections in the Sergeant proceeding as part of a settlement with the Pennsylvania Office of Consumer Advocate.⁶ These protections continue to be offered to all Knox members and will be offered to all current Orwell customers.

⁵ The Application for approval of the transfer of Gasco's Claysville Division assets and facilities included, as Appendix "H" to that Application, Docketed at A-120002F2001, a Memorandum related to the transfer of facilities to an unregulated entity and posited why the Application was considered legally to be a "transfer," with the typical "necessary or proper standard" applying and not an abandonment application with abandonment criteria applying. The Commission accordingly applied the "necessary and proper standard," rather than the abandonment criteria in its approval of the Application. See *Claysville Order*.

⁶ See, Joint Petition for Approval of Application and Adoption of Settlement Agreement, dated August 10, 2011 (A-2011-2239524).

34. Current Orwell customers will be charged the same rates for natural gas service that are charged to current Knox members. Current Orwell customers will also be provided the same terms of service that are provided to all Knox members.

35. On an annual basis for the three (3) year period following approval of the Application by the Commission, UPL and Knox will provide to the Commission and the OCA a report containing, at a minimum, the following information with respect to the Orwell system: (a) overall customers gained or lost; (b) an overview of customer service issues; (c) the current gas cost rate; and, (d) a list of capital investments and upgrades to the system, and a projection of the same for the following calendar year.

36. UPL and Knox have no intention or plans to abandon service to any current Orwell customers after approval of the Application by the Commission. Accordingly, UPL and Knox will guarantee that service to current Orwell customers will not be abandoned for five (5) years following approval of the Application by the Commission, or UPL will pay all reasonable conversion costs for all affected customers.

37. In sum, the customer benefits of the proposed transaction include:

- a. An expanded membership will enable Knox to negotiate better gas purchase and pipeline capacity agreements.
- b. The acquisition will provide long term financial viability.
- c. Knox has established procedures for complaint resolution for all members by a Board of Directors that also are customers and members of Knox. Knox currently has no known pending legal issues with any vendor or member.

- d. Current Orwell customers will enjoy all of the privileges and benefits realized by all current Knox members/customers.

38. Knox is a bona fide cooperative association under the provisions of the Pennsylvania Public Utility Code, 66 Pa. C.S. §102. *See also Kane, Claysville, Keystone and Sergeant Orders; Re Adrian Water Company*, 53 Pa. PUC 139 (1979) (setting forth the criteria for establishing a bona fide cooperative).

39. After the transfer is complete, UPL's responsibilities and Knox's obligations with respect to this project shall be as set forth in **Appendix "B,"** the Management Agreement. These are substantially the responsibilities and obligations that were included in prior similar transaction proceedings and approved by the Commission. *See Kane, Claysville and Keystone Orders.*

40. All special and general assessments issued by the Commission and charged to Orwell have been paid.

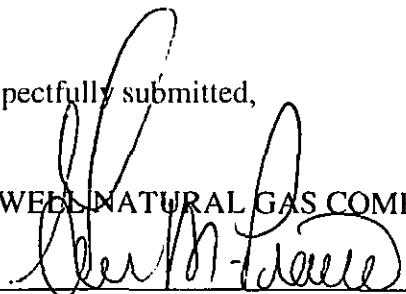
41. Any assessments issued by the Commission and charged to Orwell prior to the date of transfer will be paid by Orwell.

42. Attached as **Appendix "I"** are the corporate meeting minutes of Orwell, UPL and Knox authorizing the transactions sought in this Application.


WHEREFORE, the Applicant respectfully requests that the Commission grant all approvals necessary to accomplish the transactions set forth in this Application.

Respectfully submitted,

ORWELL NATURAL GAS COMPANY


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UTILITY PIPELINE LTD.
KNOX ENERGY COOPERATIVE
ASSOCIATION, INC.



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*Attorneys for Utility Pipeline Ltd., and Knox Energy
Cooperative Association, Inc.*

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VERIFICATION

I, Andrew G. Duckworth, President of Utility Pipeline, Ltd., hereby state that the facts set forth in the foregoing application are true and correct to the best of my knowledge, information and belief, and that I expect to be able to provide the same at any hearing held in this matter. I understand that the statements made herein are subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsifications to authorities).

Date: 3/15/15



Andrew G. Duckworth, President
Utility Pipeline, Ltd.

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VERIFICATION

I, Renee McDaniel, President of Knox Energy Cooperative Association, Inc., hereby state that the facts set forth in the foregoing application are true and correct to the best of my knowledge, information and belief, and that I expect to be able to provide the same at any hearing held in this matter. I understand that the statements made herein are subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsifications to authorities).

Date: 3/19/15

Renee McDaniel
Renee McDaniel, President
Knox Energy Cooperative Association, Inc.

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VERIFICATION

I, Martin K Whelan, President of Orwell Natural Gas Company, hereby state that the facts set forth in the foregoing application are true and correct to the best of my knowledge, information and belief, and that I expect to be able to provide the same at any hearing held in this matter. I understand that the statements made herein are subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsifications to authorities).

Date: March 16, 2015



Martin K. Whelan President

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APPENDIX A
ASSET PURCHASE AGREEMENT

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ASSET PURCHASE AGREEMENT

by and among

ORWELL NATURAL GAS COMPANY

and

UTILITY PIPELINE, LTD.

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APR 07 2015

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Dated as of January 14, 2015

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into as of the 14th day of January, 2015 (the "Effective Date") by and among **UTILITY PIPELINE, LTD.**, an Ohio limited liability company ("Buyer") and **ORWELL NATURAL GAS COMPANY**, an Ohio corporation (the "Company" or "Seller") as follows:

RECITALS

WHEREAS, Seller owns and operates a natural gas distribution system in the Borough of Bruin, Butler County, Armstrong County, Jefferson County, and Clarion County, in the Commonwealth of Pennsylvania (the "Service Area") which does business under the names Walker Gas Company and Clarion River Gas Company (hereinafter the "Business"); and

WHEREAS, Buyer is an Ohio company with experience providing natural gas distribution management and operations services to natural gas utilities and natural gas cooperatives in the State of Ohio and the Commonwealth of Pennsylvania;

WHEREAS, Seller wishes to sell, and Buyer desires to purchase, the Purchased Assets (as herein defined) on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, Buyer contemplates either assigning this Agreement in part and/or assigning the Purchased Assets (as defined herein) to Knox Energy Cooperative Association, Inc. ("Knox").

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I PURCHASE AND SALE

Section 1.01 Purchase and Sale of Assets. Subject to the terms and conditions set forth herein, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller, all of the assets used in the operation of the Business (the "Purchased Assets"), free and clear of any mortgage, pledge, lien, charge, security interest, claim or other encumbrance (collectively, the "Encumbrances"). For avoidance of doubt, Buyer and Seller agree that every asset and right owned by Seller and used in the Business, whether real, personal, mixed, tangible or intangible wherever located, and including all the physical plant, equipment, and facilities comprising and utilized in the existing Business owned and operated by Seller for providing natural gas distribution service to the public in the Service Area, without any other

Final Execution Draft

exception whatever, is included within the Purchased Assets to be conveyed hereby. The Purchased Assets shall include all land rights associated with the Business, distribution mains, services, meters, valves, fittings, materials and supplies applicable to the Business, related facilities, and appurtenances, rights, titles, and interests of Seller in and to such land, and implied easements and rights of way as related to the Business. The parties acknowledge and agree that the Purchased Assets shall not include any assets owned by Seller used in connection with Seller's other natural gas distribution systems in areas other than the Service Area.

Section 1.02 Excluded Assets. Notwithstanding the foregoing, the Purchased Assets shall not include any of the assets set forth on Section 1.02 of the Disclosure Schedules, which are incorporated herein by this reference and made a part hereof (the "Excluded Assets").

Section 1.03 Assumption of Contracts and Liabilities. Subject to the terms and conditions set forth herein, Buyer shall assume all of the contracts and agree to pay, perform and discharge all of the liabilities and obligations of Seller relating to the Business incurred in the ordinary course of business arising after the Closing (the "Assumed Liabilities"), except those liabilities and obligations specifically set forth in Section 1.03 of the Disclosure Schedules (the "Excluded Liabilities"). There shall be no adjustment to the Purchase Price as a result of the Assumed Liabilities. Other than the Assumed Liabilities, Buyer shall not assume any other contracts, liabilities or obligations of Seller of any kind, whether known or unknown, contingent, matured or otherwise, whether currently existing or hereinafter created.

Section 1.04 Purchase Price. The aggregate purchase price (the "Purchase Price") for the Purchased Assets shall be NINE HUNDRED THOUSAND DOLLARS AND NO/100 (\$900,000.00), subject to the adjustments set forth in Section 1.07 below. The Buyer shall pay the Purchase Price to Seller as follows: (a) Eight Hundred Fifty-Five Thousand Dollars (\$855,000) shall be paid at the Closing (as defined herein) in cash, by wire transfer of immediately available funds in accordance with the wire transfer instructions to be delivered by Seller to Buyer prior to the Closing, and (b) Forty Five Thousand Dollars (\$45,000) of the Purchase Price shall be placed into a mutually acceptable escrow account. The escrow balance will be released to the Seller annually at a rate of one half on the six (6) month anniversary of the Closing Date and the balance on the one (1) year anniversary of the Closing Date. This escrow account may be utilized to pay any indemnification claims pursuant to Article VI hereof. All interest on the escrowed funds shall accrue to the benefit of Seller. The parties shall execute an Escrow Agreement at Closing, the terms and conditions of which shall be negotiated in good faith by the parties prior to the Closing.

Section 1.05 Allocation of Purchase Price. Seller and Buyer agree to allocate the Purchase Price among the Purchased Assets for all purposes (including tax and financial accounting) as set forth in Section 1.05 of the Disclosure Schedules. Buyer and Seller agree to file all tax forms (including without limitation) IRS Form 8594, tax returns and claims for refunds in accordance with Section 1.05 of the Disclosure Schedules.

Section 1.06 Continuance of Service to Orwell's Existing Customers. Buyer, through its Management Agreement with Knox, agrees to offer to continue to provide natural gas supply distribution service to all current affected customers of Seller, conditioned upon such persons agreeing to become members of Knox.

Section 1.07 Accounts Receivable. Accounts receivable for natural gas distribution service rendered by Seller through the close of business on the date of Closing shall belong to Seller, and accounts receivable for natural gas distribution service rendered thereafter shall belong to Buyer or Knox.

Section 1.08 Purchase Price Adjustments. The Purchase Price shall be subject to the following adjustments which will be calculated as of the Closing Date: (a) all amounts owed to or from customers of the Business on a budget payment plan shall be prorated as of the Closing Date (the "Budget Adjustment"); and (b) if the Business is over-collected as of the Closing Date, all over collected amounts due to customers of the Business as of the Closing Date shall be credited to Buyer against the Purchase Price, or if the Business is under-collected as of the Closing Date, the amount of the under collection shall be paid by Buyer to Seller at Closing in addition to the Purchase Price (collectively, the "Collection Adjustment"). For illustrative purposes only, Exhibit A attached hereto shows the calculations of the Budget Adjustment and the Collection Adjustment, along with the Purchase Price Allocation, had the Closing of the transaction occurred on January 8, 2015. The calculation of these adjustment amounts shall be made at Closing in accordance with the same methods set forth in Exhibit A, but utilizing the financial data of the Business as of the Closing Date. Seller shall determine the amount of the Budget Adjustment and the Collection Adjustment as of the Closing Date and provide Buyer with its calculation of the same along with any supporting documentation no later than five (5) days prior to the Closing Date. In the event that Buyer shall, following the Closing, dispute the amount of either the Budget Adjustment or the Collection Adjustment determined by Seller pursuant to this Section, Buyer may, within thirty (30) days after the Closing Date, prepare and deliver to Seller a statement setting forth its calculation of the Budget Adjustment amount or the Collection Adjustment amount, calculated based upon the records of the Business. Seller and Buyer shall then work in good faith to agree upon the final Budget Adjustment amount and/or Collection Adjustment amount. If the parties cannot agree upon such adjustment amounts within thirty (30) days, then Seller and Buyer shall submit such dispute to a firm of independent public accountants to be agreed upon by Seller and Buyer (the "Independent Accountants"), for resolution applying the procedures referred to in this Section. If issues are submitted to the Independent Accountants for resolution, (i) Seller and Buyer shall furnish or cause to be furnished to the Independent Accountants such work papers and other documentation and information related to the disputed issues as the Independent Accountants may request and are available to that party or its agents and shall be afforded the opportunity to present to the Independent Accountants any material relating to the disputed issues and to discuss the issues with the Independent Accountants; (ii) the determination by the Independent Accountants, as set

forth in a notice to be delivered to both Seller and Buyer within sixty (60) days of the submission to the Independent Accountants of the issues in dispute, shall be final, binding and conclusive on the parties; and (iii) Seller and Buyer will each bear fifty percent (50%) of the fees and costs of the Independent Accountants for such determination. If the net amount of the Budget Adjustment and the Collection Adjustment agreed upon by Buyer and Seller or determined by the Independent Accountants pursuant to this paragraph results in the Seller owing a refund to Buyer, Seller shall instruct the Escrow Agent to promptly release such refund amount to Buyer from the escrow account. If the net amount of the Budget Adjustment and the Collection Adjustment agreed upon by Buyer and Seller or determined by the Independent Accounts pursuant to this Section results in the Buyer owing additional funds to Seller, then Buyer shall pay such additional funds to Seller within five (5) days of the date upon which Seller and Buyer agree to the adjustment amounts or within five (5) days of the date that the Independent Accountants deliver its written determination.

ARTICLE II CLOSING

Section 2.01 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place on the first day of the calendar month following the date on which the last of the conditions to Closing set forth in Section 2.03 have been waived or satisfied (other than conditions which, by this nature, are to be satisfied on the Closing Date), or on such other date as Buyer and Seller may mutually agree in writing. The Closing shall take place at the office of Gas Natural, Inc. in Cleveland, Ohio, or at such other location as the Parties may mutually agree in writing (the "Closing Date"). The parties may mutually agree to effectuate the Closing by exchanging documents using e-mail, fax, or overnight courier. Notwithstanding the foregoing, (a) if the Closing Date is not a business day, the Purchase Price shall be paid on the first business day after the Closing Date, and (b) if the date on which the last condition of Closing set forth in Section 2.03 are satisfied or waived is within five (5) days of the end of the month, then the Closing Date may be extended, at Seller's option, to the first day of the second calendar month following the date on which the last of the conditions of closing set forth in Section 2.03 are satisfied.

Section 2.02 Closing Deliverables.

(a) At the Closing, Seller shall deliver to Buyer the following:

(i) a Bill of Sale in the form of Exhibit B hereto (the "Bill of Sale") and duly executed by Seller, transferring the Purchased Assets to Buyer;

(ii) an Assignment and Assumption Agreement in the form of Exhibit C hereto (the "Assignment and Assumption Agreement") and duly executed by Seller, effecting the assignment to and assumption by Buyer of the contracts and Assumed Liabilities;

(iii) copies of all consents, approvals, waivers and authorizations referred to in **Section 3.03** of the Disclosure Schedules;

(iv) a certificate pursuant to Treasury Regulations Section 1.1445-2(b) that Seller is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code duly executed by Seller;

(v) a certificate of the Secretary or Assistant Secretary (or equivalent officer) of Seller certifying as to (A) the resolutions of the board of directors of Seller, duly adopted and in effect, which authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (B) the names and signatures of the officers of Seller authorized to sign this Agreement and the documents to be delivered hereunder;

(vi) a certificate, dated as of the Closing date and signed by a duly authorized officer of Seller, that each of the conditions set forth in Section 2.03 have been satisfied; and

(vii) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

(b) At the Closing, Buyer shall deliver to Seller the following:

(i) the Purchase Price;

(ii) the Assignment and Assumption Agreement duly executed by Buyer;

(iii) a certificate of the Secretary or Assistant Secretary (or equivalent officer) of Buyer certifying as to (A) the resolutions of the board of directors of Buyer, duly adopted and in effect, which authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (B) the names and signatures of the officers of Buyer authorized to sign this Agreement and the documents to be delivered hereunder;

(iv) a certificate, dated as of the Closing Date and signed by a duly authorized officer of Buyer, that each of the conditions set forth in Section 2.03 have been satisfied;

(v) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Seller, as may be required to give effect to this Agreement.

Section 2.03 Conditions to Closing. The obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) No governmental authority shall have enacted, issued, promulgated, enforced or entered any governmental order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

(b) No action shall have been commenced against Buyer or Seller, which is reasonably likely to prevent the Closing. No injunction or restraining order shall have been issued by any governmental authority, and be in effect, which restrains or prohibits any transaction contemplated hereby.

(c) The transactions contemplated hereby shall have been approved by the Pennsylvania Public Service Commission (the "PPSC") upon terms and conditions reasonably satisfactory to each party.

(d) The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, or Buyer's waiver, at or prior to the Closing, of each of the following conditions:

(i) All representations and warranties of Seller contained in this Agreement or in any document or writing delivered by Seller in connection with this Agreement shall have been true and correct in all material respects when given and as of the Closing Date.

(ii) Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date; and

(iii) Seller shall have delivered to Buyer the deliverables listed in Section 2.02(a) or such other documents or instruments as Buyer reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

(iv) Since the date of the Financing Statements, there shall have been no event, occurrence, fact, condition or change that is or could reasonably be expected to become materially adverse to the operation of the Business, but specifically excluding any event, fact, condition or change resulting from (i) any change in economic conditions, generally or in any of the industries or markets in which the Company or the Pipeline Assets are operated; (ii) national or international political or social conditions; (iii) changes in any Governmental Order, Law, accounting requirement or principles, or other binding directives issued by any Governmental Authority; (iv) the entry into or announcement of this Agreement, actions contemplated by this Agreement, or the consummation of the transactions contemplated hereby; (v) any omission to act or action taken with the consent of Buyer (including those omissions to act or actions taken which are permitted by this Agreement); or (vi) changes in cash flow, net income and/or gross margin resulting from seasonal fluctuations similar to those which have historically occurred in the business of the Company or in the operation of the Pipeline Assets.

(e) The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, or Seller's waiver, at or prior to the Closing, of each of the following conditions:

(i) All representations and warranties of Buyer contained in this Agreement or in any document or writing being delivered by Buyer in connection with this Agreement shall have been true and correct in all material respects when given and as of the Closing Date.

(ii) Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date; and

(iii) Buyer shall have delivered to Seller the deliverables listed in Section 2.02(b) or such other documents or instruments as Seller reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

(iv) Seller shall received all applicable Required Consents set forth in Section 3.03 of the Disclosure Schedules in a form acceptable to Seller in its sole discretion.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that the statements contained in this Article III are true and correct as of the date hereof. For purposes of this Article III, "Seller's knowledge," "knowledge of Seller" and any similar phrases shall mean the actual knowledge of any director or officer of Seller without investigation.

Section 3.01 Organization and Good Standing. Seller is an Ohio corporation in good standing under the laws of the State of Ohio and is duly qualified and authorized to do business as a utility in good standing in the Commonwealth of Pennsylvania.

Section 3.02 Authority. Seller has full power and authority to enter into this Agreement, and this Agreement constitutes a valid and binding obligation of Seller and is enforceable against Seller according to its terms. Seller is not insolvent.

Section 3.03 No Defaults. The execution, delivery and performance at the Closing of this Agreement by the Seller will not (i) conflict or result in a violation or breach of, or default under, any provision of the Certificate of Incorporation, by-laws or other organizational documents of the Company, (ii) result in the creation of any encumbrance on the Purchased Assets, or (iii) conflict with, or result in a breach of, any law, order, judgment, decree or regulation binding on Buyer. Except for the Required Consents, as identified in Section 3.03 of the Disclosure Schedules, no consent, approval, waiver or authorization is required to be obtained by Seller from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby.

Section 3.04 Title to Purchased Assets. Except as otherwise specified in Section 3.04 of the Disclosure Schedules, as of the Closing Date, Seller will own and have good title to the

Purchased Assets, free and clear of Encumbrances. The Purchased Assets constitute all the assets reasonably necessary for the lawful and efficient conduct of the Business.

Section 3.05 Condition of Assets. Buyer has inspected the Purchased Assets and Seller shall maintain the Purchased Assets in their current condition, ordinary wear and tear excepted, between the Effective Date and the Closing. The Purchased Assets comprise all of the assets necessary for the operation of the Business as currently conducted.

Section 3.06 Assigned Contracts. With the signing of this Agreement, Seller has delivered to Buyer copies of all leases and other contracts that will be assigned to Buyer as of the Closing Date (the "Assigned Contracts"). The Assigned Contracts have not been further modified or amended or assigned, whether as collateral security or otherwise (except for any collateral security assignments that will be released as of the Closing Date), and are in full force and effect; to Seller's knowledge there are no existing defaults by Seller under the Assigned Contracts; to Seller's knowledge, no event has occurred or does any circumstance exist which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute any default.

Section 3.07 Compliance With Laws. Except as otherwise set forth in Schedule 3.07 of the Disclosure Schedules to Seller's knowledge, Seller has complied, and is now complying, with all applicable federal, state and local laws and regulations applicable to ownership and use of the Purchased Assets.

Section 3.08 Litigation. Seller has not received notice that it is or may be in violation of any material order, writ, injunction, rule, regulation or decree of any court or of any federal, state, municipal or other governmental authority or agency having jurisdiction with respect to the Purchased Assets or the Business. Seller is not engaged in any legal action or other proceeding which would have a material adverse effect on the Purchased Assets or the Business and to Seller's knowledge, no such action has been threatened.

Section 3.09 Financial Statements. Schedule 3.09 of the Disclosure Schedules contain Seller's Financial Statements for the period ending November 30, 2014 (the "Financial Statements"). The Financial Statements were prepared from the books and records of the Business using the same accounting principles, procedures, policies and methods applied on a consistent basis throughout the periods covered, are accurate and complete in all material respects and present fairly the financial condition and the results of operations and changes in cash flows of the Business as of the dates and for the periods indicated in all material respects.

Section 3.10 Brokers and Finders. The Seller has not taken any action with respect to any broker or finder which would give rise to any liability on the part of Buyer or incurred any

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liability for brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement which would give rise, to any liability on the part of Buyer.

Section 3.11 No Undisclosed Liabilities. Seller shall have no liability or obligation as of the Closing Date that would be required to be disclosed on a balance sheet prepared in accordance with GAAP, except for the liabilities and obligations of the Company (i) disclosed or reserved against in the Financial Statements, or (ii) incurred or accrued in the ordinary course of business since the date of the Financial Statements.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that the statements contained in this Article IV are true and correct as of the date hereof. For purposes of this Article IV, "Buyer's knowledge," "knowledge of Buyer" and any similar phrases shall mean the actual or constructive knowledge of any director or officer of Buyer, after due inquiry.

Section 4.01 Organization and Good Standing. Buyer is an Ohio limited liability company in good standing under the laws of the State of Ohio and at Closing Buyer, or the affiliates of Buyer taking title to the Purchased Assets shall be duly qualified and authorized to do business as a utility in good standing in the State of Ohio.

Section 4.02 Authority. Buyer has full power and authority to enter into this Agreement, and this Agreement constitutes a valid and binding obligation of Buyer and is enforceable against Buyer according to its terms.

Section 4.03 No Defaults. The execution, delivery and performance at the Closing of this Agreement by Buyer will not (i) conflict with or result in a violation or breach of, or default under, any provision of the Articles of Organization, Operating Agreement, or other organizational documents of Buyer, or (ii) conflict with, or result in a breach of, any law, order, judgment, decree or regulation binding on Buyer.

Section 4.04 Brokers and Finders. The Buyer has not taken any action with respect to any broker or finder which would give rise to any liability on the part of Seller or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement which would give rise, to any liability on the part of Seller.

Section 4.05 Consents and Approvals. Except for the approval of the PPSC as described in Section 2.03(c) no consent, approval or authorization of, or declaration, filing or

registration with, any governmental or regulatory authority is required by Buyer in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby.

Section 4.06 Litigation. Buyer is not engaged in any legal action or other proceeding which would affect Buyer's ability to close the transaction contemplated by this Agreement and to Buyer's knowledge no such action has been threatened.

Section 4.07 Knowledge. Buyer has no knowledge of any present facts or circumstances relating to Buyer which would materially adversely affect the ability of it to perform its obligations under this Agreement.

Section 4.08 Knowledge of Inaccuracies. Buyer will promptly notify the Seller if at any time prior to the Closing if Buyer acquires knowledge of any inaccuracy in the Disclosure Schedules or in any of the representations made by Seller in this Agreement. If Buyer fails to notify Seller of any inaccuracy in the Disclosure Schedules or in any of the representations made by Seller herein and it is determined that Buyer had actual notice of the same prior to Closing, then Buyer will be deemed to have waived and released any and all claims resulting from or arising out of such false or inaccurate representations or warranties.

Section 4.09 Investigations. Buyer acknowledges that it has been furnished with and has an opportunity to read this Agreement and all materials relating to the Business. Buyer further acknowledges that it has been given ample opportunity to ask questions and request information of, and receive answers from Seller concerning the Business, including but not limited to information relating to the business, finances, operations and prospects of the Business.

Section 4.10 Financial and Technical Capability. Buyer has the financial capability to consummate the transaction pursuant to the terms and conditions of this Agreement and has the experience and technical know-how to continue to provide safe and reliable services to the customers of the Company.

Section 4.11 Disclaimer. Except for the representations and warranties of Seller expressly set forth in this Agreement, Buyer understands and agrees that the Purchased Assets are being acquired "as is, where is" on the Closing Date, and that Buyer is relying on its own examination of the Purchased Assets. Without limiting the generality of the foregoing and except for the representations and warranties of Seller expressly set forth in this Agreement, Buyer understands and agrees that Seller expressly disclaims any representations or warranties as to the operation of the Business and the Purchased Assets, including the condition, value or quality of the Purchased Assets or the prospects,

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liabilities, risks and other incidents of the Purchased Assets and any representation or warranty of merchantability, usage, suitability or fitness for any particular purpose with respect to the Purchased Assets or any part thereof, or as to the workmanship thereof or the absence of any defects therein, whether latent or patent. Buyer further agrees that, except for the representations and warranties of Seller expressly set forth in this Agreement and in the Disclosure Schedules and exhibits attached hereto, no due diligence materials or other information or materials provided by, or communication made by, Seller or any representative of Seller will constitute, create or otherwise cause to exist any representation or warranty whatsoever, whether or not expressly disclaimed by the foregoing.

ARTICLE V COVENANTS

Section 5.01 Public Announcements. Unless otherwise required by applicable law, neither party shall make any public announcements regarding this Agreement or the transactions contemplated hereby without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed). Buyer acknowledges and agrees that this Section shall not prohibit Seller for filing a Form 8-K with the Securities and Exchange Commission, including with any other required public securities, stock exchange, regulatory or other filing.

Section 5.02 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration, value added and other such taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the documents to be delivered hereunder shall be borne and paid by Buyer when due. Buyer shall, at its own expense, timely file any tax return or other document with respect to such taxes or fees (and Seller shall cooperate with respect thereto as necessary).

Section 5.03 Conduct of Business at the System Pending Closing. Seller agrees that from the Effective Date of this Agreement until the Closing Date, unless otherwise consented to by Buyer in writing, Seller will carry on the Business in the ordinary course in substantially the same manner as normally conducted including, without limitation, all sales, purchases, contractual dealings, management of stocks and employee relations, and payment of all obligations as they become due, and will not enter into any agreement or make any commitment relating to the Business except in the ordinary course of business and consistent with past practice.

Section 5.04 Access to Information. From the date hereof until the Closing, Seller shall (a) afford Buyer and its representatives reasonable access to and the right to inspect all of the properties, assets, premises, books and records, contracts and other documents and data related to

the Seller's business; (b) furnish Buyer and its representatives with such financial, operating and other data and information related to the Seller's business as Buyer or any of its representatives may reasonably request; and (c) instruct the representatives of Seller to cooperate with Buyer in its investigation of the Seller's business and the Purchased Assets.

Section 5.05 Notice of Certain Events. From the date hereof until the Closing, Seller shall promptly notify Buyer in writing of any fact, circumstance, event or action the existence, occurrence or taking of which (a) has had, or could reasonably be expected to have, individually or in the aggregate, a material adverse effect on the business, results of operations, condition (financial or otherwise) or assets of the Seller's business or the value of the Purchased Assets, or (b) has resulted in, or could reasonably be expected to result in, any representation or warranty made by Seller hereunder not being true and correct. Seller shall provide Buyer, within fifteen (15) days of execution or the date of receipt thereof, a copy of (a) each contract entered into by Seller after the date hereof and prior to Closing relating to the Business; (b) a copy of any written notice of assessments for public improvements against any real property relating to the Business received after the date hereof and prior to Closing; and (c) a copy of the filing of any condemnation, eminent domain or similar proceeding affecting all or any portion of any of the Business received after the date hereof but prior to the Closing.

Section 5.06 Hiring of Seller's Employees. It is Buyer's non-binding intention, as of the Closing Date, to offer employment to all employees of the Seller then employed by Seller in the Business (collectively the "Employees"), all such offers of employment to be pursuant to Buyer's standard employment practices and policies. Buyer's intent to offer employment to such Employees as of the Closing Date shall not create any written contractual right of employment on the part of any such Employee, except as otherwise agreed by the parties in writing

Section 5.07 Governmental Approvals and Consents. The Buyer shall, as promptly as possible, after the Effective Date: (i) make, or cause or be made, all filings and submissions required under any law applicable to such party or any of its affiliates; and (ii) use reasonable best efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all governmental authorities, including, but not limited to the PPSC, that may be or become necessary for the execution and delivery of this Agreement and the performance of the parties obligations pursuant to this Agreement. The Seller shall cooperate fully with the Buyer and its affiliates in seeking to obtain all such consents; authorizations, orders and approvals. The parties hereto shall not willfully take any action that will have the effect of delaying, impairing or impeding the receipt of any required consents, authorizations, orders and approvals. Seller shall file all necessary filings with the United States SEC as required for the transaction contemplated under this Agreement (if any).

Section 5.08 Bulk Sales Laws. The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Assets to Buyer. Any taxes that may be

imposed by a government pursuant to any such bulk sales laws shall be borne exclusively by Buyer.

Section 5.09 Customer Credit and Prepayments. Buyer shall honor all customer prepayments and credits on the books and records of Seller as of the Closing Date, without further charge or liability to Seller.

Section 5.10 Further Assurances. Following the Closing, each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the documents to be delivered hereunder.

Section 5.11 Expenses. If Buyer fails to satisfy any of the "Conditions to Closing" set forth in Section 2.03 which are Buyer's responsibility (not including the Condition to Closing set forth in Section 2.03(c)) then all legal fees, costs and expenses incurred by the Seller to such date shall be borne by the Buyer. Buyer's obligation to pay legal fees, costs and expenses under this Section shall not apply if this transaction does not close as a result of a failure of the condition set forth in Section 2.03(c). All legal fees, costs and expenses of any hearing or administrative filing with any governmental agency required for the approval of the transactions contemplated by this Agreement shall be borne by the Buyer.

Section 5.12 Removal of Assets. Seller will not enter into any agreement or contractual arrangement providing for, or requiring the sale of, any of the Purchased Assets during the force and effect of this Agreement.

Section 5.13 Non-Competition Agreement. Seller agrees not to compete with respect to the Customers or in the Service Area for a period of five (5) years after Closing. For purposes of this Agreement the term "Customer" shall mean all customers of the Business as of the Closing Date.

Section 5.14 Agreement Not to Negotiate with Other Parties. Seller shall not discuss or negotiate the sale or transfer of the Purchased Assets with any party other than Buyer prior to the Closing so long as Buyer is proceeding in good faith to bring this Agreement to closing except to the extent this Agreement is otherwise terminated in accordance with its terms.

**ARTICLE VI
INDEMNIFICATION**

Section 6.01 Survival. All representations, warranties, covenants and agreements contained herein and all related rights to indemnification shall survive the Closing for a period of twelve (12) months.

Section 6.02 Indemnification By Seller. Subject to the limitations contained in this Article VI, Seller shall defend, indemnify and hold harmless Buyer, its affiliates and their respective members, directors, officers and employees from and against all claims, judgments, damages, liabilities, settlements, losses, costs and expenses, including attorneys' fees and disbursements (collectively, the "**Damages**"), arising from or relating to:

- (a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement or any document to be delivered hereunder;
- (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement or any document to be delivered hereunder;
- (c) any Excluded Asset or Excluded Liabilities;
- (d) any liability relating to any employee benefit plan of Seller or Seller's parent company (if any) or any of their affiliates;
- (e) Any liability relating to the employment or termination of employment of any employee by Seller prior to the Closing Date;
- (f) liability of Buyer and/or Seller for unpaid federal, state or local, income, sales and intangible taxes for the period prior to the Closing;
- (g) liabilities under laws governing workers' compensation, unemployment compensation, social security or income tax withholding for the period prior to the Closing.

Section 6.03 Indemnification By Buyer. Subject to the limitations contained in this Article VI, Buyer shall defend, indemnify and hold harmless Seller, its affiliates and respective stockholders, directors, officers and employees from and against all Damages, arising from or relating to:

- (a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement or any document to be delivered hereunder;
- (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement or any document to be delivered hereunder;
- (c) any Assumed Liability; or
- (d) Any Assigned Contracts.

Section 6.04 Indemnification Procedures. Whenever any claim shall arise for indemnification hereunder, the party entitled to indemnification (the “**Indemnified Party**”) shall promptly provide written notice of such claim to the other party (the “**Indemnifying Party**”). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Action by a person or entity who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including, but not limited to, settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may reasonably deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations herein provided with respect to any damages resulting therefrom. The Indemnifying Party shall not settle any Action without the Indemnified Party’s prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed).

Section 6.05 Certain Limitations.

(a) The amount which an Indemnifying Party is or may be required to pay to an Indemnified Party in respect of Damages for which indemnification is provided under this Agreement will be reduced by any amounts actually received (including amounts received under insurance policies) by or on behalf of the Indemnified Party from third parties (net of out-of-pocket costs and expenses (including reasonable legal fees and expenses) incurred by such Indemnified Party in connection with seeking to collect and collecting such amounts), in respect of such Damages (such net amounts are referred to herein as “**Indemnity Reduction Amounts**”). If any Indemnified Party receives any Indemnity Reduction Amounts in respect of an Indemnified Claim for which indemnification is provided under this Agreement after the full amount of such Indemnified Claim has been paid by an Indemnifying Party or after an Indemnifying Party has made a partial payment of such Indemnified Claim and such Indemnity Reduction Amounts exceed the remaining unpaid balance of such Indemnified Claim, then the Indemnified Party will promptly remit to the Indemnifying Party an amount equal to the excess (if any) of (i) the amount theretofore paid by the Indemnifying Party in respect of such Indemnified Claim less (ii) the amount of the indemnity payment that would have been due if such Indemnity Reduction Amounts in respect thereof had been received before the indemnity payment was made. An insurer or other third party who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to any benefit they would not be entitled to receive in the absence of the indemnification provisions by virtue of the indemnification provisions hereof. Seller and the Buyer will, and will use

commercially reasonable efforts to cause their respective representatives to, pursue promptly any claims or rights it may have against all third parties which would reduce the amount of Damages for which indemnification is provided under this Agreement.

(b) Anything contained in this Agreement to the contrary notwithstanding, the Seller will have no obligation to indemnify the Buyer with respect to any matter if the Damages arise from a change in the accounting or tax policies or practices of the Seller on or after the Closing Date.

(c) Anything contained in this Agreement to the contrary notwithstanding, neither the Buyer nor the Seller will be entitled to any recovery under this Agreement for special, punitive, exemplary, incidental, indirect or consequential damages, lost profits or diminution in value.

Section 6.06 Dollar Limitations.

(a) Anything contained in this Agreement to the contrary notwithstanding, in no event will the aggregate amount for which the Seller shall be responsible to indemnify the Buyer for any and all claims under this Agreement exceed, and the Seller's aggregate liability for any and all claims under this Agreement shall be limited to, an amount equal to \$ 45,000 (the "Cap").

(b) Anything contained in this Agreement to the contrary notwithstanding, no monetary amount will be payable by the Seller to the Buyer with respect to the indemnification of any claims pursuant to this Article VI until the aggregate amount of Damages actually incurred by the Buyer with respect to such claims against the Seller shall exceed on a cumulative basis an amount equal to \$15,000 (the "Deductible"), in which event the Seller (as applicable) shall be responsible only for the amount in excess of the Deductible. Notwithstanding the foregoing, the Deductible shall not be applicable to indemnification claims against Seller relating to the Excluded Liabilities. In connection with any claim for indemnification, the Buyer will promptly provide Seller with written notice of all claims included in the Deductible and copies of all documents reasonably requested by the Seller relating thereto.

Section 6.07 Tax Treatment of Indemnification Payments. All indemnification payments made by Seller under this Agreement may be treated by Buyer as an adjustment to the Purchase Price for tax purposes, unless otherwise required by law.

Section 6.08 Effect of Ancillary Documents. For purposes of this Agreement or contained in or made pursuant to any closing certificate or other instrument or agreement, Seller's representations and warranties shall be deemed to include the Schedules and all other documents or certificates delivered by or on behalf of Seller pursuant to in connection with this Agreement.

Section 6.09 Exclusive Remedy. To the fullest extent permitted by applicable law, the indemnification provided in this Article VI and specific performance pursuant to Section 8.13 shall be the sole and exclusive remedies available to each of the parties for any matters in connection with this Agreement and the transactions contemplated hereby.

Section 6.10 Exception. Notwithstanding the foregoing, the limitations set forth in Sections 6.01 and 6.06 of this Agreement shall not be applicable to the indemnification claims brought by Buyer under section 6.02 (c) and (f) hereof.

ARTICLE VII TERMINATION

Section 7.01 Termination. This Agreement may be terminated and the Transactions abandoned at any time prior to the Closing:

- (a) by the mutual written consent of the Seller and the Buyer; or
- (b) by the Seller if the Required Consents are not obtained by 5:00 p.m. on July 31, 2015 (the "Walk-Away Date"); or
- (c) by the Buyer, if the Seller shall have materially breached any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach (x) would give rise to the failure of a condition set forth in Section 2.03 and (y) cannot be cured by the Seller by the Walk-Away Date; or
- (d) by the Seller, if the Buyer shall have materially breached any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach (x) would give rise to the failure of a condition set forth in Section 2.03 and (y) cannot be cured by the Buyer by the Walk-Away Date.

Section 7.02 Effect of Termination. In the event of the termination of this Agreement as provided in this Article VII, written notice thereof shall be given to the other party, specifying the provision hereof pursuant to which such termination is made and this Agreement shall forthwith become null and void and there shall be no liability on the part of the Buyer or the Seller or their respective directors, officers and Affiliates, except nothing shall relieve any party from liability for fraud or any breach of this Agreement.

ARTICLE VIII MISCELLANEOUS

Section 8.01 Expenses. Except as otherwise declared in Section 5.11 hereof, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Final Execution Draft

Section 8.02 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section):

If to Seller: Orwell Natural Gas Company

1375 East 9th Street, Suite 3100
Cleveland, Ohio 44114
Attention: Marty Whelan
Facsimile: (440) 701-5100
E-mail: mwhelan@egas.net

If to Buyer:

Utility Pipeline, Ltd.
4100 Holiday St. NW, Suite 201
Canton, OH 44718
Attention: Andrew Duckworth
Facsimile: (330) 498-9137
E-mail:
aduckworth@utilitypipelineltd.com

Section 8.03 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 8.04 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 8.05 Entire Agreement. This Agreement and the documents to be delivered hereunder constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and the documents to be delivered hereunder, the Exhibits and Disclosure Schedules (other than an

exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 8.06 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder. Notwithstanding the foregoing, Buyer shall have the option to assign this Agreement, in whole or part, to any of its affiliates or subsidiaries at Closing, without consent by Seller so long as such assignee agrees in writing to assume all obligations and liabilities as a "Buyer" herein and further provided that such assignment shall not relieve Buyer of its obligations and liabilities under this Agreement.

Section 8.07 No Third-party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 8.08 Amendment and Modification. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto.

Section 8.09 Waiver. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 8.10 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Ohio without giving effect to any choice or conflict of law provision or rule (whether of the State of Ohio or any other jurisdiction).

Section 8.11 Submission to Jurisdiction. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any federal court of the United States of America or the courts of the State of Ohio, and each

party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

Section 8.12 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8.13 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 8.14 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 8.15 Disclosure Schedules. Seller shall update the Disclosure Schedules prior to Closing to list any additional matters or events that arise between the Effective Date and the Closing Date.

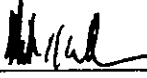
Section 8.16 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission will be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

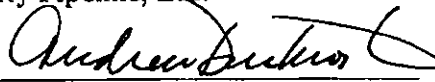
SELLER:

Orwell Natural Gas Company

By: 
Name: Marty Whelan
Title: President

BUYER:

Utility Pipeline, Ltd.

By: 
Name: Andrew Duckworth
Title: President

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Exhibit A
Sample Calculation of Purchase Price Adjustment and Purchase Price Allocation
if Closing had occurred on January 8, 2015
For Illustrative Purposes Only
(see attached)

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**Clinton River/Walker Gas
Sale Price allocation - UPL**

January 8, 2015

Description	Balance Sheet November 30, 2014			Exclusion/ Adjustments	Remaining	Purchase Price Allocation
	Clinton	Walker	Total			
Property, Plant & Equipment	241,569.06	125,078.46	366,647.52		366,647.52	450,000.00
Cash	9,196.99	3,524.93	12,721.92	12,721.92	0.00	
Trade A/R	22,033.85	29,242.16	51,276.01	51,276.01	0.00	
Related Party A/R	296,472.43	253,512.58	549,985.01	549,985.01	0.00	
Inventory	2,008.76	1,851.93	3,860.69		3,860.69	3,850.00
Prepayments	2,700.00	2,700.00	5,400.00	5,400.00	0.00	
Unrecovered Gas Cost	78,973.57	135,358.41	214,331.98	1	214,331.98	0.00
Gas Owed to System	886.20	0.00	886.20	886.20	0.00	
Goodwill	44,640.90	67,064.79	111,705.69	111,705.69	0.00	446,150.00
Trade A/P	(14,689.78)	(2,732.44)	(17,422.22)	(17,422.22)	0.00	
Gas A/P	(489.04)	(7,396.83)	(7,885.87)	(7,885.87)	0.00	
Budget Balance owed to customers	(15,707.21)	(8,621.97)	(24,329.18)	2	(24,329.18)	0.00
Intercompany A/P	(2,337.00)	(6,780.34)	(9,117.34)	(9,117.34)	0.00	
Accrued Taxes Payable	(418.37)	(13.29)	(431.66)	(431.66)	0.00	
Accrued Liabilities	(300.00)	(3,600.00)	(3,900.00)	(3,900.00)	0.00	
NET EQUITY	664,540.36	589,188.39	1,253,728.75	883,220.54	370,508.21	900,000.00
				CLOSING ADJUSTMENTS:		
				1	Unrecovered Gas Cost	214,331.98
				2	Budget Balance owed to customers	(24,329.18)
				TOTAL DUE FROM BUYER		1,090,002.80

NOTES:

1 - Per Section 1.08(b), Purchase Price Adjustments, "if the Business is under-collected as of the Closing Date, the amount of the under collection shall be paid by Buyer to Seller at Closing...."

2 - Per Section 1.08(a), Purchase Price Adjustments, "all amounts owed to or from customers of the Business on a budget plan shall be prorated as of the Closing Date...." The number included on the balance sheet at 11/30/14 is assumed to include only budget payments unearned as of the balance sheet date.

General - The purchase price allocation to PP&E and Inventory were based on the recognition that inventoried supplies have a value at historical cost while PP&E has intrinsic value above historical cost due to the line integrity.

Goodwill is the name used to categorize intangible assets purchased. The actual character/identification of this total is a subject of negotiation and could include - Non-competition clauses, Customer Relationships, Goodwill, or others.

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Exhibit B

Bill of Sale

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Bill of Sale

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, **ORWELL NATURAL GAS COMPANY**, an Ohio corporation (the "Company" or "Seller"), does hereby grant, bargain, transfer, sell, assign, convey and deliver to **UTILITY PIPELINE, LTD.**, an Ohio limited liability company ("Buyer"), all of its right, title and interest in and to the Purchased Assets, as such term is defined in the Asset Purchase Agreement, dated as of January 14, 2015 (the "Purchase Agreement"), by and between Seller and Buyer, to have and to hold the same unto Buyer, its successors and assigns, forever.

Buyer acknowledges that Seller makes no representation or warranty with respect to the assets being conveyed hereby except as specifically set forth in the Purchase Agreement.

Seller for itself, its successors and assigns, hereby covenants and agrees that, at any time and from time to time upon the written request of Buyer, Seller will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably required by Buyer in order to assign, transfer, set over, convey, assure and confirm unto and vest in Buyer, its successors and assigns, title to the assets sold, conveyed and transferred by this Bill of Sale.

IN WITNESS WHEREOF, Seller has duly executed this Bill of Sale effective as of the ____ day of _____, 2015.

SELLER:

Orwell Natural Gas Company

By: _____

Name: _____

Title: _____

BUYER:

Utility Pipeline, Ltd.

By: _____

Name: _____

Title: _____

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SECRETARY'S BUREAU**

Exhibit C

Assignment and Assumption Agreement

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Assignment and Assumption Agreement

This Assignment and Assumption Agreement (the "Agreement"), is made on this ____ day of _____, 2015, is by and between ORWELL NATURAL GAS COMPANY, an Ohio corporation (the "Company" or "Seller"), and UTILITY PIPELINE, LTD., an Ohio limited liability company ("Buyer").

WHEREAS, Seller and Buyer have entered into a certain Asset Purchase Agreement, dated as of January 14, 2015 (the "Purchase Agreement"), pursuant to which, among other things, Seller has agreed to assign all of its rights, title and interests in, and Buyer has agreed to assume all of Seller's duties and obligations under, the Assigned Contracts and Assumed Liabilities (as defined in the Purchase Agreement).

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. All capitalized terms used in this Agreement but not otherwise defined herein are given the meanings set forth in the Purchase Agreement.
2. Assignment and Assumption. Seller hereby sells, assigns, grants, conveys and transfers to Buyer all of Seller's right, title and interest in and to the Assigned Contracts and Assumed Liabilities. Buyer hereby accepts such assignment and assumes all of Seller's duties and obligations under the Assigned Contracts and the Assumed Liabilities and agrees to pay, perform and discharge, as and when due, all of the obligations of Seller under the Assigned Contracts and Assumed Liabilities accruing on and after the Closing Date.
3. Terms of the Purchase Agreement. The terms of the Purchase Agreement, including, but not limited to, the representations, warranties, covenants, agreements and indemnities relating to the Assigned Contracts are incorporated herein by this reference. The parties hereto acknowledge and agree that the representations, warranties, covenants, agreements and indemnities contained in the Purchase Agreement shall not be superseded hereby but shall remain in full force and effect to the full extent provided therein. In the event of any conflict or inconsistency between the terms of the Purchase Agreement and the terms hereof, the terms of the Purchase Agreement shall govern.
4. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Kentucky without giving effect to any choice or conflict of law provision or rule (whether of the Commonwealth of Kentucky or any other jurisdiction).

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5. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

6. Further Assurances. Each of the parties hereto shall execute and deliver, at the reasonable request of the other party hereto, such additional documents, instruments, conveyances and assurances and take such further actions as such other party may reasonably request to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the date first above written.

Orwell Natural Gas Company

By: _____

Name: _____

Title: _____

Utility Pipeline, Ltd.

By: _____

Name: _____

Title: _____

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[Signature Page to Assignment and Assumption Agreement]

Disclosure Schedules

Section 1.02: Excluded Assets: Cash and cash equivalents, billing and accounting software systems.

Section 1.03: Excluded Liabilities: None.

Section 1.04: Allocation of Purchase Price: See attached.

Section 3.03: Seller's Required Consents: The consent of the PPSC; notification of the United States Securities and Exchange Commission ("SEC"); consent of Seller's lenders; any consent required to transfer the Assigned Contracts.

Section 3.04: Leased Assets: None.

Section 3.07: Compliance with Laws: (1) alleged violation of 49 CFR §192.605 (see attached violation notice letter dated October 23, 2014 and the Pennsylvania Public Utility Commission Standard Inspection Report of a Gas Distribution Operator dated 7-18-13 and 7-19-13) and (2) possible violation involving Tom's Run Creek Crossing relating to exposed pipeline.

Schedule 3.09: Financial Statements: See attached.

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Schedule 1.04

Purchase Price Allocation

Property, Plant and Equipment	\$450,000
Inventory	Inventory amount at Closing
Non-Compete	\$ 90,000
Goodwill	Balance of Purchase Price

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Schedule 3.07
Compliance With Laws
(see attached)

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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

October 23, 2014

REFERENCE:
NC-40-14

Mr. Bronwyn Sullivan
Branch Manager
Orwell Natural Gas
8500 Station Street, Suite 100
Mentor, Ohio 44060

Dear Mr. Sullivan:

On July 8, 2014 Pennsylvania Public Utility Commission's Gas Safety Supervisor, Mr. Christopher DeMarco conducted a General O&M inspection at Orwell Natural Gas - Walker Division office in Petrolia, Pennsylvania.

As a result of the inspection, Orwell Natural Gas is in violation of the following state and federal regulation:

- (1) 49 CFR §192.605 Procedural Manual for Operations, Maintenance, & Emergencies.
 - (a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least one each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

During the inspection the following was found: Orwell Natural Gas' Operations & Maintenance Manual and Emergency Manual are not Pennsylvania specific. It is currently specific for Ohio. Also, the following sections of CFR 192 need to be added to the manuals mentioned: 191.15(b), .605(d), .605(b)(4), .605(a), .605(b)(3) to .605(b)(9), .605(b)(11), .613(a), .615(a)(1), .615(a)(6), .615(a)(7), .625(a), .625(f), .721(b) to .723(b)(2), .727(b) to .727(g), PA Code Ch 59.36, .741, .743(b), .743(c), PA Code Ch 59.29, 191.5, 191.15, 191, 191.23, & 192.16.

Therefore, you are hereby requested to submit to this office in writing, on or before November 20, 2014, how you will correct this violation.

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Le My ...
PO Box ...
17105
3265

1 received to ...

This office is committed to ensuring that all natural gas companies comply with the provisions of the Public Utility Code. Therefore, you are advised that, if you fail to comply with the above requests this office will initiate all appropriate enforcement actions pursuant to the Public Utility Code against the utility and its officers, agents and employees.

Yours truly,



Paul J. Metro, Manager
Gas Safety Division
Bureau of Investigation and Enforcement

PM:bb

PC: Johnnie Simms, Director, I&E
Christopher DeMarco, Gas Safety Supervisor

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
STANDARD INSPECTION REPORT OF A GAS DISTRIBUTION OPERATOR**

Inspection Report		Post Inspection Memorandum	
Inspector/Submit Date: 7-18-13, 7-19-13	C.DeMarco, A. Geibel	NC Required? YES	Inspection Tracking # : NC Tracking # :
Name of Operator: Orwell Natural Gas-Walker & CRG Divisions		OPID #: 22070	
Name of Unit(s): Walker & CRG		Records Location: 105 Daubenspeck Rd. Petrolia, PA 16022	
Unit Type & Commodity: Natural Gas		Inspection Type: O&M Office	
Inspection Date(s): 7-18-13, 7-19-13		PUC Representative(s): C.DeMarco, A. Geibel	
Field Days: 2			
Persons Interviewed	Title	Phone No.	
Jerry Macurak	Field Supervisor	724-991-8140	
Mike Panzarella	Compliance Mgr	440-205-4600, CELL:440-241-1338	

Summary:
Conducted a General Distribution Inspection with Orwell Natural Gas (Walker, CRG Systems).

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SECRETARY'S BUREAU

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
STANDARD INSPECTION REPORT OF A GAS DISTRIBUTION OPERATOR**

Findings:
NC Letter-Odor level checks with machine.

Recommendations: Make manuals (O&M, Emergency) Pennsylvania specific w/PA contact information.
ALSO: Make a NEW map for Walker system & Make additions to manuals noted in inspection.

Unit Description:
2 small natural gas distribution systems located in Bruin, PA and Cooks Forest, PA getting gas feeds from local production, Columbia Gas (Walker) and National Fuel Gas (CRG).

Portion of Unit Inspected: (if field inspections are to be conducted, respective records can be inspected at that time) ⁽¹⁾
Walker and CRG Systems

Pipe Specs for Calendar Year 2012

Material Type	Miles of Main		Number of Services	
	Protected	Unprotected	Protected	Unprotected
Bare Steel		1.37		109
Coated Steel				
CI mains	n/a			
PE	n/a	23.72	n/a	484
Ductile Iron	n/a		n/a	
Wrought Iron	n/a		n/a	
Other				
List other				

Amount of Mains/Services Increased/Decreased from Prior Calendar Year 2011

Material Type	Miles of Main Increased/Decreased from Previous Year		Number of Services Increased/Decreased from Previous Year	
	Protected	Unprotected	Protected	Unprotected
Bare Steel		-1.13		Same as 2012
Coated Steel				
CI mains	n/a			
PE	n/a	+1.22	n/a	+1
Ductile Iron	n/a		n/a	
Wrought Iron	n/a		n/a	
Other				
List other				

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
STANDARD INSPECTION REPORT OF A GAS DISTRIBUTION OPERATOR**

Comments:

49CFR PART 191

REPORTING PROCEDURES		S	U	N/A	N/C
.605(b)(4)	Procedures for gathering data for incident reporting				
	191.5 Telephonically reporting incidents to NRC (800) 424-8802	x			
	191.15(n) 30-day follow-up written report (Form 7100-2)	x			
	191.15(b) Supplemental report (to 30-day follow-up)				
.605(n)	191.23 Reporting safety-related condition (SRCR)	x			
	191.25 Filing the SRCR within 5 days of determination, but not later than 10 days after discovery	x			
.605(d)	Instructions to enable operation and maintenance personnel to recognize potential Safety Related Conditions				

Comments:
ADD to manuals: 191.15(b), .605(d), .605(b)(4)

49CFR PART 192

CUSTOMER AND EFV INSTALLATION NOTIFICATION PROCEDURES		S	U	N/A	N/C
.13(c)	.16 Procedures for notifying new customers, within 90 days, of their responsibility for those selections of service lines not maintained by the operator.			x	
	.381 If EFVs are installed, they must meet the performance requirements of §192.381			x	
	.383 If the operator has a voluntary installation program for excess flow valves, the program must meet the requirements outlined in §192.383.			x	
	.383 If the operator does not have a voluntary program for EFV installations, customers must be notified in accordance with §192.383.			x	

NORMAL OPERATING and MAINTENANCE PROCEDURES		S	U	N/A	N/C
.605(n)	.605(n) O&M Plan review and update procedure (1 per year/15 months) Date reviewed 4-2012				
	.605(b)(3) Making construction records, maps, and operating history available to appropriate operating personnel				
	.605(b)(5) Start up and shut down of the pipeline to assure operation within MAOP plus allowable buildup	x			
	.605(b)(8) Periodically reviewing the work done by operator's personnel to determine the effectiveness and adequacy of the procedures used in normal operation and maintenance and modifying the procedures when deficiencies are found				
	.605(b)(9) Taking adequate precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapors or gas, and making available when needed at the excavation, emergency rescue equipment, including a breathing apparatus and a rescue harness and line				
	.605(b)(10) Routine inspection and testing of pipe-type or bottle-type holders			x	
	.605(b)(11) Responding promptly to a report of a gas odor inside or near a building, unless the operator's emergency proced. under §192.615(a)(3) specifically apply to these reports.				

Comments:
EFV-NA due to low pressure. Company does not install EFV's due to passing of contaminants in system on occasion.

ADD to manuals: .605(n)--Make a review sheet for in front of manuals--Have reviewing personnel sign and date each year & add any additions/deletions/updates
ALSO-ADD to manuals: .605(b)(3) to .605(b)(9), .605(b)(11)

CONTINUING SURVEILLANCE PROCEDURES		S	U	N/A	N/C
.613	.613(a) Procedures for surveillance and required actions relating to change in class location, failures, leakage history, corrosion, substantial changes in CP requirements, and unusual operating and maintenance conditions				

.613	CONTINUING SURVEILLANCE PROCEDURES		S	U	N/A	N/C
	.613(b)	Procedures requiring N/AOP to be reduced, or other actions to be taken, if a segment of pipeline is in unsatisfactory condition	x			

Comments:
ADD to manuals: .613(n)

.605(n)	DAMAGE PREVENTION PROGRAM PROCEDURES		S	U	N/A	N/C
	.614(c)	Participation in a qualified one-call program, or if available, a company program that complies with the following:				
	(1)	Identify persons who engage in excavating	x			
	(2)	Provide notification to the public in the One Call area	x			
	(3)	Provide means for receiving and recording notifications of pending excavations	x			
	(4)	Provide notification of pending excavations to the members	x			
	(5)	Provide means of temporary marking for the pipeline in the vicinity of the excavations	x			
	(6)	Provides for follow-up inspection of the pipeline where there is reason to believe the pipeline could be damaged	x			
	(i)	Inspection must be done to verify integrity of the pipeline	x			
(ii)	After blasting, a leak survey must be conducted as part of the inspection by the operator	x				

Comments:
Company is a member of PA One Call

.615	EMERGENCY PROCEDURES		S	U	N/A	N/C
	.615(n)(1)	Receiving, identifying, and classifying notices of events which require immediate response by the operator				
	.615(n)(2)	Establish and maintain communication with appropriate public officials regarding possible emergency	x			
	.615(n)(3)	Prompt response to each of the following emergencies:				
	(i)	Gas detected inside a building	x			
	(ii)	Fire located near a pipeline	x			
	(iii)	Explosion near a pipeline	x			
	(iv)	Natural disaster	x			
	.615(n)(4)	Availability of personnel, equipment, instruments, tools, and material required at the scene of an emergency	x			
	.615(n)(5)	Actions directed towards protecting people first, then property	x			
	.615(n)(6)	Emergency shutdown or pressure reduction to minimize hazards to life or property				
	.615(n)(7)	Making safe any actual or potential hazard to life or property				
	.615(n)(8)	Notifying appropriate public officials required at the emergency scene and coordinating planned and actual responses with these officials	x			
	.615(n)(9)	Instructions for restoring service outages after the emergency has been rendered safe	x			
	.615(n)(10)	Investigating accidents and failures as soon as possible after the emergency	x			
	.615(b)(1)	Furnishing applicable portions of the emergency plan to supervisory personnel who are responsible for emergency action	x			
	.615(b)(2)	Training appropriate employees as to the requirements of the emergency plan and verifying effectiveness of training	x			

.615		EMERGENCY PROCEDURES	S	U	N/A	N/C
.615(b)(3)	Reviewing activities following emergencies to determine if the procedures were effective		x			
.615(c)	Establish and maintain liaison with appropriate public officials, such that both the operator and public officials are aware of each other's resources and capabilities in dealing with gas emergencies		x			

Comments:

ADD to manuals: .615(n)(1), .615(n)(6), .615(n)(7)

.605(a)		PUBLIC AWARENESS PROGRAM PROCEDURES (Also in accordance with API RP 1162)	S	U	N/A	N/C
.616	Public Awareness Program also in accordance with API RP 1162 (Amdt 192-99 pub. 5/19/05 eff. 06/20/05 and Amdt 192-not numbered pub 12/13/07 eff. 12/13/07).					
.616(d)	The operator's program must specifically include provisions to educate the public, appropriate government organizations, and persons engaged in excavation related activities on:					
	(1) Use of a one-call notification system prior to excavation and other damage prevention activities;					x
	(2) Possible hazards associated with unintended releases from a gas pipeline facility;					x
	(3) Physical indications of a possible release;					x
	(4) Steps to be taken for public safety in the event of a gas pipeline release; and					x
	(5) Procedures to report such an event (to the operator).					x
.616(e)	The operator's program must include activities to advise affected municipalities, school districts, businesses, and residents of pipeline facility locations.					x
.616(f)	The operator's program and the media used must be comprehensive enough to reach all areas in which the operator transports gas.					x
.616(g)	The program must be conducted in English and any other languages commonly understood by a significant number of the population in the operator's area?					x
.616(j)	Operators of a master meter or petroleum gas systems (unless the operator transports gas as a primary activity) must develop/implement a written procedure to provide its customers public awareness messages twice annually that includes: (1) A description of the purpose and reliability of the pipeline; (2) An overview of the hazards of the pipeline and prevention measures used; (3) Information about damage prevention; (4) How to recognize and respond to a leak; and (5) How to get additional information. (See this subpart for requirements for master meter or petroleum gas system operators not located on property controlled by the operator.)					x

Comments:

N/C-Not covered this inspection.

.617		FAILURE INVESTIGATION PROCEDURES	S	U	N/A	N/C
.617	Analyzing accidents and failures including laboratory analysis where appropriate to determine cause and prevention of recurrence		x			

Comments:

.605(n)	MAOP PROCEDURES	S	U	N/A	N/C						
.619	Establishing MAOP so that it is commensurate with the class location	x									
	MAOP cannot exceed the lowest of the following:										
	(a)(1) Design pressure of the weakest element	x									
	(a)(2) Test pressure divided by applicable factor	x									
	(a)(3) The highest actual operating pressure to which the segment of line was subjected during the 5 years preceding the applicable date in second column, unless the segment was tested according to .619(n)(2) after the applicable date in the third column or the segment was updated according to subpart K.	x									
	<table border="1"> <thead> <tr> <th>Pipeline segment</th> <th>Pressure date</th> <th>Test date</th> </tr> </thead> <tbody> <tr> <td>All other pipelines.</td> <td>July 1, 1970.</td> <td>July 1, 1965.</td> </tr> </tbody> </table>	Pipeline segment	Pressure date	Test date	All other pipelines.	July 1, 1970.	July 1, 1965.				
Pipeline segment	Pressure date	Test date									
All other pipelines.	July 1, 1970.	July 1, 1965.									
	(a)(4) Maximum safe pressure determined by operator.	x									
	(b) Overpressure protective devices must be installed if .619(n)(4) is applicable	x									
	(c) The requirements on pressure restrictions in this section do not apply in the following instance. An operator may operate a segment of pipeline found to be in satisfactory condition, considering its operating and maintenance history, at the highest actual operating pressure to which the segment was subjected during the 5 years preceding the applicable date in the second column of the table in paragraph (a)(3) of this section. An operator must still comply with § 192.611	x									
.621	MAOP - High Pressure Distribution Systems Note: New PA-11 design criteria is incorporated into 192.121 & .123, (Final Rule Pub. 24 December, 2008)	x									
.623	Max./Min. Allowable Operating Pressure - Low Pressure Distribution Systems	x									

Comments:

.13(e)	PRESSURE TEST PROCEDURES	S	U	N/A	N/C
.503	Pressure testing	x			

Comments:

.605(n)	ODORIZATION of GAS PROCEDURES	S	U	N/A	N/C
.625(a)	Distribution lines must contain odorized gas. - must be readily detectable by person with normal sense of smell at 1/4 of the LEL				
.625(f)	Periodic gas sampling, using an instrument capable of determining the percentage of gas in air at which the odor becomes readily detectable.				

Comments:
 ADD to manuals: .625(a), .625(f)
 ALSO---Non-Compliance (NC) to be sent to Company for Odor Level Checks with instrument. Odor levels need to be checked 3-4 times a year with instrument for both systems. Company owns instrument but need calibrated.

.605(a)	TAPPING PIPELINES UNDER PRESSURE PROCEDURES			S	U	N/A	N/C
	.627	Hot taps must be made by a qualified crew NDT testing is suggested prior to tapping the pipe. Reference API RP 2201 for Best Practices.	x				

Comments:

.605(a)	PIPELINE PURGING PROCEDURES			S	U	N/A	N/C
	.629	Purging of pipelines must be done to prevent entrapment of an explosive mixture in the pipeline					
	(a)	Lines containing air must be properly purged.	x				
	(b)	Lines containing gas must be properly purged	x				

Comments:

.605(a)	MAINTENANCE PROCEDURES			S	U	N/A	N/C
	.703(b)	Each segment of pipeline that becomes unsafe must be replaced, repaired, or removed from service	x				
	(c)	Hazardous leaks must be repaired promptly	x				

Comments:

.605(b)	DISTRIBUTION SYSTEM PATROLLING & LEAKAGE SURVEY PROCEDURES			S	U	N/A	N/C
	.721(a)	Frequency of patrolling mains must be determined by the severity of the conditions which could cause failure or leakage (i.e., consider cost iron, weather conditions, known slip areas, etc.)	x				
	.721(b)	Mains in places or on structures where anticipated physical movement or external loading could cause failure or leakage must be patrolled . . .					
	(b)(1)	In business districts at intervals not exceeding 4 1/2 months, but at least four times each calendar year; and					
	(b)(2)	Outside business districts at intervals not exceeding 7 1/2 months, but at least twice each calendar year					
	.723(a) & (b)	Periodic leak surveys determined by the nature of the operations and conditions.					
	(b)(1)	In business districts as specified, 1/yr (12 months)					
	(b)(2)	Outside of business districts as specified, once every 5 calendar years/63 mos.; for unprotected lines subject to .465(e) where electrical surveys are impractical, once every 3 years/39 mos.					

Comments:

ADD to manuals: .721(b) to .723(b)(2)

Company uses a flame pack for surveys.

.605(b)	LINE MARKER PROCEDURES			S	U	N/A	N/C
	.707	Line markers installed and labeled as required	x				

TEST REQUIREMENTS FOR REINSTATING SERVICE LINES					S	U	N/A	N/C
.605(b)	.725(n)	Except for .725(b), disconnected service lines must be tested the same as a new service line.	x					
	(b)	Service lines that are temporarily disconnected must be tested from the point of disconnection, the same as a new service line, before reconnect. See code for exception to this.	x					

Comments:

ABANDONMENT or DEACTIVATION of FACILITIES PROCEDURES					S	U	N/A	N/C
.605(b)	.727(b)	Operator must disconnect both ends, purge, and seal each end before abandonment or a period of deactivation where the pipeline is not being maintained. Offshore abandoned pipelines must be filled with water or an inert material, with the ends sealed.						
	(c)	Except for service lines, each inactive pipeline that is not being maintained under Part 192 must be disconnected from all gas sources/supplies, purged, and sealed at each end.						
	(d)	Whenever service to a customer is discontinued, do the procedures indicate one of the following:						
		(1) The valve that is closed to prevent the flow of gas to the customer must be provided with a locking device or other means designed to prevent the opening of the valve by persons other than those authorized by the operator.						
		(2) A mechanical device or fitting that will prevent the flow of gas must be installed in the service line or in the meter assembly.						
		(3) The customer's piping must be physically disconnected from the gas supply and the open pipe ends sealed.						
	(e)	If air is used for purging, the operator shall ensure that a combustible mixture is not present after purging.						
	.727(g)	Operator must file reports upon abandoning underwater facilities crossing navigable waterways, including offshore facilities.						
59.36		A public utility shall have a plan for abandoning inactive service lines under 49 CFR 192.727 (relating to abandonment or inactivation of facilities) as of May 1, 1986 and subsequent amendments thereto which have been ratified by the Commission under § 59.33 (relating to safety), and shall have a copy of its plan available for inspection. Refer to 59.36 for requirements.						

Comments:
ADD this section to manuals (Under purging section of O&M Manual): .727(b) to .727(g) & 59.36

PRESSURE LIMITING and REGULATING STATION PROCEDURES					S	U	N/A	N/C
.605(b)	.739(n)	Inspection and testing procedures for pressure limiting stations, relief devices, pressure regulating stations and equipment (1 per yr/15 months)	x					
		Does the company's procedure require testing and inspecting pressure limiting and relief devices?	x					
	.739(b)	For steel pipelines whose MAOP is determined under § 192.619(c), if the MAOP is 60 psi (414 kPa) gage or more, the control or relief pressure limit is a pressure that will prevent unsafe operation of the pipeline considering its operating and maintenance history and MAOP.	x					
	.741	Telemetering or Recording Gauges procedures as required by 192.741						
	.743	Testing of Relief Devices						
	.743	(n) Are procedures adequate for verifying capacities and are monitor devices tested in place 1 per yr/15 mo.	x					
		(b) If calculated, capacities must be compared and piping losses considered; annual review and documentation are required.						
		(c) If insufficient capacity, new or additional devices must be installed to provide required capacity.						

.605(b)	PRESSURE LIMITING and REGULATING STATION PROCEDURES	S	U	N/A	N/C
59.29	Gas pressure requirements for low-pressure distribution systems between maximum (14 inches W.C.) and minimum pressures as required by 59.29.				

.605(b)	VALVE AND VAULT MAINTENANCE PROCEDURES	S	U	N/A	N/C
	Distribution Valves				
.747	(a) Check and service each valve that may be necessary for the safe operation of a distribution system (1 per yr/15 months)	x			
	(b) Prompt remedial action required, or designate alternative valve.	x			
	Vaults				
.749	Inspection of vaults greater than 200 cubic feet (1 per yr/15 months)			x	

.605(b)	PREVENTION of ACCIDENTAL IGNITION PROCEDURES	S	U	N/A	N/C
.751	Reduce the hazard of fire or explosion by:				
	(a) Removal of ignition sources in presence of gas and providing for a fire extinguisher	x			
	(b) Prevent welding or cutting on a pipeline containing a combustible mixture	x			
	(c) Post warning signs	x			

Comments:
 ADD to Manuals: .741, .743(b), .743(c), 59.29
 Company has no vaults.

.605(b)	CAULKED BELL AND SPIGOT JOINTS PROCEDURES	S	U	N/A	N/C
.753	Cast-iron caulked bell and spigot joint repair:				
	(a) When subject to more than 25 psig, sealed with mechanical clamp, or sealed with material/device which does not reduce flexibility, permanently bonds, and seals and bonds as prescribed in §192.753(a)(2)(iii)			x	
	(b) When subject to 25 psig or less, joints, when exposed for any reason, must be sealed by means other than caulking			x	

.605(b)	PROTECTING CAST-IRON PIPELINE PROCEDURES	S	U	N/A	N/C
.755	Operator has knowledge that the support for a segment of a buried cast-iron pipeline is disturbed must provide protection.				
	(a) Vibrations from heavy construction equipment, trains, trucks, buses or blasting?			x	
	(b) Impact forces by vehicles?			x	
	(c) Earth movement?			x	
	(d) Other foreseeable outside forces which might subject the segment of pipeline to a bending stress			x	
	(e) Provide permanent protection for the disturbed section as soon as feasible			x	

Comments:
 Company has no cast iron pipe.

REGULATORY REPORTING PERFORMANCE AND RECORDS		S	U	N/A	N/C
191.3	Telephonic reports to NRC				
191.15	Written incident reports; supplemental incident reports (Form F 7100.2)				
191	Annual Reports (Forms 7100.1-1, 7100.2-1)				
191.23	Safety related condition reports				
192.16	Customer Notification (Verification - 90 days - and Elements)				
192.727 (g)	Abandoned facilities offshore, onshore crossing commercially navigable waterways reports			x	

OPERATIONS and MAINTENANCE PERFORMANCE AND RECORDS		S	U	N/A	N/C
.517 (a)	Pressure Testing (operates at or above 100 psig) - useful life of pipeline				
.517 (b)	Pressure Testing (operates below 100 psig, service lines, plastic lines) - 5 years				
.603(b)	.605(n) Procedural Manual Review - Operations and Maintenance (1 per yr/15 months)				
	.605(b)(3) Availability of construction records, maps, opening history to opening personnel				
	.605(b)(8) Periodic review of personnel work - effectiveness of normal O&M procedures				
	.605(c)(4) Periodic review of personnel work - effectiveness of abnormal operation procedures				
.709	.614 Damage Prevention (Miscellaneous)				
	.609 Class Location Study (If Applicable)				
.603(b)	.615(b)(1) Location Specific Emergency Plan				
	.615(b)(2) Emergency Procedure training, verify effectiveness of training				
	.615(b)(3) Employee Emergency activity review, determine if procedures were followed.				
	.615(c) Liaison Program with Public Officials				
	.616 Public Awareness Program				
	.616(e & f) Documentation properly and adequately reflects implementation of operator's Public Awareness Program requirements - Stakeholder Audience identification, message type and content, delivery method and frequency, supplemental enhancements, program evaluations, etc. (i.e. contact or mailing rosters, postage receipts, return receipts, audience contact documentation, etc. for emergency responder, public officials, school superintendents, program evaluations, etc.). See table below:				
	.616(g) The program must be conducted in English and any other languages commonly understood by a significant number of the population in the operator's area.				
.616(j) Operators of a master meter or petroleum gas systems - public awareness messages 2 times annually: (1) A description of the purpose and reliability of the pipeline; (2) An overview of the hazards of the pipeline and prevention measures used; (3) Information about damage prevention; (4) How to recognize and respond to a leak; and (5) How to get additional information.					
.517	Pressure Testing				
.603b	.725 Tests for reinstating service lines				
.603b/.727g	.727 Abandoned Pipelines; Underwater Facility Reports				
.709	.739 Pressure Limiting and Regulating Stations (1 per yr/15 months)				
	.743 Pressure Limiting and Regulator Stations - Capacity (1 per yr/15 months)				
.603(b)	.747 Valve Maintenance Distribution Lines (1 per yr/15 months)	x			
.709	.749 Vault Maintenance (>300 cubic feet)(1 per yr/15 months)				
.603(b)	.751 Prevention of Accidental Ignition (hot work permits)				
	.755 Caulked Bell and Spigot Joint Repair			x	

Comments:

Comments:

ADD to Manuals: 191.5, 191.15, 191, 191.23, 192.16

VALVE Inspections were done for each system (Field).

Click icons to add photos and perform OQ Protocol 9 when fusion or other tasks are witnessed.

APPENDIX B

UPL/KNOX MANAGEMENT AGREEMENT

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APR 07 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

FIRST AMENDED MANAGEMENT AGREEMENT

This First Amended Management Agreement, dated as of this 12th day of March 1999, by and between Knox Energy Cooperative Association, Inc. ("Knox Energy"), an Ohio non-profit corporation, and Utility Pipeline, Ltd. ("UPL"), an Ohio limited liability company, replaces, effective as of the above date, the Management Agreement dated July 17, 1998, and

WITNESSETH:

WHEREAS, Knox Energy has been formed as a member-owned cooperative association for the purpose of obtaining and providing natural gas service to its members within the State of Ohio; and

WHEREAS, UPL is in the business of constructing and managing natural gas pipeline systems; and

WHEREAS, Knox Energy and UPL desire to work together to achieve the purposes desired by the parties hereto.

NOW, THEREFORE, Knox Energy and UPL, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, do hereby agree as follows:

1. **Selection of Projects.** Knox Energy and UPL have previously agreed that UPL shall construct, manage and operate the Apple Valley project described on project attachment #1 hereto. UPL and Knox Energy shall both use their best efforts to identify specific areas and/or potential members interested in natural gas service through Knox Energy. All new pipeline construction agreed to by both Knox Energy and UPL, along with any extensions thereof, will be subject to this Agreement and shall be referred to herein as a "Project". Project confirmation, project description, along with project rates, will be added to this agreement by means of project attachments substantially in the form attached hereto as Exhibit "A". UPL shall have the option to construct, manage and operate any Knox Energy Project regardless of energy type or other service being provided or which party initially identified such Project, subject to the terms and conditions of this Agreement.

2. **UPL's construction obligations with respect to Projects.** For each Project, UPL shall use its best efforts to perform the following:

a. Design, construct and restore with due diligence a natural gas pipeline system sufficient to provide natural gas service to Knox Energy members within each Project, in accordance with utility standards; provided, however that UPL may delay actual construction until such time a sufficient number of prospective members have applied and been accepted to make that Project, in UPL's sole discretion, economically viable;

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APR 07 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

b. Acting as Knox Energy's Agent, obtain all necessary easements, rights-of-way, road crossing and boring permits as are necessary for each Project;

c. Arrange for or provide the necessary interconnections, measurement and regulation at the point(s) of delivery necessary to allow natural gas from interstate or intrastate pipeline systems to flow into Knox Energy's natural gas pipeline systems (the "System");

d. Perform or cause to be performed connection of member service lines, into the gas main, and installation of metering and regulating equipment between the System and the member's residences or other structures;

3. **UPL Management responsibilities.** UPL shall manage the System for the relevant term of each project. UPL shall use its best effort to perform the following at UPL's expense:

a. Physical operation and routine maintenance of the System;

b. Repairs to the System during the term of this Agreement;

c. Arrange (as agent for Knox Energy) for metered gas supply, fuel management and gas transportation, at members expense;

d. Arrange for standby 24-hour emergency service to members;

e. Billing, collection, and meter reading;

f. Member services, billing inquiries, service inquiries & requests;

g. To provide complete accounting services to including but not limited to the following:

1. Maintain all books and records;

2. Maintain checking and savings accounts and pay all associated charges;

3. Preparation and filing of Federal, State and if applicable, local tax returns;

4. Provide complete accounts payable services including the signing of Knox Energy checks.

h. Continued marketing, advertising and solicitation for additional projects, members and extension of the System as deemed warranted by UPL;

i. Scheduling and causing to be performed service tie-ins and settings of meters together with appropriate inspections;

j. Facility locating ("Call Before You Dig") services;

k. Compliance with State and Federal pipeline safety requirements;

- l. Preparation of compliance reporting to governmental agencies;
- m. Perform or cause to be performed routine gas plant inspections;
- n. Review and recommend membership applications for approval, by Knox Energy, of those applicants who will receive service;
- o. Negotiate builder/developer projects and agreements;
- p. Provide and maintain liability and Directors & Officers insurance premiums;
- q. Pay property taxes if applicable.

It is expressly agreed that UPL may subcontract any or all of its management services.

4. **UPL Entitlement.** Projects subject to this Agreement are identified as project attachments. Each project attachment identifies the specific project and spells out the various rates, charges and fees charged the members, within a given project. As consideration for UPL providing management services to a Knox Energy project, UPL's entitlement appears on each project attachment. Monies due and not paid timely shall be subject to the cooperatives late payment charge (refer to rules and regulations) and carry over as receivables of UPL. Accounts 90 (ninety) days delinquent shall be considered no-pays and will entitle UPL to withdraw the amount of any such members indebtedness from escrow. Interest earned on Knox Energy checking or savings accounts will accrue to the benefit of UPL, excepting interest earned on trustee membership fee and no pay accounts.

5. **Knox Energy's Entitlement.** Members of Knox Energy shall pay a one-time, annual or monthly membership fee, as indicated on each project attachment, which shall be retained by Knox Energy. Membership monies shall be used for Board compensation, legal and out-of-pocket expenses, or for any other purposes the Board deems appropriate. In addition, Knox Energy will receive \$1 (One Dollar) per meter per month (included in service charge) to establish and maintain an account to be used for non-paying members' indebtedness to the Cooperative; and, if adequate, other purposes deemed appropriate by the Board. The Cooperative will be responsible for any indebtedness of its members.

6. **Knox Energy's Obligations with Respect to Projects.** For each Project, Knox Energy, or its designated Trustee(s), shall perform the following:

- a. Assist in the canvass solicitation and conduct of Public meetings with potential new member which can be served with natural gas from an existing, proposed or planned System;
- b. Approve appropriate rates, charges and fees for each Project by means of project attachment;
- c. Approve and execute gas supply and transportation contracts;

- d. Approve and execute operations and maintenance agreements;
- e. Approve and execute all tax return filings;
- f. Approve and execute all governmental compliance documents;
- g. Establish specific rules, regulations, policy, and appropriate application card, governing the distribution and sale of natural gas for it's members within any given project;
- h. Review and approve those membership applications for whom gas service will be provided;
- i. Approve and execute builder/developer incentive agreements;
- j. Determine the necessity and/or amount of deposit required for any given project.

7. **Assignment.** Upon a project System or any defined portion of the System being completed and certified to meet Industry standards by means of customary testing and inspection, UPL shall assign and Knox Energy agrees to accept each project System by an assignment substantially in the form attached hereto as Exhibit B. Said assignment shall reserve to UPL payments described in said assignment.

8. **Project Term.** This Agreement shall be for successive terms of thirty (30) years for each project, with the initial project term commencing upon the date of Assignment of any project facility or portion thereof. Either party may cancel this Agreement as it applies to the expiration of any project term, by giving the other party written notice of termination at least 180 days prior to the expiration of that project term.

9. **Special Service Charges.** When Knox Energy is entitled to collect from a Member a trip charge or other fee for a service provided by Knox Energy (or its contractor) hereunder (for example, emergency service calls, disconnections, reconnections, meter testing or trip charges, etc.), then UPL shall be paid by Knox Energy the amount charged to the Member.

10. **Indemnification.** UPL agrees to indemnify and hold Knox Energy harmless from any and all claims and liability resulting or arising from the gross negligence of UPL or any of UPL's contractors or the failure of UPL to properly perform its or their obligations hereunder. If Knox Energy believes that UPL has breached any of its obligations hereunder for any cause, including the insolvency or bankruptcy of UPL, then Knox Energy shall send notice to UPL of the breach; and unless UPL corrects said breach within 30 days (or if it cannot be cured within 30 days, then within a reasonable time) Knox Energy may terminate this Management Agreement. UPL shall be responsible for any and all damages caused by UPL's breach of this Agreement.

11. **Insurance.** UPL and Knox Energy agree to maintain during the term of this Agreement the insurance coverage set forth on Exhibit C hereto. Knox Energy shall name UPL as additional insured on its insurance policy. Both Knox Energy and UPL shall name the trustees as additional insured under liability policies for their activities directly related to the cooperative's business activity.

12. **Independent Contractor.** It is agreed that in the performance of its obligations hereunder, UPL shall function as an independent contractor. This agreement is not intended nor shall it be deemed to create any partnership, joint venture or fiduciary relationship.

13. **No Diminishment.** Knox Energy will take no action during the term of this Agreement which will diminish the rights and entitlements, or enlarge the obligations, or expenses, of UPL.

14. **Arbitration.** Any dispute arising under or relating to this Agreement (except disputes where the amount in controversy exceeds \$100,000) shall be resolved by binding arbitration under the auspices of the American Arbitration Association, to be held in Columbus, Ohio before a single arbitrator.

15. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties hereto in respect of the subject matter hereof, and this Agreement supersedes all prior and contemporaneous agreements between the parties hereto in connection with the subject matter of this Agreement. No change, amendment, termination or attempted waiver of any provision of this Agreement shall be binding on any party hereto unless in writing and signed by the party affected.

16. **Default.** In the event either party believes the other party has breached or is in default as to any obligation of this Agreement, such party shall provide detailed written notice of the alleged breach or default together with a proposed manner of curing said alleged breach or default. The party receiving such notice shall have thirty days, or such longer period of time as is reasonable, under the circumstances, to cure or begin to cure, the alleged breach or default. No termination of this Agreement shall occur as a result of any breach or default unless notice in the foregoing manner has been given and the alleged breach or default is not cured, or attempted to be cured, in good faith within the time set forth above.

17. **Notices.** Notice under this Agreement shall be given by certified mail or confirmed facsimile to the following:

Knox Energy:
Attn: President, Board of Trustees

Facsimile _____

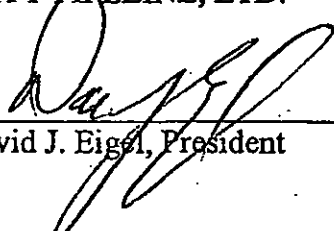
UPL:
5900 Mayfair Rd., NW
North Canton, Ohio 44720
Attn: David J. Eigel, President
Phone: 330-498-9130
Facsimile: 330-498-9137

Either party may change the address for receipt of notices by notice to the other party.

18. **Confidentiality.** All parties hereto agree that, during the term of this Agreement and for five years following the expiration or termination of this Agreement for any reason, they will maintain, as confidential and proprietary, the terms and conditions of this Management Agreement, the economic and financial aspects of the Projects and the System and the business plans of Knox Energy and UPL.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

UTILITY PIPELINE, LTD.

By 
David J. Eigel, President

KNOX ENERGY COOPERATIVE
ASSOCIATION, INC.

By 
Larry Hedrick, President

APPENDIX C
CUSTOMER NOTIFICATION

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APR 07 2015

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Dear Orwell Natural Gas Company Customer:

On April 7, 2015, the Knox Energy Cooperative Association, Inc. (Knox) filed an Application for Transfer of Assets with the Pennsylvania Public Utility Commission (“Commission”). This Application was filed to seek approval to transfer all of the Pennsylvania natural gas pipeline systems owned by Orwell Natural Gas Company (“Orwell”) in Butler, Armstrong, Jefferson and Clarion counties to Knox. Effective with this transfer and upon approval by the Commission, all of the pipeline systems and customer meters will be owned and served by Knox.

This notice is being provided to you at this time to let you know that this Application has been filed and that you are encouraged to ask any questions you may have. Your questions may be directed to Knox at its toll-free number 1-888-863-0032.

Upon approval by the Commission, and as an existing Orwell customer, you will be automatically become a Knox member and will have full membership rights unless you elect to terminate gas service. You do not need to do anything to be automatically converted.

Knox is a non-profit, customer owned cooperative formed in 1998 to bring gas service to rural communities. Knox serves over 14,000 members. Knox is governed by a 9-member Board of Trustees that are elected by the membership. The Board of Trustees of Knox consists of members that are using gas on the Knox pipeline systems. Any member is eligible to run for election and serve on the Board. Knox will charge current Orwell customers the same rates it charges its other members in Pennsylvania. As a Cooperative Association, Knox will solicit bids for its gas supply and purchase and make hedging decisions in the best interest of its members. These gas costs will then be passed on to the members at actual cost. The Board of Trustees of Knox also establishes the Rules and Regulations for gas service. These rules are available for your review upon request. The Board of Trustees sets these Rules and may periodically amend them.

Once approved by the Commission, your gas bill will thereafter come from Knox instead of from Orwell. As a new member of Knox, you will be eligible to participate in the Knox DirectPay program and the Budget Billing program. You may also request additional information about these programs by calling the toll-free number below.

Your questions may be directed to Knox (toll free) at 1-888-863-0032.

APPENDIX D
ORWELL BALANCE SHEET
(REDACTED)

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APR 07 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX E
ORWELL INCOME STATEMENT

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Clarion River Gas Division of Orwell Natural Gas
SUMMARY INCOME STATEMENT USED MONTHLY
 Period to Date
 For the Period from January 1, 2014 to December 31, 2014

	Period to Date
OPERATING REVENUE	
UTILITY REVENUE	
Gas Sales Residential	169,201.26
Gas Sales Commercial	93,532.00
Gas Sales Industrial	
Service Fees	43,764.72
Other Misc Sales	409.93

Total Utility Revenue	306,927.91

PURCHASED GAS COST	118,110.42

GROSS MARGIN	188,817.49

OPERATING EXPENSES	
Direct Labor	
Operations Expense	50,857.28
Maintenance Expense	5,117.74
Misc Expense	
Depreciation & Amortization	9,895.01
Personal Property Tax	
General Taxes	

Total Operating Expenses	65,870.03

INCOME (LOSS) FROM OPERATIONS	122,947.46

OTHER INCOME & EXPENSES	
Non Op Inc	31.43
Non Op Exp	
Gain/Loss on Disposal of Asset	

Total Other Income & (Expenses)	31.43

Interest & Related Charges	
Interest Expense ST Debt	416.10
Penalties	-

Total Interest & Related Charges	416.10

INCOME (LOSS) BEFORE TAX EXPENSE	122,562.79

Income Tax Expense	

NET INCOME (LOSS)	122,562.79

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PA PUBLIC UTILITY COMMISSION
 SECRETARY'S BUREAU

Walker Gas (A Division of Orwell Natural Gas)
SUMMARY INCOME STATEMENT USED MONTHLY
 Period to Date
 For the Period from January 1, 2014 to December 31, 2014

	Period to Date
OPERATING REVENUE	
UTILITY REVENUE	
Gas Sales Residential	233,556.34
Gas Sales Commercial	8,443.13
Gas Sales Industrial	
Service Fees	31,542.00
Other Misc Sales	316.24
Total Utility Revenue	<u>273,857.71</u>
PURCHASED GAS COST	121,676.47
GROSS MARGIN	<u>152,181.24</u>
OPERATING EXPENSES	
Direct Labor	
Operations Expense	52,901.95
Maintenance Expense	4,291.23
Misc Expense	
Depreciation & Amortization	4,096.60
Personal Property Tax	
General Taxes	
Total Operating Expenses	<u>61,289.84</u>
INCOME (LOSS) FROM OPERATIONS	<u>90,891.40</u>
OTHER INCOME & EXPENSES	
Non Op Inc	0.37
Non Op Exp	
Gain/Loss on Disposal of Asset	
Total Other Income & (Expenses)	<u>0.37</u>
Interest & Related Charges	
Interest Expense ST Debt	681.03
Late Fees	
Penalties	
Total Interest & Related Charges	<u>681.03</u>
INCOME (LOSS) BEFORE TAX EXPENSE	90,210.74
Income Tax Expense	
NET INCOME (LOSS)	<u><u>90,210.74</u></u>

APPENDIX F

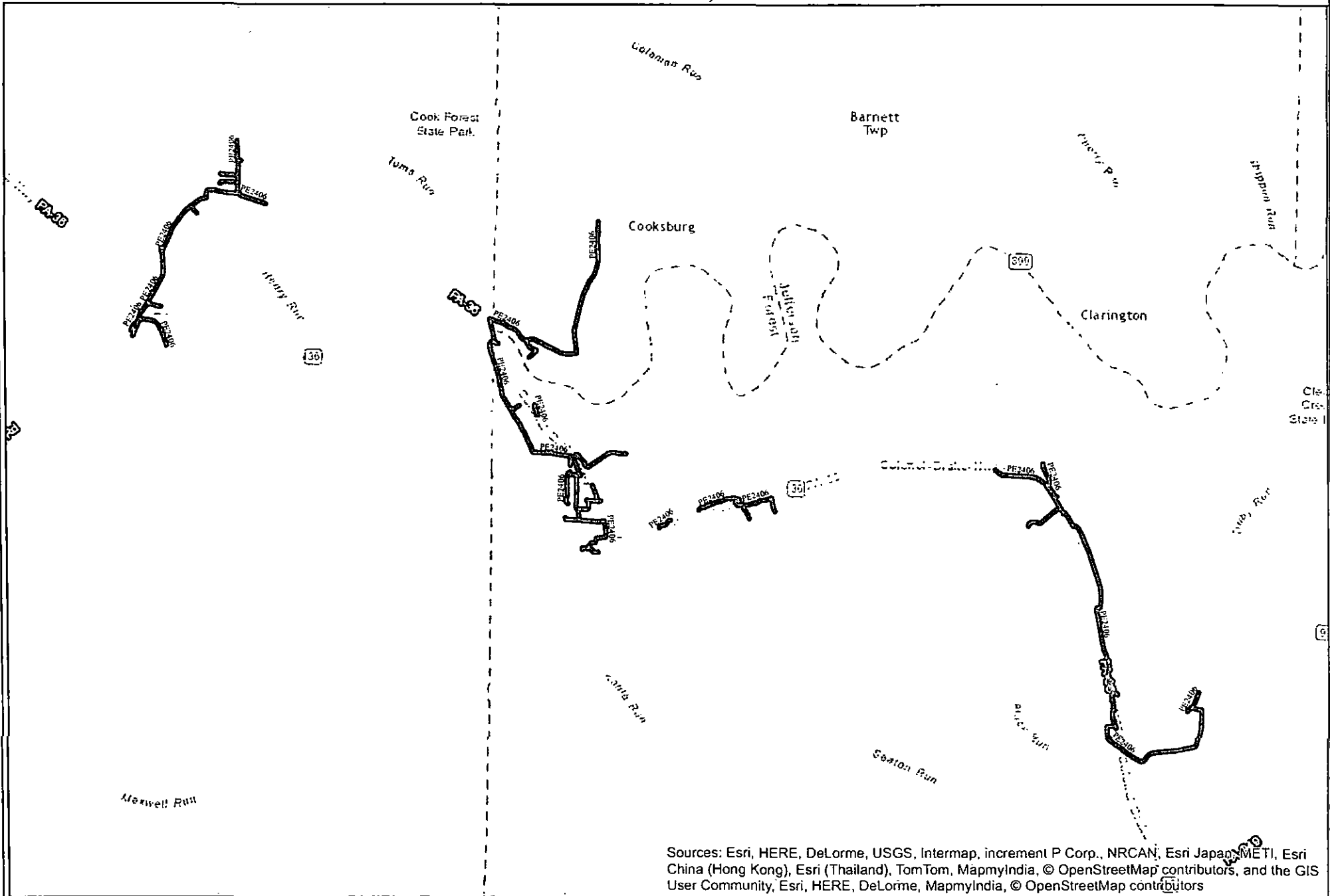
MAP OF ORWELL'S DISTRIBUTION SYSTEM

RECEIVED

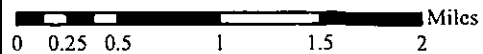
APR 07 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

CLARION RIVER GAS COMPANY BARNETT, PA

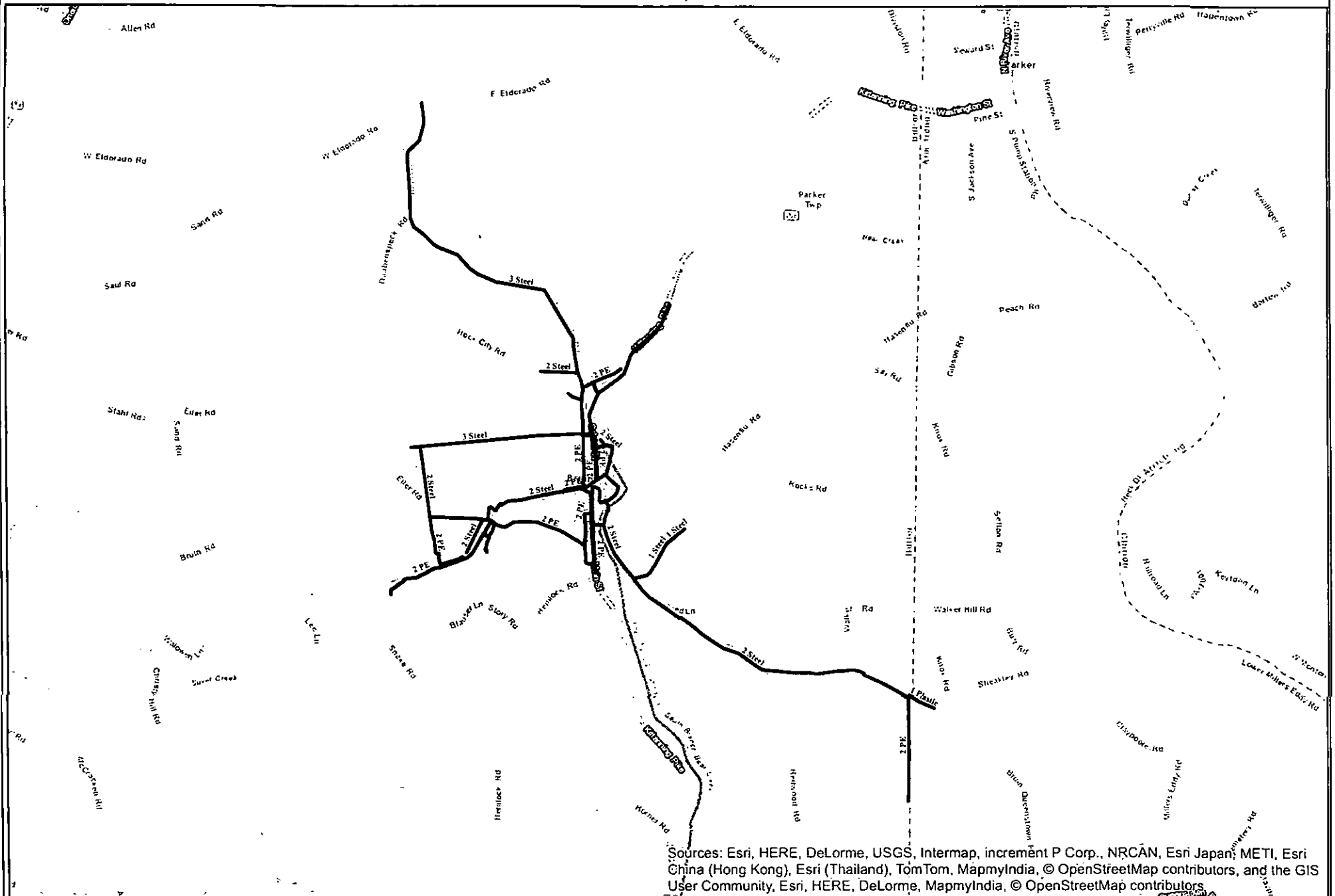


Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community, Esri, HERE, DeLorme, MapmyIndia, © OpenStreetMap contributors

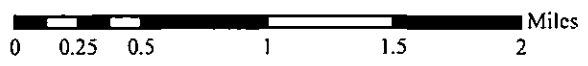


1 inch = 5,000 feet

WALKER GAS COMPANY BRUIN, PA



Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community, Esri, HERE, DeLorme, MapmyIndia, © OpenStreetMap contributors



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APPENDIX G
KNOX BALANCE SHEET

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Knox Energy Cooperative Association
Statement of Financial Position
As of: 12/31/2014

	<u>As of 12/31/2014</u>
ASSETS	
Cash and cash equivalents	447,810.86
Accts rec. - gas	6,066,264.53
Accts rec. - membership/tie-in	92,819.11
Allowance for doubtful accts	-14,764.48
Prepaid Gas Supply	359,000.00
Other	5.00
	<hr/>
TOTAL ASSETS	<u><u>\$6,951,135.02</u></u>
LIABILITIES	
Accounts payable	6,352,130.46
Members Deposits	574,739.98
	<hr/>
TOTAL LIABILITIES	<u><u>\$6,926,870.44</u></u>
FUND BALANCE	
Prior year's fund balance	21,581.36
Net Revenues in excess of costs	2,683.22
	<hr/>
TOTAL FUND BALANCE	<u><u>\$24,264.58</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$6,951,135.02</u></u>

APPENDIX H
KNOX INCOME STATEMENT

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PA PUC
SECRETARY'S BUREAU

**Knox Energy Cooperative Association
Statement of Financial Activity
For the Period 1/1/2014 to 12/31/2014**

	From 1/1/2014 To 12/31/2014
REVENUES	
Program Sales - gas	19,784,314.67
Membership fees	38,345.00
TOTAL REVENUES	\$19,822,659.67
 COST OF PROGRAMS	
Gas supply	17,829,413.37
Service	1,840,534.22
Special Trip Charges	45,165.00
NSF Charges	2,745.00
TOTAL COST OF PROGRAM	\$19,717,857.59
 REVENUES IN EXCESS OF COSTS	\$104,802.08
 OTHER COSTS - Administration and Finance	\$100,908.20
 NET REVENUES FROM PROGRAMS	\$3,893.88
 OTHER INCOME AND EXPENSES	
Interest income	\$791.84
Bad debt expense	(\$2,002.50)
TOTAL OTHER INCOME AND EXPENSES	(\$1,210.66)
 TOTAL EXCESS REVENUES	\$2,683.22

APPENDIX I

ORWELL/UPL/KNOX CORPORATE MINTUES
APPROVING TRANSACTION

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PA PUC
SECRETARY'S BUREAU



UTILITYPIPELINE

Board Resolution

Approved by Unanimous Vote of the Managers

December 11, 2014

Approved Resolution: The Board of Managers of Utility Pipeline, Ltd. hereby approves the proposal to acquire the distribution system assets of the Orwell Natural Gas in Butler, Jefferson, Clarion and Armstrong counties, Pa which does business under the names Walker Gas Company and Clarion River Gas Company and then immediately transfer of ownership to Knox Energy Cooperative as part of the Kane, Pa system currently owned by Knox Energy.

Certified by:

Andrew Duckworth, President



KnoxEnergy
cooperative association inc.

March 15, 2015

Knox Energy Cooperative Association, Inc. hereby proposes to accept the transfer of ownership of the Clarion River and the Walker Gas companies' natural gas distribution systems under terms of the assignment of the Kane system previously approved for transfer. The current customers of these systems will be accepted as full members of the cooperative and be operated as part of the Kane, Pennsylvania natural gas system. Each current customer would automatically become enrolled as a member as part of the approval of the Application for Transfer but can elect not to become a member at any time. The customer notification letter explaining the transition is enclosed herein.

Sincerely,

Renee McDaniel, President

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS OF
ORWELL NATURAL GAS COMPANY

Held: March 16, 2015

The Board of Directors of Orwell Natural Gas Company ("Orwell") met telephonically on March 16, 2015.

Gregory Osborne called the meeting to order. Gregory Osborne, James Sprague and Martin Whelan attended the meeting and unanimously approved the Asset Purchase Agreement with Utility Pipeline, Ltd. ("UPL") whereby UPL will purchase the Pennsylvania natural gas distribution system assets of Orwell. Also, approved was the Application of Orwell to the Pennsylvania Public Utility Commission for approval of the transfer of its Pennsylvania natural gas distribution system assets to UPL.

There being no further business presented, the meeting was adjourned.



Martin K Whelan President

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