Columbia Gas of Pennsylvania, Inc.
2012 General Rate Case
Docket No. R-2012-2321748
Standard Filing Requirements
Exhibits 13-17
Volume 4 of 9

2-13-13
Hbg

COLUMBIA GAS OF PENNSYLVANIA, INC.
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Applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies.

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

(1) The specific reasons for each change.

Response (Kempic):

The rate changes are being proposed to allow Columbia Gas of Pennsylvania a reasonable opportunity to recover revenue sufficient to cover its operating expenses and increases to rate base and provide a reasonable opportunity to earn a fair rate of return.

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

Response (Kempic): Refer to Exhibit No. 3.

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

Response (Strauss): Refer to Exhibit No.103, Schedule No. 8.

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

Response (Strauss): Refer to Exhibit No. 103, Schedule No. 8.

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

Response (Kempic): Refer to Exhibit Nos. 3 and 4.

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

Response (Kempic): Service rendered by the utility will not be impacted by the changes to rates.

(7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. §I308 (relating to voluntary changes in rates).

Response (Kempic): Not Applicable.

(8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C.S. §1 308.

Response (Kempic): Not Applicable.

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

Response (Kempic): No customer polls were taken to indicate customer acceptance and desire for the proposed rate changes.

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

Response (Kempic): Columbia will notify its ratepayers of the proposed changes through a bill insert in compliance with the Commission's Regulations (PACode Section 53.45).

(11) F.C.C., F.E.R.C. or Commission orders or rulings applicable to the filing.

Response (Kempic): There are no orders or rulings that directly apply to this change.

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

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

Response (Kempic): The rate changes are being proposed to allow Columbia Gas of Pennsylvania a reasonable opportunity to recover revenue sufficient to cover its operating expenses and increases to rate base and provide a reasonable opportunity to earn a fair rate of return.

(2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing.

Response (Kempic): Refer to Exhibit No.2.

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

Response (Strauss): Refer to Exhibit No. 103, Schedule No. 8.

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

Response (Strauss): Refer to Exhibit No. 103, Schedule No. 8.

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

Response (Strauss): Refer to Exhibit No.103, Schedule No. 8.

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

Response (Strauss): Refer to Exhibit No.103, Schedule No.8.

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 II RATE OF RETURN
A. ALL UTILITIES

13. Attach copies of the summaries of the projected two years' Company's budgets (revenues, expense, and capital).

Response:

Please see Exhibit GAS-ROR-13 for projected revenues and expenses.

Please see Exhibit GAS-ROR-14 for the projected construction budget.

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Referenced by Commission Regulations

Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended May 31, 2012 Exhibit	Schedule	Fully Forecasted Rate Year Twelve Months Ended June 30, 2014 Exhibit	Schedule	Witness
53.52	**Applicability: Public Utilities Other Than Canal, Turnpike, Bridge, and Wharf Companies**					
53.52(a)	Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision, or supplement, statements showing all of the following:	13	3			Kempic
53.52(a)1	The specific reasons for each change.	13	1	113	1	Kempic
53.52(a)2	The total number of customers served by the utility.	3 13	1	103 113	1	Bell Kempic
53.52(a)3	A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.	3 13	1	103 113	1	Bell Strauss
53.52(a)4	The effect of the change on the utility's customers.	3 13	1	103 113	1	Bell Strauss
53.52(a)5	The direct or indirect effect of the proposed change on the utility's revenue and expenses.	13	1	113	1	Kempic
53.52(a)6	The effect of the change on the service rendered by the utility	13	1	113	1	Kempic
53.52(a)7	A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a change seeking a general rate increase as defined in 66 Pa. C. S. & 1308 (relating to voluntary changes in rates).	13	1	113	1	Kempic
53.52(a)8	Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. C. S. & 1308.	13	1	113	1	Kempic
53.52(a)9	Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.	13	1	113	1	Kempic
53.52(a)10	Plans the utility has for introducing or implementing the changes with respect to its ratepayers.	13	1	113	1	Kempic
53.52(a)11	FCC, FERC or Commission orders or rulings applicable to the filing.	13	1	113	1	Kempic
53.52(b)	Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the Tariff, revision, or supplement, statements showing all of the following:	13	3			Kempic

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Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended May 31, 2012 Exhibit	Schedule	Fully Forecasted Rate Year Twelve Months Ended June 30, 2014 Exhibit	Schedule	Witness
53.52(b)1	The specific reasons for each Increase or decrease.	13	1	113	1	Kempic
53.52(b)2	The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing.	2 3	1	102 113	1 1	Gore Bell
53.52(b)3	A calculation of the number of customers, by tariff subdivision, whose bills will be increased.	3 13	1	103 113	1	Bell Strauss
53.52(b)4	A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.	3 13	1	103 113	1	Bell Strauss
53.52(b)5	A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.	3 13	1	103 113	1	Bell Strauss
53.52(b)6	A calculation of the total decreases. in dollars, by tariff subdivision, projected to an annual basis.	3 13	1	103 113	1	Bell Strauss
53.52(c)1	A Statement showing the utility's calculation of the rate of return earned in the 12-month period referred to on subsection (b)(2), and the anticipated rate of return to be earned when the tariff, revision, or supplemental becomes effective. The rate base used in this calculation shall be supported by summaries of original cost for the rate of return calculation.	8		108		Krajovic
53.52(c)2	A detailed balance sheet of the utility as of the close of the period referred to in subsection (b)f2).	1	1	101		Gore
53.52(c)3	A summary, by detailed plant accounts, of the book value of the property of the utility at the date of the balance sheet required by paragraph (2).	8	1, 2	108		Krajovic
53.52(c)4	A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (2), applicable to the property, summarized as required by paragraph (3).	8	3	108	3	Krajovic
53.52(c) 5	A statement of operating income, setting forth the operating revenues and expenses by detailed accounts for the 12-month period ending on the balance sheet required by paragraph (2).	2	1	102	1	Gore
53.52(c) 6	A brief description of a major change in the operating or financial condition of the utility occurring between the date of the balance sheet required by paragraph (2) and the date of transmittal of the tariff, revision or supplement. As used on this paragraph, a major change is one which materially alters the operating or financial condition of the utility from that reflected in paragraphs (1) - (5).	1	2	101		Gore
53.53 I A	**53.53 I. VALUATION** **A. ALL UTILITIES**					
53.53.I.A.1	Provide a corporate history (include the dates of original incorporation, subsequent mergers and/or acquisitions). Indicate all countries and cities and other governmental subdivisions to which service is provided (including service areas outside the state), and the total population in the area served.	15	1	115		Krajovic

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53.53.I.A.2	Provide a schedule showing the measures of value and the rates of return at the original cost and trended original cost measures of value at the spot, three-year and five-year average price levels. All claims made on this exhibit should be cross-referenced to appropriate exhibits. Provide a schedule similar to the one listed above, reflecting respondent's final claim in its previous rate case.	8		108		Krajovic
53.53.I.A.3	Provide a description of the depreciation methods utilized in calculating annual depreciation amounts and depreciation reserves, together with a discussion of all factors which were considered in arriving at estimates of service life and dispersion by account. Provide dates of all field inspections and facilities visited.	9	1	109	1	Spanos
53.53.I.A.4	Set forth, in exhibit form, charts depicting the original and estimated survivor curves and a tabular and a tabular presentation of the original life table plotted on the chart for each account where the retirement rate method of analysis is utilized. a. If any utility plant was excluded from the measures of value because it was deemed not to be "used and useful" in the public service, supply a detailed description of each item of property. b. Provide the surviving original cost at test year end by vintage by account and include applicable depreciation reserves and annuities. (i) These calculations should be provided for plant in service as well as other categories of plant, including, but not limited, to contributions in aid of construction, customer's advances for construction, and anticipated retirements associated with any construction work in progress claims (id Applicable)	9	1	109	1	Spanos
53.53.I.A.5	Provide a comparison of respondent's calculated depreciation reserve v. book reserve by account at the end of the test year.	9	2	109	2	Spanos
53.53.I.A.6	Supply a schedule by account and depreciable group showing the survivor curve and annual accrual rate estimated to be appropriate: a. For the purposes of this filing. b. For the purposes of the most recent rate increase filing prior to the current proceedings. (i) Supply a comprehensive statement of any changes made in method of depreciation and in he selection of average service lives and dispersion.	9	3	109	3	Spanos
53.53.I.A.7	Provide a table, showing the cumulative depreciated original cost by year of installation for utility plant in service at the end of the test year (depreciable plant only) as claimed in the measures of value, in the following form: a. Year installed. b. Original cost - the total surviving cost associated with each installation year from all plant accounts.	9	4	109	4	Spanos

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	c. Calculated depreciation reserve-the calculated depreciation reserve associated with each installation year from all plant accounts. d. Depreciated original cost - (Column B minus Column C). e. Total - cumulation year by year of the figures from Column D. I. Column E divided by the total of the figure in Column D.					
53.53.1.A.8	Provide a description of the trending methodology which was utilized. Identify all indexes which were used (include all backup workpapers) and all the reasons particular indexes were chosen. If indexes were spliced, indicate which years were utilized in any splices. if indexes were composite, show all supporting calculations, include any analysis made to "test" the applicability of any index.	8		108		Krajovic
53.53.I.A.9	Provide an exhibit indicating the spot trended original cost at test year end by vintage by account and include applicable depreciation reserves. Include total by account for all other trended measures of value.	8		108		Krajovic
53.53.I.A.10	Supply an exhibit indicating the percentages of Undepreciated original cost which were trended with the following indexes: a. Boeckh. b. Handy-Whitman. c. Indexes developed from suppliers' prices. d. Indexes developed from company records and company price histories. e. Construction equipment. f. Government statistical releases.	8		108		Krajovic
53.53.I.A.11	Provide a table, showing the cumulative trended depreciated original cost (at the spot price level) by year installation for utility plant in service at the end of the test year (depreciable plant only) as claimed in the measures of value, in the following form: a. Year installed. b. Trended original cost (at the spot price level) - the total surviving cost associated with each installation year from all plant accounts. c. Trended calculated depreciation reserve - the calculated depreciation reserve associated with each installation year from all plant accounts. d. Depreciated trended original cost - (Column B minus Column C). e. Total-accumulation year by year of the figures from Column D. f. Column E divided by the total of the figures in Column D.	8		108		Krajovic
53.53.I.A.12	If a claim is made for construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expensed at the end of the test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion date and estimated total amounts to be spent on each project. [These exhibits should be updated at the conclusion of these proceedings.]	8		108		Krajovic

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53.53.I.A.13	If a claim is made for non-revenue producing construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expensed at the end of the test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion date and estimated total amounts to be spent on each project. [These exhibits should be updated at the conclusion of these proceedings.]	8		108		Krajovic
53.53.I.A.14	If a claim is made for plant held for future use, supply the following: a. A brief description of the plant or land site and its cost. b. Expected date of use for each item claimed. c. Explanation as to why it is necessary to acquire each item in advance of its date of use. d. Date when each item was acquired. e. Date when each item was placed in plant held for future use.	8		108		Krajovic
53.53.I.A.15	If materials and supplies comprise part of the cash working capital claim, attach an exhibit showing the actual book balances for materials and supplies by month for the thirteen months prior to the end of the test year. Explain any abrupt changes in monthly balances. [Explain method of determining claim if other than that described above.]	8		108		Krajovic
53.53.I.A.16	If fuel stocks comprise part of the cash working capital claim, provide an exhibit showing the actual book balances (quantity and price) for the fuel inventories by type of fuel for the thirteen months prior to the end of the test year by location, station, etc. [Explain the method of determining claim if other than that described above.]	8		108		Krajovic
53.53.I.A.17	Regardless of whether a claim for net negative or positive salvage is made, attach an exhibit showing gross salvage, cost of removal, and net salvage for the test year and four previous years by account.	9	5	109	5	Spanos
53.53.I.A.18	Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not previously mentioned, in the measures of value.	8		108		Krajovic
53.53.I.C	**53.53.I VALUATION** **C. GAS UTILITIES**					
53.53.I.C.1	Provide, with respect to the scope of operations of the utility, a description of all property, including an explanation of the system's operation, and all plans for any significant future expansion, modification, or other alterations of facilities. This description should include, but not be limited to the following: a. If respondent has various gas service areas, indicate if they are integrated, such that the gas supply is available to all customers. b. Provide all pertinent data regarding company policy related to the addition of new consumers in the company's service area. c. Explain how respondent obtains its gas supply, as follows: (i) Explain how respondent stores or manufactures gas; if applicable. (ii) State whether the company has peak shaving facilities. (iii) Provide details of coal-gasification programs, if any. iv) Describe the potential for emergency purchases of gas. (v) Provide the amount of gas in MCF supplied by various suppliers in the test year (include a copy of all contracts).	17		117		Heckathorn

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	d. Provide plans for future gas supply, as follows: (i) Supply details of anticipated gas supply from respondent's near-term development of gas wells, if any. (ii) Provide gas supply agreements and well development ventures and identify the parties thereto. e. Indicate any anticipated curtailments and explain the reasons for the curtailments. f. Provide current data on any Federal Power Commission action or programs that may affect, or tend to affect, the natural gas supply to the gas utility.					
53.53.I.C.2	Provide an overall system map, including and labeling all measuring and regulating stations, storage facilities, production facilities transmission and distribution mains, by size, and all interconnections with other utilities and pipelines.	15	2	115		Heckathorn
53.53.II.A	**53.53.II. RATE RETURN** **A. ALL UTILITIES**					
53.53.II.A.1	Provide capitalization and capitalization ratios for the last five-year period and projected through the next two years. (With short-tern debt and without short-term debt.) Company, Parent and System (consolidated)). a. Provide year-end interest coverages before and after taxes for the last three years and at latest date. (Indenture and SEC Bases.) (Company, Parent and System (consolidated)). b. Provide year-end preferred stock dividend coverages for last three years and at latest date (Charter and SEC bases).	401		401		Moul
53.53.II.A.2	Provide latest quarterly financial report (Company and Parent).	402		402		Moul
53.53.II.A.3	Provide latest Stockholder's Report (Company and Parent).	403		403		Moul
53.53.II.A.4	Provide latest Prospectus (Company and Parent).	404		404		Moul
53.53.II.A.5	Supply projected capital requirements and sources of Company, Parent and System (consolidated) for each of future three years.	405		405		Moul
53.53.II.A.6	Provide a schedule of debt and preferred stock of Company, Parent and System (Consolidated) as of test year-end and latest date, detailing for each issue (if applicable): a. Date of issue b. Date of maturity c. Amount issued d. Amount outstanding e. Amount retired f. Amount reacquired g. Gain on reacquisition h. Coupon rate i. Discount or premium at issuance j. Issuance expenses k. Net proceeds l. Sinking Fund requirements m. Effective interest rate n. Dividend rate o. Effective cost rate p. Total average weighted effective Cost Rate	406		406		Moul

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Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended May 31, 2012 Exhibit	Schedule	Fully Forecasted Rate Year Twelve Months Ended June 30, 2014 Exhibit	Schedule	Witness
53.53.II.A.7	Supply financial data of Company and/or Parent for last five years: a. Earnings-price ratio (average) b. Earnings-book value ratio (per share basis) (avg. book value) c. Dividend yield (average) d. Earnings per share (dollars) e. Dividends per share (dollars) f. Average book value per share yearly g. Average yearly market price per share (monthly high-low basis) h. Pre-tax funded debt interest coverage i. Post-tax funded debt interest coverage j. Market price-book value ratio	407		407		Moul
53.53.II.A.8	State amount of debt interest utilized for income tax calculations, and details of debt interest computations, under each of the following rate cases vases: a. Actual test year b. Annualized test year-end c. Proposed test year-end	7		107		Fischer
53.53.II.A.9	State amount of debt interest utilized for income tax calculations which has been allocated from the debt interest of an affiliate, and details of the allocation, under each of the following rate cases vases: a. Actual test year b. Annualized test year-end c. Proposed test year-end	7		107		Fischer
53.53.II.A.10	Under Section 1552 of the Internal Revenue Code and Regulations 1.1552-1 thereunder, if applicable, Parent Company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member's tax liability to the federal government. (If this interrogatory is not applicable, so state.) a. State what option has been chosen by the group. b. Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return c. Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members. d. Provide annual income tax return for group, and if income tax return shows net operating loss, provide details of amount of net operating loss allocated to the income tax returns of each of the members of the consolidated group.	7		107		Fischer

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Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended May 31, 2012 Exhibit	Schedule	Fully Forecasted Rate Year Twelve Months Ended June 30, 2014 Exhibit	Schedule	Witness
53.53.II.A.11	Provide AFUDC charged by company at test year-end and latest date, and explain method by which rate was calculated.	408		408		Gore
53.53.II.A.12	Set forth provisions of Company's and Parent's charter and indentures (if applicable) which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.	409		409		Moul
53.53.II.A.13	Attach copies of the summaries of the projected 2 year's Company's budgets (revenue, expense and capital).	13	2	113	2	Gore
53.53.II.A.14	Describe long-term debt reacquisition's by Company and Parent as follows: a. Reacquisition's by issue by year. b. Total gain on reacquisition's by issue by year. c. Accounting of gain for income tax and book purposes.	410		410		Moul
53.53.II.A.15	Set forth amount of compensating bank balances required under each of the following rate base bases: a. Annualized test year operations. b. Operations under proposed rates.	411		411		Moul
53.53.II.A.16	Provide the following information concerning compensating bank balance requirements for actual test year: a. Name of each bank. b. Address of each bank. c. Types of accounts with each bank (checking, savings, escrow, other services, etc.). d. Average Daily Balance in each account. e. Amount and percentage requirements for compensating bank balance at each bank. f. Average daily compensating bank balance at each bank. g. Documents from each bank explaining compensating bank balance requirements. h. Interest earned on each type of account.	411		411		Moul
53.53.II.A.17	Provide the following information concerning bank notes payable for actual test year: a. Line of Credit at each bank. b. Average daily balances of notes payable to each bank, by name of bank. c. interest rate charged on each bank note (Prime rate, formula rate or other). d. Purpose of each bank note (e.g., construction, fuel storage, working capital, debt retirement). e. Prospective future need for this type of financing	412		412		Moul
53.53.II.A.18	Set forth amount of total cash (all cash accounts) on hand from balance sheets for last 24-calendar months preceding test year-end.	1	3	101		Gore
53.53.II.A.19	Submit details on Company or Parent common stock offerings (past 5 years to present) as follows: a. Date of Prospectus b. Date of offering c. Record date d. Offering period-dates and number of days e. Amount and number of share of offering	413		413		Moul

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	f. Offering ratio (if rights offering) g. Per cent subscribed h. Offering price i. Gross proceeds per share j. Expenses per share j. Net proceeds per share (i-j) l. Market price per share 1. At record date 2. At offering date 3. One month after close of offering m. Average market price during offering 1. Price per share 2. Rights per share-average value of rights n. Latest reported earnings per share at time of offering o. Latest reported dividends at time of offering					
53.53.II.A.20	Provide latest available balance sheet and income statement for Company, Parent and System (consolidated).	414		414		Gore
53.53.II.A.21	Provide Original Cost, Trended Original Cost and Fair Value rate base claims.	8		108		Krajovic
53.53.II.A.22	Provide Operating Income claims under: (i) Present rates (ii) Pro forma present rates (annualized & normalized) (iii) Proposed rates (annualized & normalized) b. Provide Rate of Return on Original Cost and Fair Value claims under: (i) Present rates (ii) Pro forma present rates (iii) Proposed rates	2	2	102	2	Gore
53.53.II.A.23	List details and sources of "Other Property and Investments," "Temporary Cash Investments and Working Funds on test year-end balance sheet.	1	4	101		Gore
53.53.II.A.24	Attach chart explaining Company's corporate relationship to its affiliates (System Structure).	15	3	115		Krajovic
53.53.II.A.25	If the utility plans to make a formal claim for a specific allowable rate of return. Provide the following data in statement form: a. Claimed capitalization and capitalization ratios with supporting data. b. Claimed cost of long-term debt with supporting data. c. Claimed cost of short-term debt with supporting data. d. Claimed cost of total debt with supporting data. e. Claimed cost of preferred stock with supporting data f. Claimed cost of common equity with supporting data.	400		400		Moul
53.53.II.A.26	Provide the following income tax data: a. Consolidated income tax adjustments, if applicable. b. Interest for tax purposes (basis).	7		107		Fischer
53.53.II.C	**53.53.II. RATE RETURN** **C. GAS UTILITIES**					
53.53.II.C.1	Provide test year monthly balances for "Current Gas Storage" and notes financing such storage.	1	5	101		Gore

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53.53.III.A	**53.53.III. BALANCE SHEET AND OPERATING STATEMENT A ALL UTILITIES**					
53.53.III.A1	Provide a comparative balance sheet for the test year and the preceding year which corresponds with the test year date.	1	1	101		Gore
53.53.III.A2	Set forth the major items of Other Physical Property, Investments in Affiliated Companies and Other Investments.	1	6	101		Gore
53.53.III.A3	Supply the amounts and purpose of Special Cash Accounts of all types, such as: a. Interest and Dividend Special Deposits. b. Working Funds other than general operating cash accounts. c. Other special cash accounts and amounts (Temporary cash investments).	1	7	101		Gore
53.53.III.A4	Describe the nature and/or origin and amounts of notes receivable, accounts receivable from associated companies, and any other sign fact receivables, other than customer accounts, which appear on balance sheet.	1	8	101		Gore
53.53.III.A5	Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued, and amounts written-off in each of the last three years.	1	9	101		Gore
53.53.III.A6	Provide a list of prepayments and give an explanation of special prepayments.	1	10	101		Gore
53.53.III.A7	Explain in detail any other significant (in amount) current assets listed on balance sheet.	1	11	101		Gore
53.53.III.A8	Explain in detail, including the amount and purpose, the deferred asset accounts that currently operate to effect or will at a later date effect the operating account supplying: a. Origin of these accounts. b. Probable changes to this account in the near future. c. Amortization of these accounts currently charged to operations or to be charged in the near future. d. Method of determining yearly amortization for the following accounts: Temporary Facilities Miscellaneous Deferred Debits Research and Development Property Losses Any other deferred accounts that effect operating results.	1	12	101		Gore
53.53.III.A9	Explain the nature of accounts payable to associated companies, and note amounts of significant items.	1	13	101		Gore
53.53.III.A10	Provide details of other deferred credits as to their origin and disposition policy (e.g. - amortization).	1	14	101		Gore
53.53.III.A11	Supply basis for Injury and Damages reserve and amortization thereof.	1	15	101		Gore
53.53.III.A12	Provide details of any significant reserves, other than depreciation, bad debt, injury and damages, appearing on balance sheet.	1	16	101		Gore
53.53.III.A13	Provide an analysis of Unappropriated retained earnings for the test year and three preceding calendar years.	1	17	101		Gore
53.53.III.A14	Provide schedules and data in support of the following working capital items: a. Prepayments - List and identify all items b. Federal Excise Tax accrued and prepaid c. Federal Income Tax accrued or prepaid d. Pa. State Income Tax accrued or prepaid e. Pa. Gross Receipts Tax accrued or prepaid	8		108		Krajovic

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	f. Pa. Capital Stock Tax accrued or prepaid g. Pa. Public Utility Realty Tax accrued or prepaid h. State sales tax accrued or prepaid i. Payroll taxes accrued or prepaid j. Any adjustment related to the above items for ratemaking purposes.					
53.53.III.A15	Supply an exhibit supporting the claim for working capital requirement based on the lead-lag method. a. Pro forma expenses and revenues are to be used in lieu of book data for computing lead-lag days. b. Respondent must either include sales for resale and related expenses in revenues and in expenses or exclude from revenues and expenses. Explain procedures followed (exclude telephone).	8	4	108	4	Skirtich
53.53.III.A16	Provide detailed calculations showing the derivation of the tax liability offset against gross cash working capital requirements.	8	4	108	4	Skirtich
53.53.III.A17	Prepare a Statement of Income for the various time frames of the rate proceeding including: Col. 1-Book recorded statement for the test year. 2-Adjustments to book record to annualize and normalize under present rates. 3-Income statement under present rates after adjustment in Col. 2 4-Adjustment to Col. 3 for revenue increase requested. 5-Income statement under requested rates. a. Expenses may be summarized by the following expense classifications for purposes of this statement: Operating Expenses (by category) Depreciation Amortization Taxes, Other than Income Taxes Total Operating Expense Operating Income Before Taxes Federal Taxes State Taxes Deferred Federal Deferred State Income Tax Credits Other Credits Other Credits and Charges, etc. Total Income Taxes Net Utility Operating Income Other Income & Deductions Other Income Detailed listing of Other Income used in Tax Calculation Other Income Deduction Detailed Listing Taxes Applicable to Other Income and Deductions	2 2	3 4	102	3	Gore

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	Listing Income Before Interest Charges Listing of all types of Interest Charges and all amortization of Premiums and/or Discounts and expenses on Debt issues Total Interest Net Income After Interest Charges (Footnote each adjustment to the above statements with explanation in sufficient clarifying detail.)					
53.53.III.A18	Provide comparative operating statements for the test year and the immediately preceding 12 months showing increases and decreases between the two periods. These statements should supply detailed explanation of the causes of the major variances between the test year and preceding year by detailed account number.	2	5	102	4	Gore
53.53.III.A19	List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization. Sufficient supporting data must be provided.	13	4	113	3	Gore
53.53.III.A20	Supply detailed calculations of amortization of rate case expense, including supporting data for outside services rendered. Provide the items comprising the rate case expense claim (include the actual billings or invoices in support of each kind of rate case expense), the items comprising the actual expenses of prior rate cases and the unamortized balances.	4	4	104	4	Gore
53.53.III.A21	Submit detailed computation of adjustments to operating expenses for salary, wage and fringe benefit increases (union and non-union merit, progression, promotion and general) granted during the test year and six months subsequent to the test year. Supply data showing for the test year: a. Actual payroll expense (regular and overtime separately) by categories of operating expenses. i.e. maintenance, operating transmission, distribution, other. b. Date, percentage increase, and annual amount of each general payroll increase during the test year. c. Dates and annual amounts of merit increases or management salary adjustments. d. Total annual payroll increases in the test year e. Proof that the actual payroll plus the increases equal the payroll expense claimed in the supporting data (by categories of expenses). f. Detailed list of employee benefits and cost thereof for union and non-union personnel. Any specific benefits for electives and officers should also be included, and cost thereof. g. Support the annualized pension cost figures (i) State whether these figures include any unfunded pension costs. Explain. (ii) Provide latest actuarial study used for determining pension accrual rates. h. Submit a schedule showing any deferred income and consultant fee to corporate officers or employees.	4	5	104	5	Gore
53.53.III.A22	Supply an exhibit showing an analysis, by functional accounts, of the charges by affiliates (Service Corporations, etc.) for services rendered included in the operating expenses of the filing company for the 12-month period ended prior to the test year. a. Supply a copy of contracts, if applicable. b. Explain the nature of the services provided. c. Explain basis on which charges are made. d. If charges allocated, identify allocation factors used.	4	11	104	9	Gore

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	e. Supply the components and amounts comprising the expense in this account. f. Provide details of initial source of charge and reason thereof.					
53.53.III.A23	Describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease. State method for calculating monthly or annual payments.	4	12	104	9	Gore
53.53.III.A24	Submit detailed calculations (or best estimates) of the cost resulting from mayor storm damage.	4	13	104	9	Gore
53.53.III.A25	Submit details of expenditures for advertising (National and Institutional and Local media). Provide a schedule of advertising expense by major media categories for the test year and the prior two comparable years with respect to: a. Public health and safety b. Conservation of energy c. Explanation of Billing Practices. Rates, etc. d. Provision of factual and objective data programs in educational institutions e. Other advertising programs f. Total advertising expense	4	8	104	6	Gore
53.53.III.A26	Provide a list of reports, data, or statements requested by and submitted to the Commission during and subsequent to the test year.	14	1	114	1	Bardes
53.53.III.A27	Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for by the Company and the cost thereof.	4	14	104	9	Gore
53.53.III.A28	Submit a schedule showing, by major components, the expenditures associated with Outside Services Employed, Regulatory Commission Expenses and Miscellaneous General Expenses, for the test year and prior two comparable years.	4	14	104	9	Gore
53.53.III.A29	Submit details of information covering research and development expenditures, including major projects within the company and forecasted company programs.	4	9	104	7	Gore
53.53.III.A30	Provide a detailed schedule of all charitable and civic contributions by recipient and amount for the test year.	4	15	104	9	Gore
53.53.III.A31	Provide a detailed analysis of Special Services-Account 795.	4	14	104	9	Gore
53.53.III.A32	Provide a detailed analysis of Miscellaneous General Expense-Account No. 801.	4	14	104	9	Gore
53.53.III.A33	Provide a labor productivity schedule.	4	10	104	8	Gore
53.53.III.A34	List and explain all non-recurring abnormal or extraordinary expenses incurred in the test year which will not be present in future years.	4	16	104	9	Gore
53.53.III.A35	List and explain all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years. (e.g.,-Non-yearly maintenance programs, etc.) [Responses shall be submitted and identified as exhibits.}	4	16	104	9	Gore
53.53.III.A36	Using the adjusted year's expenses under present rates as a base, give detail necessary for clarification of all expense adjustments. Give clarifying detail for such adjustments that occur due to changes in accounting procedure, such as charging a particular expense to a different account than was used previously. Explain any extraordinary declines in expense due to such change of account use.	4	16	104	9	Gore

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53.53.III.A37	Indicate the expenses that are recorded in the test year, which are due to the placement in operating service of major plant additions or the removal of major plant from operating service, and estimate the expense that will be incurred on a full-year's operation.	4	16	104	9	Gore
53.53.III.A38	Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures.	4	16	104	9	Gore
53.53.III.A39	Identify the specific witness for all statements and schedules of revenues, expenses, taxes, property, valuation, etc.	13	3	113	3	Kempic
53.53.III.A40	Adjustments which are estimated shall be fully supported by basic information reasonably necessary.	13	4	113	3	Gore
53.53.III.A41	Submit a statement explaining the derivation of the amounts used for projecting future test year level of operations and submit appropriate schedules supporting the projected test year level of operations.	13	4	113	3	Gore
53.53.III.A42	If a company has separate operating divisions, an income statement must be shown for each division, plus an income statement for company as a whole.	2	6	102	5	Gore
53.53.III.A43	If a company's business extends into different states or jurisdictions, then statements must be shown listing Pennsylvania jurisdictional data, other state data and federal data separately and jointly (Balance sheets and operating accounts)	2	6	102	5	Gore
53.53.III.A44	Ratios, percentages, allocations and averages used in adjustments must be fully supported and identified as to source.	13	4	113	3	Gore
53.53.III.A45	Provide an explanation of any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate case.	13	4	113	3	Gore
53.53.III.A46	Supply a copy of internal and independent audit reports of the test year and prior calendar year, noting any exceptions and recommendations and disposition thereof.	13	4	113	3	Gore Krajovic
53.53.III.A47	Submit a schedule showing rate of return on facilities allocated to serve wholesale customers.	11		111		Skirtich
53.53.III.A48	Provide a copy of the latest capital stock tax report and the latest capital stock tax settlement.	6	3	106	3	Fischer
53.53.III.A49	Submit details of calculations for Taxes, Other than Income where a company is assessed taxes for doing business in another state, or on its property located in another state.	6	4	106	3	Fischer
53.53.III.A50	Provide a schedule of federal and Pennsylvania taxes, other than income taxes, calculated on the basis of test year per books, pro forma at present rates, and pro forma at proposed rates, to include the following categories: a. social security b. unemployment c. capital stock d. public utility realty e. PUC assessment f. other property g. any other appropriate categories	6	2	106	2	Fischer
53.53.III.A51	Submit a schedule showing for the last five years the income tax refunds, plus interest (net of taxes), received from the federal government due to prior years' claims.	7		107		Fischer

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53.53.III.A52	Provide detailed computations showing the deferred income taxes derived by using accelerated tax depreciation applicable to post-1969 utility property increases productive capacity, and ADR rates on property. (Separate between state and federal, also rate used).	7		107		Fischer
	a. State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year. b. Reconcile any difference between the deferred tax balance, as shown as a reduction to measures of value (rate base), and the deferred tax balance as shown on the balance sheet.	7		107		Fischer
53.53.III.A53	Submit a schedule showing a breakdown of the deferred income taxes by state and federal per books, pro-forma existing rates, and under proposed rates.	7		107		Fischer
53.53.III.A54	Submit a schedule showing a breakdown of accumulated investment tax (credits 3 percent, 4 percent, 7 percent, 10 percent and 11 percent), together with details of methods used to write-off the unamortized balances.	7		107		Fischer
53.53.III.A55	Submit a schedule showing the adjustments for taxable net income per books (including below-the-line items) and pro-forma under existing rates, together with an explanation of any difference between the adjustments. Indicate charitable donations and contributions in the tax calculation for rate making purposes.	7		107		Fischer
53.53.III.A56	Submit detailed calculations supporting taxable income before state and federal income taxes where the income tax is subject to allocation due to operations in another state, or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.	7		107		Fischer
53.53.III.A57	Submit detailed calculations showing the derivation of deferred income taxes for amortization of repair allowance if such policy is followed. [Note: Submit additional schedules if the company has more than one accounting area.]	7		107		Fischer
53.53.III.A58	Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits and reserves by accounting areas.	7		107		Fischer
53.53.III.A59	Provide details of the Federal Surtax Credit allocated to the Pennsylvania jurisdictional area, if applicable.	7		107		Fischer
53.53.III.A60	Explain the reason for the use of cost of removal of any retired plant figures in the income tax calculations.	7		107		Fischer
53.53.III.A61	Submit the corresponding data applicable to Pennsylvania Corporate Income Tax deferment. a. Show the amounts of straight line tax depreciation and accelerated tax depreciation, the difference between which gave rise to the normalizing tax charged back to the test year operating statement. b. Show normalization for both Federal and State Income Taxes. c. Show tax rates used to calculate tax deferment amount.	7		107		Fischer

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53-53.III.A62	Provide the accelerated tax depreciation and the book depreciation used to calculate test year deferrals in amounts segregated as follows: For: a. Property installed prior to 1970. b. Property installed subsequent to 1969 (indicate increasing capacity additions and no increasing capacity additions).	7		107		Fischer
53-53.III.A63	State whether all tax savings due to accelerated depreciation on property installed prior to 1970 have been passed through to income. (If not, explain).	7		107		Fischer
53-53.III.A64	Show any income tax loss/gain carryovers from previous years that may effect test year income taxes or future year income taxes. Show loss/gain carryovers by years of origin and amounts remaining by years at the end of the test year.	7		107		Fischer
53-53.III.A65	State whether the company eliminates any tax savings by the payment of actual interest on construction work in progress not in rate base claim. If response is affirmative: a. Set forth amount of construction claimed in this tax savings reduction. Explain the basis for this amount. b. Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations. c. State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived. d. Provide details of calculation to determine tax saving reduction. State whether state taxes are increased to reflect the construction interest elimination.	7		107		Fischer
53-53.III.A66	Provide a detailed analysis of Taxes Accrued per books as of the test year date. Also supply the basis for the accrual and the amount of taxes accrued monthly.	7		107		Fischer
53-53.III.A67	For the test year as recorded on test year operating statement: a. Supply the amount of federal income taxes actually paid. b. Supply the amount of the federal income tax normalizing charge to tax expense due to excess of accelerated tax depreciation over book depreciation. c. Supply the normalizing tax charge to federal income taxes for the 10% Job Development Credit during test year. d. Provide the amount of the credit of federal income taxes due to the amortization or normalizing yearly debit to the reserve for the 10% Job Development Credit. e. Provide the amount of the credit to federal income taxes for the normalizing of any 3% Investment Tax Credit Reserve that may remain on the utility books.	7		107		Fischer
53-53.III.A68	Provide the debit and credit in the test year to the Deferred Taxes due to Accelerated Depreciation for federal income tax, and provide the debit and credit for the Job Development Credits (whatever account) for test year.	7		107		Fischer

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53.53.III.A69	Reconcile all data given in answers to questions on income taxes charged on the test year operating statement with regard to income taxes paid, income taxes charged because of normalization and credits due to yearly write-offs of past years' income tax deferrals, and from normalization of investment tax and development credits. (Both state and federal income taxes.)	7		107		Fischer
53.53.III.A70	With respect to determination of income taxes, federal and state: a. Show income tax results of the annualizing and normalizing adjustments to the test year record before any rate increase. b. Show income taxes for the annualized and normalized test year. c. Show income tax effect of the rate increase requested. d. Show income taxes for the normalized and annualized test year after application of the full rate increase. [It is imperative that continuity exists between the income tax calculations as recorded for the test year and the final income tax calculation under proposed rates. If the company has more than one accounting area, then additional separate worksheets must be provided in addition to those for total company.]	7		107		Fischer
53.53.III.A71	In adjusting the test year to an annualized year under present rates, explain any changes that may be due to book or tax depreciation change and to debits and credits to income tax expense due to accelerated depreciation, deferred taxes, job development credits, tax refunds or other items. (The above refers only the adjustments going from recorded test year to annualized test year).	7		107		Fischer
53.53.III.E	**53.53.III.BALANCE SHEET AND OPERATING STATEMENT E. GAS UTILITIES**					
53.53.III.E.1	If Unrecovered Fuel Cost policy is implemented, provide the following: a. State manner in which amount of Unrecovered Fuel Cost on balance sheet at the end of the test year was determined, and the month in test year in which such fuel expense was actually incurred. Provide amount of adjustment made on the rate case operating account for test year-end unrecovered fuel cost. (If different than balance sheet amount, explain.) b. Provide amount of Unrecovered Fuel Cost that appeared on the balance sheet at the opening date of the test year, and the manner in which it was determined. State whether this amount is in the test year operating account..	1	18	101		Gore
53.53.III.E.2	Provide details of items and amounts comprising the accounting entries for Deferred Fuel Cost at the beginning and end of the test year.	1	18	101		Gore
53.53.III.E.3	Submit a schedule showing a reconciliation of test year MCF sales and line losses. List all amounts of gas purchased, manufactured and transported.	10	7	110	7	Krajovic
53.53.III.E.4	Provide detailed calculations substantiating the adjustment to revenues for annualization of changes in number of customers and annualization of changes in volume sold for all customers for the test year. a. Break down changes in number of customers by rate schedules. b. If an annualization adjustment for changes in customers and changes in volume sold is not submitted, please explain.	3		103		Bell
53.53.III.E.5	Submit a schedule showing the sources of gas supply associated with annualized MCF sales.	12	1	112	1	Heckathorn

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53.53.III.E.6	Supply, by classification. Operating Revenues - Miscellaneous for test year	3		103		Bell
53.53.III.E.7	Provide details of respondent's attempts to recover uncollectible and delinquent accounts.	16		116	1	Krajovic
53.53.III.E.8	Describe how the net billing and gross billing is determined. For example, if the net billing is based on the rate blocks plus FCA and STA, and the gross billing is determined by a percentage increase (1, 3, 5 percent), then state whether the percentage increase is being applied to all three items of revenue - rate blocks plus FCA and STA.	3		103		Bell
53.53.III.E.9	Describe the procedures involved in determining whether forfeited discounts or penalties are applied to customers billing.	3		103		Bell
53.53.III.E.10	Provide annualization of revenues as a result of rate changes occurring during the test year, at the level of operations as of end of the test year.	3		103		Bell
53.53.III.E.11	Provide a detailed billing analysis supporting present and proposed rates by customer classification and/or tariff rate schedule.	3		103		Bell
53.53.III.E.12	Provide a schedule showing residential and commercial heating sales by unit (MCF) per month and degree days for the test year and three preceding twelve month periods.	10	1	110	1	Efland
53.53.III.E.13	Provide a schedule of present and proposed tariff rates showing dollar change and percent of change by block. Also, provide an explanation of any change in block structure and the reasons therefore.	3		103		Bell
53.53.III.E.14	Provide the following statements and schedules. The schedules and statements for the test year portion should be reconciled with the summary operating statement. a. An operating revenues summary for the test year and the year preceding the test year showing the following (Gas MCF): (i) For each major classification of customers (a) MCF sales (b) Dollar Revenues (c) Forfeited Discounts (Total if not available by classification) (d) Other and Miscellaneous revenues that are to be taken into the utility operating account along with their related costs and expenses. (ii) A detailed explanation of all annualizing and normalizing adjustments showing method utilized and amounts and rates used in calculation to arrive at adjustment. (iii) Segregate, from recorded revenues from the test year, the amount of revenues that are contained therein, by appropriate revenue categories, from: (a) Fuel Adjustment Surcharge (b) State Tax Surcharge (c) Any other surcharge being used to collect revenues. (d) Provide explanations if any of the surcharges are not applicable to respondent's operations. [The schedule should also show number of customers and unit of sales (Mcf), and should provide number of customers by service classification at beginning and end of test year.]	3		103		Bell

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	b. Provide details of sales for resale, based on periods five years before and projections for five years after the test year, and for the test year. List customers, Mcf sold, revenues received, source of Mcf sold (storage gas, pipeline gas, manufactured gas, natural or synthetic), contracted or spot sales, whether sales are to affiliated companies, and any other pertinent information.					
53.53.III.E.15	State manner in which revenues are being presented for ratemaking purposes: a. Accrued Revenues b. Billed Revenues c. Cash Revenues Provide details of the method followed.	3		103		Bell
53.53.III.E.16	If revenue accruing entries are made on the books at end of each fiscal period, give entries made accordingly at the end of the test year and at the beginning of the year. State whether they are reversed for ratemaking purposes.	2	7	102	6	Gore
53.53.III.E.17	State whether any adjustments have been made to expenses in order to present such expenses on a basis comparable to the manner in which revenues are presented in this proceeding (i.e.- accrued, billed or cash).	4	1	104	1	Gore
53.53.III.E.18	If the utility has a Fuel Adjustment Clause: a. State the base fuel cost per MCF chargeable against basic customers' rates during the test year. If there was any change in this basic fuel charge during the test year, give details and explanation thereof. b. State the amount in which the fuel adjustment clause cost per MCF exceeds the fuel cost per MCF charged in base rates at the end of the test year. c. If fuel cost deferment is used at the end of the test year, give (i) The amount of deferred fuel cost contained in the operating statement that was deferred from the 12-month operating period immediately preceding the test year. (ii) The amount of deferred fuel cost that was removed from the test period and deferred to the period immediately following the test year. d. State the amount of Fuel Adjustment Clause revenues credited to the test year operating account. e. State the amount of fuel cost charged to the operating expense account in the test year which is the basis of Fuel Adjustment Clause billings to customers in that year. Provide summary details of this charge f. From the recorded test year operating account, remove the Fuel Adjustment Clause Revenues. Also remove from the test year recorded operating account the excess of fuel cost over base rate fuel charges, which is the basis for the Fuel Adjustment charges. Explain any differences between FAC Revenues and excess fuel costs. [The above is intended to limit the operating account to existing customers' base rate revenues and expense deductions relative thereto].	12	2	112	2	Bell
53.53.III.E.19	Provide growth patterns of usage and customer numbers per rate class, using historical and projected data.	10	2	110	2	Efland
53.53.III.E.20	Provide, for test year only, a schedule by tariff rates and by service classifications showing proposed increase and percent of increase.	3		103		Bell

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53.53.III.E.21	If a gas company is affiliated with another utility segment, such as a water or electric segment, explain the effects, if any, upon allocation factors used in the gas rate filing of current or recent rate increases allowed to the other utility segment (or segments) of the company.	2	8	102	7	Gore
53.53.III.E.22	Provide supporting data detailing curtailment adjustments, procedures and policies.	10	3	110	3	Krajovic/ Heckathorn
53.53.III.E.23	Submit a schedule showing fuel cost in excess of base compared to fuel cost recovery for the period two months prior to test year and the test year	12	3	112	2	Krajovic
53.53.III.E.24	Supply a detailed analysis of Purchased Gas for the test year and the twelve month period prior to the test year.	12	4	112	2	Bell Heckathorn
53.53.III.E.25	Submit calculations supporting energy cost per MCF and operating ratio used to determine increase in costs other than production to serve additional load.	12	4	112	2	Heckathorn
53.53.III.E.26	Submit detailed calculations for bulk gas transmission service costs under supply and/or interconnection agreements.	12	4	112	2	Heckathorn
53.53.III.E.27	Submit a schedule for gas producing units retired or scheduled for retirement subsequent to the test year showing station, units, MCF capacity, hours of operation during test year, net output produced and cents/MCF of maintenance and fuel expenses.	13	6	113	4	Heckathorn
53.53.III.E.28	Provide a statement explaining the details of firm gas purchase (long-term) contracts with affiliated and nonaffiliated utilities, including determination of costs, terms of contract, and other pertinent information.	17		117		Heckathorn
53.53.III.E.29	Provide intrastate operations percentages by expense categories for two years prior to the test year.	4	17	104	9	Gore
53.53.III.E.30	Provide a schedule showing suppliers, MCF purchased, cost (small purchases from independent suppliers may be grouped); emergency purchases, listing same information; curtailments during the year; gas put into and taken out of storage; line loss, and any other gas input or output not in the ordinary course of business.	12	4	112	2	Heckathorn
53.53.III.E.31	Provide a schedule showing the determination of the fuel costs included in the base cost of fuel.	12	5	112	2	Bell Heckathorn
53.53.III.E.32	Provide a schedule showing the calculation of any deferred fuel costs shown in Account 174. Also, explain the accounting, with supporting detail, for any associated income taxes.	1	19	101		Gore
53.53.III.E.33	Submit a schedule showing maintenance expenses, gross plant and the relation of maintenance expenses thereto as follows. (i) Gas Production Maintenance Expenses per MCF production, per $1,000 MCF production, and per $1,000 of Gross Production Plant; (ii) Transmission Maintenance Expenses per MMCF mile and per $1,000 of Gross Transmission Plant; (iii) Distribution Maintenance Expenses per customer and per $1,000 of Gross Distribution Plant; (iv) Storage Maintenance Expenses per MMCF of Storage Capacity and per $1,000 of Gross Storage Plant. This schedule shall include three years prior to the test year, the test year and one year's projection beyond the test year.	4	18	104	9	Gore
53.53.III.E.34	Prepare a 3-column schedule of expenses, as described below for the following periods (supply sub-accounts, if significant, to clarify basic accounts): a. Column 1 - Test Year b. Column 2 and 3 - The two previous years	4	3 19	104	3	Gore

Columbia Gas of Pennsylvania, Inc.
R-2012-2321748
Referenced by Commission Regulations

Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended May 31, 2012 Exhibit	Schedule	Fully Forecasted Rate Year Twelve Months Ended June 30, 2014 Exhibit	Schedule	Witness
	Provide the annual recorded expense by accounts. (Identify all accounts used but not specifically listed below.)					
53.53.III.E.35	Submit a schedule showing the Gross Receipts Tax Base used in computing Pennsylvania Gross Receipts Tax Adjustment.	6	1	106	1	Fischer
53.53.III.E.36	State the amount of gas, in MCF, obtained through various suppliers in past years.	12	4	112	2	Heckathorn
53.53.III.E.37	In determining pro forma expense, exclude cost of gas adjustments applicable to fuel adjustment clause and exclude fuel adjustment clause revenues, so that the operating statement is on the basis of base rates only.	3		103		Bell
53.53.III.E.38	Identify company's policy with respect to replacing customers lost through attrition.	10	4	110	4	Krajovic
53.53.III.E.39	Identify procedures developed to govern relationship between the respondent and potential customers - i.e., basically expansion, alternate energy requirements, availability of supply, availability of distribution facilities, ownership of metering and related facilities.	10	4	110	4	Heckathorn
53.53.IV.B	**53.53.IV. RATE STRUCTURE** **B. GAS UTILITIES** Each gas utility shall submit the following simultaneously with any rate increase filing:					
53.53.IV.B.1	Provide a Cost of Service Study showing the rate of return under the present and proposed tariffs for all customer classifications. The study should include a summary of the allocated measures of value, operating revenues, operating expenses and net return for each of the customer classifications at original cost and at the 5-year trended original cost.	11		111	1 - 3	Skirtich
53.53.IV.B.2	Provide a statement of testimony describing the complete methodology of the cost of service study.	11		111		Skirtich
53.53.IV.B.3	Provide a complete description and back-up calculations for all allocation factors.	11		111	4	Skirtich
53.53.IV.B.4	Provide an exhibit for each customer classification showing the following data for the test year and the four previous years: a. The maximum coincident peak day demand. b. The maximum coincident 3-day peak day demand. c. The average monthly consumption in Mcf during the Primary Heating Season (November-March). d. The average monthly consumption in Mcf during the Non-heating season (April-October). e. The average daily consumption in Mcf for each 12-month period	10	5	110	5	Heckathorn
53.53.IV.B.5	Submit a Bill Frequency Analysis for each rate. The analysis should include the rate schedule and block interval, the number of bills at each interval, the cumulative number of bills at each interval, the Mcf or therms at each interval, the cumulative Mcf or therms at each interval, the accumulation of Mcf or therms passing through each interval, and the revenue at each interval for both the present rate and the proposed rates. The analysis should show only those revenues collected from the basic tariff.	11		111		Bell
53.53.IV.B.6	Supply copies of all present and proposed Gas Tariffs.	14	2	114	1	Bardes

Columbia Gas of Pennsylvania, Inc.
R-2012-2321748
Referenced by Commission Regulations

Commission Regulation Number	Commission Regulation	Historic Test Year Twelve Months Ended May 31, 2012 Exhibit	Schedule	Fully Forecasted Rate Year Twelve Months Ended June 30, 2014 Exhibit	Schedule	Witness
53.53.IV.B.7	Supply a graph of present and proposed base rates on hyperbolic cross section paper.	11		111	5	Strauss
53.53.IV.B.8	Supply a map showing the Gas System Facilities and Gas Service Areas. The map should include transmission lines, distribution lines, other companies' lines interconnecting with the interconnecting points clearly designated, major compressor stations, gas storage and gas storage lines. The normal direction of gas flow within the transmission system should be indicated by arrows. Separate service areas within the system should be clearly designated.	15	2	115		Heckathorn
53.53.IV.B.9	Supply a cost analysis supporting minimum charges for all rate schedules.	11		111	2 - 3	Skirtich
53.53.IV.B.10	Supply a cost analysis supporting demand charges for all tariffs which contain demand charges.	11		111		Skirtich
53.53.IV.B.11	Supply the net fuel clause adjustment by month for the test year.	12	6	112	2	Bell Heckathorn
53.53.IV.B.12	Supply a tabulation of base rate bills for each rate schedule comparing the existing rates to proposed rates. The tabulation should show the dollar difference and the per cent increase or decrease.	11		111	6	Strauss
53.53.IV.B.13	Submit the projected demands for all customer classes for both purchased and produced gas for the three years following the test year filing.	10	6	110	6	Efland
53.53.IV.B.14	Supply an exhibit showing the gas deliveries to each customer class for the most recent 24 month period. The exhibit should identify the source of the gas, such as "purchased" (pipeline), "production" (include purchases from local producers), "storage withdrawal", "propane/air", and "unaccounted for".	10	7	110	7	Krajovic
53.62	**53.62 RECOVERY OF FUEL COSTS BY GAS UTILITIES** In addition to information otherwise required to be filed by a jurisdictional natural gas distributor with gross intrastate annual operating revenues in excess of $40 million seeking a change in its base rates, each gas utility must also file updates to the information required by &53.64(c) (relating to filing requirements for natural gas distributors with gross intrastate annual operating revenues in excess of $40 million). In the case of a utility purchasing gas as defined at &53..61 (a) (relating to purpose) from an affiliated interest, it shall also file updates to the information required at &53.65 (relating to special provisions relating to natural gas distributors with gross interstate annual operating revenues in excess of $40 million with affiliated interests). These updates shall be made at the time the base rate case under 66 Pa.C.S. 1308 (relating to voluntary changes in rates) is originally filed. Deficiencies in filing will be treated as set forth at &53.51 (c) (relating to general).					
	Weather Normalization Adjustment	10	8	110	8	Efland
	Volumetric Portion of Load Growth Adjustment	10	9	103	4	Efland
	Estimated Number of Bills and Normalized Sales Volumes	10	2,4	110	9	Efland
	Future Test Year Sales Forecast			110	10	Efland
	Adjustment to Purchase Gas Expense	12	7	112	3	Bell
	Recovery of Fuel Costs by Gas Utilities (1307-F)	12	8	112	4	Krajovic

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
A. ALL UTILITIES

40. Adjustments which are estimated shall be fully supported by basic information reasonably necessary.

Response: All adjustments made were based on annualizing and normalizing the 12 months ended May 31, 2012. The derivation and support behind the adjustments are shown on the following exhibits:

Exhibit No. 2	Income Statement
Exhibit No. 3	Revenues
Exhibit No. 4	Expenses
Exhibit No. 5	Depreciation
Exhibit No. 6	Taxes Other Than Income Taxes
Exhibit No. 7	Income Taxes
Exhibit No. 8	Measures of Value

41. Submit a statement explaining the derivation of the amounts used for projecting future test year level of operations and submit appropriate schedules supporting the projected test year level of operation.

Response: Exhibits explaining the derivation of the amounts used for projecting a future test year(12 months ending May 31, 2013) and a fully forecasted rate year (12 months ended June 30, 2014) are:

Exhibit No. 102	Income Statement
Exhibit No. 103	Revenues
Exhibit No. 104	Expenses
Exhibit No. 105	Depreciation
Exhibit No. 106	Taxes Other Than Income Taxes
Exhibit No. 107	Income Taxes
Exhibit No. 108	Measures of Value

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
A. ALL UTILITIES

44. Ratios, percentages, allocations and averages used in adjustments must be fully supported and identified as to source.

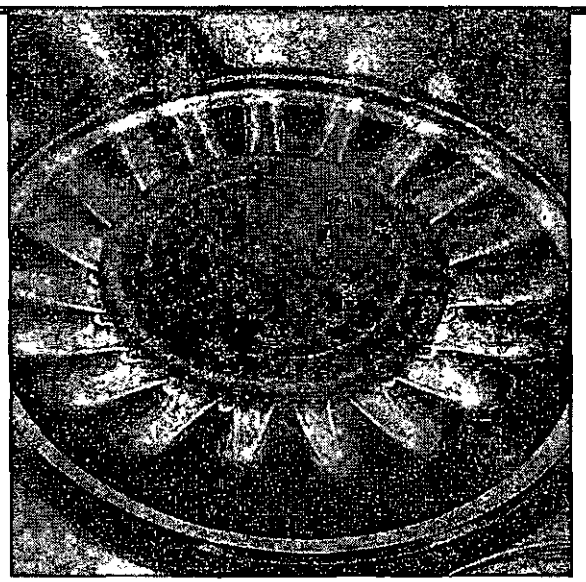
Response: When allocation factors are used, they are identified on the appropriate exhibit.

45. Provide an explanation of any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate case.

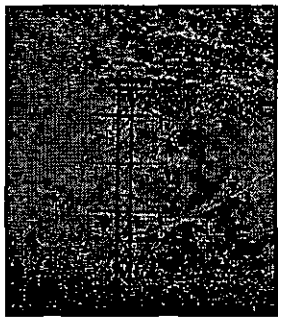
Response: There are no differences in the basis of allocations between the current case and the prior case.

46. Supply a copy of internal and independent audit reports of the test year and prior calendar year, noting any exceptions and recommendations and disposition thereof.

Response: Please see the attached internal audits. There were no independent audit reports performed specifically for Columbia Gas of Pennsylvania during the test year and prior calendar year.







NiSource®

NiSource Internal Audit Department
Columbia Gas of Pennsylvania
Dekatherm Conversion Project

NiSource Gas Distribution

March 20, 2012

To: June Konold, Segment Controller

From: Ryan Binkley, Director Audit
Shelley Duling, Audit Manager
Kim Mercer, Lead Auditor

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EXECUTIVE SUMMARY

Internal Audit has performed a review of the user acceptance testing (UAT) tasks within the overall Columbia Gas of Pennsylvania (CPA) Dekatherm (Dth) conversion project. Our review included an assessment of the adequacy of the UAT plans for each project phase and a review of the Dth conversion customer billing and revenue reporting testing processes performed for a sample of bills from each phase.

Specifically, the focus of our audit included the following procedures:

- Ensure that the Dth conversion within Flow Cal and Aviator is accurate;
- Verify that Distributive Information System (DIS), Gas Measurement Billing (GMB), and Gas Transportation Service (GTS) customer bills (including adjusted bills and Choice customer bills) are properly converted to Dth (or "therm") and accurately calculated; and
- Verify that DIS, GMB, and GTS customer bill revenue is being accurately reported as Dth and properly posted to the General Ledger (G/L).

Internal Audit has reviewed the results of our review with Management.

EXECUTIVE SUMMARY (Cont'd)

Objective 1: Determine if the Dth conversion within Flow Cal and Aviator is accurate.

- The UAT plans created by the Dth project team for Flow Cal and Aviator appear to provide adequate coverage of the various meter types;
- The appropriate British thermal unit (Btu) factors are being properly applied to the various types of meters; and
- The conversion from Mcf (1000 cubic feet) to Dth is mathematically accurate within Flow Cal; the conversion from Mcf to Dth/therm is mathematically accurate within Aviator.

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EXECUTIVE SUMMARY (Cont'd)

Objective 2: Ensure DIS, GMB, and GTS monthly customer bills (including adjusted customer bills) are being properly converted to Dth and are accurately calculated.

- Project team revenue reporting UAT plans appear reasonable to provide adequate testing coverage for DIS, GMB, and GTS customer bills;
- Appropriate Btu factors are being applied to DIS, GMB, and GTS customer bills (based on service territory, billing unit/cycle, adjustment period, etc.); and
- DIS, GMB, and GTS customer bills (including adjusted bills and Choice customer bills) are being properly converted to Dth/therm and are accurately calculated upon the billing conversion.

EXECUTIVE SUMMARY (Cont'd)

Objective 3: Ensure customer bill revenue is accurately reported as DTH and properly posted to the general ledger.

- Project team revenue reporting UAT plans appear reasonable to provide adequate testing coverage for customer bill revenue reporting by revenue class/customer type; and

- DIS, GMB, and GTS customer bill revenue (including individual billing components) is accurately reported as Dth (via the identified Accounting Department Revenue Reports) and properly posted to the G/L.

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BACKGROUND

On September 29, 2010, CPA proposed a modification to its Tariff Rule No. 15 – Measurement, to provide for a British thermal unit (Btu) content adjustment to the monthly determination of the customer's bill, in addition to existing adjustments for pressure and temperature. This proposal was a result of recent inequities in collection of costs among CPA's customers due to increased Btu values noted in the northern four (4) pipeline scheduling points (PSPs).

- Historically there were relatively stable and minor variances among CPA's 8 PSP locations; however, due to increased flow of Marcellus Shale gas delivered to the northern 4 PSPs, the Btu content at these locations is significantly higher than the remaining PSP locations. Btu's measure the heat content of the natural gas.

- The average Btu value of CPA's gas supply rose from 1.04 in 2000 to 1.08 in 2010 with decreased consumption occurring only at the northern PSP locations.

- Two customers using natural gas in identical fashion, but with different Btu content, will have different measured gas volumes and the previous volumetric billing mechanism ignores this fact. By converting to Dth (or "therm") billing, customers are billed for the amount of energy consumed instead of the volume of natural gas consumed, thereby maintaining fair and equitable bills for all customers.

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BACKGROUND (Cont'd)

- The proposal to provide for a Btu content adjustment results in a conversion from Mcf/Ccf billing, based on the volume of gas used, to Dth/therm billing, based on the amount of energy used. The Btu conversion factor is the ratio of Dth per Mcf.

- To most accurately bill customers for the amount of energy consumed, the Btu factor will be updated every month based on service territory. Customer bills will be based on the Btu content of the natural gas utilized within their service territory.

Approval for the conversion to Dth/therm billing was obtained from the Pennsylvania Public Utility Commission on October 14, 2011, with an effective conversion date beginning with the February 2012 customer billing cycle.

A Dth conversion project team led by **HMB Inc**. was established to manage the implementation of the new billing mechanism from the development of the requirements necessary for the conversion to the production and verification of bills issued for the February 2012 billing cycle. The project was outlined into 4 phases as follows:

- Phase 1: Flow Cal and Aviator
- Phase 2: DIS Application Changes
- Phase 3: GMB Application Changes
- Phase 4: GTS Application Changes

** ***Note: Application changes include bill format, bill accuracy, and revenue reporting.***

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BACKGROUND (Cont'd)

Throughout the duration of the Dth conversion project, the project team conducted weekly "touch-point" status meetings to provide updates for each phase of the project, delegate UAT tasks, and assign deadlines for testing. Additionally, the project team performed the following:

- Developed a project charter and project sponsor approval process;
- Provided weekly and monthly project status reports to communicate overall project progress, milestones, and any potential concerns to sponsors and other business stakeholders;
- Documented and gained approval on functional requirements for impacted applications for each testing phase of the project, including both customer billing and revenue reporting; and
- Developed UAT integrated test plans, implementation plans, and production monitoring plans outlining the tasks and timing of events for each testing phase of the project, including both customer billing and revenue reporting.

** ***Note: Internal Audit participated in the weekly project team "touch-point" meetings beginning in November of 2011 to assist in making recommendations, primarily relating to UAT plans. Recommendations were implemented by the project team throughout the duration of the project.***

The Dth conversion project followed the NiSource Project Management Methodology (PMM).

Audit Focus Areas, Results, and Recommendations- Objective 1

Audit Objective 1: Determine if the Dth conversion within Flow Cal and Aviator is accurate.

Audit Focus Areas:

1. Determine if the project team UAT plans for Flow Cal and Aviator appear reasonable to provide adequate testing coverage; and

2. Verify that the appropriate Btu factor has been applied to selected meters for a specified timeframe and the Dth conversion is mathematically accurate.

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Audit Focus Areas, Results, and Recommendations- Objective 1 (Cont.)

Audit Focus Area 1: Determine if the project team UAT plans for Flow Cal and Aviator appear reasonable to provide adequate testing coverage.

Audit Results:

Internal Audit noted the following regarding Flow Cal and Aviator:

- Flow Cal is the system utilized for the initial input of volume readings for GMB and GTS customers.
- Meters can be read daily, or monthly and manually, or electronically.
- Flow Cal interfaces with various systems, including Aviator, for the production of monthly GMB and GTS customer bills.

Internal Audit reviewed the UAT plans created by the Dth project team for Flow Cal and Aviator noting that they appeared to provide adequate coverage of the various meter types, which will drive how the Btu factor is applied.

Internal Audit Recommendation(s): None.

Audit Focus Areas, Results, and Recommendations- Objective 1 (Cont.)

Audit Focus Area 2: Verify that the appropriate Btu factor has been applied to selected meters for a specified timeframe and the Dth conversion is mathematically accurate.

Audit Results:

Flow Cal:

Internal Audit selected a diverse sample of ~20% of the total meters included in the Flow Cal UAT plan and performed the following:

- Determined that the appropriate Btu factor(s) was applied to the selected meter for the specified timeframe.
- Verified the mathematical accuracy of the Dth conversion within Flow Cal for the selected meters.

Audit Focus Areas, Results, and Recommendations- Objective 1 (Cont.)

Audit Results (Cont.):

Aviator:

Internal Audit selected a diverse sample of ~30% of the total meters included in the Aviator UAT plan and performed the following:

- Determined that the appropriate Btu factor(s) was applied to the selected meter for the specified timeframe.
- Verified the mathematical accuracy of the Dth conversion within Aviator for the selected meters.
    - Additionally, Internal Audit also verified the mathematical accuracy of the conversion from Dth to therm.

Internal Audit Recommendation(s): None.

Audit Focus Areas, Results, and Recommendations Objective 2

Audit Objective 2: Ensure DIS, GMB, and GTS monthly customer bills (including adjusted customer bills) are being properly converted to Dth and are accurately calculated.

Audit Focus Area(s):

1. Determine if the project team UAT plans appear reasonable to provide adequate testing coverage for DIS, GMB, and GTS customer bills; and

2. Verify that appropriate Btu factors are applied and that DIS, GMB, and GTS customer bills (including adjusted bills) are accurately calculated.

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Audit Focus Areas, Results, and Recommendations Objective 2 (Cont.)

Audit Focus Area 1: Determine if the project team UAT plans appear reasonable to provide adequate testing coverage for DIS, GMB, and GTS monthly customer bills.

Audit Results:

Internal Audit reviewed the UAT plans created by the Dth project team for testing DIS, GMB, and GTS monthly customer bills generated out of the applicable billing system. The individual UAT plans were comprised of numerous billing test case scenarios including (but not limited to) a variety of:

- Rate schedules/customer types
- Billing units/cycles
- Customer locations/service territories
- Billing adjustment types (including prior period adjustments)

Based on our review, Internal Audit determined that the project team UAT plans appeared reasonable to represent a majority of the overall customer billing population and to provide adequate testing coverage of the various types of customer bills.

Internal Audit Recommendation(s): None.

Audit Focus Areas, Results, and Recommendations Objective 2 (Cont.)

Audit Focus Area 2: Verify that appropriate BTU factors are applied and that DIS, GMB, and GTS monthly customer bills (including adjusted bills) are accurately calculated.

Audit Results:

In conjunction with designated project team UAT participants, Internal Audit selected a diverse sample (~10%-25%) of the total billing test case scenarios included in the UAT plans for DIS, GMB, and GTS customer bills and performed the following (in a "test system" environment):

- Determined that the appropriate Btu factor(s) were applied (in the applicable billing system) to the customer bills based on information such as service territory, billing unit/cycle, adjustment period, etc.; and
- Verified the mathematical accuracy of the customer bills (including adjusted bills and Choice customer bills) generated out of the billing system(s) to ensure the bill totals and individual billing components (i.e., base revenue, customer charges, etc.) were accurately calculated upon the Dth billing conversion.

Internal Audit Recommendation(s): None.

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Audit Focus Areas, Results, and Recommendations
Objective 3

Audit Objective 3: Ensure customer bill revenue is accurately reported as Dth and properly posted to the G/L.

Audit Focus Area(s):

1. Determine if the project team revenue reporting UAT plans appear reasonable to provide adequate testing coverage for customer bill revenue reporting (including adjusted bill revenue) by revenue class/customer type; and

2. Verify that customer bill revenue (including individual billing components) is accurately reported as Dth and properly posted to the G/L.

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Audit Focus Areas, Results, and Recommendations Objective 3 (Cont.)

Audit Focus Area 1: Determine if the project team UAT plans appear reasonable to provide adequate testing coverage for customer bill revenue reporting (for DIS, GMB, and GTS) including adjusted bill revenue) by revenue class/customer type.

Audit Results:

Internal Audit reviewed the UAT plans created by the Dth project team for testing the accuracy of the accounting reports utilized to record and post customer bill revenue (including adjusted bill revenue) to the G/L. Accounting reports to be produced in the test environment were identified as, but not limited to, the following:

- Revenue Reports (RS5500, RS5500PC, RS5500MK, etc.)
- Purchased Gas Adjustment (PGA) Reports
- Gas Cost Recovery (GCR) Reports
- Various GTS Reports (Transportation Summary, Summary Adj., etc.)
- Applicable G/L Journals

Internal Audit determined that the project team's revenue reporting UAT plans appeared reasonable to provide adequate testing coverage of customer bill revenue reporting by revenue class/customer type (i.e., residential, commercial, industrial, Choice and tariff customers, invoice/nomination groups, etc.).

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Audit Focus Areas, Results, and Recommendations Objective 3 (Cont.)

Internal Audit Recommendation(s):

Although overall testing coverage appeared reasonable to provide adequate testing coverage of revenue reporting by customer type/revenue class, Internal Audit made a recommendation to the project team that a sample of the same Dth customer bill test case scenarios previously tested (and verified for accuracy) by the billing UAT group should also be utilized as a test sample to be "cycled" through the revenue reporting testing process.

By utilizing previous billing test cases as recommended, "actual" customer bills/invoices could be utilized to verify that the bill totals and individual billing components (i.e., base revenue, PGAs, customer charges, etc.) are properly traced to the applicable accounting revenue reports and posted to the G/L "test" environment .

- *Internal Audit made the recommendation to ensure the accuracy and completeness of the test case customer bill totals (and Dth volumes) through the entire process (from bill generation to G/L posting).*

** ***Note: This recommendation was implemented by the project team during the applicable testing phase(s) of the project.***

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Audit Focus Areas, Results, and Recommendations Objective 3 (Cont.)

Audit Focus Area 2: Verify that customer bill revenue (including individual billing components) is accurately reported as Dth and properly posted to the G/L.

Audit Results:

DIS Revenue Reporting:

- Internal Audit reviewed 100% of the ten (10) revenue reporting "test" scenarios tested by the assigned UAT project team members (CPA Accounting Dept.) to verify the total DIS customer bill amounts (and Dth volumes) completely and accurately tied to the RS5500 Revenue Report(s) and posted to the G/L journals, with no exceptions noted.
    - As recommended by Internal Audit, five (5) of the ten (10) (50%) were "actual" Dth customer bill test case scenarios that had been previously tested by the DIS billing UAT group to verify the accuracy of the test bill totals generated from DIS.

Audit Focus Areas, Results, and Recommendations Objective 3 (Cont.)

Audit Results (Cont'd):

DIS Revenue Reporting (Cont'd):

In conjunction with the HMB Applications Support Team, Internal Audit also tested one (1) of the five (5) (20%) "actual" customer billing UAT group test case scenarios to verify the accuracy of the customer bill components (PGA amounts) calculated on the test bill by tracing the individual PGA amounts to the "test" PGA Report.

- As a result of this testing, an error was discovered in the DIS test environment programming logic whereas two (2) incorrect PGA rates were being applied to adjusted customer bills with prior period Mcf adjustments.
    - The programming logic was corrected and re-tested for accuracy during the testing phase of the project. Internal Audit noted no exceptions during re-testing.

Audit Focus Areas, Results, and Recommendations Objective 3 (Cont.)

Audit Results (Cont'd):

GMB Revenue Reporting:

- Internal Audit reviewed 100% of the three (3) "test" revenue reporting scenarios tested by the assigned UAT project team members (CPA Accounting Department) to verify the total GMB customer bill amounts (and Dth volumes) completely and accurately tied to the RS5500 Revenue Report(s) and posted to the G/L journals, with no exceptions noted.
    - Two (2) of the three (3) (66%) scenarios were "actual" Dth customer bill test case scenarios previously tested by the GMB customer billing UAT group to verify the accuracy of the test bill totals generated from the billing system.
- In conjunction with HMB, Internal Audit also tested one (1) of the two (2) (50%) "actual" customer billing UAT group test case scenarios to verify the accuracy of the customer bill components (PGA amounts) calculated on the test bill by tracing the individual PGA amounts to the "test" PGA Report, with no exceptions noted.

Audit Focus Areas, Results, and Recommendations Objective 3 (Cont.)

Audit Results (Cont'd):

GTS Revenue Reporting:

- Internal Audit reviewed three (3) of the four (4) (75%) GTS "test" revenue reports identified by the CPA Accounting Department as requiring modifications due to the Dth/therm billing conversion.
    - Internal Audit validated that the requested modifications to update, and/or supplement the existing Mcf information with newly converted Dth information, had been properly completed.
    - Internal Audit also reviewed a sample of four (4) GTS customer invoice group test case scenarios (previously tested and validated by the GTS billing UAT group) to verify that a sample of the billed and/or adjusted totals (and Dth volumes) appearing on the GTS "test" revenue reports accurately matched the validated GTS customer invoice totals and Dth volumes.

Audit Focus Areas, Results, and Recommendations Objective 3 (Cont.)

Audit Results (Cont'd):

GTS Revenue Reporting (Cont'd):

- During our review, Internal Audit noted that the Dth values (volumes) appearing on the GTS revenue reports will vary somewhat from the calculated GTS customer invoice Dth values (or "therm" values actually appearing on the customer invoices).
    - The noted variance is due to the "statewide average" Btu factor (rate) being utilized on the GTS revenue reports for converting Mcf to Dth, whereas a "retainage factor" and "PSP" Btu factor (based on location) is utilized to calculate GTS customer invoices for Mcf /Dth conversion and prior Mcf period adjustments.

*** Note:* ***Internal Audit noted that even once volume adjustments for prior Mcf periods are no longer processed, the GTS customer invoices will still have the "retainage factor" applied to the Dth/therm values (for banking and balancing purposes) while the revenue reports will not.***

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Audit Focus Areas, Results, and Recommendations Objective 3 (Cont.)

Audit Results (Cont'd):

GTS Revenue Reporting (Cont'd):

- Through project team discussions with the GTS Department, and the Functional Design documentation approved by the Accounting Department, this is an expected outcome based on business rules/design specifications and has been historically recognized and accepted.
    - The variances between the GTS revenue reports and the GTS customer invoices (based on the application of differing factors) are not a result of the Dth conversion project. Project team members noted that the Dth variances have been historically considered to be minimal.
    - Internal Audit observed that the application of differing factors to calculate the GTS Dth values does not create a variance to the dollar amounts being billed or adjusted as the amounts on the revenue reports and customer invoices tied without exception.

Internal Audit Recommendation(s): None.

REPORT DISTRIBUTION

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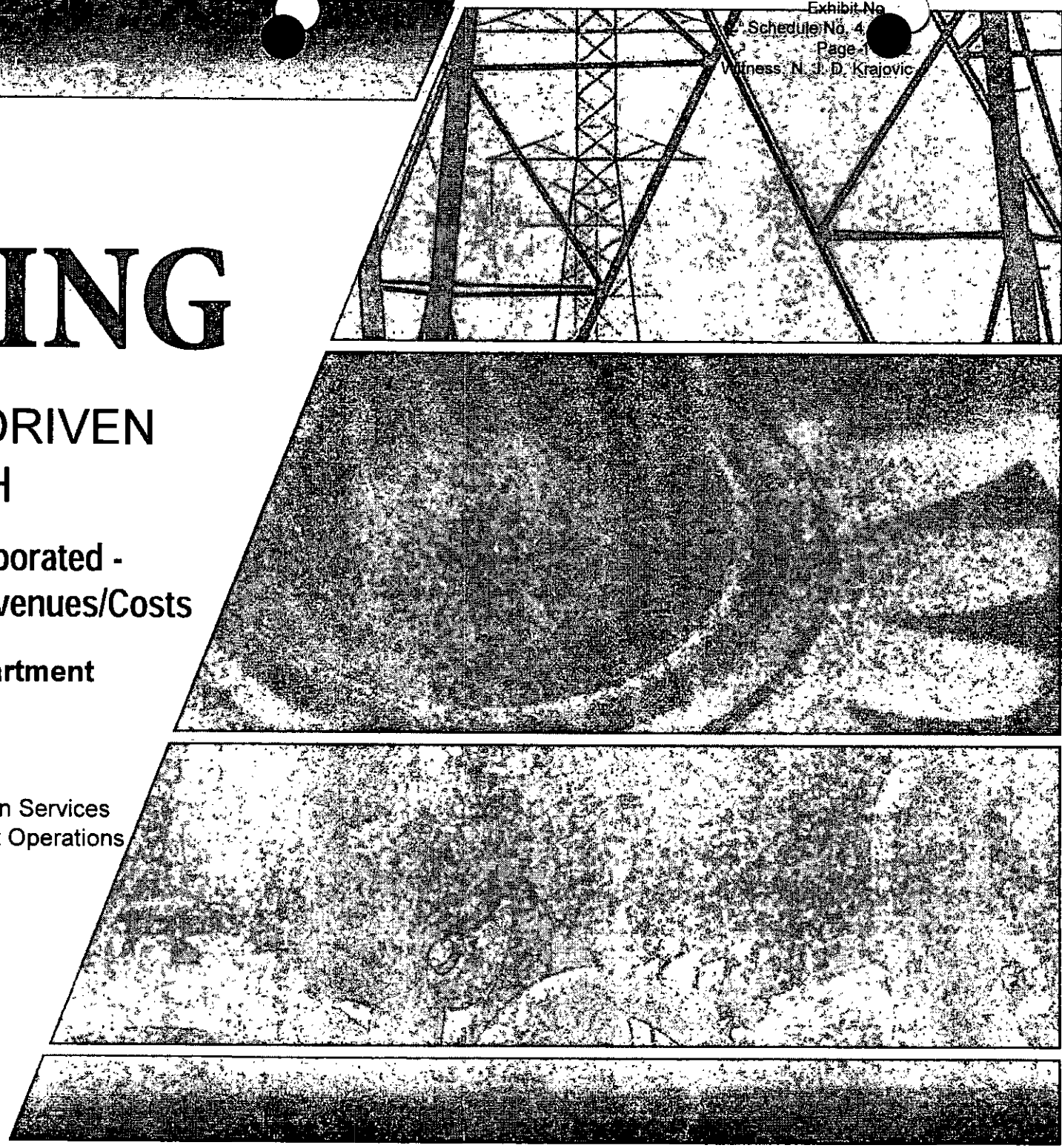
INVESTMENT-DRIVEN GROWTH

Bruce Allen Pipeline, Incorporated - Review of Construction Revenues/Costs

NiSource Internal Audit Department
April 25, 2012

To: Mark S. Chepke, Mgr. Construction Services
Michael J. Law, Mgr. Procurement Operations

From: Joseph M. Siget, Director Audit



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Executive Summary

At the request of Construction Services & Supply Chain management, we conducted a review of the construction revenues and costs associated with the blanket construction contract, which includes bare-steel replacement projects completed by Bruce Allen Pipeline Incorporated ("Bruce Allen") for Columbia Gas of Pennsylvania (CPA) for the years 2010 and 2011.

The purpose of the review was to validate/disprove the claim by Bruce Allen management that, according to their job cost records, they suffered a total loss (Negative Contribution Margin) of approximately $1,239,000 for the years referenced above.

Internal Audit has determined, through our audit work, that construction expenses/costs exceeded construction revenues by approximately $540,000, or approximately $699,000 less than the amount reported by Bruce Allen management.

The re-calculated Contribution Margin (Construction Revenues – Construction Costs) can be referenced on page 10, while the Reconciliation of the Contribution Margin (Bruce Allen vs. Internal Audit) is on page 11.

Note: Our analysis focused solely on the Contribution Margin (CM) in order to help NiSource management negotiate and establish proper contract rates (i.e., construction rates, rate of return, etc.) for the new unit-priced contract that management plans to propose as discussed on the next page. Therefore, we excluded General and Administrative (G&A) expenses from our analysis, which is discussed on page 9.

We have reviewed our audit results with Construction Services and Supply Chain management.

Executive Summary (Cont.)

Bruce Allen has been a solid contractor for CPA and responded positively to requests related to the escalated 2011 Capital Program, and has the capability of being a valued contractor in the future.

Construction Services and Supply Chain management acknowledge that they are under no contractual obligation to reimburse Bruce Allen any additional funds beyond those defined within the previous contract (see below). Management has provided Internal Audit with the following strategy on a going-forward basis:

- Communicate with Bruce Allen management in general terms the "actual" loss or negative contribution margin calculated by Internal Audit, which was already communicated to them by Internal Audit;

- Return Bruce Allen to a competitive unit-basis contract no later than July 1, 2012. On February 14, 2012, Bruce Allen signed a Time & Equipment (T&E) contract with CPA, which is set to expire on December 31, 2012. The purpose of the new agreement was to help Bruce Allen recover some of their past losses until Internal Audit completed their analysis and have Bruce Allen return to the job site (they didn't perform any work for approximately a 6-week period);

- Modify the previous unit-based contract for the negative contribution margin (9.5%) calculated by Internal Audit, a profit factor (4%), and an inflation factor (3%) into the new unit-priced contract; and

- Any future work completed by Bruce Allen must be done safely, compliantly, and successfully.

Background

Bruce Allen Pipeline Incorporated ("Bruce Allen") is a private company and was established in the State of West Virginia in 1975.

Bruce Allen also performs work for the Equitable Gas Company and the Mountaineer Gas Company in Pennsylvania and West Virginia. They also provide construction services to other types of utility companies, including water and sewer.

In April of 2009, Columbia Gas of Maryland started using Bruce Allen on a bid project in Cumberland, Maryland. Based on their exceptional performance, they were invited to bid on a small blanket contract in 2010 and were awarded the Pennsylvania South blanket contract. Initially, they provided 3-4 crews and this increased to 8 crews as a result of the increase in the capital budget.

Bruce Allen's revenues totaled $23.3 million and $22.8 million for the years 2011 and 2010 respectively. During this time frame, CPA paid Bruce Allen approximately $5.7 million for construction services.

Summary of Audit Scope and Procedures

Audit Scope: The purpose of our audit was to determine whether the negative contribution margin reported by Bruce Allen on pipeline construction work, completed for the years 2010 and 2011 in the amount of approximately $1,239,000, was properly calculated and supported.

Audit Procedures: The following procedures were performed to analyze and validate project revenues and costs recorded in the job cost ledger:

- Reconciled NiSource Work Management System payments to Bruce Allen accounting records (cash receipts);
- Reconciled the detailed payroll records (payroll registers) to the job cost ledger;
- Reviewed Bruce Allen payroll taxes for reasonableness based on Federal (Unemployment, Social Security, Medicare) tax rates and State (Unemployment) tax rates in Pennsylvania and West Virginia;
- Reviewed Worker's Compensation (WC) for reasonableness based on Pennsylvania and West Virginia WC rates and audits completed by The Travelers Indemnity Company of America (insurance carrier);
- Reviewed project cost/expense accounts to ensure selected activity was properly supported and represented valid project costs/expenses;
- Verified that personal expenses were not charged to the project;

Summary of Audit Scope and Procedures (Cont'd)

- Reviewed for any related party transactions;
- Determined whether fixed (capital) assets acquired were properly accounted for in the job cost records;
- Recorded depreciation for assets acquired and utilized on Columbia Gas projects;
- Reviewed outstanding receivables and payables related to work completed for Columbia Gas of Pennsylvania through December 31, 2011;
- Prepared a Working Trial Balance and related journal entries to record, reclassify and adjust project revenues and costs/expenses as needed; and
- Reviewed the audit results/adjustments with Construction Services and Supply Chain management.

Summary of Audit Results

Based on our analysis, Bruce Allen suffered a negative contribution margin (CM) of approximately $540,000 (see page 10) excluding any net income tax benefit, if any, from reporting this loss (negative CM) on the owner's personal income tax return. This is approximately $699,000 less than the $1,239,000 reported by Bruce Allen management. The major differences between Bruce Allen's job cost records and Internal Audit's analysis is described below. (For a complete listing of all Internal Audit adjustments and reconciliation of the contribution margin, please see page 10.)

- A review of the detailed payroll records disclosed that Bruce Allen paid per diem and reimbursement of rental costs totaling $593,000 and $1,700 respectively. These costs are not taxable, therefore, Bruce Allen should not have applied their payroll overhead rate of 35% to these costs. In addition, employees were paid "Show Up Pay" totaling $9,509. Although these payments are taxable, Bruce Allen didn't report them as taxable on the payroll tax returns.

- Internal Audit obtained Bruce Allen's quarterly payroll tax returns, including Form 941, UC-2 (PA), WVUC Contribution Report (WV), annual payroll tax form (940), worker's compensation records and audits completed by their insurance carrier (Travelers), and recalculated the actual payroll overhead rate. Based on this information, Internal Audit calculated the actual payroll overhead rate of 21.75%.

- The impact of the previous two items on the CM was approximately $503,400 (decreasing the negative CM).

- For informational purposes only, Bruce Allen does not offer a 401K Plan, pension plan, or profit sharing plan.

Summary of Audit Results (Cont'd)

- Internal Audit analyzed various cost accounts (i.e., Job Supplies, Equipment Maintenance, Rental, etc.) and found Fixed (Capital) Assets acquired and charged to the job cost ledger. These costs should be capitalized and depreciated over the useful life of the individual assets. This decreased the negative CM by approximately $166,600.

- Various other offsetting adjustments were made to bring the job cost ledger in line with supporting documentation. The net impact of these adjustments totaled approximately $28,000 (decreasing the negative CM). See page 11 for a complete listing and description of each adjustment.

General and Administrative (G&A) Expenses:

As previously indicated on page 3, G&A expenses were not analyzed as part of our audit work. G&A expenses reported for years 2009 and 2010 were $1,508,338 and $1,779,254 respectively, and are typically allocated by sales (arbitrary method) or by identifying the cost drivers and assigning the indirect costs to the customer more objectively based on cause-and-effect relationships. The 2009 and 2010 figures were reported by their outside accounting firm. As of the date of our audit, the 2011 financial statements had not been completed. Allocating the G&A expenses (2009, 2010) costs based on sales (2010, 2011) would have resulted in G&A expenses of approximately $406,000, which may or may not be reflective of the true G&A expenses associated with the CPA construction work. According to Bruce Allen management, the only significant G&A cost that resulted from the additional CPA construction work was hiring a full-time clerical person to handle the increased administrative tasks (i.e., billing verification, processing cash receipts, etc.).

BRUCE ALLEN PIPELINE, INC.
CONTRIBUTION MARGIN
2010-2011

	Per Contractor's Records	Per Internal Audit	Difference
Construction Revenue	$5,635,331	$5,694,074	($58,743)
Construction Costs:			
Wages	$2,864,500	$2,314,249	$550,251
Per Diem	0	539,017	(539,017)
Rental Truck Reimbusement	0	1,725	(1,725)
Show Up Pay	0	9,509	(9,509)
Health Insurance	0	105,993	(105,993)
Medical	0	4,456	(4,456)
Overhead (Payroll Burden)	1,002,570	499,213	503,357
Job Supplies	769,832	355,318	414,514
Drilling Costs	0	115,645	(115,645)
Sand & Gravel	768,566	769,588	(1,022)
Operator Qualifications	0	35,992	(35,992)
Fire School Training	0	3,300	(3,300)
M7/QA Training	0	35,320	(35,320)
Depreciation - Equipment/Vehicles	0	75,260	(75,260)
Subcontractors	192,522	211,667	(19,145)
Equipment Rental	595,573	487,813	107,760
Fuel & Oil	324,409	319,376	5,033
Equipment Maintainence	200,623	146,793	53,830
Truck Repair (Accident)	0	1,908	(1,908)
Other Expenses	0	1,063	(1,063)
Facility Damages	0	4,618	(4,618)
Motel Stay (Employee Travel)	155,408	113,282	42,126
Rental Leases:			
Rent	0	67,300	(67,300)
Electric	0	4,176	(4,176)
Waste Removal	0	5,584	(5,584)
Water	0	291	(291)
Telephone	0	4,867	(4,867)
Depreciation - Furn./Fixt.	0	1,087	(1,087)
Total Construction Costs	$6,874,003	$6,234,410	$639,593
Contribution Margin (Negative)	($1,238,672)	($540,336)	($698,336)

***** **Contribution Margin = Construction Revenue - Construction Costs**

EXPLANATION OF THE DIFFERENCE ($698,336) BETWEEN BRUCE ALLEN PIPELINE & INTERNAL AUDIT CALCULATIONS

Description	Increase (Decrease) Contribution Margin	Explanation
Construction Revenue	$58,743	Check received in 2012 for construction services completed in 2011 ($257) Adjustment for sand & gravel ($26,807) and fuel ($31,680) paid in 2012
Overhead (Payroll Burden) - Payroll Taxes & Workers Compensation Company does not offer 401K plan, pension plan, or profit sharing plan	503,357	35% payroll overhead rate applied to gross payroll; the effective rate was 21.75% The 35% rate was also applied to per diem & truck rental reimbursement (these costs are non-taxable)
Non-Columbia Project	13,419	Costs recorded in the job cost ledger; however, costs belong to another customer
Set-up Fixed Assets	166,619	Reclassify Fixed (Capital) Assets from various job cost accounts
Record Depreciation	(76,347)	Record depreciation (straight-line, mid-year convention, 5 years) for assets acquired during 2010-2011 ($38,963) Record depreciation expense for assets acquired by Bruce Allen prior to 2010 and are being used on Columbia projects ($37,384)
Accrue Payables	(19,145)	Accrue unrecorded payables for 2011 costs
Record Employee H/W Insurance	(105,993)	Record employer paid health insurance benefits (hospitalization/dental/eye)
Reclassify Loan/Credit Card Activity (2010)	54,054	Reclassify loan/credit card payments from various cost accounts
Reclassify Loan/Credit Card Activity (2011)	56,538	Reclassify loan/credit card payments from various cost accounts
Reclassify Loan Payments from Equipment Rental Account (2010 & 2011)	47,094	Reclassify loan payments recorded in the project cost records (rental cost account)
	(4)	Rounding differences
Net Increase to Contribution Margin	$698,336	

Report Distribution

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TO: Linda Siddons, Director, Meter to Cash

FROM: Joseph Siget, Director Audit
Nicole Paloney, Audit Manager
Shelley Duling, Senior Auditor

DATE: July 18, 2011

SUBJECT: Revenue Audit – Columbia Distribution Companies

Internal Audit has conducted an audit on the billing policies and procedures in place for gas measurement billing (GMB) customers at the Columbia Distribution Companies (CDCs). The review focused on verifying the accuracy of customer bills and review of the controls in place to monitor volume usage for reasonableness. In addition, Internal Audit ensured billing adjustments are monitored for validity and accuracy.

Background

A customer is determined to be GMB based on annual volume requirements, pressure, and metering equipment. GMB customers are further classified as Gas Transportation Service (GTS) or non-GTS. GMB/GTS customers can be billed in accordance with tariff rates published by the applicable state's Public Utility Commission or flex rates associated with negotiated special agreements; whereas, GMB non-GTS customers are primarily billed in accordance with tariff rates. Internal Audit performed a GTS Revenue Audit in 2010, with the audit report issued on August 13, 2010, as such, the 2011 Revenue Audit will focus on GMB non-GTS customers. As of April 30, 2011 there were approximately 3,217 GMB customers of which approximately 1,018 were classified as GMB non-GTS.

The primary business risks associated with this business process are as follows:

- GMB non-GTS customers may not be billed in accordance with the established billing cycle;
- Monthly invoicing for GMB non-GTS customers may not reflect current tariff rates and actual volume used;
- Customer consumption may not be monitored to ensure reasonableness; and
- Billing adjustments may not be properly reviewed for validity and accuracy.

Conclusion

In addition to the procedures outlined below, Internal Audit completed a thorough walkthrough of the GMB billing operations with key process owners from execution of the contract to the monthly general ledger posting for financial reporting. Internal Audit has determined that key controls over several processes within the scope of our procedures appeared to be functioning appropriately during the period under review.

Internal controls and processes are effective in mitigating the risks specific to the achievement of business objectives in the following areas:

- Customers are billed in accordance with the established billing cycle;
- Rates billed are accurate and in accordance with tariff rate schedules and provisions;
- Volumes billed represent actual usage; and
- Billing adjustments are properly reviewed for validity and accuracy.

Internal controls and processes associated with the following areas need to be improved in order to bring the control environment to an appropriate level in mitigating the risks specific to the achievement of the business objective. Management should consider the costs, benefits, and personnel requirements associated with the process recommendations noted below:

- Due to timing of when the monthly volume variance reports (i.e., High/Low reports) are reviewed, not all customer accounts are being analyzed to determine reasonable consumption. An account will not appear on the High/Low report until it has been billed in a given month; however, the reports are reviewed prior to all accounts being billed. In addition, the High/Low report is not signed and dated, denoting management's review.

We have reviewed the results of our audit with management.

Summary of Audit Objective, Scope, Results and Recommendations

Audit Objective 1: Determine that monthly invoices to GMB non-GTS customers are accurate.

Scope:

- Determine that GMB non-GTS customers are billed in accordance with the established billing cycle.
- Verify that rates billed are in accordance with the appropriate Public Utility Commission tariff rate schedule. Verify that volumes billed represent actual usage.
- Determine that customer consumption is monitored to ensure reasonableness.
- Determine that billing adjustments are monitored and reviewed for validity and accuracy.

Results:

- To ensure GMB non-GTS customers are billed monthly, the Distributive Information System (DIS) Billing Team Leader generates a "Billing is Completed" report from the Flow-Cal system, which is the initial input of volumes consumed, upon completion of billing each month. This report would identify any accounts that have not been billed as of a specific date.

For a sample of months, the "Billing is Completed" report was obtained noting that there were no accounts included on the report, as such, all accounts were billed. In addition, it was verified that the report was properly signed and dated supporting timely review of the report.

- To verify the accuracy of the monthly billings, a sample of GMB non-GTS customers were selected and the April 2011 invoice for each customer was obtained. For each invoice reviewed, the following procedures were performed:

    1. The rate schedule denoted on the invoice was assessed for reasonableness through review of the tariff, which defines the availability of each rate schedule typically categorized by volume usage.

    2. Billed rates were agreed to the selected rate schedule within the tariff.

    3. Taxes assessed were agreed to the tariff or documentation from the proper taxing authority.

    4. Other miscellaneous charges, such as late payment charges and Weather Normalization Adjustments (WNA), were recalculated in accordance with the tariff.

    5. Invoices were reviewed to ensure all applicable charges were included based on the selected rate schedule.

    6. Meter registration volume agreed to the meter Chart for manually read meters or Flow-Cal statements for Electronic Flow Correction meters. The accuracy of temperature and pressure readings for the manual chart readings was also verified.

    7. Delivered consumption represents the billed volume and is calculated within Flow-Cal from the meter registration volume. It was verified that the delivered consumption agreed to Flow Cal for the respective time period. The calculation from meter registration volume to delivered consumption volume was not recalculated due to the complexity.

    8. Prior period balances were agreed to the March 2011 invoice.

    9. Invoices were recalculated, ensuring mathematical accuracy.

One exception was noted in reviewing the accuracy of invoices based on the steps performed above. A Columbia Gas of Kentucky customer was not properly charged the WNA, which is applied to billing months December through April, due to the revenue class for the customer being improperly changed in August 2010. As of testing, there was not a control in place to verify the reasonableness of a revenue class change for GMB accounts. Management is currently in the process of developing a memo within DIS that will notify Billing Exceptions of changes in the GMB revenue class. Upon notification, Billing Exceptions will review the change for reasonableness.

- Monthly, a variance report referred to as the "High/Low" report is generated from the Electronic Measurement Data Collection System by Industrial Billing Associates for their respective locations. An account will appear on the High/Low report if it has been billed for the selected month and the current month's delivered consumption has at least an 80% variance as compared to one of the prior two months or the current month of the prior year. Industrial Billing Associates are responsible for investigating the variances generated from the High/Low report.

  A sample of months and locations were selected to determine that the High/Low report is reviewed for volume consumption reasonableness. In reviewing the selected reports, it was noted that the selected reports were generated prior to all units being billed in the selected month. As such, accounts were excluded from the analysis that met the 80% threshold criteria upon billing. In addition, the reports were not properly signed and dated, denoting management's review.

- Billing adjustments related to GMB non-GTS must be properly approved through standard approval forms depending on the type of adjustment. A sample of billing adjustments from the period May 2010 through April 2011 was selected. For each selection, it was verified that the adjustment was approved timely. The accuracy of the adjustment was verified on a test basis. No exceptions were noted.

Recommendations: It is recommended that the High/Low report generation process be reevaluated to ensure all accounts are included in the review. In addition, it is recommended that the High/Low report be signed and dated, denoting management's review, possibly through an electronic process to provide better tracking for review and auditing purposes.

We appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any additional questions or require additional information, please do not hesitate to contact Joseph Siget at (614) 460-4847, Nicole Paloney at (614) 460-5483, or Shelley Duling at (614) 460-6062.

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TO: Chuck Shafer, Vice President of Planning and Engineering
Michael Davidson, Vice President of Customer Operations

FROM: Kim Mercer, Lead Auditor
Ryan Binkley, Audit Manager
Joseph Siget, Director Audit

DATE: September 27, 2011

SUBJECT: Leakage/Corrosion Inspection Follow-Up Review (CDC)

Internal Audit has conducted a follow-up review for the Columbia Distribution Companies (CDC) to determine if adequate controls/processes have been implemented to ensure that leakage and atmospheric corrosion inspections are conducted timely and in accordance with the applicable inspection cycle timeframes as set forth by the Department of Transportation (DOT) regulatory requirements. The audit procedures were aligned with the operational business objectives and the means by which the following associated primary business risks are managed:

- CDC may not be in compliance with DOT regulatory requirements if controls/processes are not adequate to identify, complete, and document leakage/atmospheric corrosion inspections timely and in accordance with the applicable Company Leakage Control/Inspection Program established in NiSource Policy and Procedures; and
- CDC may be subject to state-specific fines and penalties if leakage/atmospheric corrosion inspections are not completed in accordance with DOT regulatory requirements.

Background

In 2009, Internal Audit completed an audit of selected compliance related processes performed within the Integration Center (IC) for the CDC. One of the primary audit objectives within the scope of the audit was to determine if controls/processes were adequate to ensure that leakage surveys and atmospheric corrosion inspections were being scheduled, completed, and documented within the appropriate inspection cycle timeframe.

Note: *The term "inspections" will include both leakage and atmospheric corrosion inspections for the remainder of this report as the inspections are performed simultaneously based on the appropriate inspection cycle timeframe/schedule, generally every one or three calendar years, established in the applicable Company Leakage Control/Inspection Program(s) set forth by NiSource Policy and Procedures. (Reference "Gas Standards" 1708.02 and 1450.01)*

Based on testing performed during the previous audit, Internal Audit determined that processes were not adequate to efficiently and effectively identify and monitor customer accounts to determine if inspections are being completed within the inspection cycle timeframes as required in the applicable Leakage Control/Inspection Program(s). A majority of the issues noted pertained to the

identification and timely completion of service line inspections on accounts with "inaccessible" meters (i.e., indoor meters, fenced in meters, etc.) and/or Automated Meter Reading (AMR) devices. Regulatory requirements state that "*leakage surveys over service lines shall be conducted over the entire length of the service line up to the outlet of each meter, including inside meter sets.*" A Management Action Plan (MAP) was issued in 2009 which outlined the issues noted with the controls/processes that were in place at the time of the audit.

Internal Audit recommended in the MAP that management implement controls and/or processes to adequately identify, monitor, and document accounts to ensure leakage inspections are conducted in accordance with the inspection cycle timeframes set forth by Company Policy and Procedures. Management agreed with our recommendations and indicated in the MAP response that the key stakeholders would collaborate and develop processes to adequately identify, monitor, and document accounts to ensure leakage inspections are conducted in accordance with regulatory requirements. The adequacy of the newly developed processes/controls to ensure timely completion of service line inspections with "inaccessible" meters became the primary focus of our follow-up review.

Additionally, as part of the 2009 IC Compliance Audit, Internal Audit reviewed the processes in place to ensure customer service initiation/upgrade "new business" appointments were scheduled in compliance with the required timeframes as outlined in the Ohio Minimum Gas Service Standards (OMGS) contained within the Ohio Administrative Code; also, the adequacy of the "customer notification" process for rescheduling "missed" new business appointments. Our prior review of these processes resulted in an additional MAP necessitating corrective action(s) to be implemented by management; in addition to follow-up testing procedures to be performed by Internal Audit, which were also included as part of this review. The summarized results of the follow-up procedures performed were used to evaluate the adequacy of the corrective actions implemented by management to satisfy the requirements of the MAP, and are included at the end of this report.

Conclusion

Based on our overall assessment, Internal Audit concluded that the newly designed processes/controls implemented by the "Inaccessible Meter Inspections" project team appear to be adequate to ensure service line leakage/atmospheric corrosion inspections due for customer accounts with inaccessible ("inside") meters are identified, scheduled, and completed timely in accordance with the appropriate inspection cycle timeframe; in addition to being conducted in accordance with DOT regulatory requirements. Additionally, the programming criteria designed to identify and document the "Inside Inspection" date in the Distributive Information System (DIS), the customer billing system, appears to be appropriate and reasonable. Furthermore, the preliminary "work plan" and processes/procedures appear reasonable to efficiently and effectively manage "past due" inside inspections and current inspections due. Lastly, the initial performance monitoring reports appear to be adequately designed to assist management in measuring the project goals/objectives and monitoring the overall effectiveness of the inaccessible meter processes.

Internal Audit determined that the processes/controls implemented by management adequately address the issues previously outlined in the MAP (related to the timely completion of leakage/atmospheric corrosion inspections for CDC) and considers the MAP **"closed"**.

Recommendations to develop formal documentation for the "programming criteria" pre-determined by the project team to populate both the "Inside Inspection" date field in DIS and the weekly "Inaccessible Meters" Report, in addition to developing formal training documentation for the initial

IC processes/procedures for managing the inaccessible meter inspection database and scheduling inside inspections, are discussed later in this report. Internal Audit has reviewed the results of the audit with management.

Summary of Audit Objective, Scope, Results and Recommendations

Audit Objective: Determine if controls/processes have been implemented to provide reasonable assurance that customer accounts are adequately identified, monitored, and documented to ensure inspections are scheduled and completed within the appropriate inspection cycle timeframe; in addition to being conducted in accordance with DOT regulatory requirements.

Scope:

- Assess the overall reasonableness of the "Inaccessible Meter Process" and determine if the processes/controls are adequate to ensure service line inspections for customer accounts with inaccessible meters are scheduled and completed timely and in accordance with regulatory requirements; also, assess the "Communications Lifecycle Process" for timeliness and sufficiency of customer communications.

- Assess the adequacy of the "pre-determined" programming criteria designed to populate and document the new "Inside Inspection Date" field in DIS; in addition to the adequacy of the design of the weekly "Inaccessible Meters" Report utilized for identifying and monitoring customer accounts with inside inspections due.

- Assess the reasonableness of the proposed "work plan", including the preliminary IC inside inspection processes/procedures to ensure "past due" inspections for service lines with inaccessible meters are managed ("worked") and completed in a timely manner, in addition to maintaining current inspections due. Also, ensure adequate performance monitoring reporting tools have been developed.

Results:

Inaccessible Meter Process

- Based on our assessment, we determined that the new processes/controls developed by management appear to be reasonable and adequately designed to ensure service line inspections for customer accounts with inaccessible meters and/or AMR devices are scheduled and completed timely and in accordance with regulatory requirements.

  A project team consisting of key stakeholders and subject matter experts was created in 2009 to develop new inspection processes for service lines (particularly those with meter settings that are inaccessible or have AMR devices) to address ("close out") the prior MAP and resolve the issues related to timely completion of inspections. Internal Audit reviewed the overall "Inaccessible Meter/Service Line Process" designed by the project team to determine if customer accounts, with inaccessible meters/AMR devices, having service line inspections "due" are properly identified and monitored to ensure timely scheduling/completion of inspection service orders in accordance with the applicable Company Leakage Control/Inspection Program and regulatory requirements. As part of the new processes, an "Inaccessible Meter Inspection" database was developed (based within DIS tables) to identify, monitor, and manage

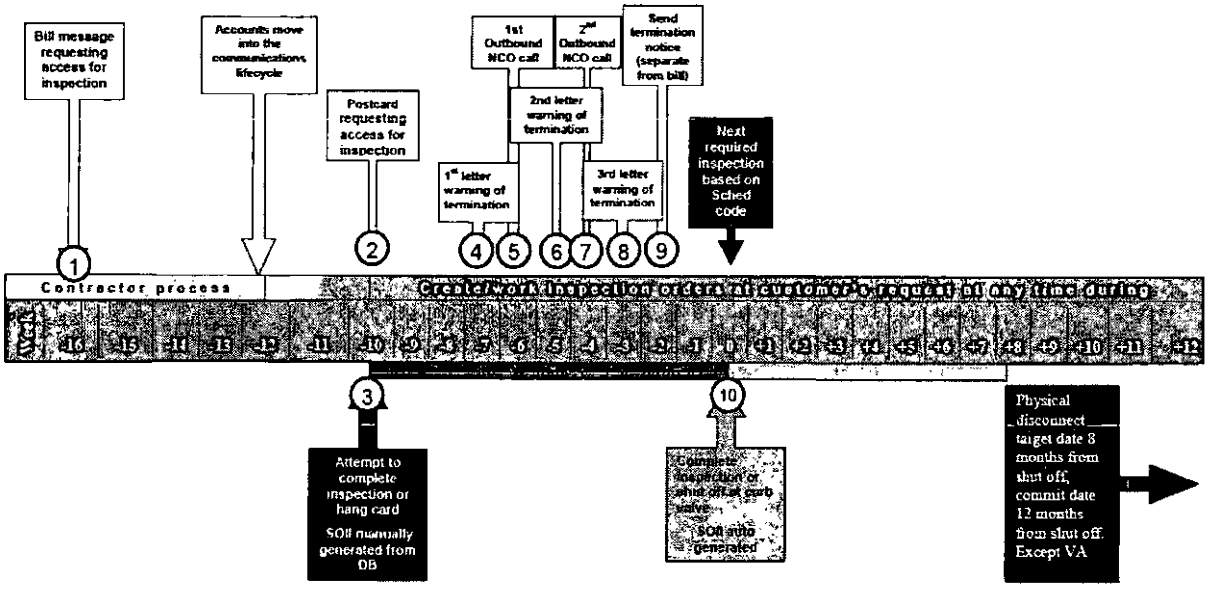
the volume(s) of inspections due and a preliminary work plan was created with the projected approach for completing "past due" inspections, or backlog, while also remaining current on required inspections due in 2011 and 2012. *(The database and the work plan are discussed in further detail later in this report).* Additionally, a new DIS field was created to individually document the date inside inspections are performed on applicable customer accounts with inside meters; similar to the existing outside inspection date field.

Based on inspection due dates, accounts will be populated into the database, which will automatically prompt numerous communications encouraging the customer to schedule an inspection (i.e., bill messages, phone calls, post cards, letters, etc.). This process, referred to as the "Communications Lifecycle Process", begins approximately three (3) months prior to the inspection due date. In the meanwhile, contractors and/or company employees will continue to complete inspections as much as possible (i.e., contractors successful in completing inspections via "front end" processes, qualified service technicians on-site for service orders that also satisfy inspection requirements, etc.). See the illustration below for an overview and timeline (provided by the project team) of the inspection process for "active" accounts. *(Note: The project team also developed a similar inspection process for "idle/inactive" accounts, which still require inspections to be performed, however is not illustrated in this report.)*

Inaccessible meter/service line follow-up process

Non-Business District 0 = 36 months

Business District 0 = 12 months



Note: In the timeline illustration above, "-16" represents 16 weeks (~ 4 months) prior to the inspection due date and "0" represents the actual inspection due date. At "-16" weeks, contractors will be provided a significant number of inspections due and will complete as many as possible utilizing individual processes "agreed upon" between the contractor/company in an attempt to reduce the backlog prior to week "-12" (~ 3 months) when accounts move into the "Communications Lifecycle".

As noted in the illustrated timeline, an "Inside Inspection Service Order" (SOII) is generated to schedule and/or document the completion of inside inspections (for inspections where the meter location has been deemed potentially "inaccessible", even if the meter is located "outside"). The SOII order is one of many newly created service order (SO) "sub-categories". In the past, inside inspections were documented via the completion of a SO job type, as well as other "general" types of services performed by service technicians. This made it nearly impossible to identify and monitor the completion of inside inspections, since frequently the inspection was only documented by inputting "remarks" in the customer account. The SOII order type allows for inside inspections to be uniquely identified for tracking purposes, in addition to being scheduled and monitored for timely completion.

As illustrated above, SOII orders are automatically generated when an account reaches a "target date" of "0", which is the inside inspection due date (based on the date of the last completed inside inspection and the applicable regulatory required timeframe). Once an account reaches the "0" target date, in order for the technician to complete the assigned SOII order, the inside inspection must be completed or service terminated (i.e., "shut-off" gas at the curb). Additional job orders may be created by the technician and/or by contacting the IC, if necessary, in order for gas to be properly shut off (i.e., "disconnect" orders, "further action required" orders such as "curb box location" or "installation of curb valve", etc.). Additionally, at any point during the process ("Communication Lifecycle"), an SOII order may be manually generated to document the successful completion of the inspection. SOII orders have been given a "high priority" rating (i.e., similar to "connect" and "non-pay" order types) to ensure the prompt scheduling of the orders by the IC. If a customer has not called to reconnect service within 8 months of the "shut-off" date, the account will be "abandoned" and the service line will be "physically disconnected" from the main line, as required to be fully compliant with DOT regulatory requirements.

In addition to the SOII order, a checkbox was created on the "Mobile Data Transmitters" (MDT) to be completed by service technicians for **any** job order in which inside inspections were also performed while on-site. The completion of this checkbox (for any order type) is required to document that the inside inspection was performed and will update the inside inspection date field in DIS accordingly.

Lastly, an AMR code was created to uniquely identify meter readings performed on accounts with AMR devices. Previously, accounts with AMR devices were not able to be monitored because an AMR was coded in DIS as an "actual read", even though an inspection may not have been performed. The new AMR code allows accounts with AMR devices to be separately identified and monitored for timely completion of inspections due (based on established programming criteria for AMR devices).

Identification/Monitoring of Inside Inspection Dates (*criteria and reporting*)

- Based on testing performed, the programming criteria designed by the project team to populate and document the new "Inside Inspection Date" field in DIS appear to be reasonable and adequate. Furthermore, the overall design of the weekly "Inaccessible Meters" Report utilized for identifying and monitoring customer accounts with inside inspections due appears appropriate.

As noted previously, inside inspection completion dates have not been historically tracked. Therefore, the project team established "pre-determined" programming criteria to populate the "initial" inside inspection date for each account in DIS in order to determine and monitor inspection due dates. One primary component of the criteria was based on various DIS order types, which based on company policies and procedures, satisfy the requirements for successful completion of inside inspections. These order types (referred to as "gauge orders") require specific procedures to be performed (such as "pressure testing") which also satisfy inspection requirements. (Examples of gauge orders as identified by the project team include, but not limited to: "non-payment" (NP), "new setting" (NS), "old setting" (OS), "reconnect" (RC), non-index only "meter changes" (MC), installation of AMR devices (IE), etc.). If completion of an inspection was unable to be supported for a particular order type (based on outlined policies and procedures for order completion), the order type was not included as part of the criteria.

Some additional examples of criteria utilized to populate the initial inside inspection DIS date field include:

- Last "actual" meter reading dates (*differs for AMR vs. non-AMR accounts*);
- Last outside inspection date (*for Columbia Gas of Virginia (CGV) only, as the protocol is for inside inspections to be performed in conjunction with outside inspections*);
- Inspection schedules to determine the appropriate inspection cycle timeframe (*i.e., every calendar year not to exceed 15 months for "business" and "intermediate" accounts, every 3 years not to exceed 39 months for most other accounts, etc.*);
- Meter locations to determine if the meter may be "inaccessible" (*i.e., garage, under porch, etc.*); and
- Premise status (*i.e., active, inactive, meter abandoned, etc.*).

Upon a detailed review with the project team members, Internal Audit determined that the completion of an inside inspection would be sufficiently supported based on the requirements outlined in company policies/procedures to be followed for the individual "gauge orders" or other actions which satisfy the requirements (such as "actual" readings). In general, as part of the programming criteria, the initial inside inspection date in DIS is populated based on the most recent actual read date or completion of the most recent gauge order satisfying the inspection requirements; except for CGV, whereas the inside inspection date is "synched" with the outside inspection date. Internal Audit concluded that the established criteria appear to be reasonably designed to populate and support the initial inside inspection date in DIS.

Note: If none of the established criteria to sufficiently support the completion of an inside inspection, the date field is not populated (displays "zeros") in DIS. The absence of an inside inspection date is considered by the project team as "past due", as there is no evidence to support completion of the inspection.

As part of our review, we performed detailed testing on a sample of 12 customer accounts (for various locations/states) to determine if the new DIS inside inspection date field had been accurately populated. Based on the established criteria, we

discovered 3 CGV accounts in which the inside inspection date was incorrect. As noted previously, the criteria for CGV is unique in that inside inspections are performed in conjunction with outside inspections. In order to complete/execute a service line inspection, per protocol, both the inside and outside inspections must be completed; therefore both DIS inspection dates should be the same in CGV.

Per discussions with the project team and Information Technology (IT), it was discovered that this was due to the "timing" of the initial file to "load" data into DIS to populate the initial inside inspection date, which occurred on 3/31/2011. Any CGV inspections completed AND executed in DIS after this date, did not have the inside inspection date updated accurately. Going forward, implementation of the "live" programming (which occurred on 9/18/2011), would begin properly updating inside inspection dates to be "synched" with the outside inspection date; however, the programming was not in place to "backfill" the accurate inside inspection date field in DIS for those accounts with inspections executed after 3/31/2011. Therefore, CGV inspections executed during this timeframe (~ 5 months) reflected an inaccurate inside inspection date, causing the inspections to appear as "past due".

Note: Internal Audit had follow up discussions with the project team and IT and discovered that on 9/19/2011, additional programming had been developed to resolve the issue and accurately update ("synch") the inside inspection dates for impacted accounts (which totaled ~2,800 accounts in CGV). We re-performed testing on the identified sample accounts and consider this issue resolved.

In the future, inside inspection dates will be automatically updated based on completion of the previously mentioned MDT checkbox during completion of service orders. The MDT checkbox is a newly created mandatory field which must be updated (with a "yes" or "no") in order to complete service orders.

Furthermore, an interim weekly "Inaccessible Meters" Report has been created to assist the IC in monitoring and scheduling inside inspections until the automated process begins in January of 2012. (*Due to annual shut-off "moratoriums" during the months of November to March, the new process cannot begin until January 2012 to ensure gas is not shut-off during this timeframe; which would be approximately 3 months from the date the accounts were "moved" into the database, or "Communications Lifecycle", as illustrated previously.)* The weekly report includes the last date an inside inspection was performed (based on the criteria and DIS date field); in addition to "target" and "commit" completion dates based on the applicable regulatory required inspection timeframes (typically every calendar year or every 3 years). The IC is currently scheduling inspection service orders as resources are available.

The new process beginning in 2012 will automatically generate customer communications and SOII orders to ensure timely scheduling and completion of inside inspections based on the inspection due date; therefore, the interim weekly report will no longer be needed to schedule inspections. However, project team members and IC management indicated that they intend to continue monitoring the weekly report as a performance tool to ensure the process is working as intended and that inside inspections are being completed and updated in DIS accordingly. The report should reflect a continual decrease in the volume of past due inspections and inspection dates should update automatically if the process is working as expected. The report can

also be utilized to further "analyze" inspections by city/town, if necessary or as time permits, in order to "manually" assign SOII orders to available resources within specific locations.

Preliminary "Work Plan" and Processes for Completing Inside Inspections

- Based on our assessment, the proposed "work plan", including the preliminary IC processes and procedures, appears reasonable to ensure "past due" inspections for service lines with inaccessible meters are managed ("worked") and completed in a timely manner, in addition to maintaining current inspections due. Additionally, the initial performance monitoring reports appear to be adequately designed to assist management in measuring and monitoring the project goals/objectives, in addition to the overall effectiveness of the inaccessible meter processes.

  A proposed work plan has been created by the Customer Operations Training department in conjunction with the project team to identify the volume of inside inspections required to be performed for the CDC by location/state. The primary goal of the work plan is to estimate the number of SOII orders (and "shut-offs"). The plan "projects" the volume of inspections due/past due by year-end 2011, in addition to the volumes due each month in 2012 to remain "current", based on "target" inside inspection due dates as determined by the regulatory required inspection cycle timeframe. As of September 2011, there were approximately 140,000 inspections due/past due in 2011 for CDC.

  The work plan factors in components such as:

  - A conservative percentage (~65%) of inside inspections "expected" to be completed by contractors on the "front end" of the company "Inaccessible Meter Process";
  - "Leveled" plan units (spread evenly each month throughout the year) so that inside inspections that are not successfully completed by contractors can be entered into the "Communications Lifecycle" in a controlled manner to "level" scheduling of inspection appointments and "shut-offs" as much as possible;
  - "Shut-off" moratorium months (November – March) to ensure the plan/process incorporates potential "shut-off" orders during pervious or subsequent months, while still focusing on compliance with regulatory timeframes;
  - Prioritization of upcoming service line abandonments projected for 2012-2013; as inside inspections will not be necessary if the service line has already been abandoned. There were approximately 27,000 idle service lines identified with inside meter inspections due (by year-end 2012) that are also required to be abandoned in the next couple of years. These abandonments are being prioritized and scheduled for completion by the IC as part of a separate initiative; and
  - A planned percentage of AMR devices projected for installation on customer accounts with inside meters in each location/state during 2011/2012. The installation of an AMR device for customer accounts with inside meters satisfies the inspection requirements as inside inspections are to be performed as part of the installation.

Prior to any "adjustments" to the work plan for the aforementioned components, the estimated total of inside inspections required to be performed by year-end 2012 (*including the estimated volume of "unsuccessful" inspections from 2011*) approximates more than 200,000 inspections for CDC. Conversely, with "adjustments" factored into the work plan due to inspections being successfully completed as part of other previously mentioned initiatives (such as AMR installations and abandonments), thereby reducing the total number of inspections due for CDC, the estimated inside inspections to be performed by year-end 2012 approximates 160,000. The work plan "levels" the number of inspections due each month, also including estimated "shut-offs", to equally distribute the past due inspections while also maintaining current month inspections due.

Based on the "planned" number of inspections due each month, the IC has developed preliminary procedures (to begin in January 2012) documenting the processes for entering customer accounts with inspections due into the "Inaccessible Meter Inspection" database; which "triggers" the "Communications Lifecycle Process" (noted previously). The database, accessed from the DIS "Customer Inquiry Menu", provides a summary of inspections due, including the number of accounts "pending" or "in-progress" for various "aged" categories based on compliance due dates. The categories provide a detailed view of how many accounts are due within an incremental range of days to be compliant (i.e., inspection due within 84 to 112 days, 0 to 20 days, etc.). The number of inspections past due are also identified and further categorized by "past due" (past the "target date" but still have time to complete the inspection within the allotted regulatory timeframe) and "past compliance" (past the "commit date" and is considered non-compliant).

The summary "aging" screens may also be "drilled down" (by company, location, area, premise type, etc.) in order for the IC to designate the number of accounts for each state/location to enter into the "lifecycle". The number of accounts entered for each location/state will vary, and is based on the "leveled" number of inspections due on the preliminary work plan. Once the number of accounts has been entered for each category, the status for the selected accounts will update from "pending" to "in-progress" on the summary screen, indicating that the account is now in the "Communications Lifecycle"; additionally, the sequence of numerous automated communications (as illustrated previously) will begin, notifying the customer that a required inside meter inspection is due.

As inspections are completed throughout the year, the accounts will automatically drop off the database summary screen (for both "pending" and "in progress" accounts) until they are approaching the next inspection due date (typically in 3 years). Upon reaching week "0" in the database, if the inspection has not been completed, an SOII order will automatically drop into "order scheduling" for the IC to assign to a technician. As noted earlier, SOII orders have been given a high priority rating, thus requiring the orders to be scheduled for completion promptly; in addition to the SOII order being completed via the technician successfully performing an inside inspection or "shutting-off" the gas service. If a customer has not requested a reconnection of service within 8 months from the "shut-off" date, allowing for a "winter heating" season to pass, the IC will then schedule an abandonment order and the service line will be "physically disconnected" from the main line, in order to be fully compliant with regulatory requirements.

The "Inaccessible Meter Inspections" database was also designed to include additional options to:

- Manually enter individual accounts into the database (i.e., areas that have "synched" the main line and customer service line inspections in the same cycle via a "map" will document the entire "map" as complete even if the leak inspectors were unable to "gain access" to an inaccessible meter to perform the inside portion of the inspection. These accounts with unsuccessful inside inspections may now be manually entered into the database and will follow the same process as other accounts with inspections due); and
- Pull "in-progress" accounts and create SOII orders during the lifecycle process by location, if necessary (i.e., additional resources are available to perform inside inspections in a specific area).

Preliminary performance monitoring reports have been created to assist management in measuring and monitoring the project goals/objectives, in addition to the overall effectiveness of the inaccessible meter processes. In addition to the capabilities of the database to identify and monitor the "aging" of accounts with inside inspections due/past due, additional reports have been created to assist management in determining the effectiveness of the overall process. The report identifies when inspections are completed within the process based on each "phase" of the "Communications Lifecycle"; thereby allowing management to monitor the effectiveness of each customer communication.

The overall monitoring capabilities of the database and the performance reporting, including the weekly IC report, will allow management to measure and monitor the overall goal/objectives of the project, and determine if inside inspections are being managed and completed "as expected" and are aligned with the proposed work plan. Additionally, the monitoring tools will provide management the opportunity to make any necessary adjustments to the proposed work plan in 2012, if deemed necessary (i.e., estimated percentage of inspections successfully completed by contractors on "front-end", anticipated number of "shut-off" and/or "abandonment" orders based on percentage of inspections completed, etc.).

Recommendations:

Management should consider the following recommendations:

- Formal documentation should be developed for the established "programming criteria" pre-determined by the project team to populate the "Inside Inspection" dates in DIS; which also "trigger" the number of inside inspections due on the preliminary work plan (for 2011/2012) and the target/commit dates on the weekly "Inaccessible Meters" Report. The documentation should be developed by the appropriate project team members in collaboration with the IT department; and

- Formal training documentation should be developed for the "draft" IC processes/procedures related to managing the inaccessible meter inspection database and scheduling inside inspection orders/"shut-offs" (SOII orders), once approved and finalized by the project team. The finalized training documentation should be

developed by the appropriate project team members in collaboration with the Customer Operations Training department.

"Ohio Minimum Gas Standards" (OMGS) MAP Follow-Up Summary

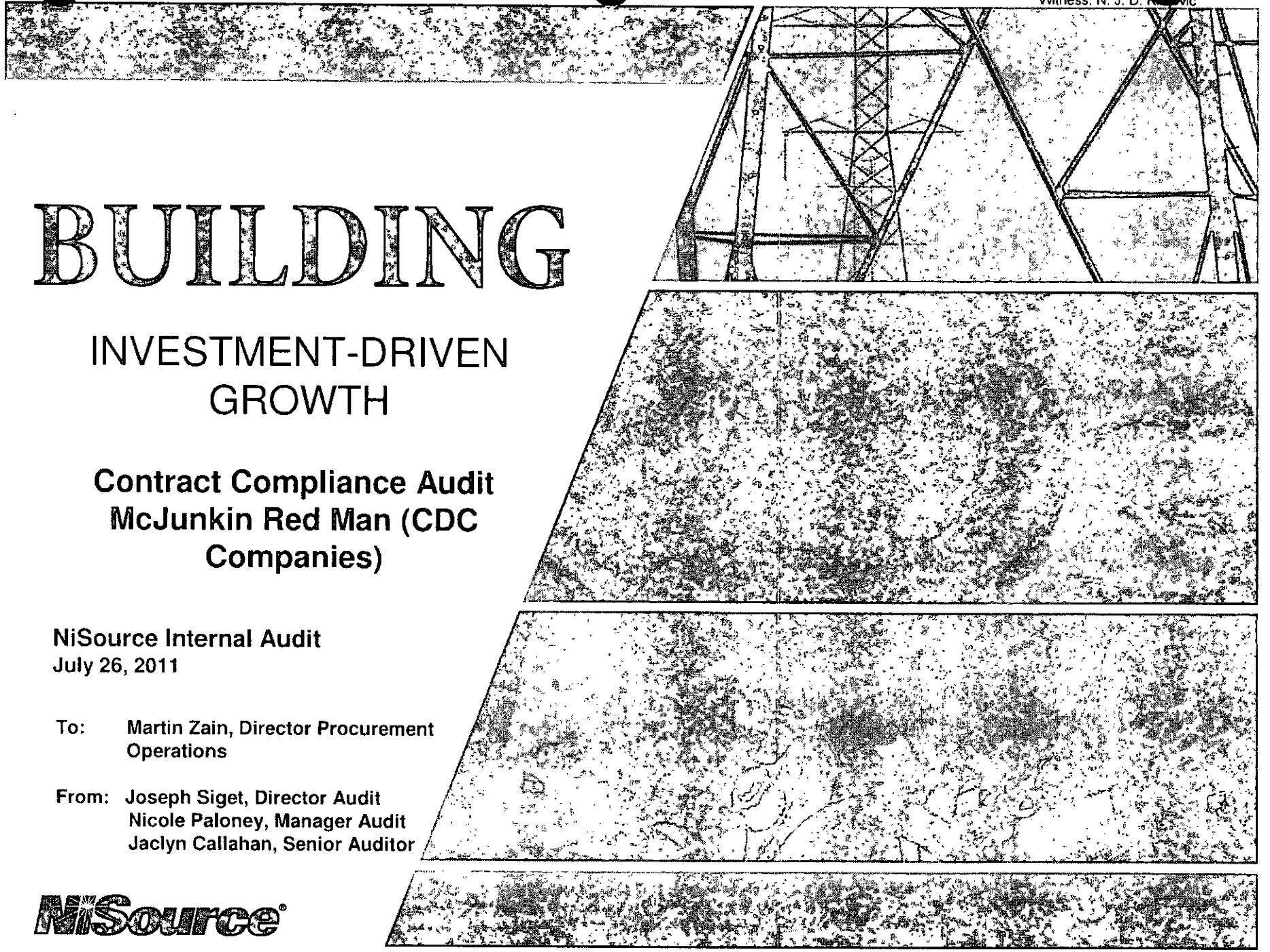
As noted in the "Background" section of this report, included as part of our review, Internal Audit also performed follow up procedures to assess the adequacy of the implemented processes implemented by management (related to the OMGS MAP) to ensure customer service initiation/upgrade "new business" appointments are scheduled in compliance with the required timeframes as outlined in the OMGS contained within the Ohio Administrative Code; including the adequacy of the "customer notification" process for rescheduling "missed" new business appointments.

A newly developed OMGS database, including daily reporting (OMGS Report), was implemented in July of 2010 to monitor new business customer appointments to ensure timely scheduling and compliance with OMGS regulatory requirements. The database is utilized to perform quality assurance reviews of new business appointments on a daily basis. Additionally, training has been provided to the responsible departments and on-going coaching is occurring as errors are identified in scheduling the applicable new business appointments as part of the quality assurance reviews.

Based on our overall assessment and follow up procedures performed, Internal Audit determined the controls/processes implemented by management are adequate to address the key business risks and considers the OMGS MAP to be "**closed**".

As always, we appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any questions or require additional information, please do not hesitate to contact Joe Siget at (614) 460-4847, Ryan Binkley at (614) 460-5985, or Kim Mercer at (614) 460-4845.

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BUILDING

INVESTMENT-DRIVEN GROWTH

Contract Compliance Audit McJunkin Red Man (CDC Companies)

NiSource Internal Audit
July 26, 2011

To: Martin Zain, Director Procurement Operations

From: Joseph Siget, Director Audit
Nicole Paloney, Manager Audit
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NiSource®

McJunkin Red Man Contract Review for Columbia Gas Distribution Companies

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McJunkin Red Man Contract Review for Columbia Gas Distribution Companies

Executive Summary

Internal Audit has completed a review of the General Services Agreement (GSA) and Service Authorization (SA) with McJunkin Red Man Corporation (MRC), the provider of pipe, valves, and fittings, plus Maintenance, Repair, and Operating (MRO) supplies for the period January 1, 2010 through December 31, 2010. The total spend reviewed as part of this contract compliance audit was approximately $40.6 million (see page 15).

The purpose of the review was to ensure compliance with the major provisions of the contract between MRC and the Columbia Distribution Companies (CDC). Specifically, we verified that purchases were accurately priced in accordance with the SA and delivered on time to the job sites, operating centers, or other designated locations.

Based on the results of our audit work, Internal Audit has determined that the following internal controls and processes are in accordance with the terms of the contract:

- Quarterly meetings were held to discuss administrative and contractual items, including key performance metrics;
- Joint Savings are tracked by MRC. Proposed savings for 2010 were reviewed by Supply Chain management prior to payment of any bonus;
- Key Performance Indicators (KPI) calculated by MRC accurately reflect MRC's performance;
- Supply Chain is properly monitoring and obtaining refunds (if necessary) for outstanding credits listed on MRC's accounts receivable aging report as of December 31, 2010;

Executive Summary – Continued

- Branch replacement costs (BRC) for selected transactions were recalculated and no significant variances were noted;
- Gross margin percentages (dollars) for the different material types were recalculated and a net under billing of approximately $269K was noted;
- Certificates of insurance held by MRC were corrected effective May 2010 to meet contractual obligations for the period under audit.

Internal Audit noted that controls and processes associated with the following areas should be improved in order to enhance the control environment and mitigate the risks specific to the contract with MRC:

- Documentation to support MRC's acquisition of formal bids for purchases of goods over $100K was insufficient;
- Although the freight factor was applied in accordance with the contract in 2010, MRC did not provide documentation supporting the increase of the freight factor in 2010;
- Controls surrounding the materials "buyback" process are insufficient as a formal process has not been implemented to standardize the listings of all materials shipped to MRC or to reconcile all materials accepted for return by MRC to the credit memos issued by MRC to ensure that credit is received for each item returned.

We have reviewed our audit results with Supply Chain management. Management Action Plans have been developed to address the significant audit issues noted during the review.

McJunkin Red Man Contract Review for Columbia Gas Distribution Companies

Background

MRC maintains a Charleston, West Virginia corporate office and is a privately held distributor serving major industries throughout the United States and Canada. In 2007, McJunkin merged with Red Man Pipe and Supply Company located in Tulsa, Oklahoma, a distributor of industrial and oilfield pipes, valves, and fittings.

CDC has contracted with MRC since 2004 to provide procurement and warehousing services. MRC has supplied NiSource's Gas Transmission and Storage Group pipe, valves, and fittings since 1997. In 2006, NiSource expanded its relationship with MRC and awarded them a contract to provide all NiSource companies with pipe, valves, fittings, and MRO supplies.

In late 2008, MRC acquired LaBarge Pipe and Supply, a pipe manufacturer. MRC converted LaBarge over to their inventory system in May 2009; however, for purposes of establishing branch replacement costs and markup, the CDC contract with MRC called for LaBarge to be considered as a vendor of MRC, as opposed to an affiliate until January 1, 2010.

NiSource Supply Chain personnel provide day-to-day support to administer the various agreements.

The CDC contract with MRC expired in December 2008 and a new contract was executed for a 5-year term.

Summary of Business Objective and Scope

Business Objective: Determine contractor's compliance with policies, plans, and procedures in accordance with the terms and conditions of the contract.

Scope: We reviewed the contract language, terms, and conditions, and performed the following audit work/procedures:

- Verify that MRC holds a certificate of insurance for NiSource and that coverage provided meets the criteria specified in the contract;
- Review the detailed accounts receivable aging report for the year ended December 31, 2010 for unapplied cash and/or outstanding credits;
- Recalculate the branch replacement cost (as defined by the contract) for a sample of items within selected purchase orders;
- Verify that MRC requested bids for specific purchases as required by the contract;
- Verify that MRC met or exceeded key contractual metrics (i.e., on time delivery);

Summary of Business Objective and Scope
(Continued)

Scope: (Continued)

- Determine if quarterly meetings were held as required by the service authorization;
- Determine if "Joint Savings Program" savings were properly supported and reported to NiSource management;
- Test freight charges to ensure that such charges are in accordance with the contract;
- Ensure that material "buybacks" (purchased by MRC as part of the new materials management; process being implemented across the CDCs) are properly priced and credited;
- Analyze pricing and margins for all purchases made under the contract in relevant categories (i.e., Stock Material, Line Pipe, Direct Ship) utilizing Audit Command Language (ACL), a data analysis tool.

Audit Results/Recommendations

Audit Results:

- During the contract compliance audit over 2009 transactions, Internal Audit noted that the certificate of insurance in effect for that time period did not include a minimum excess or umbrella policy of $3M as required by the GSA. MRC agreed to update its coverage once the policy ended as of May 1, 2010. During the 2010 audit, Internal Audit obtained copies of the certificates of insurance effective May 1, 2010 – May 1, 2011, noting that an excess policy greater than the minimum requirement was added. MRC is in compliance with the insurance coverage requirements of the contract.
- Monthly, MRC sends an accounts receivable aging report to Supply Chain for review. Internal Audit obtained this report as of December 31, 2010, noting a total due to MRC of $152,605. Internal Audit reviewed the items within each transaction type (overpayments, outstanding invoices, and shortpays) and noted that Supply Chain is resolving items listed on the aging report in a timely manner.
- Internal Audit selected the top ten largest dollar purchase orders not subject to special pricing. For selected transactions within each purchase order, Internal Audit validated MRC's calculation of the branch replacement cost, noting no significant exceptions.
- The contract requires that goods estimated to exceed $100,000 in cost must be procured through a formal competitive bid process involving at least three vendors (if possible). Internal Audit reviewed the sales history file and noted that eight orders had a total cost of over $100,000. Of these, four were sourced solely from stock. Per discussion with MRC and Supply Chain management, if a purchase order is comprised of stock only, formal bids are not required. (Note: This exception to the bidding requirements is not formally documented within the contract.)

Audit Results/Recommendations

Audit Results: (Continued)

Internal Audit requested support for the bids on the remaining four orders not sourced from stock. MRC was able to provide documentation to support their solicitation of bids from at least three vendors from the CDC approved manufacturers listing for two of the four orders. For the remaining two orders, MRC was able to provide documentation supporting the bid results from only one vendor. However, although MRC management stated that they did get quotes from other vendors, MRC was not able to provide documentation supporting their compliance with the bidding process as outlined in the contract.

Recommendations and Opportunities for Process Improvements:

- Supply Chain should include additional language in the contract defining orders from stock items over $100,000 as exempt from the bidding requirements.
- For all items which require a formal bid, MRC should maintain documentation of the following and share these documents with Supply Chain:
  - Request for bids from all vendors contacted;
  - Vendor documents with details of vendor quote;
  - Comparative analysis of different vendor quotes;
  - Documentation of reasoning for not obtaining bids (if applicable).

Audit Results/Recommendations

Audit Results:

- The contract requires the following performance metric percentages, or contract mark up percentages are adjusted downward for not meeting these performance measures:
  - 98% or greater for Enhanced Committed Items from April 1 through October 31 (Construction Season;
  - 95% for Enhanced Committed Items from November 1 through March 31, Committed Items, and Dedicated Items;
  - 90% or greater for Non-Committed Items, Direct Shipped, and MRO items throughout the year;
  - Shipping Accuracy shall be maintained at a minimum level of 98%.

Although no system generated report exists to calculate performance metrics, MRC provided Excel spreadsheets calculating the on-time delivery and shipping accuracy percentages for the period under audit. Currently, MRC is providing Supply Chain management a weekly analysis (via email) documenting their performance. Internal Audit validated and recalculated the on-time delivery and shipping accuracy performance metrics and found the calculations accurately reflected MRC's performance:

- MRC's 2010 on-time delivery percentage for enhanced committed items during construction season: 98.5%
- MRC's 2010 on-time delivery percentage for committed items: 98.0%
- MRC's 2010 on-time delivery percentage for non-committed items: 97.1%
- MRC's 2010 shipping accuracy percentage was greater than 98% for all locations

Audit Results/Recommendations

Audit Results: (Continued)

- The contract states that quarterly meetings will be held between MRC and Supply Chain management. In 2010, quarterly meetings were held unless conflicts occurred due to NiSource management's schedules. Due to a change in Supply Chain personnel during 2010, only one of the quarterly meeting presentations was able to be located at the time of this audit.

Recommendations and Opportunities for Process Improvements:

- MRC should create a report directly from their FOCUS billing system to eliminate manual adjustments needed to calculate the key performance metrics.
- Going forward, Internal Audit recommends that Supply Chain maintain the quarterly meeting presentations and minutes on a shared drive so that all department members can access the information when needed.

Audit Results/Recommendations

Audit Results:

- Under the "Joint Savings Program", the contract specifies the following:
  - If MRC does not deliver a minimum savings of 2% of cost of goods sold (COGS), MRC will pay CDC an amount equal to $100,000 multiplied by the savings shortfall percentage;
  - Actual cost savings in excess of 2% of COGS are shared on a percentage basis of 75% (CDC), 25% (MRC);
  - If actual savings delivered by MRC is greater than 2% of projected annual COGS, CDC agrees to pay a bonus equal to 25% of the total savings achieved, using a prorated scale;
  - Savings above 6% of actual annual COGS will not be shared with MRC unless otherwise determined by Supply Chain management.

Supply Chain management relied on MRC to maintain a listing of cost savings. Internal Audit reviewed communications between MRC and Supply Chain regarding the proposed cost savings for 2010 and the proposed markup adjustments in 2011 to recover the cost savings sharing bonus. This email included attachments provided by MRC detailing the amount and description of each cost savings item as well as the calculation of the sharing bonus, totaling $56K to be paid to MRC. Internal Audit recalculated the cost savings sharing bonus, noting no exceptions.

Audit Results/Recommendations

Audit Results: (Continued)

- According to the contract, inbound freight will be billed by MRC at a rate of .65% of the branch replacement cost, and will be adjusted on a yearly basis to account for actual freight charges incurred. The contract states that the new rate should be finalized January 31 of each subsequent year. Based on discussions with MRC and Supply Chain management, an adjustment for 2009 actual freight costs was made to the freight factor rate, increasing the rate from .65% to .66% in 2010 although MRC was not able to provide documentation supporting the increase. Internal Audit did note that MRC completed an analysis of 2010 actual freight costs and provided support to Supply Chain management related to the proposed adjustment to the rate to be effective in 2011.

Recommendations and Opportunities for Process Improvements:

- Supply Chain management should implement a formal process to approve cost savings proposed by MRC. Documentation (i.e. signoff by appropriate level of NiSource management) should be maintained as support for the payment of a bonus, if applicable.
- Going forward, Supply Chain management should follow up with MRC management to ensure that supporting documentation of the annual freight analysis is provided to Supply Chain for review prior to the implementation of the new freight factor in MRC's billing system. Supply Chain should implement a formal process documenting approval of any proposed adjustments.

Audit Results/Recommendations

Audit Results:

Using ACL, Internal Audit summarized the purchase history data by material type and applied the appropriate contractual mark-up percentages to the branch replacement cost and recalculated the correct pricing and gross margins. The major contractual pricing parameters are as follows:

- Regular Stock:
  - Mark up - 19.00% / COGS $20M to $25M
  - Mark up - 18.25% / COGS $25M to $35M
  - Mark up - 17.75% / COGS $35M to $40M
  - Mark up - 17.00% / COGS $40M to $45M
  - Mark up - 16.50% / COGS above $45M

  NOTE: The pricing for regular stock starts at the $25M - $35M level, and will only be changed as mutually agreed upon by both parties.
- Vendor Directs:
  - 8.00%
- Line Pipe:
  - Mark up - 5.25% / Orders $100K to $1M
  - Mark up - 4.50% / Orders $1M to $3M
  - Mark up - 4.00% / Orders above $3M
- Based on our detailed analysis, under billings from MRC were approximately $269K, which represents approximately .66% of the total annual spend (see pages 14 and 15).

Audit Results/Recommendations

Audit Results:

Internal Audit noted the following while performing the margin analysis:

- As part of the new materials management process, MRC agreed to purchase or "buyback" CDC materials at the current market price, including a markup percentage effective at the time of purchase. MRC determines if materials sent for return are eligible for the buyback process. Items that are damaged or items which MRC is unable to resale will not be purchased by MRC. Internal Audit reviewed the credit memos, noting that MRC applied the proper markup for materials returned. As the returns were not related to 2010 sales, Internal Audit excluded these transactions from the margin analysis (see page 15).
- Per discussion with local Operations management, handwritten listings of the materials returned to MRC are maintained at each location. A copy of the listing is sent to MRC with each shipment of materials. However, Internal Audit noted that Operations management does not perform a reconciliation comparing these listings to the credit memos issued by MRC. As such, it is not possible to verify that CDC received full credit for all eligible materials returned.
- Internal Audit noted 12,478 "one-sided" transactions in the regular stock items where the price field equaled zero and the cost field was greater than zero. These transactions showed an undercharge of approximately $144,111 in the margin analysis. The current sales history file does not have adequate information to validate these transactions. Internal Audit reviewed the supporting documentation for six (6) of the one-sided transactions and found one (1) estimated freight charge that was not properly reversed when the actual freight invoice was paid, which caused the margin to be overstated by approximately $1,500 (including mark-up).

Audit Results/Recommendations

Recommendations and Opportunities for Process Improvements:

- Internal Audit recommends that management formalizes a standard process to record all materials accepted for return by MRC and compare that listing to the credit memos issued by MRC to ensure that credit is received for each item returned.

- For future audits, MRC must provide CDC an analysis of the "one-sided" transactions supporting the validity of the transactions included in the sales history file and the margin analysis.

McJunkin Red Man Contract Review for NiSource Gas Distribution

Gross Margin Analysis
January 1, 2010 through December 31, 2010

Order Type	Ext Price	Ext BRC	MRC Margin	MRC GM%	Contract GM% (3)	Difference	Over/(Under)
STOCK AND BUYOUTS							
Stock and Buyouts - Orders entered prior to 1/1/2010	$138,930	$134,756	$4,174	3.10%	19.02%	-15.92%	(21,457)
Stock and Buyouts - Orders entered 1/1/2010 to 12/5/10	$32,293,188	$27,429,288					
Add: Credits received for buybacks	$271,300	$216,117					
Total for Purposes of Margin Analysis	$32,564,488	$27,647,405	$4,917,083	17.78%	19.03%	-1.25%	(344,218)
Stock and Buyouts - Orders entered 12/6/10 to 12/31/10	$1,601,181	$1,327,606					
Add: Credits received for buybacks	$68,851	$56,777					
Total for Purposes of Margin Analysis	$1,670,032	$1,384,385	$285,647	20.63%	20.56%	0.07%	1,018
TOTAL	**$34,033,299**	**$28,891,652**					(364,657)
DIRECTS							
Directs - prior to 1/1/10	$128	$106	$22	20.49%	8%	12.49%	13
Directs - 1/1/10 to 12/31/10	$13,874	$12,195	$1,679	13.77%	8%	5.77%	703
TOTAL	$14,002	$12,301					716
TRAILER FEES							
Trailer Fee Charges	$12,913	$10,350	$2,563	24.77%	33%	-8.23%	(852)
POLY PIPE (1)							
Poly Pipe - prior to 1/1/2010	$49,320	$46,010	$3,310	7.19%	19.02%	-11.83%	(5,441)
Poly Pipe - Directs 2010	$12,675	$10,672	$2,003	18.77%	8%	10.77%	1,150
Poly Pipe - 1/1/2010 to 12/5/10	$3,568,115	$2,911,588	$656,527	22.55%	19.03%	3.52%	102,452
Poly Pipe 12/6/10 to 12/31/10	$188,065	$160,446	$27,619	17.21%	19.03%	-1.82%	(2,914)
TOTAL	$3,818,175	$3,128,716					95,246
DG PURCHASE ORDERS (2)							
DG Purchase Orders - Prior to 1/1/2010	$1,221,339	$1,134,545	$86,794	7.65%	N/A	N/A	N/A
DG Purchase Orders	$1,380,626	$1,198,911	$181,715	13.96%	N/A	N/A	N/A
DG Purchase Orders - 12/6/10 to 12/31/10	$706	$578	$128	22.08%	N/A	N/A	N/A
	$40,584,130	$34,480,122			**Total Over/(Under) Charge**		(269,546)

(1) CDC has a separate contract with Polypipe Inc. to sell pipe to MRC at a market indexed price escalator/de-escalator using the Chemical Data Index. The branch replacement cost (BRC) was adjusted to reflect actual Polypipe Inc. purchases.

(2) Special Orders (DG) are priced using margins outside of those specified in the contract.

(3) Contract GM% includes the markup percentages per the contract times the freight factor discussed on page 12

McJunkin Red Man Contract Review

Report Distribution

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NiSource™

TO: Michael Davidson, Vice President, Customer Operations
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FROM: Joseph Siget, Director Audit
Nicole Paloney, Audit Manager
Shelley Duling, Senior Auditor

DATE: July 7, 2011

SUBJECT: Meter to Cash Shut-off Order Process – Columbia Distribution Companies (CDCs)

Internal Audit has conducted an audit of the shut-off order process, including subsequent reconnections that may occur. The scope of this audit was limited to those shut-off and collection processes not covered by Internal Audit as part of the 2009 Revenue Audit (issued on February 24, 2010). The 2009 Revenue audit focused on determining whether termination notices are issued timely when required in accordance with regulatory guidance, and the 2010 Cash Collection Audit (issued on February 4, 2011), which focused on ensuring delinquent accounts are submitted to collections in accordance with internal policy.

Specifically, our audit procedures included a review of the following:

- Verification that shut-off orders are being actively scheduled by the Integration Center (IC) and reconnections initiated by the Customer Contact Center (CCC) are performed in accordance with regulatory requirements;
- Review of the General Services Agreement (GSA) of the third-party contractor utilized by Columbia Gas of Ohio (COH) (Bermex), which is the only third-party contractor utilized by the CDCs for field collection services, to ensure Bermex is in compliance with the key components of the contract;
- Verification that instances preventing the execution of a shut-off order, such as credit delays and established payment plans are monitored; and
- Review of the procedures related to security deposits to determine they are properly received, applied, and refunded in accordance with regulatory requirements.

Background

Policies and procedures related to scheduling shut-off orders and subsequent reconnections are outlined in the Call Aid, a research intranet site utilized by Customer Service Representatives (CSRs) in addressing customer inquiries and navigating through the Distributive Information System (DIS), the CDC billing system. The Call Aid is continually updated by Customer Operations to align with both internal and regulatory guidance. Updates to the Call Aid are generated from a variety of sources including, but not limited to, CSR feedback, field technicians, and various NiSource departments, such as the Regulatory department. Ensuring compliance with these policies is primarily managed by the CCC, the IC, and the Meter to Cash (MTC) department.

Shut-off orders are generated systematically through programmed logic within DIS. Customer credit risk and account balance are the basis for the issuance of shut-off orders. Upon issuance of a shut-off order, the IC is responsible for ensuring these orders are actively scheduled alongside other orders within the IC. This process is monitored through the Monthly Positive Contact report compiled by MTC, which summarizes the performance of the IC and the field in scheduling and working the shut-off orders for a given month.

The CCC is responsible for ensuring reconnect orders are scheduled in accordance with regulatory policy upon fulfillment of the reconnect requirements (i.e. necessary payment received, medical waiver obtained, etc.). When the CSR takes the reconnect order, they note the date and timeframe, if applicable, to complete the order. Upon establishment of a reconnect order by the CCC, the IC manages the scheduling of the order, while the field ensures it is completed within the noted timeframe. Throughout the shut-off order and reconnect processes, the CSRs may establish payment plans or credit delays, which are monitored by MTC to ensure validity of these extended payment arrangements. The success of the shut-off and reconnection processes relies upon the collaboration of these various departments, along with accurate and timely performance metric reporting.

The primary business risks associated with this business process are as follows:

- Shut-off orders may not be actively worked among the other work orders managed by the field;
- Outsourced contractor, Bermex, may not be properly monitored by management to ensure contract compliance;
- Security deposits may not be collected, applied, and refunded in accordance with regulatory guidance;
- Credit delays and payment plans may not be monitored for validity; and
- Reconnects may not be performed in accordance with regulatory guidance.

Conclusion

In addition to the procedures outlined below, Internal Audit completed a thorough walkthrough of the shut-off order and reconnect scheduling processes with the key process owners. Internal Audit has determined that key controls over several processes within the scope of our audit appeared to be functioning appropriately during the period under review.

Internal controls and processes are effective in mitigating the primary business risks specific to the achievement of the business objectives as follows:

- Shut-off orders are scheduled timely by the IC;
- COH's outsourced contractor for shut-offs, Bermex, is properly monitored by management to ensure compliance with contractual requirements;
- Security deposits are collected, applied, and refunded in accordance with regulatory guidance;
- Credit delays and payment plans are monitored for validity; and
- Reconnections are performed in accordance with regulatory guidance.

Internal controls and processes associated with the following areas are effective in mitigating the risks specific to the achievement of business objectives but should be improved in order to bring the control environment to an enhanced level. Management should consider the costs, benefits, and personnel requirements associated with the process recommendation noted below:

- Internal credit checks are not performed on PCID sequences in excess of 10. The PCID sequence represents the location number of a customer's PCID number. For example, if a customer with a current sequence of -001 moved to a new address and established service at the new location, their PCID number would remained unchanged; however, their sequence number related to the new service location would be -002. If internal checks are not performed on all sequence numbers, security deposits may not be charged to customers who otherwise meet the security deposit criteria.

We have reviewed the results of our audit with management.

Summary of Audit Objectives, Scope, Results, and Recommendations

Audit Objective 1: Determine that shut-off orders are scheduled timely by the Integration Center (IC).

Scope:

- Review the Positive Contact Statistics report as of December 31, 2010 to assess the performance of the IC in scheduling active shut-off orders.
- Determine that the Positive Contact Statistics report is accurate.
- Verify that the Positive Contact Statistics report is reviewed by management periodically.

Results:

- The Positive Contact Statistics report is generated monthly, by state, from the Mobile Data Terminal (MDT) database. The report compares the number of shut-off orders generated for the month to the result of those shut-off orders, which can fall into one of the following categories:
    - **Positive Contact**
        - Shut-off order executed (i.e. shut-off occurred)
        - Collected money on premise to prevent shut-off
    - **Unsuccessful contact** - order was worked, but shut-off did not occur due to various scenarios, such as cold temperatures, inside meter, etc.
    - **Shut-off order not scheduled by the IC or worked by the field** - in instances where shut-offs are not worked, the account typically is "aged off" the Positive Contact Statistics report and will be subject to shut-off in the following business cycle if the account meets the shut-off criteria.

  The IC is responsible for ensuring that the shut-off orders are actively scheduled through the daily scheduling process. The goal is to have a positive contact when the order is worked. The field is responsible for working the scheduled shut off orders. If a shut-off order remains open at the completion of a billing cycle, the collection process will recommence from the beginning of the process.

The 2010 year-end Positive Contact Statistics report is summarized below. Based on the data, it appears that the IC is actively scheduling the shut-off orders. The 2010 Positive Field Contact percentage exceeded the target threshold of 66.8% by 4.8%. The targeted threshold is established annually by the Meter Reading and Collections Manager and approved by the General Managers of Operations.

# Shutoff Orders	# Shutoff's Executed	# Collected on Premise	# of Positive Contacts	% of Positive Field Contacts	# of Unsuccessful	Total Orders Worked= Shut-off, Collected + Unsuccessful	# Aged Off	% Aged Off
235,009	135,045	33,154	168,199	71.6%	42,445	210,644	24,361	10.4%

- The Positive Contact Statistic report was verified for accuracy using the 2011 data through February, as the information within the MDT database is only maintained for three months. The report was recreated using the detailed PCID information necessary to test the report for accuracy. As a result of various system limitations and complexities, primarily real time information that was no longer available, the report columns could not be recreated exactly; however, were within 2% of the reported numbers.

  Using the detailed data from the recreated report referenced above, a sample of PSID locations were selected to verify that the shut-off order activity related to the PSID location was presented accurately in the Positive Contact Statistics report. No exceptions were noted. However, the Aged Off columns could not be tested as they are dependent on real time information, thus the detailed PCID data was unavailable.

- The Positive Contact Statistics report is posted to the MTC Portal monthly for the applicable MTC management to review. In addition, the report is submitted to the Managers of The Gas Operations Integration Center monthly. It was corroborated with noted management that the report is reviewed monthly and no unusual items were noted in the 2010 review.

Recommendation: It is recommended that the Positive Contact Statistic report derivation process be reviewed for revision consideration in order to gain potential efficiencies.

Audit Objective 2: Verify that the Bermex General Services Agreement (GSA) is monitored by management.

Scope:

- Review the Bermex GSA and related Service Authorization (SA), identifying key components of the contract. Determine that the key components of the GSA and SA ("contract") are monitored to ensure compliance with contract terms by all parties.

Results:

- The Bermex contract outlines the scope of services related to Field Collection Services to be performed by Bermex on behalf of COH. The contract was reviewed, noting key components as determined by Internal Audit and discussions with management. Bermex must perform the following key components:

- Submit invoices for all work performed monthly in accordance with the approved pricing schedule
- Furnish trained personnel necessary to complete the work
- Require employees to pass a "sniff" test for leakage detection upon hire and annually thereafter
- Require employees to have a valid driver's license verified upon hire and every six months thereafter
- Subject employees to a criminal history check upon hire
- Maintain an approved Department of Drug and Alcohol Program
- Maintain an Operator Qualification Plan and only provide employees qualified to performed covered tasks on behalf of COH

It was verified through sample selections that the above key components are monitored by MTC and Supply Chain, with the exception of the following:

- Sniff testing was not performed for field collectors in 2010. The Bermex contract is not clear whether sniff testing is required for field collectors or only contracted meter readers. Sniff testing is planned for field collectors in 2011 and thereafter.

Recommendation: None

Audit Objective 3: Verify that security deposits are collected, applied, and refunded in accordance with regulatory guidelines.

Scope:

- Review policies and procedures related to security deposits and ensure they align with regulatory requirements.
- Verify that security deposits are collected, applied, and refunded in accordance with regulatory requirements.

Results:

- General guidelines for collecting, applying, and refunding security deposits are mandated by regulatory guidance. For a sample of states, it was verified that the guidelines applied for security deposits denoted in the Call Aid aligned with regulatory guidance. No exceptions were noted.
- To verify that security deposits are collected and applied to customer accounts in accordance with regulatory and internal policy, the reconnection selections were utilized from Audit Objective 5, Scope item 2. For each selection, it was determined that the deposit, if required, was accurately calculated and properly charged to the customer account in accordance will security deposit billing guidelines for each state.

  The following exception was noted:

  - A customer is assigned a PCID number upon initial service with a CDC. A corresponding sequence number is assigned to the PCID number and represents the location number of the customer. Thus, each time a

customer establishes service at a new address, a new sequence number will be assigned, but the PCID number will remain the same. DIS does not perform an internal credit check for PCID sequences greater than 10, (i.e., a sequence of 10 indicates the customer has had service at 10 locations) resulting in no security deposit charged for these customers. However, based on prior payment history, these customers may otherwise meet the security deposit requirements.

To determine that security deposits are refunded in accordance with regulatory and internal policy, a sample of security deposit refunds that occurred in March 2011 was selected. For each selection, it was verified that the security deposit was refunded in accordance with regulatory guidelines, including the accuracy of the accrued interest, noting no exceptions.

Recommendation: It is recommended that DIS perform an internal credit check on all sequence numbers to ensure security deposits are charged to all applicable accounts based on payment history.

Audit Objective 4: Determine that established credit delays and payment plans are monitored for validity.

Scope:

- Review policies and procedures related to established credit delays and payment plans to ensure they align with regulatory requirements.
- Verify that established credit delays and payment plans are monitored by management for validity.

Results:

- For a sample of states, it was verified that the policies and procedures related to establishing credit delays and payment plans within the Call Aid aligned with regulatory policy, noting no exceptions.
- Monthly, reports are generated from DIS summarizing the number of credit delays and payment plans established by user ID during the selected month. The report further classifies which delays and plans were identified as valid based on DIS parameters. A credit delay is deemed valid when payment is received within seven days of the credit delay being established. A payment plan is deemed valid when a down payment is received, the customer is not on another payment plan, and the time period of the payment arrangement is within DIS specified guidelines. This report is primarily used by management to assess employee and overall performance, as well as to identify any unusual trends. It was noted by management that the use of these reports and measurements are flawed for various reasons, including the following:
    - The validity of credit delays is highly dependent on the customer following through on their promise to pay; however, if an employee consistently has a high rate of invalid credit delays they may need additional training to ensure all steps are taken to minimize the risk of an invalid credit delay.

- A payment plan is identified as not valid on the DIS report if a down payment is not received; however, not all payment plans require a down payment. Thus, a valid payment plan can be improperly classified as invalid, reducing the employee's percentage of valid payment plans established.
- When a credit delayed account receives a partial payment against the arrearage balance, it is reported as a valid credit delay; however, it may or may not be valid based on the account scenario. This situation has the potential to impact employee's percentage of valid credit delays both positively and negatively.

Even with these noted reporting flaws, the reports appear reasonable to monitor employee performance regarding the validity of credit delays and payment plans. Any significant reductions in performance levels related to these reporting errors would be investigated, as these items are also Service Level Agreements (SLA) (i.e. performance metrics) under the contracts for Vertex and NCO Financial Systems, Inc., outsourced entities utilized for call center operations. In any month where the number of valid credit delays and payment plan agreements do not meet targeted thresholds, the reports are audited by the Customer Operations Performance Management group to make necessary corrections to ensure compliance with SLAs. However, if the SLA threshold is met based on the initial DIS reports, the metrics are not audited other than being subject to random audits performed quarterly by the Customer Operations Performance Management group, as noted in the 2010 CCC audit issued on June 21, 2010.

Per discussions with management, the costs of programming DIS for every potential scenario related to credit delays within DIS to correct the reporting flaws outweigh the benefits of more accurate reporting. Given the audits performed as discussed above and management's review of the reports as tested below, there appear to be controls in place to identify any significant misstatements in the reports.

For a sample of months, the DIS reports measuring validity for both credit delays and payment plans were obtained. It was corroborated with the Manager of Revenue Recovery that these reports are reviewed for reasonableness. In addition, emails were obtained supporting the communication of third-party CSR performance to their management group for review. Management appears to be properly monitoring the validity of credit delays and payment plan agreements.

Recommendation: None

Audit Objective 5: Verify that reconnections occur within specified timeframes outlined by regulatory guidance.

Scope:

- Review policies and procedures related to reconnection orders and ensure they align with regulatory requirements.
- Determine that reconnections occur in accordance with regulatory guidance.

Results:

- General guidelines for reconnections are mandated by regulatory guidance. For a sample of states, it was verified that the guidelines for reconnections denoted in the Call Aid aligned with regulatory guidance. No exceptions were noted.

- A sample of reconnections was selected from the period January 1, 2010 through December 31, 2010. For each selection the following was verified:

    - The quoted reconnect fee, security deposit, and account balance necessary for reconnection was calculated accurately.
    - The reconnect order was placed timely upon fulfillment of reconnection requirements (i.e., payment receipt, necessary repairs completed, etc.).
    - The reconnect order was worked timely in accordance with regulatory guidance based on the time the reconnect order was placed, the number of days service was disconnected and various other factors, such as the use of a medical waiver.

  The following exceptions were noted:

    - Payment receipt numbers confirming payment prior to the CDCs actually receiving the money are required to be documented in DIS per internal policy denoted in the Call Aid. For four of the selections reviewed, the payment receipt number was not documented in DIS; however, the reconnect order was placed as the customer communicated payment to the CSR.
    - For two of the selections reviewed, the breakdown of the quoted amount was not outlined within DIS in accordance with internal policy denoted in the Call Aid. Including the details of the quote supports the quoted amount and adds efficiencies with customer call-backs regarding the previous quoted amounts.
    - For one CPA customer, it was noted that the quoted account balance due to reconnect did not align with internal policy.

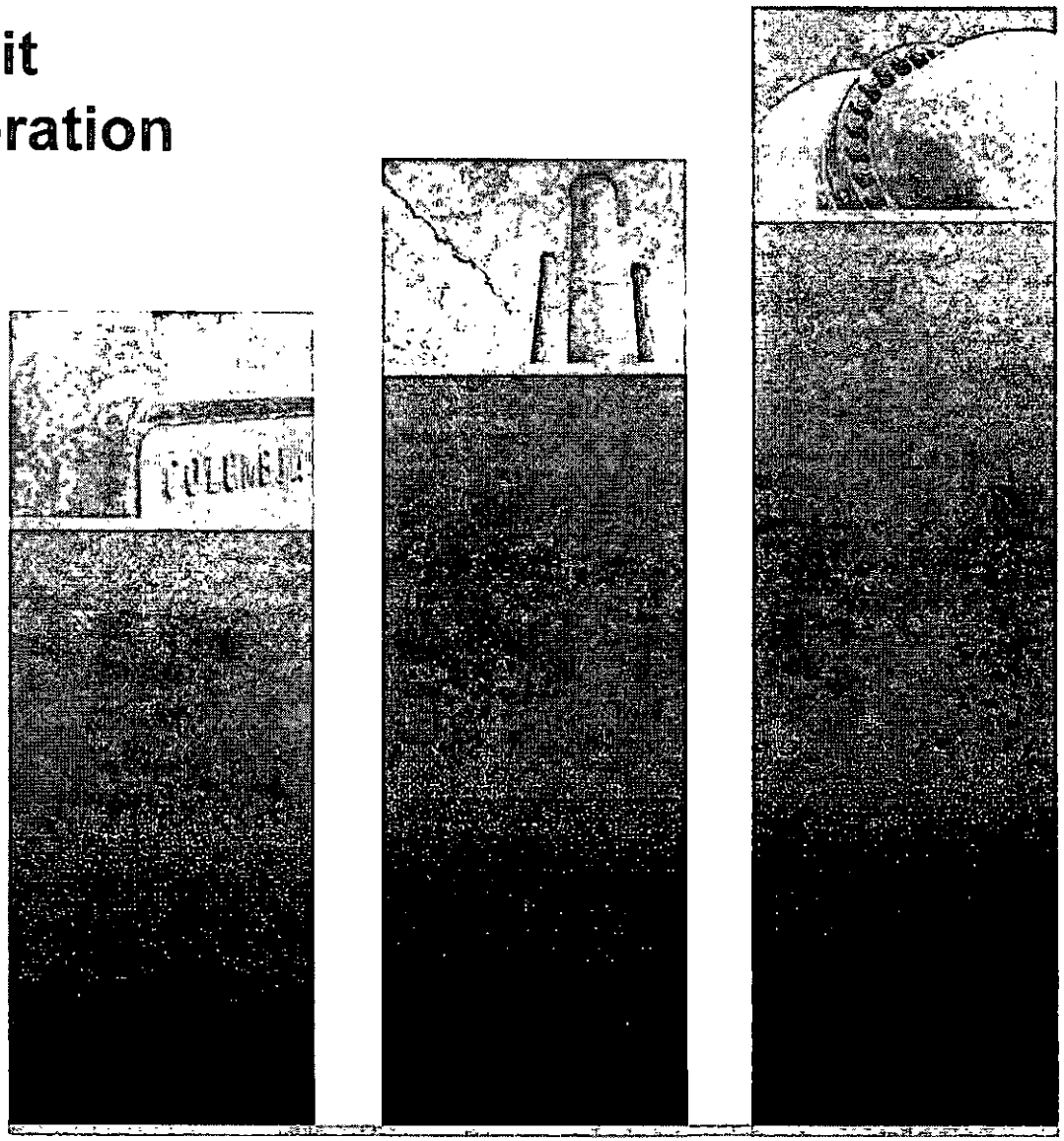
Recommendation: None

We appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any additional questions or require additional information, please do not hesitate to contact Joseph Siget at (614) 460-4847, Nicole Paloney at (614) 460-5483, or Shelley Duling at (614) 460-6062.

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B U I L D I N G

Contract Compliance Audit
McJunkin Red Man Corporation
(CDC Companies)



July 18, 2012

To: **Martin Zain, Dir. Procurement Operations**

From: **Ryan Binkley, Director Internal Audit**
Shelley Duling, Manager Internal Audit

NiSource®

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Executive Summary

Internal Audit has completed a review of the General Services Agreement (GSA) and Service Authorization (SA) with McJunkin Red Man Corporation (MRC), the provider of pipe, valves, fittings, plus Maintenance, Repair and Operating (MRO) supplies for the period January 1, 2011 through December 31, 2011.

- The total spend reviewed as part of this contract compliance audit was approximately ***$44.7 million*** (see ***slide 33***).

Audit Purpose: To ensure compliance with the major provisions of the contract between MRC and the Columbia Distribution Companies (CDCs).

Internal Audit has reviewed the results of our audit with Supply Chain management and they agree with our findings.

Executive Summary (Cont'd)

Based on the results of our audit work, Internal Audit has determined that the following internal controls and processes are in accordance with the terms of the contract:

- Certificates of insurance held by MRC meet contractual obligations for the period under audit;
- Supply Chain is properly monitoring and obtaining refunds (if necessary) for outstanding credits listed on MRC's accounts receivable aging report as of December 31, 2011;
- The branch replacement cost for the period appears reasonable;
- Key performance indicators (KPI) calculated by MRC accurately reflect MRC's performance;
- Quarterly meetings were held to discuss administrative and contractual items, including key performance metrics;
- Miscellaneous charges reviewed appear accurate and in accordance with contract terms; and
- Material "buy backs" incurred as part of the materials management process are properly priced and credited.

Executive Summary (Cont'd)

Internal Audit has determined the following items were not in accordance with the contract terms:

- Through review of the 2011 purchase history, Internal Audit determined that only one purchase order met the requirements for a formal bidding process. For this one instance, MRC was unable to provide support for one of the three required bids due to circumstances related to employee turnover; and
- Gross margin percentages (dollars) for the different material types were recalculated and a ***net under billing (by MRC to NGD)*** of approximately ***$255K*** was noted.

Executive Summary (Cont'd)

In conjunction with the contract testing outlined on the previous slides, Internal Audit has made the following observations that could enhance current processes and procedures:

- Supply Chain management should work with MRC to create a report directly from their SIMS billing system to eliminate manual adjustments needed to calculate key performance metrics;
- Supply Chain management should revise contract language regarding the Joint Savings Program to ensure more prescriptive and precise language when establishing a new MRC contract in 2013;
- Supply Chain management should ensure documentation is developed and retained to support joint cost savings components as well as other significant procurement decisions; documentation should outline reasonably identifiable costs and benefits to support the business purpose of decisions; and
- Supply Chain management should request that MRC provide a periodic report categorizing the one sided transactions by adjustment type as these impact the BRC, which is the basis for the Gross Margin Analysis. Supply Chain management should assess the appropriateness of these transactions through review of the analysis and investigation of transactions as deemed necessary.

Background

McJunkin RedMan Corporation (MRC)

- Corporate office located in Charleston, West Virginia.
- Distributer serving major industries throughout the United States and Canada.
- Procurement and warehouse provider to the CDCs since 2004; NGT&S since 1997; and all NiSource companies since 2006.
- Initial CDC contract expired in 2008 with a new contract executed for a five-year term set to expire in 2013.

NiSource Supply Chain personnel manage the day to day activities to administer the MRC agreements.

Summary of Audit Objective and Procedures

Audit Objective: Determine contractor's compliance with policies, plans and procedures to ensure they are in accordance with the terms and conditions of the contract.

Audit Procedures: Internal Audit reviewed the contract language, terms and conditions and performed the following audit work / procedures:

1. Verify that MRC holds a certificate of insurance for NiSource and that coverage provided meets the criteria specified in the contract;

2. Review the detailed accounts receivable aging report for the year ended December 31, 2011 for unapplied cash and / or outstanding credits;

3. Recalculate the branch replacement cost (as defined by the contract) for a sample of items within selected purchase orders;

4. Verify that MRC requested bids for specific purchases as required by the contract;

5. Verify that MRC met or exceeded key contractual metrics (i.e., on-time delivery, order accuracy);

Summary of Audit Objective and Procedures (Cont'd)

Audit Procedures (Cont'd):

6. Determine if quarterly meetings were held as required by the SA;

7. Determine if the "Joint Savings Program" savings were properly supported and reported to NiSource management and are allowable per the SA;

8. Test freight, tax, and labor fees to ensure that such charges are in accordance with the contract terms;

9. Ensure that material "buy backs" (purchased by MRC as part of the new materials management process implemented across the CDCs) are properly priced and credited; and

10. Analyze pricing and margins for all purchases made under the contract in relevant categories (i.e., Stock Material, Line Pipe, Direct Ship) by utilizing Audit Command Language (ACL), a data analysis tool.

Audit Results and Recommendations

Audit Procedure 1: Verify that MRC holds a certificate of insurance for NiSource and that coverage provided meets the criteria specified in the contract.

Audit Results:

Internal Audit reviewed the certificate of insurance held by MRC for NiSource from January 1, 2011 through December 31, 2011 noting that the provided coverage was in accordance with the established GSA.

Internal Audit Recommendation(s): *None.*

Audit Results and Recommendations (Cont'd)

Audit Procedure 2: Review the detailed accounts receivable aging report for the year ended December 31, 2011 for unapplied cash and / or outstanding credits.

Audit Results:
Internal Audit reviewed MRC's Accounts Receivable (AR) report as of December 31, 2011 noting the following:

- Credits outstanding totaled ***$452,733.***
- ***92%*** of the credits outstanding related to activity ***within the last 60 days of year-end.***

The AR listing as of April 30, 2012 was reviewed noting that the credits outstanding as of year-end had been cleared by MRC, thus management is monitoring the AR report and resolving outstanding credits in a timely manner.

Internal Audit Recommendation(s): *None.*

Audit Results and Recommendations (Cont'd)

Audit Procedure 3: Recalculate the branch replacement cost (as defined by the contract) for a sample of items within selected purchase orders.

Branch Replacement Cost (BRC) Defined

- Weighted moving average calculated from the replacement cost of like items previously on hand with newly received items, on a last in first out basis.

- Based on actual purchase order cost net of any NiSource specific rebates, freight allowances and manufacturer discounts applied to the published manufacturer list prices, excluding discounts for early or cash payments.

Audit Results and Recommendations (Cont'd)

Audit Procedure 3 – Audit Results (Cont'd):
Internal Audit selected a sample of purchase orders not subject to special pricing.

- For selected transactions within each purchase order, Internal Audit compared the cost of the item to the most recent vendor invoice as of the date of the purchase order, noting that the BRC appeared reasonable.

- Due to the nature of the BRC calculation, variances are expected for each selection, as such, this analysis is a reasonableness test only.

- An overall **net 0.6%** variance was identified when comparing the unit BRC per the vendor invoice to the purchase history data file for the sample selections.

Internal Audit Recommendation(s): *None.*

Audit Results and Recommendations (Cont'd)

Audit Procedure 4: Verify that MRC requested bids for specific purchases as required by the contract.

Audit Results:

Purchases estimated to cost ***over $100,000*** require a formal competitive bid process with the following allowable exceptions:

- Specific supplier with the natural gas industry;
- Requirements for the goods of a proprietary nature;
- Priority situations including emergencies; and
- Goods sourced from MRC's stock.

Note: *Exceptions should be supported by objective business reasons and documented and approved on a Competitive Bid Waiver form. Goods sourced from MRC's stock do not require completion of the Competitive Bid Waiver form.*

Audit Results and Recommendations (Cont'd)

Audit Procedure 4 - Audit Results (cont'd):

One ***(1)*** of the fifteen ***(15)*** purchase orders ***exceeding $100,000*** was not sourced from stock, thus required a formal competitive bid.

- MRC provided internal correspondence discussing the three bids received for the selected order; however, management was only able to provide two of the three formal bids from vendors due to employee turnover issues.

Internal Audit Recommendation(s):

For all items which require a formal bid, MRC should maintain documentation of the following:

- Request for bids from all vendors contacted;
- Vendor documents with details of vendor quote ;
- Comparative analysis of different vendor quotes; and
- Documentation of reasoning for not obtaining bids (if applicable).

Audit Results and Recommendations (Cont'd)

Audit Procedure 5: Verify that MRC met or exceeded key contractual metrics (i.e., on-time delivery, order accuracy).

Audit Results:

The contract outlines key performance metrics related to on-time delivery (OTD) and shipping accuracy. During 2011, the key performance metrics were met by MRC as outlined below:

Key Performance Metric	Contract Target Percentage	2011 Performance Percentage
OTD – Enhanced Committed Items (Construction Season)	98%	98.5%
OTD – Enhanced Committed Items (Non-Construction Season), Committed and Dedicated Items	95%	97.6%
OTD – Non-Committed Items, Direct Shipped and MRO Items	90%	97.3%
Shipping Accuracy	98%	98%

Audit Results and Recommendations (Cont'd)

Audit Procedure 5 - Audit Results (Cont'd):

To verify the accuracy of the OTD and shipping accuracy metrics, Internal Audit performed the following:

- Obtained the 2011 metric calculation by location, which in total agreed to the "2011 Performance Percentages" (see the previous slide).
  - A system generated report does not exist to calculate performance metrics, as such, MRC provided Excel spreadsheets calculating the OTD and shipping accuracy metrics by location for the period under audit.
- Internal Audit recalculated the OTD and shipping accuracy performance metrics for a selection of locations using the purchase history data file.
  - Internal Audit concluded that reported key performance metrics were reasonable.

Currently, MRC is providing Supply Chain management a weekly analysis (via e-mail) documenting their performance.

Audit Results and Recommendations (Cont'd)

Audit Procedure 5 (Cont'd)

Internal Audit Recommendation(s):

Supply Chain management should work with MRC to create a report directly from their SIMS billing system to eliminate manual adjustments needed to calculate key performance metrics.

Audit Results and Recommendations (Cont'd)

Audit Procedure 6: Determine if quarterly meetings were held as required by the SA.

Audit Results:

The SA requires that quarterly meetings be held between MRC and Supply Chain management to discuss administrative and contractual items.

- Quarterly presentations were reviewed for the three meetings held in 2011.
  - The first two quarterly meetings were combined due to scheduling conflicts.

Internal Audit Recommendation(s): *None.*

Audit Results and Recommendations (Cont'd)

Audit Procedure 7: Determine if the "Joint Savings Program" savings were properly supported and reported to NiSource management and are allowable per the SA.

Audit Results:

- Under the "Joint Savings Program", the contract specifies the following:
  - If MRC does not deliver a minimum savings of 2% of cost of goods sold (COGS), MRC will pay CDC an amount equal to $100,000 multiplied by the savings shortfall percentage;
  - Actual cost savings in excess of 2% of COGS are shared on a percentage basis of 75% (CDC), 25% (MRC);
  - If actual savings delivered by MRC is greater than 2% of projected annual COGS, CDC agrees to pay a bonus equal to 25% of the total savings achieved, using a prorated scale; and
  - Savings above 6% of actual annual COGS will not be shared with MRC unless otherwise determined by Supply Chain management.

Audit Results and Recommendations (Cont'd)

Audit Procedure 7 - Audit Results (Cont'd):

Joint Savings Calculation:

- Internal Audit recalculated the Joint Savings sharing bonus based upon the contract terms, as outlined on the previous slide, noting the following:
  - ~$2.7 million was identified as Joint Savings opportunities in 2011;
  - The calculated joint savings to be paid to MRC totaled ~$375 thousand; and
  - Internal Audit concluded that the calculated Joint Savings appeared in accordance with contract terms.

Joint Savings Components:

- Internal Audit reviewed each saving component to ensure identified Joint Savings was in accordance with contract terms, noting the following:
  - Internal Audit determined that ~$920 thousand of the total ~$2.7 million identified Joint Savings appeared to be supported and aligned with established contract terms.

Audit Results and Recommendations (Cont'd)

Audit Procedure 7 - Audit Results (Cont'd):

Joint Savings Components (Cont'd):

- Internal Audit noted that the remaining ~$1.8 million of identified Joint Savings related to a "buy back" transaction(s) with MRC.
  - Internal Audit determined that these "buy back" items were associated with the implementation of a new materials management process in 2009.
    - As part of the materials management process, items that were determined to be held in excess of established, optimal inventory levels and were reusable by MRC were purchased back ("buy back") by MRC at cost plus original margin charged by MRC.
  - Internal Audit reviewed MRC's calculation of cost savings for 2010 and determined the amount of shared savings related to "buy backs" to be insignificant and passed on further review.
    - Total amount of cost savings to be shared in 2010 = ***~$57 thousand.***

Audit Results and Recommendations (Cont'd)

Audit Procedure 7 - Audit Results (Cont'd):

Joint Savings Components (Cont'd):

- Internal Audit reviewed MRC's calculation of Joint Savings for 2011 and noted the amount of the shared savings attributed to the buybacks was determined to be ***~$335 thousand.***

- Internal Audit concluded that the total cost of allowing MRC to include the "buy backs" in their Joint Savings calculation was ***18.3%*** of the total amount of "buy back" transactions in 2011.

  - $1,832,864 x 18.3% = $335,414

- Through review of the established contract language specific to Joint Savings criteria, Internal Audit was unable to conclude that the "buy back" materials should qualify for Joint Savings consideration.

  - Joint Savings contract language is not prescriptive in nature and can allow for interpretation.

Audit Results and Recommendations (Cont'd)

Audit Procedure 7 - Audit Results (Cont'd):

Joint Savings Components (Cont'd):

- Due to the fact that Internal Audit could not conclude that the "buy back" transaction was supported by the contract, Internal Audit looked for other supporting documentation to support the assumption that the "buy back" transaction provided actual savings to NiSource (e.g. an analysis by Company management to prove actual savings).
- Through discussions with Company management, Internal Audit concluded that an analysis or other supporting documentation was not retained to outline the cost and benefits of the "buy back" transactions.
  - Internal Audit believes that an appropriate supporting analysis (cost/benefit) may have incorporated, but would not necessarily be limited to the following criteria:
    - » The costs of holding onto and/or exhausting the excess materials;
    - » The total amount of potential spoilage of materials;
    - » Potential tax costs/benefits impacts (both holding and selling);
    - » Sunk costs; and
    - » Other avoided/avoidable costs that could be identified.

Audit Results and Recommendations (Cont'd)

Audit Procedure 7 - Audit Results (Cont'd):

- Additionally, Internal Audit noted that in the case of the materials management "buy back" transaction(s) noted on the previous slide, it would be expected that the projected cost of including the "buy back" items as shared Joint Savings with MRC would be incorporated in such a cost/benefit analysis.

"Buy Back" - Joint Savings Conclusions

- Due to the nature of the established contract language regarding Joint Savings, Internal Audit was unable to determine if the $1.8 million in identified savings regarding "buy backs" was appropriate.
- Internal Audit concluded that an analysis was not documented by management (Operations or Supply Chain) to support the Joint Savings benefits of the "buy back" transaction(s).
  - Because a cost/benefit analysis was not documented, Internal Audit cannot conclude as to the reasonableness of the costs associated with Joint Savings amounts shared with MRC in 2011 as compared to other potential outcomes (i.e. using the materials, loss due to obsolescence...etc.).

Audit Results and Recommendations (Cont'd)

Audit Procedure 7 (Cont'd):

Internal Audit Recommendation(s):

- Because Internal Audit was unable to conclude on the inclusion of certain items in the joint savings calculation, Supply Chain management should revise contract language regarding the Joint Savings Program to ensure more prescriptive and precise language when establishing a new MRC contract in 2013.

- Supply Chain management should ensure documentation is developed and retained to support joint cost savings components as well as other significant procurement decisions; documentation should outline reasonably identifiable costs and benefits to support the business purpose of decisions.

Audit Results and Recommendations (Cont'd)

Audit Procedure 8: Test freight, tax, and labor fees to ensure that such charges are in accordance with the contract terms.

Audit Results:

Internal Audit tested approximately ***$1.2 million*** of miscellaneous charges incurred in 2011 as summarized by transaction code below:

Transaction Code	Code Description	Amount
VTX	Tax	$446,462
FRT	Freight	$375,103
LBB	Labor by Branch	$375,554

Audit Results and Recommendations (Cont'd)

Audit Procedure 8 - Audit Results (Cont'd):

Internal Audit selected a sample of miscellaneous charges to test from the significant transaction code categories (VTX, FRT, and LBB).

Results of testing are as follows:

- Tax charges (VTX) reviewed were accurately calculated;
- Freight charges (FRT) reviewed agreed to supporting invoices; and
- Labor by Branch (LBB) charges, incurred for handling "to-be-repaired" meters, are charged at $250 per pallet.
    - The fee per the purchase history data file was compared to the MRC invoice and contract terms, noting that in several instances the charged amount did not align with the contracted fee; the overall impact was inconsequential (less than $8,000).

Internal Audit Recommendation(s): *None.*

Audit Results and Recommendations (Cont'd)

Audit Procedure 9: Ensure that material "buybacks" (purchased by MRC as part of the materials management process implemented across the CDCs) are properly priced and credited.

Audit Results:

- Internal Audit obtained a listing of 2011 buyback transactions noting a total of approximately ***$1.8 million.***
  - The impact of these transactions are eliminated from the gross margin analysis (see ***slide 33***) as they relate to a period prior to 2011.

    NOTE: See ***slide 21*** for further discussion on the materials management process.
- A sample selection of 2011 buyback transactions were reviewed, noting the following:
  - The transaction was properly priced at cost plus margin.
  - The buyback materials were properly tracked and compared to the credit invoice obtained from MRC.

Internal Audit Recommendation(s): *None.*

Audit Results and Recommendations (Cont'd)

Audit Procedure 10: Analyze pricing and margins for all purchases made under the contract in relevant categories (i.e., Stock Material, Line Pipe, Direct Ship) by utilizing Audit Command Language (ACL), a data analysis tool.

Audit Results:

The major contractual pricing parameters are as follows:

- **Regular Stock**
  - Mark up – 19.00% / COGS $20M to $25M
  - Mark up – 18.25% / COGS $25M to $35M
  - Mark up – 17.75% / COGS $35M to $40M
  - Mark up – 17.00% / COGS $40M to $45M
  - Mark up – 16.50% / COGS above $45M

  Note: *Pricing for regular stock starts at $20M and will only be changed as mutually agreed upon by both parties.*
- **Vendor Directs**
  - 8%
- **Line Pipe**
  - Mark up – 5.25% / Orders $100K to $1M
  - Mark up – 4.50% / Orders $1M to $3M
  - Mark up – 4.00% / Orders above $3M

Audit Results and Recommendations (Cont'd)

Audit Procedure 10 - Audit Results (Cont'd):

Using ACL, Internal Audit summarized the purchase history data file by material type and applied the appropriate contractual mark-up percentages to the BRC and recalculated the correct pricing and gross margins with inconsequential variances, noting the following:

- Under billings from MRC were approximately ***$255K*** or approximately **0.57%** of total annual spend.
  - Of the ***$255K*** under billing, only ***$98K*** will be subject to negotiations with MRC as ***.35%*** of the ***$44.7 million*** of total spend (***~$156K*** for 2011) is waived in regards to the annual over/under billing in accordance with agreed upon terms with MRC, per a ***May 4, 2012 Settlement Letter.***
  - ***~$218K*** of the under billing is due to a special pricing arrangement with Performance Pipe for poly pipe.
    - *Internal Audit noted that the under billing is due to MRC not updating their prices timely to reflect revised Performance Pipe pricing, which is updated bi-monthly.*

Audit Results and Recommendations (Cont'd)

Audit Procedure 10 - Audit Results (Cont'd):

- Internal Audit noted ***10,912*** "one-sided" transactions in the regular stock items where the **price field = zero** and the **cost field > zero.**

  - The current purchase history data file alone does not provide detailed information to validate these transactions; additional support/review is necessary to ensure one-sided transactions are appropriate.

  - Internal Audit made a selection of one-sided transactions and related support and concluded that the cost for the selection tested was appropriate.

Internal Audit Recommendation(s):

Supply Chain management should request that MRC provide a periodic report categorizing the one sided transactions by adjustment type as these impact the BRC, which is the basis for the Gross Margin Analysis. Supply Chain management should assess the appropriateness of these transactions through review of the analysis and investigation of transactions as deemed necessary.

Gross Margin Analysis

Order Type	Ext Price	Ext BRC	MRC Margin	Calc. GM%	Contract GM% (3)	Calc. at Contract GM%	Difference/Charge
STOCK AND BUYOUTS	A	B	C = A-B	C/B	D	E = B x D	A - E
Stock - Orders entered prior to 1/1/2011 (before 12/05/10)	$130,084	$108,243					
Add Credits Received for Buybacks	$62	$53					
Total for Purposes of Margin Analysis	$130,146	$108,296	$21,849	20.18%	19.03%	128,905	1,241
Stock - Orders entered prior to 1/1/2011 (after 12/05/10)	$122,496	$106,711					
Add Credits Received for Buybacks	$3,561	$2,903					
Total for Purposes of Margin Analysis	$126,057	$109,614	$16,443	15.00%	20.56%	132,151	(6,094)
Stock - Orders entered 1/1/2011 to 7/21/2011	$20,381,108	$17,183,090					
Add Credits Received for Buybacks	$1,466,100	$1,222,962					
Total for Purposes of Margin Analysis	$21,847,207	$18,406,052	$3,441,156	18.70%	19.03%	21,908,723	(61,516)
Stock - Orders entered 7/22/2011 to 11/14/2011	$12,672,948	$10,500,098					
Add Credits Received for Buybacks	$388,213	$315,067					
Total for Purposes of Margin Analysis	$13,061,161	$10,815,165	$2,245,995	20.77%	20.57%	13,039,845	21,316
Stock - Orders entered 11/15/2011 to 12/31/2011	$2,653,400	$2,223,161					
Add Credits Received for Buybacks	$325,066	$264,702					
Total for Purposes of Margin Analysis	$2,978,466	$2,487,863	$490,603	19.72%	19.10%	2,963,045	15,421
Total Stocks and Buyouts	$35,960,036	$30,121,303					(45,054)
DIRECTS							
Directs - 1/1/11 to 12/31/11	$17,706	$15,387	$2,320	15.08%	8%	16,618	1,089
TRAILER FEES							
Trailer Fee Charges	$6,545	$5,500	$1,045	19.00%	33.33%	7,333	(788)
LINE PIPE							
Line Pipe - Directs 2011	$246,022	$226,340	$19,682	8.70%	5.25%	238,223	7,799
POLY PIPE (1)							
Poly Pipe - prior to 1/1/2011	$66,406	$54,883	$11,523	21.00%	20.56%	66,167	239
Poly Pipe - 1/1/2011 to 7/21/11	$3,951,809	$3,540,480					
Add Credits Received for Buybacks	$20,069	$17,743					
Total for Purposes of Margin Analysis	$3,971,877	$3,558,223	$413,654	11.63%	19.03%	4,235,353	(263,475)
Poly Pipe - 7/22/11 to 11/14/11	$2,581,430	$2,103,271					
Add Credits Received for Buybacks	$2,000	$1,690					
Total for Purposes of Margin Analysis	$2,583,430	$2,104,961	$478,469	22.73%	20.57%	2,537,952	45,478
Poly Pipe - 11/15/11 to 12/31/11	$395,738	$330,485					
Add Credits Received for Buybacks	$2,054	$1,724					
Total for Purposes of Margin Analysis	$397,791	$332,209	$65,582	19.74%	19.10%	395,661	2,130
TOTAL	$6,995,382	$6,029,119					(217,757)
DG PURCHASE ORDERS (2)							
DG Purchase Orders	$1,467,613	$1,260,755	$206,758	16.40%	N/A		Exclude
Total	$44,693,204	$37,658,404			Total Over/(Under) Charge		(254,712)

(1) CDC has a separate contract with Performance Pipe to sell pipe to MRC at a market indexed price escalator/de-escalator using the Chemical Data Index. The branch replacement cost (BRC) was adjusted to reflect actual poly pipe purchases with Performance Pipe.

(2) Special Orders (DG) are priced using margins outside of those specified in the contract

(3) Contract GM% includes the markup percentages per the contract times the freight factor.

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FROM: Joseph Siget, Audit Director
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DATE: January 27, 2011

SUBJECT: Regulatory Order Management Process – Columbia Gas of Ohio and Columbia Gas of Pennsylvania

Internal Audit has completed an audit of the regulatory order management process for Columbia Gas of Ohio (COH) and Columbia Gas of Pennsylvania (CPA) as of October 31, 2011. Our review included an evaluation of the adequacy and effectiveness of the internal controls designed to mitigate primary business risks associated with the regulatory order management process.

Our audit procedures included a review of the policies and procedures established for the regulatory order management process and to ensure that order requirements are implemented timely and accurately.

Background

Regulatory orders are issued throughout the year by each state's Public Utility Commission (Commission) due to various reasons, such as a rate case filing or state mandated programs. Within each order, there can be multiple requirements to implement various rate case components within a specified timeframe. Given the Company's current regulatory pursuits and its focus on the implementation of tracker programs, regulatory order activity continues to increase. Thus, it is essential that these requirements are tracked and monitored to ensure compliance with each order and timely revenue billing through approved rates.

Scope Summary

The audit procedures performed during the audit were aligned with the primary operational business objectives of the regulatory order management process for COH and CPA and the means by which the associated risks are managed.

The primary business risks associated with the selected processes reviewed within the scope of the audit are as follows:

- Policies and procedures may not be established for the regulatory order management process; and
- Regulatory order requirements may not be implemented timely and accurately.

Conclusion

In addition to the procedures outlined below, Internal Audit completed a comprehensive walkthrough of the regulatory order management process from approval of the order by the Commission to the implementation of each order requirement with key process owners from COH and CPA.

Internal controls and processes associated with the following regulatory order management process areas for COH and CPA should be improved in order to bring the control environment to an appropriate level in mitigating the risks specific to the achievement of the business objectives. Management should consider the costs, benefits, and personnel requirements associated with the processes noted below:

- Formal written policies and procedures have not been developed for the regulatory order management process; and
- Not all regulatory order requirements are tracked and monitored to ensure timely and accurate implementation.

Internal Audit noted that CPA, Columbia Gas of Maryland (CMD) and Regulatory Strategy and Services did launch a "Regulatory Compliance Planning and Tracking Assessment Project" in 2011. The project, which is specific to CPA and CMD, has two phases outlined below:

- **Phase I Objective and Timeline:** Refine the regulatory planning process to ensure that all information provided to the Commission is 100% accurate, provided in a timely manner, and reviewed and approved before it is submitted. Phase I was slated to be completed by December 31, 2011.
- **Phase II Objective and Timeline:** Refine the regulatory order implementation process to ensure all order requirements are implemented timely and accurately. Phase II is scheduled to begin in early 2012 and completed by December 31, 2012.

All NGD companies should consider the costs, benefits and personnel requirements involved in implementing the recommendations noted above as well as an initiative similar to that of CMD and CPA to strengthen the internal controls associated with the tracking and monitoring of all regulatory filings and orders, considering the recommendations throughout the audit report.

We have reviewed the results of our audit with management.

Summary of Audit Objectives, Scope, Results, and Recommendations

Audit Objective 1: Policies and procedures may not be implemented and communicated to appropriate personnel for the tracking, monitoring, and implementation of all regulatory order requirements.

Scope: Review policies and procedures established for the regulatory order management process and verify communication to appropriate personnel.

Results: Internal Audit noted that written policies and procedures do not currently exist for the tracking, monitoring, and implementation of regulatory order requirements for COH and CPA.

Recommendations: It is recommended that all NGD companies consider the following recommendation in relation to their internal controls for the regulatory order management process.

- Regulatory management should develop written policies and procedures for the tracking, monitoring, and implementation of all regulatory order requirements and communicate these policies to appropriate personnel.

Audit Objective 2: Regulatory order requirements and all subsequent changes may not be tracked, monitored, or implemented timely and accurately by appropriate Company personnel.

Scope: Select a random sample of COH and CPA regulatory orders issued in 2010 and 2011 and verify the following:

- The approved order was communicated to appropriate personnel;
- The completion of the order requirements were monitored by a designee; and
- The order requirements were implemented timely and accurately.

Results:

COH

A sample of 3 COH regulatory orders issued during 2010 and 2011 were selected from a listing provided by the Regulatory department representing a subset of orders from the specified timeframe as a centralized filing system does not exist for COH regulatory orders. The 3 orders selected for review were as follows:

1. Case No. 10-221-GA-GCR entered 4/13/2011 - Regulation of the Purchase Gas Cost Adjustment Clauses contained within the Rate Schedules of COH
2. Case No. 10-578-GA-UEX entered 5/19/2010 - Uncollectible Expense Rider Adjustment
3. Case No. 10-2353-GA-RDR entered 4/27/2011 - Infrastructure Replacement Rider and Demand Side Management Rider Adjustments

- Through corroboration with Legal Counsel, there are established processes to ensure that all orders issued by the Commission are obtained by the Legal Regulatory department. As noted above, COH currently does not maintain a centralized filing system to retain all orders issued by the Commission.

  Based on the sample testing performed, communication of the approved orders by Legal Counsel is occurring timely to appropriate personnel, primarily via e-mail. However, Legal Counsel is not currently obtaining or retaining verification and/or confirmation that communication e-mails have been received by recipients regarding the order.

- Implementation of order requirements may not be monitored for timely completion as a standard policy does not exist. The level of monitoring that occurs varies with each order, depending upon the size of the order or preference of personnel involved in implementing the order.

- For the sample orders selected for testing, the order requirements were implemented timely and accurately. However, through corroboration with Regulatory Analysts, it was noted that in the periods of 2010 and 2011 there was one instance in which rates were not updated timely as summarized below:

In July 2010, the Choice/Standard Service Offer Reconciliation Rider rate for COH was not implemented until billing unit 2. Rates were not updated timely with billing unit 1 as the responsibility of updating the rates was not formally assigned to a Regulatory Analyst. Thus, it was unclear as to who within Regulatory Accounting was responsible for updating the rates. Based on corroboration with Regulatory Analysts, Unit 1 billing adjustments to correct the billed rates were completed by July 28, 2010.

CPA

A sample of 3 CPA regulatory orders issued during 2010 and 2011 were selected from the MySource Legal Portal, which is the central location where all issued orders are maintained for CPA. The 3 orders selected for review were as follows:

1. Docket No. R-2011-2228696 adopted 8/25/2011 - Purchased Gas Cost Adjustment
2. Docket No. P-2010-2157040 adopted 4/15/2010 - Allocation of Tennessee Gas Pipeline Settlement Proceeds
3. Docket No. M-00920345 adopted 3/25/2010 - Customer Assistance Program Policy Statement Suspension and Revision

- Through corroboration with Legal Counsel, there are established processes to ensure that all orders issued by the Commission are obtained by CPA. CPA regulatory orders are uploaded to the NiSource Legal Portal by Administrative Assistants, providing a central location for all issued orders. Internal Audit noted that the portal is not monitored periodically to ensure the listing is complete.

  Based on the sample testing performed, communication of the approved orders by Legal Counsel is occurring timely to appropriate personnel, primarily via e-mail. However, Legal Counsel is not currently obtaining or retaining verification and/or confirmation that communication e-mails have been received by recipients regarding the order.

- Implementation of order requirements may not be monitored for timely completion as a standard policy does not exist. The level of monitoring that occurs varies with each order, depending upon the size of the order or preference of personnel involved in implementing the order.

- For the sample orders selected for testing, the order requirements were implemented timely and accurately. Through corroboration with the Manager of Regulatory Accounting it was noted that there were no instances in 2010 or 2011 in which rates were not updated timely for CPA.

Recommendations: It is recommended that all NGD companies consider the following recommendations in relation to their internal controls for the regulatory order management process.

COH

- Legal Counsel should maintain a comprehensive file, either manual or electronically, of pertinent Commission filings and orders issued and monitor the listing periodically to ensure it is up to date and complete.

- All personnel within the Legal Regulatory department should subscribe to any case in which they are assigned. They will then be notified by the Commission through e-mail of all filings and orders related to that case, ensuring that all orders and filings related to COH are obtained.

CPA

- The initial recipient of an issued order from the Commission should perform a periodic review of the uploaded orders maintained on the MySource legal portal to ensure the order has been posted.

COH and CPA

- Legal Counsel should develop a standard distribution list as deemed appropriate for communicating issued orders to applicable parties.

- A designee should be assigned to monitor the implementation of each order requirement, ensuring that the requirement is completed timely as determined by the order. Internal Audit suggests the use of a checklist, or similar tool, to outline the requirements of each order and the associated completion dates for each item. Documentation related to communication with the Commission related to order requirements should be retained. If communication regarding the compliance of an order implementation item is verbal due to relationships with the Commission, at a minimum, the date, parties involved, and the results of the discussion should be documented and retained. The results of implementing issued orders should be reported to management to track performance on a recurring basis.

- A designee(s) should be assigned to monitor the filing deadlines, with periodic notifications provided to responsible parties, verifying they are on target for meeting the deadline requirement.

As always, we appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any questions or require additional information, please do not hesitate to contact Joseph Siget at (614) 460-4847, Ryan Binkley at (614) 460-5985, or Shelley Duling at (614) 460-6062.

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TO: Mark Kempic, Director, Rates and Regulatory Policy

FROM: Joseph Siget, Audit Director
Ryan Binkley, Audit Manager

DATE: September 20, 2011

SUBJECT: Allocation of Facility Costs – Columbia Gas of Pennsylvania

As a result of the Implementation Plan submitted by Columbia Gas of Pennsylvania (CPA) to the Pennsylvania Public Utility Commission (PUC), in response to the most recent Management Efficiency Investigation (MEI), we have completed a review of the cost allocation methods and billing procedures used by CPA to allocate facility costs to the various subsidiary companies ("affiliates") as of December 31, 2010.

Background

In December 2010, the PUC issued the results of their most recent MEI, the objective of which was to review and evaluate the effectiveness of CPA's efforts to implement certain recommendations contained in the MEI released in 2006. The 2010 MEI focused primarily on the efforts of implementing certain recommendations in the following functional areas:

- Affiliated Relations
- Customer Service
- Gas Operations
- Corporate Governance

In January 2011, CPA submitted an Implementation Plan of certain recommendations to the PUC. CPA's implementation actions, together with explanations and cost/benefit analyses, may be subject to PUC review at a later date to determine if CPA has effectively implemented appropriate recommendations.

At the request of CPA Regulatory management, the audit specifically focused on the following MEI recommendation:

- "Complete the analysis of NiSource Corporate Services Company (NCSC) employees working at CPA locations other than the Canonsburg headquarters and charge affiliates, as appropriate, for their share of office space usage" (Allocation of Canonsburg headquarter costs is already in place).

In relation to this recommendation, the following implementation steps were identified:

1. Visit each CPA office and measure office/cubicle space for each employee;
2. Identify to what affiliate each employee's time is charged;

3. Identify a cost per square foot for each location;

4. Allocate the appropriate dollars for office/cubicle space and common areas to the appropriate affiliate; and

5. Adjust cost allocations retroactively.

Other than Canonsburg, six locations within Pennsylvania were identified as having employees, other than CPA employees, working at the location. The table below summarizes the associated lease costs by company at each location:

	Bethel	Canonsburg	Charleroi	New Castle	Rochester	Uniontown	York	TOTAL
NiSource Corporate Services Company	$49,983	$381,029	$4.800	$4,448	$355	$479	$95,538	$536,632
Columbia Gas of Pennsylvania	47,033	217,283	41,596	92,311	24,595	39,723	244,541	707,082
Columbia Gas of Maryland	740	19,265	0	0	0	167	11,021	31,193
Columbia Gas of Virginia	0	466	0	0	0	0	29,202	29,668
TCO	0	0	0	0	0	0	4,597	4,597
	$97,756	$618,043	$46,396	$96,759	$24,950	$40,369	$384,899	$1,309,172

The total lease cost above consists of square footage allocated to company specific employees, common building space and Administrative and General (A&G) costs not included in the monthly lease payments.

Although the Implementation Plan was not submitted to the PUC until January of 2011, CPA management began the cost allocation process for Canonsburg in 2008, and all other locations in 2010.

The primary business risks associated with these activities are:

- A process to identify shared costs may not exist;
- Allocation factors may not be updated regularly to reflect current operations;
- Shared costs may not be accurately calculated; and
- Charges incurred by CPA on behalf of affiliates may not be billed timely and accurately to affiliates.

Conclusion

Internal Audit has determined that key controls over certain processes within the scope of our procedures appear to be functioning appropriately during the period under review. However, we have identified some recommended opportunities for process improvements regarding certain

components of the process as discussed below. We have reviewed the results of the audit with CPA Regulatory management.

Internal controls and processes are effective in mitigating the risks specific to the achievement of business objectives in the following areas:

- A process to identify shared costs exists;
- Allocation factors are updated regularly to reflect current operations;
- Shared costs are accurately calculated; and
- Charges incurred by CPA on behalf of affiliates are billed timely and accurately to affiliates.

However, internal controls and processes associated with the following areas could be improved. Management should consider the costs, benefits, and personnel requirements associated with the suggested process improvements noted below:

- The process by which shared costs are identified and calculated has not been formally documented; and
- An independent review process of calculations to allocate costs to the affiliates has not been formalized.

Summary of Audit Objective, Scope, Results and Recommendations

Audit Objective: Shared facility costs are appropriately identified and are fairly and equitably allocated across appropriate affiliates.

Scope:

- Verify that a process to identify shared costs exists.
- Determine if allocation factors are updated regularly to reflect current statistical data to ensure that building costs are billed relative to current operations.
- Verify that shared costs are accurately calculated.
- Verify that charges incurred by CPA on behalf of affiliates are billed timely and accurately to affiliates.

Results:

- The following shared costs exist between CPA and its affiliates:
    - Building lease (specific office space and common space); and
    - Building A&G costs not paid as part of the monthly lease payments (depreciation, office equipment leases).

The seven CPA locations identified above house employees that work for multiple affiliates. As employees from different affiliates work within CPA facilities and perform work for affiliates outside of Pennsylvania, costs for space occupied must be allocated to those affiliates.

Annually, CPA Regulatory management reviews space allocations within each location and determines the amount of specific square footage occupied by employees, as well as allocating common space to those companies who have employees that occupy the building. A cost per square foot is determined based on annual rent and square footage in the lease, and is applied to specific and common space to determine the amount of rent allocated to each affiliate.

Internal Audit reviewed management's calculations for space specifically occupied by employees and determined the process used to allocate specific office space to affiliates is reasonable. Cubicle space was re-measured on a test basis and no significant differences between Internal Audit's measurements and management's measurements were noted. Common space is allocated to each affiliate based on the percentage of employees that specifically occupy space within each location. Internal Audit reviewed management's process for identifying and allocating common space and determined it was reasonable. Management is in the process of documenting allocation methodology for specific and common space to ensure that allocations are consistent each year.

A&G costs are estimated based on actual, historical costs. Currently, there is no true up for these costs at year-end; rather, the actuals at year-end are used to develop estimates for subsequent years. Management is in the process of documenting costs to be included as part of A&G costs, as well as developing a review process to determine whether costs are reasonable each year when compared to prior years and that the current methodology regarding allocating A&G costs is appropriate.

- Allocation factors regarding space specifically occupied by employees and common space are reviewed on an annual basis and updated, if necessary. Factors that would potentially require updates to these items include, but are not limited to, the following:

    - Significant changes in personnel at a specific location;
    - Building reorganization in which the allocations of space undergo significant changes;
    - Relocation of personnel; and
    - Renegotiation of lease at a specific location.

Should any changes occur that could materially impact allocations to CPA and its affiliates, management will re-measure space and re-allocate costs at the impacted location.

The nature of A&G costs, and the manner in which management has chosen to allocate those costs, require annual updates. As of the date of the audit, A&G costs had not been updated to reflect actual 2010 costs. Management is currently

developing a process and timeline regarding updates of A&G costs. Once completed, the 2011 allocations will reflect actual A&G costs for 2010.

- Specific square footage is allocated to each affiliate based on the percentage of time each individual performs work for the benefit of individual affiliates and the amount of space occupied by individual employees. To determine the amount of time employees spend working for the benefit of individual affiliates, management utilizes information provided by Human Resources. Internal Audit compared information provided by Human Resources to information used in the allocation calculation on a test basis, noting no exceptions.

  A cost per square foot is determined based on the total square footage in the lease and the annual lease payments; the cost per square foot is then applied to the respective percentage of square footage, specific and common, occupied by employees. Internal Audit tested a sample of management's calculations; calculations of allocated square footage appear reasonable. Internal Audit also recalculated common space allocations on a test basis and no exceptions were noted.

  Upon review of the cost allocation procedures, it was noted that not all lease costs were allocated. Upon further review, it was determined that certain areas of square footage at two locations had not been included in the calculation. The impact of these costs not being allocated has been deemed immaterial, as the annual impact is less than $20,000 and results in an under collection of rent expense from CPA rate payers. The calculations have been updated to include this square footage for calculations in subsequent years, and management is in the process of developing a review process to ensure that all costs are allocated going forward.

- Building and A&G costs are allocated to affiliates via journal entries on a monthly basis. Internal Audit recalculated amounts to be allocated to affiliates on a test basis and determined that amounts were properly calculated. Prior year (2009) A&G costs are currently being used to allocate A&G costs in 2011; once A&G costs are updated to reflect 2010 actuals, any necessary true ups will be retroactively applied to the appropriate affiliates.

Recommendation: None

We appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any questions or require additional information, please do not hesitate to contact Joseph Siget at (614) 460-4847, Ryan Binkley at (614) 460-5985, or Nicole Paloney at (614) 460-5483.

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Ryan Binkley, Audit Manager

DATE: September 26, 2011

SUBJECT: Distribution Integrity Management Program – NGD Companies

We have completed a process review of the NiSource Gas Distribution (NGD), Distribution Integrity Management Program (DIMP). The review focused on the adequacy of Company policies and procedures to administer and monitor the DIMP established for the NGD Companies.

Our procedures included a review of the following:

- Adequacy of established DIMP policies and procedures;
- The appropriateness of DIMP risk assessment processes and the consistency of its application to all covered NGD distribution pipeline segments; and
- Process for tracking, monitoring, and communicating DIMP performance metrics to management and regulators.

Background

In 2002, the Pipeline Safety Act established regulations, as outlined in Part 192 of the minimum Federal Pipeline Safety Regulations issued by the Pipeline and Hazardous Materials Safety Administration (PHMSA), requiring gas pipeline operators to develop integrity management programs for high consequence area transmission pipelines. PHMSA amended the Federal Pipeline Safety Regulations, Code of Federal Regulations (CFR 49) § 192, on December 4, 2009 to include Subpart P "*Gas Distribution Pipeline Integrity Management*", requiring operators of gas distribution pipelines to develop and implement a gas distribution integrity management program that includes a written integrity management plan; the required date of implementation was August 2, 2011 (§ 192.1005). NGD management has adopted these standards to establish the policies and procedures of NGD's DIMP.

The purpose of the DIMP is to enhance safety by identifying and reducing gas distribution pipeline integrity risks. The rule requires that operators identify risks to their pipelines where an incident could cause serious consequences and focus priority attention in those areas. The rule also requires that operators implement a program to provide greater assurance of the integrity of their pipelines.

The DIMP approach was designed to promote continuous improvement in pipeline safety by requiring operators to identify and implement appropriate risk control measures.

NGD Distribution Line Mileage Summary

NGD Companies maintain approximately 40,090 miles of distribution pipelines. See the table below for further details.

NGD Company Distribution Pipeline Summary

Company	Total Distribution Miles
Columbia Gas of Kentucky	2,567 miles
Columbia Gas of Massachusetts	4,825 miles
Columbia Gas of Virginia	4,900 miles
Columbia Gas of Ohio	19,763 miles
Columbia Gas of Pennsylvania	7,385 miles
Columbia Gas of Maryland	650 miles
Total	**40,090 miles**

PHMSA Requirements

PHMSA regulations (Part 192, § 1005 - 1007) require operators to develop and implement a program that addresses the following elements, no later than August 2, 2011:

1. *Knowledge (of Distribution System);*
2. *Identify threats;*
3. *Evaluate and rank risks;*
4. *Identify and implement measures to address risks;*
5. *Measure performance, monitor results, and evaluate effectiveness;*
6. *Periodic evaluation and improvement; and*
7. *Report results.*

PHMSA regulations (Part 192, § 1011) also requires operators to maintain records demonstrating compliance with the requirements noted above for at least 10 years.

NGD's DIMP Plan (the "Plan")

NGD management developed a written Plan to outline specific methods of implementation to comply with Subpart P sections § 192 pertaining to integrity management for gas distribution pipelines.

Management's Plan applies to all NGD pipelines, including those which may transport natural gas, natural gas supplemented with (vaporized) LNG, (vaporized) LPG, or propane. Pipelines include the associated mains, services, service regulators, customer meters, valves and other appurtenances attached to the pipe such as metering stations, regulator stations, and fabricated assemblies. The elements, details, actions, descriptions and explanations in the Plan pertain to all such facilities listed above. Additionally, the Plan is considered a gas standard and is subject to the same revision process as other compliance plans and gas standards.

Plan Components:

The DIMP Plan includes the following key components:

Administration - establishes specific roles and responsibilities within the organization. The scope of the DIMP is expansive, with involvement and coordination of multiple disciplines. Key administrative members of the Plan include:

- *DIMP Coordinator* - responsible for the implementation of the DIMP in accordance with the requirements of the Plan.

- *DIMP Steering Team* - an NGD state-level team of subject matter experts which meet on a periodic basis to evaluate the effectiveness of the Plan and update as needed.

  The DIMP Steering Team includes designated representatives from the following groups:

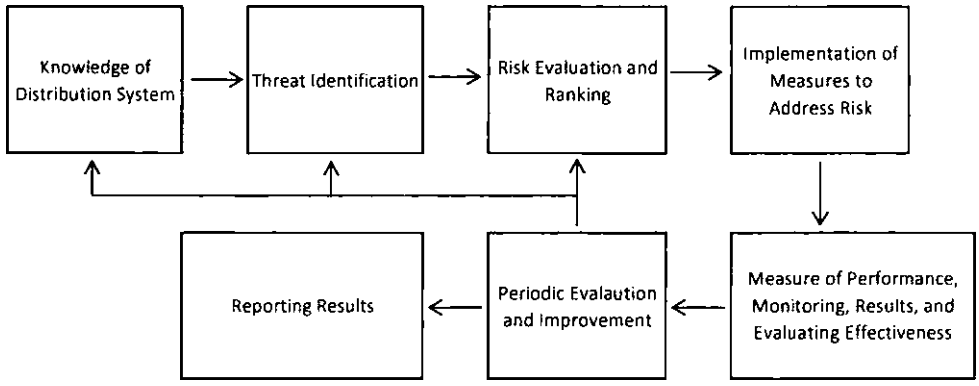
  - Operations Center leadership
  - System Operations leadership
  - Field Engineering leadership
  - Compliance Management
  - Damage Prevention
  - Communications
  - Program Administration
  - Other personnel that may provide significant input

- *DIMP Subject Matter Representatives (SMR) Team* - a team of subject matter representatives responsible for the maintenance of the Plan. This team is comprised of employees with experience from various stakeholder departments such as System Operations, Field Engineering, Compliance, Gas Standards, DIMP Administration, and Field Operations. Specific responsibilities of this team include the following:

  - Contribute to DIMP enhancements through the sharing of knowledge and best practices;
  - Review changes in the written Plan in accordance with the gas standard revision process;
  - Ensure proposed changes reflect the input of the designated departments of which they are representing; and
  - Ensure periodic evaluations are completed and documented.

Recordkeeping - The Company is required to maintain records needed to demonstrate compliance with 49 CFR, § 192, Subpart P, "Gas Distribution Pipeline Integrity Management". These records are to be retained for a minimum of ten calendar years from the time in which they are produced, as required by § 192.1011.

In addition to Administration and Recordkeeping noted above, the Plan includes the following components, as required by PHMSA (Part 192, § 1007):



(1) Knowledge of the Distribution System - process of evaluating comprehensive knowledge of the NGD's infrastructure using reasonably available information from past and ongoing design, installation, operations and maintenance activities.

- Existing and new data is maintained in at least one of the Company record systems [e.g., maps, paper forms, Work Order Management Systems (WOMS / WMS), other electronic data bases or files, photographs] or in the knowledge and experience of personnel who design, construct, operate and maintain the infrastructure. Documentation of the location of supporting information is included by reference in each NGD's written DIMP Plan.

(2) Threat Identification - process whereby subject matter experts determine the extent of threats to the distribution system. To leverage the knowledge and experience of Operations personnel, the Company has established the DIMP Steering Team (defined above) to identify threats to the Company's distribution system.

(3) Risk Evaluation and Ranking - an ongoing process of understanding what factors affect the risk posed by threats to the gas distribution system and where they are relatively more important than others. The Company uses two risk evaluation processes:

1. *System Level Risk Evaluation* - the Steering Team for each NGD Company judgmentally determines risk scores of the distribution system based upon information relating to the system's design, operation, maintenance, and environmental factors. Sources of data may include, but are not limited to, incident and leak history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, and excavation damage experience.

2. *Segment Level Risk Evaluation* - uses a comprehensive decision support software tool (Optimain) to help Field Engineering assess

and prioritize the risk associated with gas mains and help allocate capital for replacement or drive recommendations for consideration of other risk mitigation activities. Once Field Engineers review those segments or projects, they take ownership of corresponding projects in Optimain and determine any further actions (e.g. replacement) required for that segment.

(4) **Implementation of Measures to Address Risk -** includes risk management programs implemented by management to reduce the likelihood of an occurrence, alleviating the consequences of an occurrence, or both. These programs include:

- Leak Management Program;
- Bare Steel Replacement Program;
- Damage Prevention Program;
- Programs to Address Human Factors (E.g. operation qualifications);
- Internal Auditing (self-auditing);
- Facility Inspection and Monitoring (Gas Standards);
- Material Management; and
- Failure Mitigation Program.

(5) **Measurement of Performance, Monitoring Results, and Evaluating Effectiveness -** establishes a process by which performance measures are monitored in order to evaluate the effectiveness of the DIMP. Performance measures assist the Company in the ongoing evaluation of perceived threats and risk level. The evaluation of performance measures may lead to unexpected results that may include the recognition of threats not previously identified.

(6) **Periodic Evaluation and Improvement** – a process used to ensure changes are made to relevant program elements to account for changes in the NGD distribution pipeline system and environment. Every five years, or more frequently if deemed necessary by the DIMP Coordinator, the DIMP Steering Team will complete a program re-evaluation (meeting the requirements of 49 CFR § 192.1007(f)). The DIMP SMR Team will review proposed revisions to the Plan proposed by the DIMP Steering Team.

(7) **Reporting Results** – a process of reporting required DIMP metrics to PHMSA and each state Commission on an annual basis.

Scope Summary:

The procedures performed during the review were aligned with the primary operational business objectives of the DIMP processes and the means by which the associated risks are managed.

The primary business risks associated with the selected processes reviewed within the scope of the audit are as follows:

- Management may not have developed and implemented appropriate DIMP policies and procedures that are in compliance with established federal integrity management regulations and have not been properly communicated to Company personnel;

- Management may not have developed and implemented an appropriate distribution pipeline risk assessment process for all NGD distribution pipelines in accordance with established federal regulations; and

- Management may not track and monitor DIMP metrics or properly communicate metrics to management and regulators.

Conclusion Summary:

Internal controls and processes are effective in mitigating the risks specific to the achievement of business objectives in the following areas:

- A comprehensive, written DIMP Plan has been implemented by management that is in compliance with PHMSA regulations and has been communicated to NGD personnel;

- A distribution pipeline risk assessment process has been incorporated in policies and procedures established by DIMP management for the comprehensive evaluation of distribution pipelines; and

- NGD management has established policies and procedures to track and monitor DIMP performance metrics as established by PHMSA requirements and communicates metrics to management and regulators on a timely basis.

Internal controls and processes associated with the DIMP are effective in mitigating the risks specific to the achievement of business objectives but should be improved in order to bring the control environment to an enhanced level. DIMP management should consider documenting and retaining meeting minutes from each NGD Company DIMP Steering Teams to ensure the consistency in the approach across the organization and to provide potential supporting evidence of decisions made during each team's discussions.

Summary of Objectives, Scope, Results, and Recommendations

Objective 1: Management has developed and implemented appropriate DIMP policies and procedures that are in compliance with established federal integrity management regulations and have been properly communicated to NGD personnel.

Scope:

- Ensure DIMP management has developed and implemented policies and procedures that are in compliance with established federal requirements.

- Verify that DIMP policies and procedures are communicated to NGD personnel.

Results:

Internal Audit obtained and reviewed NGD's DIMP Plan which includes comprehensive policies and procedures that have been developed and implemented for the DIMP. Internal Audit noted that each NGD Company has a separate DIMP Plan, but each Plan is consistent and identical in substance. The Plan includes all required processes to be completed by all NGD personnel. Internal Audit reviewed the PHMSA requirements under Subpart P and noted that CFR 49 specifies the required program elements (as discussed in the Background section on page 2) but does not prescribe specific methods of implementation. While the PHMSA requirements do not specifically prescribe methods of implementation, Internal Audit determined that the Plan appears to properly establish policies and procedures to directly address requirements outlined in Subpart P sections § 192.1001, 192.1003, 192.1005, 192.1007, 192.1009 and 192.1011, pertaining to integrity management for gas distribution pipelines.

In addition to the review of the DIMP Plan, Internal Audit also obtained a copy of the "DIMP Inspection Form for Operators of Gas Distribution Systems" from PHMSA. Internal Audit noted that the inspection form addressed all sections of Subpart P and requires an inspector to comment on the sufficiency of an operator's processes and procedures in regards to the regulations. Through comparison of the inspection form and the established regulations, Internal Audit concluded that the NGD's DIMP Plan appears to be appropriate and consistent with the requirements noted in the inspection form provided by PHMSA.

Internal Audit noted that the rule (§ 192.1013) allows an operator to deviate from required inspection cycles as long as it can be proved that safety is not compromised by moving resources to a more prudent effort. Through discussions with DIMP management, the NGD Companies do not intend to deviate from the required periodic inspection intervals, and therefore the Plan does not address how the Company may deviate from the required periodic inspections.

Additionally, Internal Audit noted that Columbia Gas of Virginia (CGV) was recently chosen to participate in a voluntary test audit of the DIMP, as completed by the Virginia State Corporation Commission (SCC) and PHMSA. During a 2.5-day audit, CGV was given the opportunity to evaluate the DIMP inspection process and share the Company's understanding of the new regulation with the state and federal regulators. Through discussion with DIMP management, no findings were communicated to the Company as a result of the SCC and PHMSA's test inspection process.

Through review of the Plan, PHMSA regulations, and related supporting documentation provided by DIMP management, Internal Audit concluded that the established DIMP Plan appears to be in compliance with the Federal Safety Regulation requirements established by PHMSA Subpart P.

Internal Audit concluded that a DIMP Plan established for each NGD Company is located on a shared network drive and the Company's intranet site for reference by all NiSource employees. As such, Internal Audit has concluded that the DIMP policies and procedures appear to be appropriately communicated to NGD personnel and are freely available for reference.

Recommendations: None.

Objective 2: Management has developed and implemented an appropriate distribution pipeline risk assessment process for all NGD distribution pipelines in accordance with established federal regulations.

Scope:

1) Ensure DIMP management has developed and implemented an appropriate risk assessment process for the assessment of all NGD distribution pipelines in accordance with established federal regulations; and

2) Verify that DIMP management has established a process for the prioritization of distribution pipeline risks.

Results:

- Internal Audit reviewed the risk assessment process outlined in the Plan (Section 7 of the written Plan) to ensure the processes implemented by DIMP management is in accordance with pipeline safety regulations (PHMSA).

  Through our review, Internal Audit noted that the Company utilizes a two-part evaluation process to analyze risks, as noted on page 4 of the Background section.

  System Level Risk Evaluation Process:

  Internal Audit noted that the Company's system level process is a high level assessment that evaluates risk by defined threat categories and asset groups. The system level risk evaluation must be completed by the each state-level Steering Team on a periodic basis, not to exceed five years. The end result is to develop a risk profile at the asset group level that will allow management to focus on those asset groups that pose the greatest risk. An excerpt of the Columbia Gas of Pennsylvania (CPA) Asset Group Risk Assessment is included at Figure 1 in Appendix A of this report. Through discussion with DIMP Steering Team members and through review of the Plan, the system level risk evaluation conclusions are based upon each state-level Steering Team member's knowledge of the distribution system. Internal Audit noted that each NGD Steering Team does not currently document and track meeting minutes as part of their risk assessment discussions.

  DIMP management noted that data evaluated as part of the risk evaluation process included leak history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, and excavation damage data. Internal Audit noted that supporting information for the Operator's system knowledge used by Steering and SMR Teams in making risk assessment decisions is included in each state-level Plan. Data supporting the Operators knowledge included by reference in each state-level Plan include but are not limited to the following:

  - Summary of System Design by Pressure;
  - Summary of Known Construction Practices;
  - Areas Subject to Seismic Damage and Frost Heave;
  - Reportable Gas Incidents Summary by Year and Cause;
  - Number of Leaks Found/Eliminated/Repaired; and

- Leak Incidence Rates – Eliminated/Repaired Leaks.

Segment Level Risk Evaluation:

Internal Audit noted that the Company also utilizes a segment level evaluation process that allows the Steering Team to utilize a comprehensive decision support software tool, Optimain (implemented in 2008-2009) to help Field Engineering assess and prioritize the risks associated with gas mains and help allocate capital for replacement or drive recommendations for consideration of other risk mitigation activities. Optimain is populated through a system interface with WMS/WOMS every three months. Each pipeline segment is allocated a risk score based upon a statistically developed mechanism that takes into account probability of failure and consequences of failure.

While the PHMSA requirements do not specifically prescribe methods of implementation, through our review of the Plan and related supporting documentation, Internal Audit has concluded that DIMP management appears to have developed and implemented an appropriate risk assessment process for the assessment of all NGD distribution pipelines in accordance with established federal regulations.

- In order to prioritize pipeline risks, Internal Audit noted that the DIMP Steering Team will judgmentally assign risk factors to each of the threat / asset group combinations that were considered during the identification of threats as part of the system level risk evaluation process. Judgment is supported through the Steering Team's knowledge of the distribution pipeline system and is aided through data included in each state-level Plan (as discussed above). Per the Plan, if a threat was determined not to apply to a certain asset group, no risk factors will be determined for that threat and/or asset group combination.

System Level Risk Prioritization:

Internal Audit noted that the Steering Team utilizes a mathematical formula to calculate and prioritize risk as follows:

Risk = POF x COF

POF = Probability of Failure (scale of 1 to 10)
COF = Consequence of Failure (scale of 1 to 10)

The DIMP Steering Team will judgmentally determine scores for each of the two factors. The scale used is at the discretion of the team. However, as noted in the Plan, the Steering Team must ensure that the weightings are appropriately balanced for the POF and COF factors, such that one is not overly emphasized during the calculation of risk. The Steering Team will consider reasonably available information relating to the system's design, operation, maintenance, and environmental factors. Please refer to Appendix A, Figures 2 through 4 of this report for an excerpt of the conclusions reached by DIMP management in regards to the prioritization of risks for each asset group for CPA and the documentation of the risk calculations noted above.

Through discussions with management and review of the Plan, the DIMP Steering Team will rank the highest risks based upon the total scores assigned for probability and consequence of failure, noted above. Please see Figure 5 in Appendix A of this report for an example of the ranking of asset group risks for CPA included in the Plan.

Segment Level Risk Prioritization:

As discussed above, Optimain is a tool that includes main and service leak data to allocate a risk score based upon a statistically developed mechanism that takes into account probability of failure and consequences of failure. Optimain calculates risk as follows:

Risk = Probability of Failure x Consequence of Failure

Internal Audit noted per review of the Plan, probability of failure is calculated with base failure curves statistically developed by mechanism and class of pipe and is then influenced by other pipe failure factors. Pipe failure factors are captured with each leak report and include the following:

- *Pipe Material*
- *Pipe Pressure*
- *Pipe Condition*
- *Coating Condition*
- *Pipe Depth*
- *Pipe Diameter*
- *Leak History*
- *Leak Cause*
- *Coating Type*
- *Soil Type*

Internal Audit noted per the Plan, consequence of failure is calculated using risk profile factors which evaluate how serious the consequences could be when a pipe fails. Risk profile factors are captured with leak reports, customer information and some external data sources. These include the following:

- *Failure Type*
- *Pipe Pressure*
- *Service Line Length*
- *Population Density*
- *Leak Grade*
- *Meter Location*
- *Pipe Diameter*
- *Ground Cover*
- *Building Use*
- *Pipe Depth*
- *Leak Survey*
- *Service Class*

Optimain acts as a tool to measures the relative risk of the NGD pipeline network, and resulting risk scores direct the attention of engineers and operators to pipeline segments that offer significant risk reduction opportunities based upon those scores. As part of the Capital Program allocation process, Field Engineers take ownership of corresponding projects in Optimain and determine any further actions required for that segment (E.g. replacement of the pipeline as part of a NGD state-level Bare Steel Replacement Program). Internal Audit noted that leakage activity is reflected in Optimain after every data refresh cycle (main and service leak data is required to be updated every three months and service line data is required to be refreshed annually) and will continue to be monitored for risk mitigation by the Field Engineer.

Through discussion with DIMP management, Internal Audit noted that management is continuing to identify improvements to the data included in WMS/WOMS and Optimain to ensure the most accurate data is available for analysis. Management noted that a

team has been developed to look for ways to modify fields in NGD Company leakage forms to obtain more accurate data. Additionally, a new Geographic Information System will be implemented across the NGD Companies in the future that could result in modifications to the way installation data is collected and recorded during pipeline construction activities.

Based upon review of the system and segment level risk assessment prioritization processes outlined in the Plan, Internal Audit has concluded that DIMP management appears to have established an appropriate process for the prioritization of distribution pipeline segment risks.

Recommendations: DIMP management should consider documenting and retaining meeting minutes from each NGD Company DIMP Steering Team to ensure the consistency in the approach across the organization and to provide potential supporting evidence of decisions made during each team's discussions.

Objective 3: Management has established, and is properly tracking and monitoring DIMP metrics, and metric reports are properly communicated to management and regulators.

Scope:

1) Verify management has established policies and procedures to track and monitor DIMP performance metrics.

2) Ensure management has a process in place to communicate DIMP performance metrics to management and regulators on a consistent, recurring basis or as required by established regulations.

Results:

- Internal Audit reviewed the Plan for each NGD Company to ensure management has developed and implemented processes for the tracking and monitoring of DIMP metrics in accordance with pipeline safety regulations (PHMSA). Internal Audit noted that each NGD Company is tracking and monitoring both metrics for internal use and metrics required for reporting to PHMSA and the Department of Transportation (DOT) on a recurring basis.

  Internal Measures
  The Plan (Section 9 of each NGD Company Plan) outlines policies and procedures for the tracking and monitoring of internal performance measures. According to the Plan, performance measures should be measurable, attainable, relevant, supportable, and permit timely evaluations. Internal Audit noted that listings of the measures that are tracked and monitored and the methods by which they are tracked and monitored are included in the Plan for each NGD Company. Internal Audit has included CPA's performance measures in Appendix A, Figure 6 to this report for illustration purposes.

  Required Measures
  In addition to the internal measures noted above, the Plan (Section 9 of each NGD Company Plan) notes that the Company will collect data, through data acquisition forms or WOMS / WMS data screens that will be compiled to satisfy mandatory DOT annual reporting requirements.

The following measures are required by §192.1007(e):

1) Number of hazardous leaks either eliminated or repaired, per §192.703(c), categorized by cause;

2) Number of excavation damages;

3) Number of excavation tickets;

4) Total number of leaks either eliminated or repaired, categorized by cause; and

5) Number of hazardous leaks either eliminated or repaired, per §192.703(c), categorized by material.

Through our procedures outlined above, Internal Audit has concluded that DIMP management has established appropriate policies and procedures to track and monitor both internal and required DIMP performance metrics.

Internal Audit reviewed established policies and procedures (each NGD Company Plan) for the communication of both internal and required metrics discussed above.

Internal Measures
Internal Audit noted that per review of the Plan (Section 10 of each NGD Company Plan), DIMP management is required to analyze internal performance measures on an annual basis to determine if the goals of the DIMP are being achieved. Internal Audit has included CPA's performance measures in Appendix A, Figure 6 to this report for illustration purposes.

Required Measures
Internal Audit noted through review of the Plan, form PHMSA F 7100.1-1 "Annual Report for Gas Distribution Systems" is a form that is required to be submitted to PHMSA on an annual basis, by March 15, to report those required metrics for each NGD DIMP Plan. Through discussions with DIMP management, operators were required to include the reportable performance measures listed above on the 2010 annual DOT report, despite the fact that the Plan was not required to be in effect until August 2, 2011. Internal Audit obtained the 2010 annual DOT reports submitted by the NGD Companies in March of 2011 and noted that the required metrics were included in Parts C and D of these reports. Additionally, Internal Audit noted that the required measures were also included in the internal measures, as illustrated in Figure 6 of Appendix A to this report (PM001 – PM022).

Internal Audit has concluded that DIMP management has established a process to communicate DIMP performance metrics to management and regulators on a consistent, recurring basis as required by established regulations. Additionally, Internal Audit has concluded the DIMP management has established policies and procedures for the reporting and reviewing of internal performance measures.

Recommendations: None.

As always, we appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any questions, or require additional information, please do not hesitate to contact Joe Siget at (614) 460-4847, or Ryan Binkley at (614) 460-5985.

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NiSource

TO: Vicki Zacher, Manager GIS and Damage Prevention Support

FROM: Joseph Siget, Audit Director
Ryan Binkley, Audit Manager

DATE: September 30, 2011

SUBJECT: Facility Damages Billing Review – NiSource Gas Distribution Companies

Scope

At the request of Damage Prevention Support (DPS) management, Internal Audit completed a review of the processes and controls in place to track and bill **all** costs to quantify, document, process, and bill facility damage claims for the NiSource Gas Distribution (NGD) Companies. Specifically, the following items were reviewed as part of our review:

- Average time to process a facility damage claim by DPS personnel
- Calculation of the DPS departmental billing rate
- The methods used to track DPS and Field Operations billable hours

Background

The DPS department, located in Lorain, Ohio, manages the facility damage billing and collection data for the NGD companies. This team is comprised of seven Facility Damage Coordinators, a Team Leader, and a Manager.

When NGD facilities are damaged by third parties, repairs are performed by both internal and external resources. The following costs related to repairs are recorded in the Work Management System (WMS):

- Internal labor (Field Operations personnel only)
- Overhead (related to Field Operations personnel labor costs only)
- Equipment
- Materials
- Lost gas
- Contractor Costs
- Miscellaneous charges

At the time of our review, the DPS department was billing each facility damage claim $25, or one hour of Facility Damage Coordinator time for most damage claims to cover internal administrative processing costs. Field Operations personnel time is billed based on the labor information reported in WMS or the information obtained (verbally or via email) from field personnel when the labor information is not properly recorded in WMS.

The DPS department utilizes the Distributive Information System (DIS) to record facility damage billings and payments to the general ledger, and billings to damagers are generated through WMS and a recently deployed facility damage tracking and reporting system known as the Damage Prevention Tracking System (DPTS). DPTS was implemented on July 8, 2011.

DPS is partnering with Business Intelligence, Compliance, HMB (IT service provider) and Operations, in developing new reports (e.g., frequent damagers, root cause analysis, etc.) associated with all aspects of the facility damages processes. Business Intelligence will extract data from WMS, IRTH (provider of One Call ticket management software), DPTS and DIS to provide timely, intuitive and accurate reporting utilizing Cognose, a reporting tool, which extracts data from the NGD data warehouse.

Conclusion

Based on our review, DPS department costs of approximately $650,000 are not being billed to facility damage claims on an annual basis. In addition, Field Operations are not always recording their time in WMS on a consistent basis. As a result, DPS management/Internal Audit estimates that approximately $110,000 is not being billed for Field Operations support on an annual basis. Overall, approximately **$760,000** is being charged to Operations and Maintenance Expenses on an annual basis instead of billing the third-party damagers as detailed in the Results section below. We have reviewed the results of our review with management.

Summary of Objective, Scope, Results, and Recommendations

Business Objective 1: Determine whether facility damage claims are accurately billed.

Scope:

- Determine the average time to process a facility damage claim by DPS personnel;
- Calculate the DPS billable rate; and
- Review the methods used to track DPS and Field Operations billable hours.

Results:

Average Time to Process Facility Damage Claims:

Internal Audit obtained historical information on the number of damage claims billed from 2008 through 2010 (see data table below).

Year	Billable Claims
2010	2,343
2009	2,098
2008	2,291
Average Billable Claims Per Year	**2,244**

During this timeframe, approximately 2,244 facility damage claims were billable each year. The total damage claims during this period were 9,160 (See next data table). However, some facility damage claims are not billable for a variety of reasons such as incorrect markings and missing or incomplete facility records. Given the historical and current staffing levels of Facility Damage Coordinators (seven FTE's), it takes on average approximately five (5) hours to process each facility damage claim (see data table below). As noted above, for most claims, the DPS department was billing one (1) hour for each damage claim processed.

Year	DPS Available Hours	Total Damages
2010	14,560	3,314
2009	14,560	2,983
2008	14,560	2,863
Totals	43,680	9,160
Average Hours Per Claim		**~5.0**

Calculation of the DPS Departmental Billing Rate:

We requested the 2010 actuals, the 2011 budgeted, and the year-to-date 2011 DPS actual department costs in order to determine the cost pool or the costs to be included in the 2011 DPS billing rate. Based on our review and analysis with DPS management, approximately $918,000 will be incurred during 2011 to support DPS activity. Of this amount, approximately $716,000 ($918,000 * 78%) will be billable in 2011.

We reviewed historical information from 2008 through 2010, and found on the average that approximately 78 percent of the total dollar damages incurred is actually billable to third-parties (see data table below).

Year	Total $ Damages	Total $ Billed
2010	4,377,364	3,235,258
2009	3,960,151	3,003,593
2008	3,411,828	2,900,766
Totals	11,749,343	9,139,617
Billable Dollar Percentage		**78%**

To determine the hourly DPS billing rate, we multiplied the total available DPS hours (7 employees * 2,080 hours) by 78 percent to arrive at 11,357 total billable DPS hours. Dividing the total billable costs ($716,000) by the total billable DPS hours (11,357), we calculated an average hourly DPS billing rate of $63 or $315 per claim ($63 * 5 hours per claim) to process each facility damage claim. These rates are fully loaded and include all DPS costs both direct (i.e. hourly wages) and indirect (i.e. supervision). On average, this will save the Company approximately $650,000 ($716,000 – (2,244 * $25)) by billing the third-party damagers for these costs.

Tracking Billable Hours (DPS and Field Operations Personnel):

A formal process does not exist to track DPS personnel time for processing facility damage claims. As stated above, one (1) hour of DPS time was being billed for most damage claims. Also, Field Operations personnel are not always documenting their time in WMS, which requires DPS personnel to request the labor information from field personnel. DPS management/Internal Audit estimates that approximately $110,000 of Field Operations time is not being billed on an annual basis.

Management Response:

DPS management agrees with the results and plans on taking the following corrective actions:

- Review, update, and validate the DPS Departmental Billing Rate Model on a semi-annual and annual basis, or whenever a significant change in the departmental cost structure occurs, and update the billing rate as appropriate;

- Effective September 1, 2011, DPS began charging $315 for each billable facility damage claim to recover DPS departmental costs. For significant (greater than five DPS billable hours) damage claims, DPS is tracking their time (via manual timesheet) and charging an hourly rate of $63 (fully loaded rate); and

- NGD Accounting/DPS management are in the process of determining a standard (blended) rate (NGD Accounting) and standard hours (DPS management) to charge Field Operations personnel (i.e., Field Operation Leaders) for time spent on facility damage claims. This rate and hours will be charged for those work orders where the labor hours have not been entered in WMS. The NGD Accounting/DPS management groups plan on completing their analysis by November 30, 2011.

As always, we appreciate the cooperation and assistance that your staff provided to the Audit Team during this management requested review. Should you have any questions or require additional information, please do not hesitate to contact Joe Siget at (614) 460-4847 or Ryan Binkley at (614) 460-5985.

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TO: Steve Warnick, Senior Vice President and Chief Commercial Officer
Heather Bauer, Vice President Commercial Operations
Mike Watson, Vice President Supply and Optimization

FROM: Joe Siget, Audit Director
Ryan Binkley, Audit Manager
Shelley Duling, Senior Auditor

DATE: September 27, 2011

SUBJECT: Gas Procurement Audit – NiSource Gas Distribution Companies

Internal Audit has completed an audit of the established controls and processes associated with components of the gas procurement process, including certain related accounting activities, for the NiSource Gas Distribution (NGD) Companies as of July 31, 2011. Our review included an evaluation of the adequacy and effectiveness of the internal controls designed to mitigate primary business risks associated with various procurement and counterparty credit review processes.

Our audit procedures included a review of the validity of recorded gas purchases; the accounting for margins subject to the "sharing" provisions of the Columbia Gas of Ohio (COH) and Columbia Gas of Virginia (CGV) Stipulation Agreements; and the sufficiency of counterparty credit reviews.

Background

In late 2010, the former Energy Supply Services (ESS) department was reorganized resulting in the trading functions now being handled by the Supply and Optimization department with the remaining functions handled by the Commercial Operations department. With this reorganization, there were no significant changes in policies and procedures or key process owners performing the day-to-day activities related to gas procurement. Collaboratively, the Supply and Optimization and Commercial Operations departments are responsible for providing safe and reliable service to NGD customers and continue to maintain oversight of the NGD gas procurement function by managing the contractual and physical gas supply. These departments also facilitate the transportation, exchange and storage services for the NGD companies and strive to maximize shareholders value through the optimal use of pipeline and storage capacity assets.

In addition to the reorganization, in early 2011, the gas procurement activity for Columbia Gas of Massachusetts (CMA) was centralized with the Columbia Distribution Companies (CDCs). As a result, CMA procurement activities now primarily follow related gas procurement policies and procedures utilized by the CDCs.

The Credit Risk Management (CRM) department also plays an integral role in mitigating the risks pertaining to the gas procurement process; primarily due to the credit exposure involved with selling gas to counterparties. CRM is responsible for ensuring that effective procedures and internal controls for credit risk related activities are in effect for all commercial business functions of the company. The CRM's primary responsibilities are as follows:

- Implement proactive credit risk management of respective Business Unit operations and related credit exposures;
- Provide detailed credit quality assessment and documentation supporting counterparty/third-party credit risk management decisions;
- Assign credit risk ratings to counterparties/customers and establish associated credit limits;
- Work with counterparties/customers to obtain credit for the Business Unit; and
- Coordinate issuance of NiSource guaranty agreements, provision of letters of credit, or other outgoing credit enhancements with the NiSource Treasury department.

Scope Summary

The audit procedures performed during the audit were aligned with the primary operational business objectives of the NGD gas procurement process and the means by which the associated risks are managed.

The primary business risks associated with the selected processes reviewed within the scope of the audit are as follows:

- Gas purchases may not represent valid purchases or be recorded accurately and timely;
- Off-system sales (OSS), capacity releases, and applicable incentive program margins may not be accurately recorded (shared) between the core market customers of COH and CGV as defined by the sharing provisions of the respective Public Utility Commission Stipulation Agreements; and
- Gas purchasing may be conducted with counterparties who have insufficient credit resulting in non-performance of agreements.

In addition to the controls tested as part of this audit, Internal Audit also tested various energy supply controls as part of our 2011 Sarbanes Oxley (SOX) control tests. These controls included ensuring transaction confirmations exist for OSS and exchange transactions, verifying that cost of goods sold volumes are reconciled monthly to sales volumes and agree to the general ledger, and ensuring data provided to the Accounting department for various types of transactions reconciles to supporting documentation, primarily maintained in the Gas Source system. Our audit results related to the SOX procedures noted no exceptions.

Conclusion

Based on testing performed, Internal Audit has determined that key controls over several processes within the scope of our audit procedures appear to be functioning appropriately during the period tested. We have reviewed the results of our audit with management.

Internal controls are effective in mitigating the risks specific to the achievement of business objectives in the following areas:

- Gas purchases are recorded in the general ledger timely and accurately and represent valid purchases;
- Margins from OSS and capacity release activities for COH and CGV are properly allocated (split) to customers and recorded in the appropriate general ledger accounts; and

- The CRM department has an effective credit risk assessment and monitoring process in place to ensure counterparties conducting "higher risk" business (such as suppliers that primarily purchase gas from NiSource rather than sell gas to NiSource) have timely credit analysis/re-evaluations performed in accordance with policy to assist in reducing total company credit risk exposure.

Summary of Audit Objectives, Scope, Results, and Recommendations

Audit Objective 1: Gas purchases are recorded to the general ledger timely and accurately and represent valid purchases.

Scope: For a sample of gas purchases, perform the following:

- Verify that the purchase is recorded in the proper accounting period;
- Determine that the recorded purchase agrees to the third-party invoice and the invoice was approved for payment; and
- Verify the accuracy of the base rate charged.

Results: Internal Audit made a sample selection of 25 gas purchases (including commodity, incremental and transportation transactions) from the G/P-01-001 and G/P-02-002 journal vouchers for the CDCs and the RJ-1001 journal voucher for CMA for the period January 1, 2011 through July 31, 2011. For each selection, it was determined that the purchase was recorded in the proper accounting period based on the flow date of the transaction. Internal Audit verified that the recorded gas purchase amount agreed to the third-party invoice and was properly approved for payment by the Manager of Commercial Operations. In addition, on a test basis, Internal Audit verified the base rate used in determining the accuracy of the gas purchase through the review of supporting documentation in the form of tariffs, service agreements and transaction confirmations. No exceptions were noted during testing, thus Internal Audit has concluded that gas purchases appear to be accurately recorded in the proper accounting period and represent valid purchases.

Recommendations: None.

Audit Objective 2: Revenues are booked appropriately and profits are shared in accordance with the Stipulation Agreement set forth by the applicable State Commission.

Scope: Obtain a copy of the most recent Stipulation Agreement set forth by the Public Utility Commissions of Ohio and Virginia, the program year margin sharing calculations and related journal entries for OSS and capacity release transactions from Accounting and perform the following:

- Verify the margins for OSS and capacity releases for COH and CGV are properly allocated (split) with customers in accordance with each respective jurisdiction's Stipulation Agreement; and
- Ensure that customer sharing margin values are properly recorded.

Results: Based on the sample testing performed for the 2010 – 2011 program year, Internal Audit determined that margins from OSS and capacity release transactions for COH and CGV are accurately shared (split) with customers, and are appropriately recorded to the general ledger.

Columbia Gas of Ohio:

For testing purposes, Internal Audit selected the 2010-2011 program year, which operates from April 1, 2011 through March 31, 2012. Internal Audit obtained the Public Utilities Commission of Ohio (PUCO) Standard Service Offer/Standard Choice Offer Auction Transition Settlement Program Outline (Program Outline) dated November 12, 2009, which defines the margin sharing provisions for COH. The related journal entry support for the program year period, as of July 31, 2011 prepared by the Accounting department was also obtained. Testing of the program year was performed as of July 31, 2011 due to timing of the audit procedures.

Through review of the Program Outline, Internal Audit concluded that the PUCO approved a tiered sharing mechanism whereby net proceeds from OSS and capacity releases will be passed back to customers as follows:

OSS and Capacity Release Revenue	Customer Share	COH Share
$0 to $2 million	-	100%
$2 to $20 million	50%	50%
Over $20 million	75%	25%

In addition, the retention of OSS and capacity release revenues by COH is subject to a cap of $20 million during each program year and a total cap of $42 million over the three-year period April 1, 2010 through March 31, 2013.

Internal Audit reviewed the accounting support for the selected program year as of July 31, 2011 and concluded that the company properly retained the total program year-to-date OSS and capacity release margins of $504,377 based on the thresholds noted in the table above. Internal Audit also reconciled the OSS and capacity release data for the month of July 31, 2011 back to the Gas Source system activity to verify the accuracy of data utilized by the Accounting department in completing the sharing calculations and subsequent journal entries. Internal Audit concluded that the company properly recorded amounts to the general ledger for the period selected for testing.

Columbia Gas of Virginia:

For testing procedures, Internal Audit selected the 2010-2011 program year, which operates from September 1, 2010 through August 31, 2011. Internal Audit obtained the Commonwealth of Virginia State Corporation Commission (Commission) Order (Order) dated December 21, 2007 and related journal entry support for the stipulation period as prepared by the Accounting department. Due to timing of the audit procedures, Internal Audit tested the period of September 1, 2010 – July 31, 2011 of the selected program year.

Through review of the Order, Internal Audit concluded that the Commission approved a tiered sharing mechanism whereby net proceeds from OSS and capacity releases will be passed back to customers at a variable rate depending upon the amount of margin achieved through OSS and capacity release activity. Additionally, the margin required to be passed back is dependant upon the firm peak day delivery capability estimate for each program year as compared to the base year determined in the Order; as the firm peak day deliver capability increases the amount of the sharing provision increases. Per review of the Order, Internal Audit recalculated the sharing provisions sharing tiers for the selected program year as noted below.

- ***Tier 1*** - ***$1,890,517*** must be credited to the Actual Cost Adjustment (ACA) mechanism even if no OSS and capacity release margins are created in the program year;
- ***Tier 2*** - ***$3,528,965*** of the first OSS and capacity release margins will be credited to the ACA for the program year;
- ***Tier 3*** - ***$1,176,321*** of the next OSS and capacity release margins will be retained by the company; and
- ***Tier 4*** - OSS and capacity release margins over ***$4,705,286*** will be allocated to the ACA at a rate of 75% while the company retains 25%.

Internal Audit reviewed the accounting support for the selected program year as of July 31, 2011 and concluded that the company properly allocated the total net proceeds from OSS and capacity release transactions to customers. For the program year tested as of July 31, 2011, the company recorded $13.6 million in OSS and capacity release margins whereby $10.2 million and $3.4 million was properly allocated to the ACA and the company respectively. Internal Audit also reconciled the OSS and capacity release data back to Gas Source system activity to verify the accuracy of data utilized by the Accounting department in completing the sharing calculations and subsequent journal entries for the month of July 31, 2011, noting no exceptions. Internal Audit further concluded that the company properly recorded amounts to the general ledger for the period selected for testing.

Internal Audit concluded that OSS and capacity release margins for COH and CGV are accurately shared (split) with customers and appropriately recorded to the general ledger.

Recommendations: None.

Audit Objective 3: Counterparty Credit Risk Assessments are performed in accordance with the NiSource Credit Risk Management (CRM) Policy.

Scope: Obtain a listing of counterparties with active Base Purchase Agreements. Select a random sample of counterparties with which NGD conducts business. Obtain the credit evaluation documentation from the CRM department and perform the following:

- Determine if credit evaluations are performed and documented in accordance with the CRM Policy; and
- Verify that a valid and enforceable Base Purchase Agreement is on file for each selection and that any applicable guaranty agreements are enforceable.

Results: Based on testing performed, the CRM department has established an effective credit risk assessment and monitoring process to ensure counterparties conducting "higher risk" business (i.e., purchasing gas rather than selling gas) with NiSource companies have a timely credit analysis and/or re-evaluation performed to reduce the total company credit risk exposure to NiSource. Counterparties have been assigned a Credit Risk Relationship Manager to ensure that counterparty risk is addressed for counterparties executing business transactions across all NiSource Business Units. In accordance with the Credit Evaluation Procedures for 2011, credit reviews should be performed, at a minimum, as follows:

- If a counterparty or guarantor is rated A-/A3 or higher by Standard and Poor's or Moody's, respectively, bi-annual reviews are recommended as long as exposure remains within the Credit Relationship Manager's approval authority per the Corporate

Credit Policy. If news or ratings indicate a potential change in a counterparty's credit quality, a review may be necessary if a materially adverse change becomes apparent.

- If a counterparty has posted either a Letter of Credit or cash mitigating the existing or potential credit exposure, an annual credit review is not required. However, the respective Credit Relationship Manager must document that the collateral held has been checked quarterly. If credit exposures are larger than the credit assurance held, the Credit Relationship Manager must determine if additional monies are to be collected or if unsecured credit can be given with a new credit review.

- All other counterparties require an annual credit review.

Internal Audit judgmentally selected 10 counterparty credit files for testing purposes. All of the files tested contained evidence of a credit risk analysis performed within the guidelines noted above.

Internal Audit verified that all 10 counterparties selected had valid Base Purchase Agreements per review of the Gas Source system for each NiSource subsidiary with which the counterparty conducts business. Internal Audit concluded that all counterparties selected in our testing sample requiring Guaranty Agreements (per the most recently performed credit evaluation) maintained executed, enforceable guaranty agreements on file. Internal Audit also reviewed the established credit limits for the selected counterparties and concluded that CRM has not established credit exposure beyond the established credit limits, guaranty agreements, or cash deposits.

Based upon testing procedures performed, Internal Audit has concluded that the CRM department appears to perform credit reviews in accordance with the Credit Risk Management Policy and Credit Evaluation Procedures for 2011 and maintains valid and enforceable Base Purchase Agreements and related guaranty agreements on file.

Recommendations: None.

As always, we appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any questions or require additional information, please do not hesitate to contact Joe Siget at (614) 460-4847, Ryan Binkley at (614) 460-5985, or Shelley Duling at (614) 460-6062.

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TO: Robert Kriner, Segment Controller

FROM: Jaclyn Callahan, Senior Auditor Jaclyn Callahan
Joseph Siget, Director Audit Joseph Siget
Nicole Paloney, Manager Audit Nicole M Paloney

DATE: June 14, 2011

SUBJECT: Monthly Accounting Close Process - NiSource Gas Distribution

We have completed a limited review of the procedures and controls currently in place for the NiSource Gas Distribution (NGD) monthly accounting close process. The purpose of the audit was to evaluate the risk factors relating to the accounting close process and to ensure all key activities are performed and properly documented. The audit test period included accounting close procedures from January 1, 2010 through December 31, 2010.

The primary business risks associated with this business process are as follows:

- Appropriate policies and procedures surrounding the NGD monthly accounting close process may not exist and/or be communicated to NGD Accounting personnel;
- Key reconciliations (e.g., balance sheet accounts) may not be properly reconciled in a timely manner;
- Journal entries may be inappropriately entered into the general ledger (GL) or may be posted to the incorrect accounting period; and
- Financial statements, notes to the financial statements, and required disclosures in the Management Discussion and Analysis may be misstated or not in accordance with Generally Accepted Accounting Principles and/or other applicable regulations such as the Federal Energy Regulatory Commission (FERC), as a result of errors or omissions.

Background

Key activities of the close process are as follows:

- Journal voucher preparation
- Account reconciliations
- Financial statement review and analysis
- Submission of financial statement information to the Corporate Consolidated Accounting group

During the 2010 Sarbanes-Oxley (SOX) compliance testing, the financial close and reporting cycle for NGD was tested by Internal Audit, as well as by the NiSource external auditors, Deloitte & Touche (Deloitte). Results of Internal Audit control testing were summarized in quarterly results memos, while the results of Deloitte's testing were communicated as part of the opinion on the financial statements issued on February 28, 2011 as part of the NiSource Annual 10K Report. Controls tested by Internal Audit were done on behalf of Deloitte and consisted primarily of testing surrounding balance sheet account reconciliations and financial statement consolidation.

Internal Audit reviewed balance sheet account reconciliations for the following:

- Verification that the ending balance on the reconciliation agreed to the GL balance;
- Significant inputs to the reconciliation agreed to supporting documentation;
- Unusual items or unreconciled differences were investigated; and
- Proper approval was obtained for each reconciliation.

Testing surrounding the consolidation of NGD financial information consisted of Hyperion edit check reports and related reconciliations were tested to ensure they agreed to the financial statements and general ledger of the subsidiaries. No exceptions or deficiencies were noted in the testing performed by Internal Audit.

The scope of this audit represents areas within the NGD accounting close process which were not subject to SOX testing and other audit procedures performed by Internal Audit and/or Deloitte during 2010.

Conclusion

Internal controls and processes are effective in mitigating the risks specific to the achievement of the business objectives in the following areas:

- Appropriate policies and procedures exist surrounding the accounting close process and are utilized by NGD Accounting personnel;
- Journal entries are supported, properly approved, and recorded timely;
- Balance Sheet reconciliations are supported, approved, and completed timely; and
- A review of the financial information was performed by appropriate NGD Accounting personnel prior to closing the accounting records and submission to the Corporate Consolidated Accounting group for financial reporting.

Summary of Audit Objectives, Scope, Results, and Recommendations

Audit Objective 1: Appropriate policies and procedures surrounding the accounting close process have been developed and communicated to the appropriate NGD Accounting personnel.

Scope:

- Verify that accounting policies and procedures are in place, including accounting checklists and a closing schedule with defined responsibilities, have been communicated to appropriate personnel, and are followed during the NGD monthly accounting close process.

Results:

- Accounting for NGD transactions is under the guidance of the FERC's Code of Regulations, as well as the Federal Accounting Standard Advisory Board's Generally Accepted Accounting Principles. As a result of the NiSource Finance initiative, NGD was tasked with reviewing accounting policies to improve consistency among the business units as part of an on-going process improvement effort. To date, NGD has drafted (pending final approval) one company-specific accounting procedure related to the balance sheet account reconciliations. The policy documents account owners' requirements to ensure that all account reconciliations are properly supported, completed timely, and

address any unusual or reconciling items. Internal Audit verified that account reconciliations were properly supported and completed timely, as required in the Balance Sheet Account Reconciliation Policy, during the 2010 SOX testing.

NDG also has formalized standard monthly closing calendars and checklists. To test that the checklists were being utilized during the close process, Internal Audit reviewed the completed checklists for all NDG companies for the month of January 2011. All required steps on the checklists were noted as complete by the checklist preparer, completion dates were input when required, and the appropriate NGD Accounting Manager approved each checklist.

Recommendations: None

Audit Objective 2: Journal entries are properly approved and accurately posted to ensure completeness of financial information.

Scope:

- Confirm that journal entries, including recurring entries/estimates, are supported and posted timely.
- Verify that journal entries are appropriately reviewed.
- Review existing controls, if any, preventing duplicate entries.

Results:

- Two key types of journal entries exist: systematic and manual. As manual entries are inherently riskier than systemic entries, Internal Audit obtained a listing of all 2010 manual journal entries created in Millennium, the GL system for the Columbia Distribution Companies (CDC). (Columbia Gas of Massachusetts (CMA) was excluded from testing as the Millennium GL system is not utilized by CMA) The following tests were performed:

  - **Largest Credits/Debits** – Internal Audit selected the ten largest dollar entries (debit or credit), noting that all of the entries related to three journal vouchers. Internal Audit reviewed these three journal vouchers for proper supporting documentation and timely recording, noting no exceptions.

  - **Journal Entry and Approval Posted Outside of Normal Business Hours** – Internal Audit identified ten journal vouchers entered and approved outside normal business hours (7am – 7pm). Upon review of the transactions, Internal Audit determined that the majority of entries were made during accounting close periods. For those entries which were not made during a close period, Internal Audit concluded that the entries appeared reasonable based on knowledge of business events and did not warrant any additional testing.

  - **Account Completeness** – Internal Audit compared the accounts used in each month of 2010 to identify accounts used inconsistently or infrequently over the 2010 year. Internal Audit then requested the journal vouchers for the eight accounts which were only used once during the year and reviewed the voucher for supporting documentation, proper approval, and timely recording, noting no exceptions.

- Using the 2010 manual journal entries provided from Millennium, Internal Audit compared the user to the approver, noting no instances where the person who created the journal entry also approved it. In addition, Internal Audit noted that a SOX control exists which requires the quarterly review of a system generated query showing journal entries made and approved by an NGD Accounting Manager or Accounting Lead. Internal Audit reviewed the CDC report for the second quarter of 2010, noting that it was properly reviewed.

- The Millennium and Lawson GL systems will prevent the creation of duplicate voucher, but not the duplication of vouchers posted to correct any errors. The mitigating control to cover the control gap lies with the NGD Accounting Manager's review of all journal vouchers before approval. Additional manual controls also exist in the accounting close review meetings with NGD Accounting personnel, balance sheet reconciliations, and performance of fluctuation analysis as discussed in Audit Objective 3 below.

Recommendations: None

Audit Objective 3: Financial information was reviewed prior to reporting results to ensure financial statements are accurate and complete.

Scope:

- Verify that fluctuation analysis of actual to budget and/or prior periods are performed.

Results:

- Fluctuation analysis for our test period was reviewed by appropriate NGD Accounting personnel prior to closing the accounting records. Internal Audit reviewed the process of submitting financial information to the Corporate Consolidated Accounting group for consolidated financial reporting in the SOX testing referenced on page 2.

Recommendations: None

We appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any questions or require additional information, please do not hesitate to contact Joseph Siget at (614) 460-4847, Nicole Paloney at (614) 460-5483, or Jaclyn Callahan at (614) 460-5493.

Enclosure

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TO: Bryan Adams, Director HS&E, and Technical Training

FROM: Joseph Siget, Director Audit
Nicole Paloney, Manager Audit
Jaclyn Callahan, Sr. Auditor
Shelley Duling, Sr. Auditor

DATE: July 13, 2011

SUBJECT: NiSource Gas Distribution Safety Audit

Internal Audit has conducted a review of the processes and controls currently in place for reporting key scorecard metrics established by the Health, Safety, and Environmental (HS&E) department within the NiSource Gas Distribution (NGD) companies. The audit test period included metrics reported from January 1, 2010 to December 31, 2010. The procedures performed during the review focused on the completeness and accuracy of key NGD safety metrics, as well as timely reporting of the metric results. In addition, Internal Audit reviewed the monitoring and corrective action processes associated with these metrics.

The primary business risks associated with this business process are as follows:

- Management may not have defined key performance metrics related to safety;
- Benchmarks may not be based on relevant and timely data;
- Goals for performance may not be established and communicated;
- Metrics may be calculated based on inaccurate or incomplete data;
- Metric results may not be compared to established goals, reviewed by management, and/or reported to the proper regulatory agencies;
- Corrective action based on root cause analyses may not be taken when actual results do not meet company goals; and
- Safety initiatives may not be monitored for progress and communicated to management and employees.

Background

The following metrics have been identified as key safety metrics by NGD management and are reported in the NGD Balanced Scorecard on a monthly basis:

- Preventable Vehicle Accidents (PVA)
- Occupational Safety and Health Administration (OSHA) Injuries and Illnesses

The PVA category tracks the number of automotive accidents where the actions of the driver resulted in the accident or the driver did not take the proper actions to avoid the accident. The determination regarding whether the company driver could have prevented the accident is subject to the judgment made by the individual's supervisor.

OSHA is the primary federal agency charged with the enforcement of safety and health legislation in the workplace. OSHA guidelines require companies to track work-related injuries and illnesses that result in the following:

- Medical treatment beyond first aid
- Loss of consciousness
- Restricted work activity
- Job transfer
- Death

The OSHA Injury and Illness metric consists of the OSHA Incidence Rate and the Days Away, Restricted or Transferred (DART) Rate. OSHA assumes that a certain number of safety incidents will occur per 100 employees, and that employees will work 50 weeks a year at 40 hours per week; thus, the Incidence and DART Rates use 200,000 hours in the calculation of the rates. The rates are calculated as follows.

- **OSHA Incidence Rate**

$$\frac{\text{(Recordable injuries)*(200,000 hours)}}{\text{Total hours worked}}$$

- **DART Rate**

$$\frac{\text{(\# of Days Away, Restricted or Transferred)*(200,000 hours)}}{\text{Total hours worked}}$$

As safety is of paramount importance, management monitors trends of the above mentioned rates and compares them against industry benchmarks. The following trends have been noted:

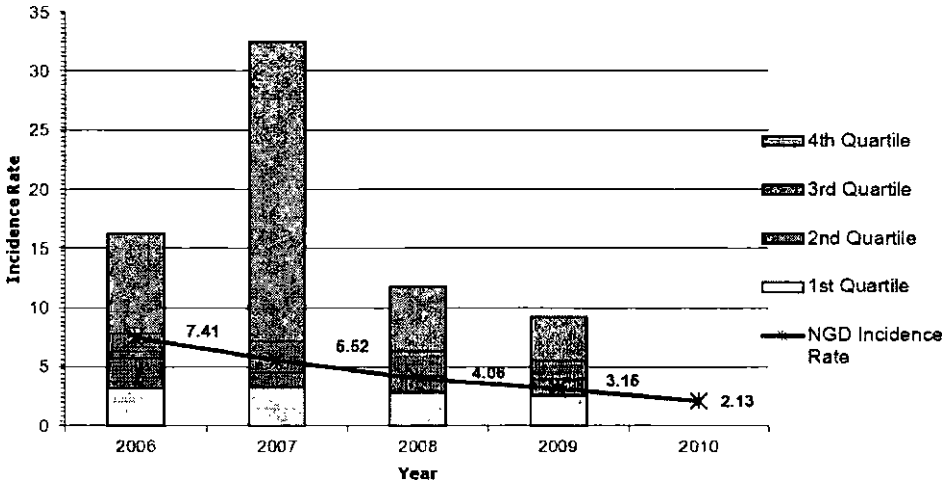
- PVA's have decreased significantly since 2005.

NUMBER OF NGD PREVENTABLE VEHICLE ACCIDENTS PER YEAR	
2005	187
2006	139
2007	147
2008	95
2009	82
2010	95

Source: NGD HS&E department

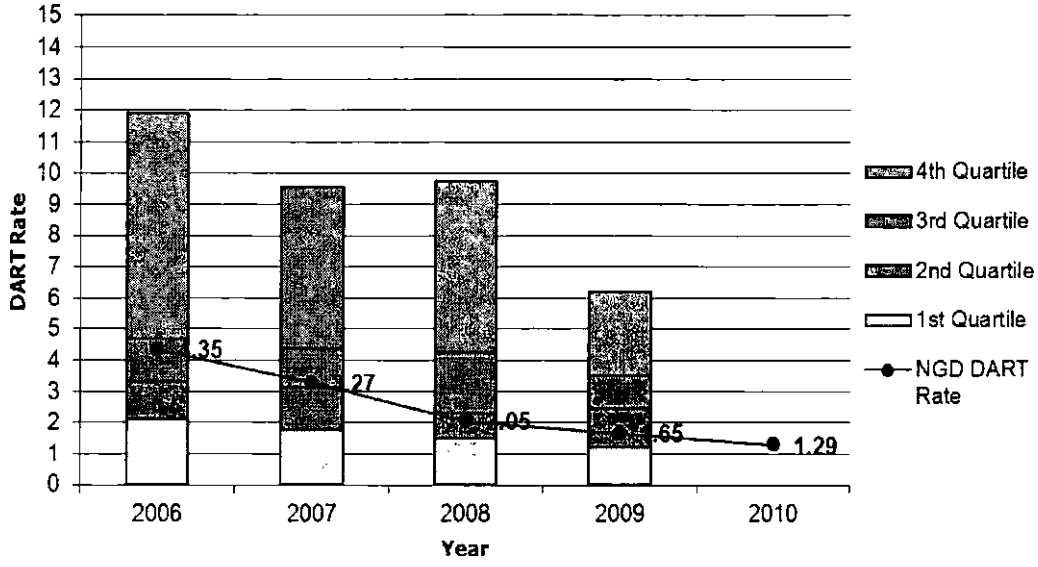
- The OSHA Incidence Rate and DART Rate improved from third quartile performances in 2006 to first quartile performances in 2010.

NGD Annual OSHA Incidence Rate vs AGA* Gas Distribution Quartiles



*AGA – American Gas Association
Source: NGD HS&E department and AGA publications

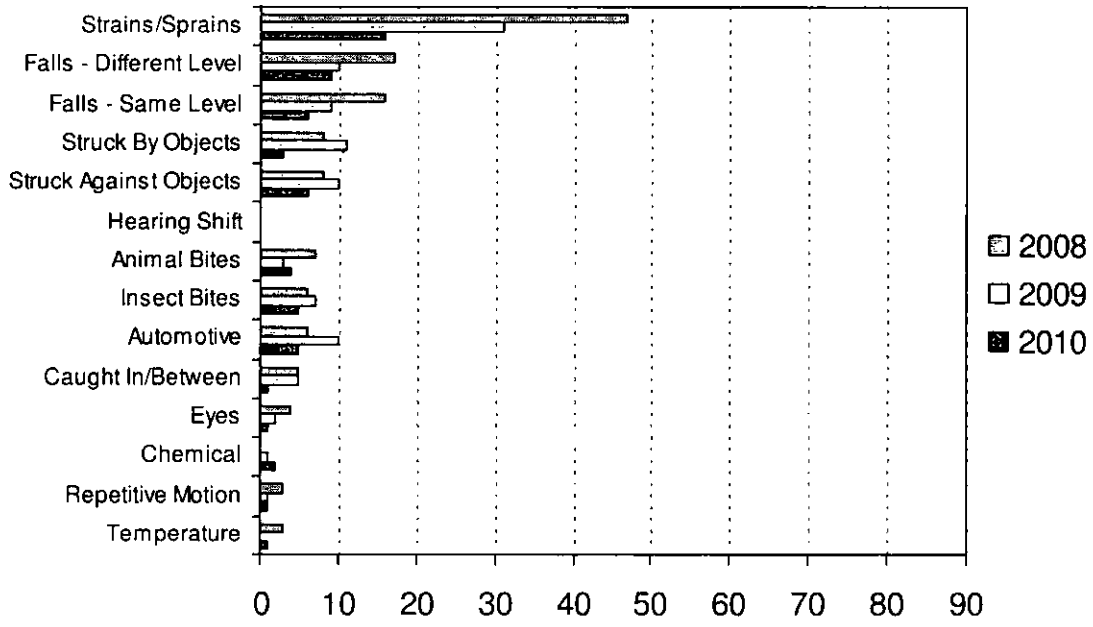
NGD Annual DART RATE vs AGA Gas Distribution Quartiles



Source: NGD HS&E department and AGA publications

- The number of injuries has decreased significantly since 2008.

3-YEAR TREND – INJURIES BY TYPE



Source: NGD HS&E department

In order to maintain safety statistics trending in a positive direction, management adopted the following major safety initiatives in 2010:

- Developed a process to engage all leaders and hold them accountable
- Developed a new Safe Driver Program
- Refined the vision of the Fleet Safety Team
- Developed a field ergonomics program
- Continued focus on fundamental safety programs, including best practices, previously established

As management strives to continue to be in the top AGA quartile for safety and provide a safe working environment for employees and customers, NGD has established improvement milestones (listed below) for 2011 and will monitor performance against such milestones on a monthly basis.

	2010 Improvement Milestone	2010 Performance	2011 Improvement Milestone
OSHA Incidence Rate	2.80	2.13	2.01
DART RATE	1.50	1.29	1.10
PVA	62	95	62

Conclusion

Internal controls and processes are effective in mitigating the primary business risks specific to the achievement of the business objectives as follows:

- Key safety metrics have been defined by management
- Milestones have been established based on relevant and timely data
- Goals for safety performance have been communicated
- Metrics are calculated with accurate and complete data
- Metric results are reviewed by management and measured against established goals
- Corrective action based on root cause analyses is taken when actual results do not meet company goals
- Safety initiatives are monitored for progress and communicated to management and employees

As previously noted, this review focused primarily on processes and controls in the following areas:

- Reporting of key safety scorecard metrics
- Completeness and accuracy of data used to calculate key NGD safety metrics
- Timely reporting of the metric results
- Monitoring and corrective action processes associated with these metrics

While controls are in place to effectively monitor such processes, safety metrics reported in the NGD Balanced Scorecard for May 2011 exceed current year targeted milestones, as seen below.

	2011 YTD	2011 Improvement Milestone
OSHA Incidence Rate	2.0	1.91
DART RATE	2.71	1.10
PVA	93	62

To continue to reinforce the importance of a safe work environment, management will utilize the following mechanisms throughout 2011 to reach the 2011 Improvement Milestones:

- Hold safety summits involving leaders and safety team members to improve effectiveness
- Implement the new Safe Driver Program in all work locations; monitor and enforce
- Create an employee wellness program
- Continued focus on fundamental safety programs previously established

We have reviewed the results of our audit with management.

Summary of Audit Objective, Scope, Results and Recommendations

Audit Objective 1: Key safety metrics are properly calculated, reported, and monitored by NGD management.

Scope:

- Key metrics have been established for use in monitoring performance related to safety.
- Data used to calculate safety metrics is accurate and complete.
- Milestones for key safety metrics have been established based on relevant and timely benchmarks and are communicated and updated on a consistent basis.
- Root cause analyses are performed when actual results do not meet the established milestones and corrective is action taken, if necessary.
- Metrics are reported, compared to established milestones and benchmarks, and reviewed by appropriate levels of management in a timely manner.

Results:

- NGD management has established key safety metrics and is tracking the metrics required by OSHA guidelines. OSHA metrics are being calculated in accordance with OSHA guidelines, while the number of preventable vehicle accidents is being monitored and recorded by management.

- To verify that the data used to calculate key safety metrics is accurate and complete, Internal Audit tested the individual inputs of the Preventable Vehicle Accidents Rate, the OSHA Injury and Illness Rate and the OSHA DART Rate by performing the following tests:

    - To verify that data used to calculate the Preventable Vehicle Accident metric is accurate and complete, Internal Audit obtained the 2010 "Auto Accidents with Repeater Information" report (Accident Report) generated from Riskonnect, a database housing safety and corporate risk information for NGD and Corporate Services, filtered to include only those employees providing services for NGD. The reports include all auto accidents, preventable and non-preventable, including a summary of those employees with repeat offenses, as submitted to the NiSource Claim Reporting Hotline, which is managed by a third-party administrator (TPA). Accident information from the TPA is uploaded to the ESIS system, another third-party claim administrator, which interfaces with Riskonnect daily. Within Riskonnect, the accident is identified as preventable or non-preventable as classified by ESIS upon reviewing the claim. This determination is based on a set of guidelines published by the Employee Safety & Sustainability (ES&S) department; however, judgment is also utilized as the guidelines may not cover a particular scenario. Internal Audit agreed the number of preventable accidents per the 2010 Accident Report to the number reported in the NGD December 2010 Balanced Scorecard, noting no exceptions.

      To verify that the classification of preventable and non-preventable accidents were accurate, a sample selection of NGD accidents was made from the 2010 Accident Report. For each selected accident, Internal Audit obtained the

NetClaim Auto Liability report, which is generated by the TPA and summarizes details of the accident. Based on this accident summary, the classification of the accident as preventable or non-preventable was verified for reasonableness based on the guidelines published by ES&S. No exceptions were noted.

- As previously noted, the OSHA Injury and Illness Rates are calculated as follows:

  - **DART Rate**

    $$\frac{\text{(\# of Days Away, Restricted or Transferred)*(200,000 hours)}}{\text{Total hours worked}}$$

  - **Incidence Rate**

    $$\frac{\text{(Recordable injuries)*(200,000 hours)}}{\text{Total hours worked}}$$

To test OSHA Injury and Illness Rates, Internal Audit obtained copies of the monthly OSHA Injury and Illness Statistic reports for 2010 compiled by the ES&S department. The reports are completed for each NiSource business unit (NOTE: NGD is the only business unit tested under the scope of this audit). Internal Audit selected a sample of these reports (May 2010 and December 2010) to verify that the inputs used in the calculation of the OSHA rates above are correct.

Total Hours Worked – In order to provide consistent data for total hours worked for each reporting month during the 12-month period, NGD management estimates the total hours worked by multiplying the average work hours by the number of employees working during a specific time period. Using the following assumptions, ES&S management estimated that a single employee works 1,960 hours a year:

- 49 work weeks per year
- 40 hours worked per week

The OSHA formulas calculate the rates per 100 employees by assuming that each employee will work 2,000 hours a year (100 x 2,000 = 200,000). Internal Audit noted that the estimate of hours worked utilized by NGD management is more conservative than OSHA's rate of 2,000 hours per employee. OSHA's rate only takes into consideration 10 total days not worked. Considering NGD has seven scheduled holidays in addition to vacation time available to each employee, using 49 workweeks per year is reasonable and does not favorably impact the results.

To verify the total employees for each NGD company, Internal Audit compared the number of employees in the selected monthly reports to the number of employees in the PeopleSoft HR system as of May and December 2010, noting small differences in the totals for each company. The safety reports are "point in time" reports pulled on the Monday following the first Saturday after month-end; any subsequent changes made in People Soft for hires or terminations will not be included in the safety reports, even with effective dates

within that reporting period. Such differences had an immaterial effect on the calculation of the metric.

Internal Audit recalculated the total hours worked in the selected monthly reports by taking the total number of NGD employees for the month reported and multiplying by 163 (1,960 hours per year/12 months), noting no exceptions. The hours worked reported in the monthly reports is based on a reasonable estimate and is accurately calculated.

Recordable Injuries – Internal Audit compared the number of injuries (including the classification into the DART category) listed on the selected monthly OSHA reports to a report generated via Riskonnect. Internal Audit noted that there were differences in the total injuries for NGD; however, upon further investigation it was determined that the Riskonnect reports were accurate and that the differences between the two reports were primarily the result of the following:

- The timing of the injury – if an injury occurred on the last day of the month and was not reported by the employee until after the monthly report was generated, it would not have been included in the report for that month.
- Classification issues – an injury may have been classified as recordable but then reclassified as a non-recordable injury after further investigation.

- To test that management was using benchmarks from relevant, reliable, and timely sources to determine company goals for safety, Internal Audit reviewed the 2011 NGD Operating Plan Safety Goals. The milestones in the 2011 Operating Plan are determined using the most recent annual statistics published by the AGA and are set for NGD as a whole and for each distribution company.

  Each year, management's goal for safety metrics is to meet the first quartile of the AGA rankings and to improve upon the prior year's results. Internal Audit agreed the 2010 First Quartile rate as published by the AGA to the rate listed on the 2011 Operating Plan Safety Goals. Internal Audit also agreed the 2010 actual values used in the plan to supporting documentation, noting no exceptions. As NGD's actual results have surpassed the first quartile of the AGA ranking in recent years, NGD management has exercised judgment to determine a reasonable milestone for 2011 to encourage improvement over 2010's actual results. As such, it appears that safety goals, which are updated and communicated annually, are based on industry statistics and other reasonable assumptions.

- Per the Injury and Illness Reporting Policy (HSE 4000.010), a root cause analysis should be completed within 14 days of the incident. Internal Audit reviewed the root cause analyses performed related to the actual incidences reported in the Riskonnect reports for May 2010 and December 2010. Internal Audit noted that all three root cause analyses were completed using a standard form which includes the following fields:

  - Employee's injury history
  - Root cause summary for the incident

- Corrective measures/actions
- Responsible individual for corrective measure implementation

Two of the three root cause analyses were completed within the policy guidelines of 14 days; however, one of the root cause analyses was completed one day outside the policy guidelines. Internal Audit did not deem further testing to be necessary as 14 days is an internal target but not an external requirement. Based on testing performed, management appears to be properly completing root cause analyses for reportable incidents.

According to the Vehicle Incident Reporting Policy (HSE 4300.020), a root cause analysis should be completed within 14 days of the incident. Internal Audit obtained the root cause analyses related to the preventable vehicle incidents reviewed in Scope Item 2, page 5, noting that the analyses occurred within 14 dates of the vehicle incident date. Each root cause analysis was documented using the standard form and questions described above. Internal Audit verified that any corrective action noted within the root cause analysis was performed timely. No exceptions were noted.

In addition, Internal Audit reviewed the overall training policies for employees driving company vehicles. Employees' direct supervisors are responsible for ensuring they obtain adequate driver training. The Smith Driving System is the primary training platform utilized and completion of this training is tracked within the Learning Management System (LMS). Internal Audit obtained the LMS transcripts for the employees involved in the vehicle incidents reviewed in Scope Item 2, noting that it appears that these employees receive periodic training through a Smith Driving System course. However, there is not a formal training policy that specifies the frequency that employees must complete a safe driver training course; as such, it could not be determined whether the periodic training courses completed were completed timely. Management is in the process of developing a Safe Driver Program to be introduced in 2011, which includes formalized training policies.

- The metrics related to OSHA Injuries and Illnesses and PVA's are compared to the annual milestones (goals) in the NGD Balanced Scorecard, which is distributed monthly to Executive Council members for review. The metrics are color coded (green, yellow, red) to quickly communicate the status of the metric or goal. Green means the metric is on track to meet the annual goal, yellow means there is cause for concern, and red means there is danger of not meeting the annual goal.

  Internal Audit reviewed the NGD Balanced Scorecard as of December 31, 2010, noting that the OSHA Incidence Rate and the DART Rate were classified as "green" while the PVA Rate was "red." Internal Audit obtained the NGD Balanced Scorecard as of May, 2011, noting that all three metrics were "red" related to performance for the beginning of the 2011 year. Management is aware of the status of these rates and is working to correct these issues throughout the remainder of 2011 as discussed on page 5.

Recommendations: None

We appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any additional questions or require additional information, please do not hesitate to contact Joseph Siget at (614) 460-4847, Nicole Paloney at (614) 460-5483, Jaclyn Callahan at (614) 460-5493, or Shelley Duling (614) 460-6062.

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TO: Chuck Shafer, Vice President of Planning & Engineering

FROM: Joseph Siget, Director Audit
Nicole Paloney, Manager Audit
Ryan Binkley, Senior Auditor

DATE: July 5, 2011

SUBJECT: Transmission Integrity Management Program – NGD Companies

We have completed an audit of the NiSource Gas Distribution (NGD) Transmission Integrity Management Program (TIMP) (the "Program"). The review focused on the adequacy of Company policies and procedures to administer and monitor the TIMP established for the NGD Companies.

Our audit procedures included a review of the following:

- Current TIMP policies and procedures;
- The appropriateness of established High-Consequence Area (HCA) transmission pipeline risk assessment processes and the consistency of its application to all covered NGD transmission pipeline segments;
- The process for executing and documenting NGD transmission pipeline assessments;
- The tracking, monitoring, and communication of Program performance metrics to executive management and state and federal regulators; and
- The appropriateness and completeness of management's responses to audits completed by regulators, including any resulting Program modifications.

Program Background

A formalized approach to gas pipeline integrity management programs was initiated in 2001 by the American Society of Mechanical Engineers (ASME B31.8S) to provide for a systematic, comprehensive, and integrated approach to managing the safety and integrity of pipeline systems. In 2002, The Pipeline Safety Act established regulations as outlined in 49 CFR Part 192 of the minimum Federal Safety Regulations issued by the Pipeline and Hazardous Materials Safety Administration (PHMSA), requiring gas pipeline operators to develop integrity management programs for HCA transmission pipelines. The PHMSA regulations were issued in December of 2003 and follow the ASME standards. NGD management has adopted these standards to guide the policies and procedures of the Company's TIMP.

NGD Transmission Line Mileage Summary:

Covered Segments, referred to as HCA's, are identified by densely populated locations or areas where a pipeline is located within a specified distance from an "identified site" (e.g., facilities with persons who are mobility-impaired, confined, or hard to evacuate, such as hospitals, churches, schools, or prisons, and places where people gather). Such distances are based on the pipeline's diameter and operating pressure.

As of our audit date, NGD Companies had approximately 40,090 miles of distribution pipelines. Of the 40,090 total miles of distribution pipeline, approximately 338 total miles are classified as transmission class pipeline. Further, of the 338 total miles of NGD transmission class pipelines, approximately 46 total miles have been identified to exist within HCA's. These 46 miles of NGD HCA transmission pipeline consist of 137 separate pipeline segments subject to assessment procedures under the TIMP. See the table below for further details.

NGD Company Pipeline Summary

Company	Total Distribution Miles	Total Transmission Miles	HCA Transmission Miles	HCA Pipeline Segments
Columbia Gas of Kentucky (CKY)	2,567 miles	58 miles	3 miles	11 Segments
Columbia Gas of Massachusetts (CMA)	4,825 miles	2 miles	2 miles	3 Segments
Columbia Gas of Virginia (CGV)	4,900 miles	74 miles	2 miles	8 Segments
Columbia Gas of Ohio (COH)	19,763 miles	132 miles	33 miles	90 Segments
Columbia Gas of Pennsylvania (CPA)	7,385 miles	67 miles	5 miles	22 Segments
Columbia Gas of Maryland (CMD)	650 miles	5 miles	1 mile	3 Segments
Total	**40,090 miles**	**338 miles**	**46 miles**	**137 Segments**

TIMP Requirements:

The Pipeline Safety Act (the "Rule") requires owners and operators of gas transmission lines to:

1. Develop comprehensive, written integrity management programs that address risks to each covered pipeline segment;
2. Conduct baseline assessments and periodic reassessments to identify and evaluate potential threats to pipelines;
3. Remediate significant defects discovered during these processes; and
4. Continually monitor Program effectiveness so that modifications can be recognized and implemented.

Under the Rule, pipeline operators are required to develop, implement and follow written integrity management programs that address the risks on each HCA. The integrity management programs must comply with the extensive requirements set forth in the Rule and related PHMSA regulations (Part 192). The Rule further requires appropriate training for an operator's personnel involved in integrity management Program activities.

The basic steps in the TIMP are as follows:

- **High-consequence area (HCA) identification** – HCA's are generally high-population-density areas, difficult-to-evacuate facilities (such as hospitals or schools), and locations where people congregate (such as churches, office buildings, or sport fields). The integrity management rule requires operators to identify pipelines located within HCA's.

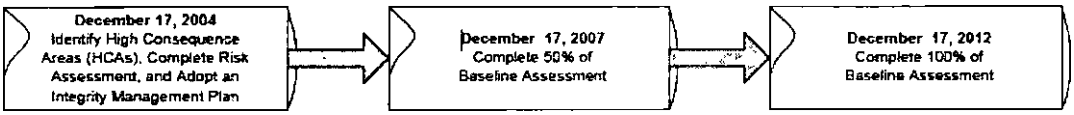
  Existing NGD transmission class HCA pipeline segments were initially identified in 2004 as part of the Program. On an ongoing basis, the Corrosion department conducts surveys at least annually to identify changes in the locations of HCA's and when department personnel receive information suggesting potential changes (e.g., new building, infrastructure). Company policy states that newly identified HCA's are

required to be incorporated into the Company's TIMP and Long Term Assessment Plan within one year from the date the area is identified. Newly constructed transmission lines are also evaluated for HCA's.

- **Threat identification and risk assessment** – As new information about pipeline segments is gathered, it is evaluated to identify types of adverse events or conditions (threats) that might impact a covered pipeline segment's integrity and the severity of the consequences that might occur following a failure. This process is utilized to prioritize TIMP activities by ranking and scheduling affected HCA segments for further evaluation. The Company has selected a NYGAS Risk Assessment Model developed by third-party subject matter expert, Kiefner & Associates.

- **Baseline Assessment Plan (BAP)** – A schedule is developed for performing pipeline integrity assessments over a 10-year baseline period (2002–2012). Risk assessment results are used to prioritize pipeline assessments. The method of integrity assessment is selected for each segment and becomes part of the BAP along with the assessment schedule. PHMSA regulations state that the Company is required to complete assessments for 50% of the HCA pipeline segments identified as part of the initial BAP by December 17, 2007. Assessments for 100% of HCA pipeline segments under the BAP are required to be completed by December 17, 2012. The NGD Companies appeared to meet the December 17, 2007 requirements by completing assessments for a minimum of 50% of the identified baseline pipeline segments (See Objective 3 on page 9 for more information).

Established Compliance Schedule:
Key Milestones as required under PHMSA requirements (192.921)



- **Integrity assessment process** – The HCA segments are assessed according to the schedule and methods identified in the Baseline Assessment Plan. There are three primary assessment methods:

- ***In-line Inspection and Analysis*** – used to locate and preliminarily characterize metal loss in a pipeline. The In-line Inspection process is the examination of a pipeline from its interior using an in-line inspection tool (also called intelligent or smart pigging). The Company has not currently used In-line Inspection as an integrity assessment method. However, Program management noted that In-line Inspections would be utilized on a limited basis in the future.

    - ***Pressure Test*** – A measure of the strength of a piece of pipe in which the pipe is filled with a medium (e.g., water), sealed, and subjected to certain pressures depending upon the pipeline conditions. It is used to validate integrity and detect construction defects and defective materials.

    - ***Direct Assessment*** – A structured, multi-step evaluation is conducted to identify potential problem areas (i.e., internal corrosion, external corrosion, and stress corrosion cracking). Pipe is excavated and examined at certain locations along the pipeline segment.

- **Remediation** – Potential integrity concerns identified during the integrity assessment are evaluated and actions are taken to eliminate the problems. The Company documents remediation concerns as part of each HCA assessment.

- **Continual evaluation and assessment** – A continuous plan to evaluate the integrity of pipe in HCA's after completing initial baseline assessments are required by PHMSA regulations. The TIMP for each NGD Company includes processes to review updated information about the pipe, analyzing risks, and performing reassessments at regular intervals. Once baseline assessments are completed, PHMSA regulations require the Program to complete pipeline reassessments at established intervals (between 7 and 20 years), depending upon the pipeline's specified minimum yield strength.

Audit Scope Summary

The procedures performed during the audit were aligned with the primary operational business objectives of TIMP processes and the means by which the associated risks are managed.

The primary business risks associated with the selected processes reviewed within the scope of the audit are as follows:

- Management may not have properly developed and implemented comprehensive TIMP policies and procedures that are in compliance with established federal integrity management regulations; established TIMP polices and procedures may not have been properly communicated to Program personnel and third-party Program vendors;
- Management may not have developed and implemented an appropriate HCA transmission pipeline risk assessment process for all covered transmission pipeline segments in accordance with established federal regulations and Company polices and procedures;
- HCA transmission pipeline assessments may not have been completed and documented in accordance with Company policies and procedures;
- Management may not properly track and monitor Program metrics; metric reports may not be properly communicated to executive management and regulators;
- Management may not properly address issues documented in the results of audits for each respective NGD state commission; management may not have properly modified Program processes and procedures in accordance with state commission audit results.

Scope Limitation:

While reviewing the results of audit procedures, the assessment of technical procedures to support the adequacy of HCA pipeline segment assessments, is not within the range of specific knowledge of the Internal Audit department and was excluded from the scope of our audit procedures. Additionally, Program management identified Kiefner & Associates, Inc. as the subject matter expert used to assist the Company in the Program's risk assessment process. While we reviewed the Program's risk assessment process, we did not perform specific procedures to ensure the adequacy of the qualifications of Kiefner & Associates, Inc. or the algorithmic risk assessment model developed to assist management in the prioritization of integrity assessments.

Conclusion Summary

Internal controls and processes are effective in mitigating the risks specific to the achievement of business objectives in the following areas:

- Comprehensive TIMP policies and procedures have been implemented by management that have been developed in accordance with PHMSA and ASME regulations; established polices and procedures have been properly communicated to Program personnel;

- An HCA transmission pipeline risk assessment process has been developed by Program management and is utilized for the comprehensive evaluation of all new and existing covered transmission pipeline segments; the NYGAS Relative Assessment Model utilized by the Company is in compliance with established PHMSA and ASME regulations;
- HCA transmission pipeline assessments appear to have been properly completed and documented in accordance with Company policies and procedures and PHMSA and ASME regulations;
- Program metrics are properly tracked and monitored in accordance with PHMSA and ASME guidelines on a semi-annual basis and are properly communicated to executive management and regulators; and
- Program management has addressed issues identified by NGD state commission audits through formal, documented response letters and meetings; Program management maintains a Management of Change (MOC) Log that documents changes to policies and procedures and tracks Program changes.

Internal controls and processes associated with the following areas are effective in mitigating the risks specific to the achievement of business objectives but should be improved in order to bring the control environment to an enhanced level. Program management should consider the costs, benefits, and personnel requirements associated with the process recommendations included below:

- Program management process enhancement recommendations:
  - Ensure appropriate documentation exists to support the Company's prioritization of certain HCA segments selected for pipeline integrity assessments in advance of segments with higher risks scores calculated by the NYGAS Risk Assessment Model;
  - Develop and implement a policy for the use by all NGD personnel for the consistent record-keeping of pipeline assessment documentation to ensure appropriate and secure backup procedures are in place to reduce the risk of data loss;
  - Implement a formal communication process with Engineering to ensure selected covered segment pipeline replacements will occur within the timelines established by PHMSA and ASME regulations; and
  - Centrally track all NGD state commission audit reports and management responses to pipeline integrity program audit issues and inquiries; meeting minutes from verbal responses and exit meetings with state commissions should be maintained to ensure the Company has properly responded to state commission inquiries and audit issues have been properly addressed.

Internal controls and processes associated with third party monitoring should be improved in order to bring the control environment to an appropriate level in mitigating the risks specific to the achievement of the business objectives. Internal Audit noted that through discussions with Program management, Company policies and procedures have been developed and are expected to be fully implemented in 2011 to mitigate identified risks for third-party monitoring activities. A Management Action Plan (MAP) has been developed to ensure the planned

processes and procedures developed to reduce third-party monitoring risks are implemented timely, and to ensure any potential third-party monitoring documentation gaps identified by management will be resolved. The MAP has been developed to address the following:

- Program management should continue working with Integration Center and Operations personnel to implement enhanced third-party monitoring procedures and to ensure proper documentation has been retained to support the Company's third-party monitoring activities.

Summary of Audit Objectives, Scope, Results, and Recommendations

Audit Objective 1: Program management has developed and implemented appropriate TIMP policies and procedures that are in compliance with established federal integrity management regulations and have been properly communicated to Program personnel and third-party Program vendors.

Scope:

- Ensure Program management has developed and implemented Program policies and procedures that are in compliance with established federal requirements.
- Verify that Program policies and procedures are communicated to NGD personnel.
- Verify third-party contractor qualification guidelines are reviewed by Program management to ensure contractors meet qualification requirements established by Program polices and pipeline safety standards (PHMSA and ASME).

Results:

- Internal Audit obtained and reviewed policies and procedures that have been developed and implemented for the TIMP. Internal Audit noted that Program management developed a comprehensive TIMP policies and procedures document (referred to herein as the "Manual") that includes all required processes to be completed by Program personnel.

  Internal Audit noted that the established Manual incorporates references to the requirements of 49 CFR Part 192 and ASME B31.8S throughout. Additionally, Internal Audit reviewed documentation developed by Program management that directly cross-references established pipeline safety regulations under Part 192 to applicable sections of the Manual. Through review of the Manual, PHMSA and ASME regulations, and related supporting documentation provided by Program management, Internal Audit concluded that the established TIMP Manual appears to incorporate the Federal Safety Regulation requirements established by PHMSA Part 192 and the ASME B31.8S.

  Through discussions with Program management, Internal Audit noted that the current Manual would require an update to current procedures to include certain processes for the assessment of covered segment casings. Management noted that these updates are expected to be formally incorporated into the Manual in 2011.

- Internal Audit noted that the TIMP Manual is located on a shared network drive and the Company's intranet site for reference by all NiSource employees. As such, Internal Audit has concluded that the TIMP policies and procedures appear to be appropriately communicated to NGD personnel and are freely available for reference.

- Through discussions with Program management, Internal Audit noted that the Company utilized third-party contractors to assist in the execution of integrity assessments for CPA, CMD, and CGV from 2005 through 2010; COH, CMA, and CKY did not utilize third-party contractors for the completion of pipeline integrity assessments for the assessments reviewed by Internal Audit. The third-party contractors utilized by CPA, CMD, and CGV include Corrpro Companies, Inc. (utilized from 2005 through 2009) and BGL Asset Services (utilized in 2010). Internal Audit noted that the TIMP Manual (IMP 5-01) requires all contractors to meet certain training and qualification requirements. As stated in the Manual (IMP 5-10), the manager having responsibility over any activities performed by the contractors is responsible for ensuring the requirements are met and documented. Through review of selected HCA assessments (as discussed in Objective 3 on page 9), Internal Audit concluded that management reviewed and documented the qualifications of third-party contractors (Corrpro) to ensure ongoing compliance with Company policies and procedures and PHMSA regulations for those pipeline assessments selected for review.

  Internal Audit also reviewed third-party contractor qualification supporting documentation and related qualification plans, concluding that both Corrpro and BGL training plans were developed to follow the Office of Pipeline Safety of the U. S. Department of Transportation's Qualification of Pipeline Personnel Regulation (PHMSA Part 192 Subpart N). Additionally, the qualification plans for Corrpro and BGL require personnel to be certified in tasks under the National Center for Construction Education and Research. Internal Audit noted that Program management has retained the training programs developed by both Corrpro and BGL, including documentation supporting the certifications for contractor personnel.

  Internal Audit has concluded through review of third-party contractor qualification plans and contractor personnel certification documentation, the Company appears to be in compliance with pipeline personnel qualification requirements established by PHMSA regulations, Part 192 Subpart N.

Recommendations: None

Audit Objective 2: Program management has developed and implemented an appropriate HCA transmission pipeline risk assessment process; the established risk assessment process has been developed in accordance with established Federal Safety Regulations.

Scope:

1) Ensure Program management has developed and implemented an appropriate risk assessment process for the assessment of all NGD HCA transmission pipelines.

2) Verify Program management has properly prioritized NGD HCA transmission pipeline segment assessments; the HCA transmission pipeline assessment schedule aligns with the pipeline risk assessment model results.

Results:

- Internal Audit reviewed the TIMP Manual and obtained a copy of the risk assessment model utilized by Program management to assess HCA pipeline risks to ensure the processes implemented by Program management is in accordance with pipeline safety regulations (PHMSA and ASME).

Policy and Procedures:

Internal Audit reviewed the risk assessment procedures outlined in the TIMP Manual (Section IMP 6-3). The Manual includes guidelines for conducting threat identification, data collection, review and integration, and risk assessments for covered pipeline segments. Additionally, Internal Audit noted that the risk assessment process has been developed based upon a prescriptive approach, as described in ASME B31.8 (Section 5). The prescriptive approach under ASME regulations prioritizes integrity management activities and helps management organize data and information to make decisions. The TIMP risk assessment approach includes the following processes:

1) Potential threat identification
2) Integration of pipeline system design, construction, operating, maintenance, testing inspection, and other applicable information to assist in potential threat identification
3) Assessing the risks associated with identified threats
4) Mitigating factors
5) Measurement of risk reduction results achieved (post assessment and performance improvement)

Risk Assessment Model:

The risk assessment process noted above incorporates the NYGAS Risk Assessment Model (the "Model") developed by third-party subject matter expert Kiefner & Associates, Inc. to help the Company develop a relative risk score for each covered pipeline segment. Internal Audit obtained a copy of the Model from Program management and reviewed the Model's user manual, noting the following:

- The Model operates in Microsoft ACCESS database;
- Pipeline data is gathered (from steps 1 and 2 above), input, and stored in the database whereby a risk "algorithm" calculates relative risk for each distinct segment within the system. The algorithm consists of equation sets that address five causes of potential pipeline failure to calculate a "likelihood of failure" for each segment;
- The five potential causes of pipeline failure (i.e., threats to pipeline integrity) addressed by the Model are: external corrosion, internal corrosion, mechanical damage from excavating equipment, inherent material or construction defects, and damage from outside forces (e.g., floods, landslides);
- The format and weighting factors that characterize the equations are based on a combination of expert judgment, experience, and technical knowledge: and
- After consideration of all inputs, the Model provides relative rankings of the likelihood of failure through a risk score.

Through review of the TIMP Manual and the Model utilized by Program management to calculate relative risk of pipeline failure, Internal Audit concluded that current NGD risk assessment processes and procedures appear to be consistent with established pipeline safety regulations (ASME B31.8, Section 5).

- Internal Audit obtained Program management's summary of all NGD HCA pipeline risk rankings and compared the risk rankings to management's HCA pipeline summary for each NGD Company. The pipeline risk ranking listing includes a risk

score, as produced by the Model discussed previously. Internal Audit noted that the pipeline segment risk listing was properly arranged from high to low risk scores as applicable for each NGD Company. The HCA pipeline summary included the dates of completed baseline integrity assessments and the dates of future baseline integrity assessments for those pipelines by which an integrity assessment had not yet been completed. By comparing both the current risk rankings to the summary of HCA's by NGD Company, Internal Audit noted that one integrity assessment was completed in CKY for an HCA segment (Toyota-3) with a risk rating lower than those of three other CKY HCA segments (Toyota-2, Toyota-4A, and Toyota-4B). Through discussions with Program management, appropriate professional judgment directed the Company to complete an assessment on Toyota-3 ahead of the higher risk segments. Additionally, management noted that over time, as new information is provided through the Company's continuous review of pipeline segments, risk scores and related rankings may change. Internal Audit observed that Program management has not formally documented the circumstances why the noted CKY HCA segment assessment was completed in advance of three other CKY HCA segments with higher risk scores. However, Internal Audit did determine that CKY satisfied the assessment completion requirements (assessment of 50% of HCA's by 12/17/2007 as discussed further in Objective 3 below), prior to completing the assessment on Toyota-3 and is scheduled to complete assessments of all CKY HCA segments within the required PHMSA timelines. Internal Audit did not find any additional variances when comparing the pipeline risk rankings to the HCA pipeline summaries for the other NGD Companies.

Internal Audit has concluded that NGD HCA transmission pipeline integrity assessments appear to be properly prioritized and are aligned with the risk scores from the pipeline risk model.

Recommendations: Ensure appropriate documentation exists to support the Company's prioritization of certain HCA segments selected for pipeline integrity assessments in advance of segments with higher risks scores calculated by the NYGAS Risk Assessment Model.

Audit Objective 3: HCA transmission pipeline assessments have been completed and documented in accordance with Company policies and procedures and Federal Safety Regulations.

Scope:

1) Ensure HCA transmission pipeline assessments are completed and documented in accordance with established Company policies and Federal Safety Regulations.

2) Verify HCA transmission pipeline assessments are completed in accordance with required PHMSA timelines.

3) Ensure Program management has implemented a continuous review process to identify changes in the transmission pipeline system that could impact HCA designations.

Results:

- As discussed in the Background section of the report (pages 1-4), Program management had identified 137 separate HCA segments across all of the NGD Companies. Internal Audit reviewed management's HCA listing and selected one

assessment to review for each NGD Company with the exception of COH, whereby Internal Audit selected three assessments to review for testing purposes; Ohio maintains the most significant mileage of HCA's with 33 miles out of the total 46 miles of HCA's across all companies. The selected population of assessments included both pressure-tested pipelines as well as direct assessments; the In-Line Assessment Method is not currently utilized by the Program, as discussed in the Background section.

Internal Audit obtained the supporting documentation retained by Program management for each assessment selected for testing and noted that supporting documentation appears to be properly retained by management in accordance with established policies and procedures included in the TIMP Manual (IMP 4-01). Through review of the assessment documentation provided, Internal Audit concluded that each assessment included appropriate documentation to support the decisions and analysis as required by Program policies and procedures for Pressure testing (IMP 6-12) and Internal and External Direct Assessments (IMP 6-14, IMP 6-15). As the TIMP Manual was developed by Program management to be in compliance with established Federal Safety Regulations, as discussed in Objective 1 (page 6), Internal Audit has concluded that the selected assessments appear to be in compliance with the established federal regulations.

Internal Audit noted that while assessment support appears to be retained in accordance with established policies and procedures, a portion of assessment supporting data is currently maintained in manual form, giving rise to the potential risk of data loss. Through discussion with Program management, Internal Audit noted that management would prefer to maintain all supporting documentation in an electronic format on the established shared network drive. Management concluded that by maintaining documentation on the shared drive, more control over data backup and access can be obtained. Additionally, by maintaining supporting documentation on the shared drive, supporting documentation is more easily accessible and centrally located. Program management noted that with the installation of a Geographic Information System in the future, changes to the current documentation requirements will be made to ensure supporting documentation is centrally maintained and backed up. Internal Audit concluded that while supporting documentation is currently retained in accordance with established policies, the document retention process could be improved to reduce the risk of data loss and provide for a centralized location to retain and backup Program supporting documentation.

- Internal Audit reviewed Program management's HCA Segment Listing for each NGD Company to ensure pipeline assessments are being completed in accordance with established pipeline safety regulation timelines.

  PHMSA Part 192.921 states the following is required:

  - *An operator must assess at least 50% of the covered segments beginning with the highest risk segments by December 17, 2007;*
  - *An operator must complete the baseline assessment of all covered segments by December 17, 2012;*
  - *Newly Identified Areas: an operator must complete the baseline assessment of the line pipe in the newly identified high consequence area within ten (10) years from the date the area is identified; and*

- *Newly Identified Pipe: an operator must complete the baseline assessment of a newly installed segment of pipe within ten (10) years from the date the pipe is installed.*

HCA Assessment Schedule Summary:

Note: Stated amounts are in "feet" unless otherwise indicated

HCA Details		CKY	CMA	CGV	COH	CPA	CMD
Length of HCA's required to be assessed by 12/17/2012	A	8,106	10,437	7,933	146,022	25,516	3,698
Length of Assessed HCA's as of 12/17/2007	B	5,836	10,437	4,778	74,508	23,029	3,698
Percentage of Assessments Completed as of 12/17/2007	B/A	**72%**	**100%**	**60%**	**51%**	**90%**	**100%**
Length of Remaining HCA's Required to be Assessed by 12/17/2012		2,270	0	3,155	71,514	2,487	0
Length of HCA's identified since 2004 to be assessed within 10 years of identification date - Assessment after 12/17/2012	C	6,701	0	465	30,719	0	0
Length of Expected Replacements to be completed by12/17/2012 *		0	0	0	**4,403**	**1,501**	0
Total Length of HCA's (as of audit date)	A+C	14,807	10,437	8,398	176,741	25,516	3,698
Total Miles of HCA's (Rounded)		**3**	**2**	**2**	**33**	**5**	**1**

* The Pipe replacements are included in "C" above and are noted herein for illustration purposes

Internal Audit developed the HCA Assessment Schedule Summary above to illustrate the current status of the Program through review of management's current HCA Segment Listing for each of the NGD Companies. Internal Audit concluded that as of December 17, 2007, all NGD Companies were in compliance with the requirement that baseline assessments be completed for a minimum of 50% of identified HCA segments. Additionally, through review of Program management's long-term assessment schedule, Internal Audit concluded that management has properly scheduled HCA baseline assessments be completed by December 17, 2012.

Through review of the long-term assessment schedule, Internal Audit noted that pipeline replacements were scheduled for some select HCA segments in COH and CPA to take the place of formal assessment procedures (See the table above). Internal Audit discussed the scheduled pipeline replacements with both TIMP management and Engineering. Through discussion with Engineering management, Internal Audit noted that the pipeline replacements were included in the Capital Programs for both COH and CPA and that the replacements were expected to be completed prior to December 17, 2012. Internal Audit has concluded that a formal communication process is not currently in place between Program management and Engineering to ensure pipeline replacement projects are completed within the required PHMSA HCA assessment timelines.

- Internal Audit reviewed the Program's policies and procedures to ensure management has implemented a continuous review process to identify changes in the transmission pipeline system that could impact HCA designations.

Through review of the Program's policies and procedures (TIMP Manual IMP 6-01) and through discussion with Program management, Internal Audit noted that the Corrosion department has implemented a process whereby their personnel continually monitor the conditions along the pipeline. When the Company becomes aware of population or usage changes that may potentially create or change an HCA, the Company will perform an evaluation of the area to determine if there is a change in HCA's. The Corrosion department also performs a periodic survey (at least annually) on all transmission class pipelines to determine if land use changes have created any new HCA's. Field personnel performing routine operation and maintenance or pipeline integrity activities or Engineering department employees reviewing new development plans may obtain information of land use changes which could affect the HCA

classifications. Personnel in these positions are required to possess general HCA awareness and, when encountering such information, are required to communicate such changes to the Manager of System Operations. The Manager of System Operations is responsible for ensuring an evaluation of the area is made to determine if there is a change to or creation of an HCA. Based upon Internal Audit's review of current policies and procedures and through discussions with Program management, it appears that management has implemented a continuous review process to identify changes in the transmission pipeline system that could impact HCA designations.

- Corrosion department management noted that they are currently working on procedures to ensure third-party monitoring processes and procedures have been properly executed and documented in accordance with established Program policies and procedures. These procedures are to ensure that the Company is monitoring any third parties that may be working (e.g., excavating) near our transmission lines.

  Additionally, Corrosion department management is working to verify that appropriate documentation exists to support past third-party monitoring activities to ensure compliance with Company policies and regulatory requirements. Corrosion department management informed Internal Audit that the full implementation of new third party monitoring controls and the results of their inquiry into supporting documentation for past work order activity will be completed by the fourth quarter in 2012.

Recommendations:

- Program management should:
  - Develop and implement a process for the use by all NGD personnel for the consistent record-keeping of pipeline assessment documentation to ensure appropriate and secure backup procedures are in place to reduce the risk of data loss;
  - Implement a formal communication process with Engineering to ensure selected covered segment pipeline replacements will occur within the timelines established by PHMSA and ASME regulations; and
  - Continue working with Integration Center and Operations personnel to implement enhanced third-party monitoring procedures as developed by Program management and to ensure proper documentation has been retained to support the Company's third-party monitoring activities.

Audit Objective 4: Program management has established and is properly tracking and monitoring Program metrics; metric reports are properly communicated to executive management and regulators.

Scope:

1) Verify that Program management tracks and monitors Program performance metrics, as established by Program policies and procedures.

2) Ensure Program management has communicated Program performance metrics to members of executive management and state and federal regulators on a consistent, recurring basis or as required by established regulations.

Results:

- Internal Audit obtained the most recent Program performance metrics from management and reviewed them to ensure they were in compliance with established Program policies and procedures. The most recent reporting date was as of June, 2010. Through review of the TIMP Manual (See Objective 1 on page 6), Program management is required to compile and report certain reportable performance measures to PHMSA on a semi-annual basis for each operator / NGD Company.

  The following reportable Program metrics are required to be communicated to PHMSA as included in both Company polices and procedures and AMSE regulations:

Reportable Performance Measures (PHMSA):

Measure
Number of total miles as of the end of the reporting period
Number of HCA miles in the Integrity Management Program (IMP) as of the end of the reporting period
Number of total miles of pipeline inspected in the system during this reporting period, as a result of the IMP rule
Number of HCA miles inspected during this reporting period, as a result of the IMP rule
Number of immediate repairs completed in HCA as a result of IMP during this reporting period
Number of scheduled repairs completed in HCA as a result of IMP during this reporting period
Number of leaks in HCA classified by cause during this reporting period
Number of failures in HCA classified by cause during this reporting period
Number of incidents in HCA classified by cause during this reporting period

Through discussion with Program management and review of updated PHMSA regulations (as of November 26, 2010), Internal Audit noted that the reporting of Program performance will be required to be reported on an annual basis going-forward. Program management informed Internal Audit that the current policies and procedures will be updated to include the updated annual reporting requirements in 2011.

In addition to the "Reportable Performance Metrics" discussed above, Internal Audit noted that the TIMP Manual and ASME regulations require that Program management track the following threat-specific performance measures:

Threat-Specific Performance Measures (ASME):

Threat	Measure
External Corrosion	Number of pressure test failures caused by external corrosion
	Number of repair actions taken due to in-line inspection results
	Number of repair actions taken due to direct assessment
	Number of external corrosion leaks
Internal Corrosion	Number of pressure test failures caused by internal corrosion
	Number of repair actions taken due to in-line inspection results
	Number of repair actions taken due to direct assessment results
	Number of internal corrosion leaks
Stress Corrosion Cracking (SCC)	Number of in-service leaks or failures due to SCC
	Number of repair/replacements due to SCC
	Number of pressure test failures due to SCC

Threat-Specific Performance Measures (ASME): (Continued)

Threat	Measure
Manufacturing	Number of pressure test failures caused by manufacturing defects
	Number of leaks due to manufacturing defects
Construction	Number of leaks or failures due to construction defects
	Number of girth welds/couplings reinforced/removed
	Number of wrinkle bends removed
	Number of wrinkle bends inspected
	Number of fabrication welds repaired/removed
Equipment	Number of regulator failures
	Number of relief valve failures
	Number of gasket or o-ring failures
	Number of leaks due to equipment failure
Third-Party Damage	Number of leaks or failures caused by third-party damage
	Number of leaks or failures caused by previously damaged pipe
	Number of leaks or failures caused by vandalism
	Number of repairs implemented as a result of third-party damage prior to a leak or failure
Incorrect Operations	Number of leaks or failures caused by incorrect operations
	Number of audits/reviews conducted
	Number of findings per audit/review classified by severity
	Number of changes to procedures due to audits/reviews
Weather / Outside Force	Number of leaks that are weather related or due to outside force
	Number of repair, replacement, or relocation actions due to weather-related or outside-force threats

Internal Audit concluded through review of the TIMP Manual and the June 2010 Program metric reports, that Program management is properly tracking and monitoring Program performance metrics in accordance with established Program polices and procedures and PHMSA and ASME regulations.

- Internal Audit reviewed supporting documentation provided to PHMSA to ensure Program management has properly communicated Program performance metrics to members of executive management and PHMSA. Internal Audit concluded that Program management has properly provided Program performance metrics to PHMSA and executive management in accordance with established Program polices and procedures and pipeline safety requirements. Additionally, Internal Audit noted that Program management has retained performance metrics reported in prior periods and associated documentation to support the Company's submission to PHMSA.

Recommendations: None

Audit Objective 5: Program management has reviewed the results of Program audits as completed by each NGD state commission and has properly modified Program processes and procedures to ensure compliance with audit results.

Scope:

1) Ensure Program management has responded to the results of NGD state commission audits.

2) Verify Program management has modified Program processes and procedures to address issues identified as part of NGD state commission audits.

Results:

- Internal Audit obtained commission audit response reports from Program management and related management responses to ensure Program management has addressed all identified issues. To illustrate audits completed by each state commission and to management's responses, Internal Audit developed the following table:

NGD Company Integrity Management Program
State Commission Audits

Company	Audited	Last Commission Audit Communication	Company Response
CPA	Yes	Audit Letter (2006)	Response Letter; no open items as of audit date
COH	Yes	Audit Letter (2007)	Response Letter; no open items as of audit date
CKY	Yes	Audit Letter (2011)	Exit interview discussion; no significant issues noted
CGV	Yes	Audit Letter (2011)	Response Letter; open item as of audit testwork date
CMA	*No*	N/A	N/A
CMD	Yes	*No Reports Provided*	N/A

For state commission audits completed prior to 2011, Internal Audit reviewed letters received by Program management from the CPA and COH state commissions.

- ***CPA & COH:*** Internal Audit reviewed letters sent to both the CPA and COH state commissions in 2006 and 2007 respectively, and noted that the commission findings identified were addressed by Program management through formal management responses and action plans. Internal Audit noted that Program management tracked the resulting Program changes through a "Management of Change" (MOC) Log for tracking and monitoring purposes.

  Through discussions with Program management, the CPA and COH state commissions have completed additional Program audits since 2006 and 2007, but have not provided management with any formal audit communications. Program management noted that audits that are more recent were not as comprehensive in nature as the audits completed in 2006 and 2007. Additionally, Program management did not receive audit reports for more recent audits as the commissions did not identify any new, significant audit issues or repeat findings from prior audits.

  In instances where audit communications were received for past state commission audits, Internal Audit has concluded that Program management has formally responded through formal, written responses. Prior audit findings were addressed through policy and procedural changes tracked by Program management through the MOC Log.

  For state commission audits completed in 2011, Internal Audit reviewed letters received by Program management from the CKY and CGV state commissions.

- ***CKY***: The Utility Inspection Report (dated March 25, 2011) received from the Commonwealth of Kentucky Public Service Commission did not appear to require any significant program modifications. However, the report documented that an exit interview was held with Program management and that the Company's TIMP Manual (Section IMP 6-16) should be updated for a change in verbiage. The letter dated March 25 stated the following:

RECOMMENDATIONS

Columbia Gas should complete their Confirmatory Direct Assessment Procedures (Protocol "G") Columbia Procedure IMP 6-16 and send to the commission for review. Changes in verbiage was recommended on protocols A.1.b, A.6.a, B.6.b, C.3.a, and K.2.c... during the exit interview... indicated it would be changed.

Program management informed Internal Audit that the verbiage changes would occur in the future, but had not been completed as of our audit procedures and was not yet included in the MOC Log. Internal Audit noted that Program management did not formally document their verbal discussions with the Kentucky Public Service Commission resulting from the audit completed in 2011.

- ***CGV***: Program management received a Notice of Investigation (NOI) (dated March 7, 2011) as a result of the audit completed by the Commonwealth of Virginia State Corporation Commission (SCC). In summary, the NOI stated that CGV had not followed established procedures (IMP 06-19) by not repairing two (2) gouges discovered during an integrity assessment. Internal Audit obtained the Company's response to the SCC (dated March 3, 2011) communicating that managment will revise its current Gas Standards to include a requirement to repair any mechanical damage, regardless of defect dimensions. Subsequent to completing our audit procedures, Internal Audit obtained a "Management of Change Form" from Program management noting that the Gas Standards (OMP 1730 and GS 1730.010) were updated to emphasize a requirement to repair any mechanical damage, regardless of defect dimensions. Through review of GS 1730.010, Internal Audit concluded that the Company's Gas Standards were properly updated to include the guidance described in the Company's letter to the SCC, as discussed above. Additionally, Internal Audit concluded that the TIMP Manual (IMP 06-19) was also updated by Program management to refer users to the Gas Standards (GS 1730.010) for guidance on the repair of defects found on transmission lines.

Internal Audit concluded that Program management has appropriately responded to prior NGD state commission audit results and is currently working to address the 2011 CKY audit issue as noted below.

- Through review of Program management's responses to NGD state commission audit letters and analysis of the MOC Log, as discussed above, Internal Audit has concluded that Program management has documented procedures to modify Program processes and procedures to address issues identified as part of past NGD state commission audits. For the CKY audit completed in 2011, Program management has developed plans to update Program procedures to ensure compliance in the future.

Recommendations: Program management should centrally track all NGD state commission audit reports and management responses to pipeline integrity Program audit issues and inquiries; meeting minutes from verbal responses and exit meetings with state commissions should be maintained to ensure the Company has properly responded to state commission inquiries and audit issues are properly addressed.

As always, we appreciate the cooperation and assistance that your staff provided to the Audit Team during this review. Should you have any questions or require additional information, please do not hesitate to contact Joe Siget at (614) 460-4847, Nicole Paloney at (614) 460-5483, or Ryan Binkley at (614) 460-5985.

cc: R. C. Skaggs
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T. L. Tucker
Deloitte & Touche LLP

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
A. ALL UTILITIES

19. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization. Sufficient supporting data must be provided.

Response: There are none.

COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
E. GAS UTILITIES

27. Submit a schedule for gas producing units retired or scheduled for retirements subsequent to the test year showing station, units, Mcf capacity, hours of operation during test year, net output produced and cents/Mcf of maintenance and fuel expenses.

Response: None.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
A. ALL UTILITIES

26. Provide a list of reports, data, or statements requested by and submitted to the Commission during and subsequent to the test year.

Response:

Supplements to Tariff Gas – Pa. P.U.C. No. 9

No. 172 – Issued June 30, 2011 – Effective July 1, 2011
Quarterly 1307(f) gas cost filing. (Includes SAA)

No. 173 – Issued June 30, 2011 – Effective July 1, 2011
Quarterly Rider USP filing

No. 174 – Issued September 30, 2011 – Effective October 1, 2011
Quarterly 1307(f) gas cost filing

No. 175 – Issued September 30, 2011 – Effective October 1, 2011
Quarterly Rider USP Filing

No. 176 – Issued October 14, 2011 – Effective October 18, 2011
Rate Case Compliance Filing

No. 177 Issued November 30, 2011 – Effective January 30, 2012
Chapter 14 Changes to Chapter 56

No. 178 Issued December 19, 2011 – Effective January 1, 2012.
STAS filing

No. 179 Issued December 19, 2011 - Effective – January 1, 2012
Quarterly 1307(f) gas cost filing

No. 180 Issued December 19, 2011 – Effective – January 1, 2012
Quarterly Rider USP filing

No. 181 – Issued January 20, 2012 – Effective – April 1, 2012
Rate Case Compliance Filing – Therm Billing

No. 182 – Issued March 31, 2012 – Effective – April 1, 2012
Rider EBS – Elective Balancing Service Rates

Supplements to Tariff Gas – Pa. P.U.C. No. 9 (continued)

No. 183 – Issued March 31, 2012 – Effective – April 1, 2012
Quarterly 1307(f) gas cost filing

No. 184 – Issued March 31, 2012 – Effective – April 1, 2012
Quarterly Rider USP Filing

Purchased Gas Cost Rate

1307(f) 2012 – Exhibits computing the PGC Rates for the twelve months ending September 30, 2011, filed March 1, 2012. Docket No. R-2012-2293303

1307(f) 2012 – Testimony, Tariff Sheets and additional Exhibits for the computation for PGC rates for the twelve months ended September 30, 2011, filed April 1, 2012. Docket No. R-2012-2293303

1307(f) 2012 – Joint Petition for Settlement filed June 15, 2012. Docket No. R-2012-2293303

Other Data

Pa P.U.C. - 52 Pa. Code Sections 56.100(4) & 56.100(5) - Annual Dormant Account Survey

Pa P.U.C. - 52 Pa. Code Section 56.231 - Monthly 56.231 Report

Pa P.U.C. - 52 Pa. Code Section 58.15 - Annual LIURP Report

Pa P.U.C. - 52 Pa. Code Sections 59.21 - Meter Test Reports

Pa P.U.C. - 52 Pa. Code Sections 59.81-59.84 -Annual Resource Planning Report

Pa P.U.C. - 52 Pa. Code Sections 59.33 - Annual DOT Reports

Pa P.U.C. - 52 Pa. Code Sections 59.38 - Construction Reports

Pa P.U.C. - 52 Pa. Code Sections 62.31-62.37 - Quality of Service Benchmarking Report

Pa P.U.C. - 52 Pa. Code Section 62.5 - Annual Universal Services Report

Pa P.U.C. - 52 Pa. Code Section 71.1 - 71.9 - Quarterly Financial Report

Pa P.U.C. - 52 Pa. Code Section 73 - Annual Depreciation Report

Capital Investment Report

Annual Section 1415 of Act 201 (Ch. 14) Filing

Annual Bill Survey

Monthly Filing of Residential Payment Plans

Quarterly Chapter 55 Filing- Commercial Delinquent Statistics

Annual Report of Columbia Gas of Pennsylvania, Inc. to the PA PUC

Annual LIURP Spending Report

Quarterly CAP Customer Participation

LIHEAP Leveraging Report

Annual Citizen's Energy Filing

LIURP Evaluation

Management Efficiency Investigation Implementation Plan

Dormant Account Resurvey

Universal Service and Energy Conservation Plan Evaluation

Physical and Cyber Security Program Self-Certification (Docket No. M-00031717)

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 IV. RATE STRUCTURE
B. GAS UTILITIES

6. Supply copies of all present and proposed gas tariffs.

Response: Please see attached present and proposed gas tariffs. The "present" tariff appears as Attachment 1 and the proposed tariff pages appear as Attachment 2.

Supplement No. 187 to
Tariff Gas – Pa. P.U.C. No. 9

COLUMBIA GAS OF PENNSYLVANIA, INC.

121 Champion Way, Suite 100 Canonsburg, Pennsylvania

RATES AND RULES

FOR

FURNISHING GAS SERVICE

IN

THE TERRITORY AS DESCRIBED HEREIN

ISSUED: June 28, 2012 EFFECTIVE: July 1, 2012

ISSUED BY: MARK R. KEMPIC, PRESIDENT
121 CHAMPION WAY, SUITE 100
CANONSBURG, PENNSYLVANIA 15317

NOTICE

This Tariff Supplement Makes Increases to the Existing Tariff —See Page No. 2

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
Cover	Tariff Cover Page	Supplement #, Effective & Issue Date.
2	List of Changes	List of Changes.
16	Rate Sheets	Rate Schedule Changes per Rider USP Filing. Rates under Rate RSS – Residential Sales Service have been increased (See Sixty-Third Revised Page No. 16).
18	Rate Sheets	Rate Schedule Changes per Rider USP Filing. Rates under Rate RDS – Residential Distribution Service have been increased (See Sixtieth Revised Page No. 18).
20	Rate Sheets	Rate Schedule Changes per Rider USP Filing. Rates under Rate RDGSS – Residential Distributed Generation Sales Service have been increased (See Sixtieth Revised Page No. 20). Rates under Rate RDGDS – Residential Distributed Generation Distribution Service have been increased (See Sixtieth Revised Page No. 20).
21	Rate Summary Pages	Rate Schedule Changes per Rider USP Filing. The rates under Rider USP – Universal Service Plan have been increased (See Sixty-Eighth Revised Page No. 21).

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
35	Service Limitations	Changed "volumes" to "quantities". Converted the rate per Mcf to a rate per thm. Changed "hundredth" to "thousandth".
38	Application for Service	Changed reference in "3.2 Right to Reject (g)".
40	Application for Service	Changed "volumes" to "quantities".
48	Extensions	Changed "volumes" to "energy usage".
49	Extensions	Changed "volumes" to "quantities".
53	Company Equipment on Customer's Premises	Changed "volumes" to "usage".
57	Measurement	Changed "volumes" to "usage".
58	Measurement	Changed "volumes" to "quantities".
58a	Measurement	Added "15.8 Therm Adjustment".
68	Flexible Rate Provisions	Changed "volumes" to "quantities".
69	Flexible Rate Provisions	Changes "volumes" to "quantitiy". Changed "Mcf" to "thm".
76	Rate RSS	Removed reference to Rider PPS. Changed "Mcf" to "thm".
78	Rate RDS	Converted "5,000 Mcf " to thms. Changed "Mcf" to "thm".
79	Rate RDS	Converted cubic feet to thms.
81	Rate RDGSS	Changed "Mcf" to "thm".
83	Rate RDGSS	Converted cubic feet to thms.
84	Rate RDGDS	Converted 5,000 Mcf to thms. Changed "Mcf" to "thm".
85	Rate RDGDS	Converted cubic feet to thms.
86	Rate SGSS	Converted 6,000 Mcf to thms. Removed reference to Rider PPS. Changed "volumes" to "quantities". Changed Mcf to thms.
88	Rate SGSS	Converted cubic feet to thms. Changed "Volumetric" to "Energy usage". Converted 6,000 Mcf to thms.
89	Rate SGDS	Converted 6,000 Mcf to thms. Changed "Volumetric Limitations and Curtailment Provisions" to "Service Limitations".
90	Rate SGDS	Changed "volumes" to "quantities". Changed Mcf to thms.
92	Rate SGDS	Converted cubic feet to thms. Changed "Volumetric" to "Energy usage". Changed 6,000 Mcf to thms.
93	Rate SCD	Converted 6,000 Mcf to thms. Converted 5,000 Mcf to thms. Changed "Mcf" to "thm".

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
94	Rate SCD	Converted cubic feet to thms.
96	Rate SDS	Converted 6,000 Mcf to thms. Converted 50,000 Mcf to thms. Changed "Volumetric Limitations and Curtailment Provisions" to "Service Limitations".
97	Rate SDS	Changed "volumes" to "quantities'. Changed "Mcf" to "thms".
99	Rate SDS	Converted 50,000 Mcf to thms.
100	Rate LGSS	Converted 6,000 Mcf to thms. Changed "volumes" to "quantities". Changed "Mcf" to "thms".
102	Rate LGSS	Changed "Volumetric" to "Energy usage". Converted 6,000 Mcf to thms.
103	Rate LDS	Converted 50,000 Mcf to thms. Changed "Volumetric Limitations and Curtailment Provisions" to "Service Limitations".
104	Rate LDS	Changed "volumes" to "quantities". Changed "Mcf" to "thms".
106	Rate LDS	Changed 50,000 Mcf to thms.
107	Rate MLSS	Converted 25,000 Mcf to thms. Converted 200,000 Mcf to thms. Changed "volumes" to "quantities'.
108	Rate MLSS	Changed "volumes" to "quantities". Changed Mcf to thms.
109	Rate MLSS	Changed "Volumetric" to "Energy usage". Converted 25,000 Mcf to thms.
111	Rate MLDS	Converted 25,000 Mcf to thms. Converted 200,000 Mcf to thms. Changed "Volumetric Limitations and Curtailment Provisions" to "Service Limitations".
112	Rate MLDS	Changed "volumes" to "quantities". Changed "Mcf" to "thms".
114	Rate MLDS	Changed "Volumetric" to "Energy usage". Converted 25,000 Mcf to thms.
115	Rate NCS	Converted 2,000 Mcf to thms. Changed "Volumetric Limitations and Curtailment Provisions" to "Service Limitations".
116	Rate NCS	Changed "Mcf" to "thm".
117	Rate NSS	Changed 2,000 Mcf to thm. Changed "Voluetric" to "Energy usage".
118	Rate NSS	Changed "volumes" to "quantities". Changed "Volumetric" to "Energy usage" or "quantities" or eliminated "volumetric". Changed "Mcf" to "thm".
119	Rate NSS	Changed "volumetric" to "energy usage" or eliminated "volumetric". Changed "volumes" to "quantities". Changed "No Volumetric Nomination Option" to "No Nominations Option" Changed Mcf to thm.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
120	Rate NSS	Changed "Mcf" to "thm". Converted Mcf and Mcf rates to thms and thm rates. Changed "volumes" to "quantities".
121	Rate NSS	Converted 6,000 Mcf to thms.
122	Rate SDSS	Converted 600 Mcf to thms. Changed "Mcf" to " thm". Changed "volume" to "quantity".
123	Rate SDSS	Converted Mcf and Mcf rates to thms and thm rates. Converted 600 Mcf to thms.
125	Rate CDS	Changed "Volumetric Limitations and Curtailment Provisions" to "Service Limitations".
126	Rate CDS	Changed "volume" to 'quantity".
128	Rate GDS	Changed "volume" to "quantity".
134	Rate SS	Changed "volume" to "quantity". Changed "Mcf" to "thm".
135	Rate SS	Changed "volumes" to "quantities". Changed "Mcf" to "thm".
137	Rate DGDS	Changed "Volumetric Limitations and Curtailment Provisions" to "Service Limitations". Changed "Mcf" to "thm".
138	Rate DGDS	Changed "volume" to "quantity".
146	Rider USP	Changed "Mcf" to "thm". Changed "volumes" to "quantities". Removed reference to "PPS".
147	Rider USP	Changed "volumes" to "quantities".
148	Rider CC	Changed "Mcf" to "thm". Changed "volumes" to "quantities". Converted 6,000 Mcf to thms.
149	Rider EDS	Converted 6,000 Mcf to thms.
151	Purchased Gas Cost Rider	Converted all Mcf and Mcf rates to thms and thm rates. Removed reference to "PPS". Changed 'hundredth" to "thousandth'.
152	*Purchased Gas Cost Rider*	Changed 'hundredth" to "thousandth'. *Changed "Mcf" to "thms".* Removed reference to "PPS".
153	Purchased Gas Cost Rider	Changed 'hundredth" to "thousandth'. Changed "Mcf" to "thm".
154	Purchased Gas Cost Rider	Converted all Mcf and Mcf rates to thms and thm rates. Removed reference to "PPS".
155	Purchased Gas Cost Rider	Removed reference to "PPS". Changed "volumes" to "quantities".

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
156	Purchased Gas Cost Rider	Changed "volumes" to "quantities".
157	Purchased Gas Cost Rider	Changed "volume" to "quantity". Changed "Mcf" to "thm".
158	Purchased Gas Cost Rider	Removed "volumetric". Changed "Mcf" to "thm". Converted all Mcf and Mcf rates to thms and thm rates.
161 – 164	Rider PPS	Deleted Rider PPS in its entirety. These pages left blank for future use.
166	Rider EBS	Changed "Mcf "to "thms". Changed "volumes" to "quantities". Converted 50,000 Mcf to thms.
168	Rider EBS	Changed "volume" to "quantity".
169	Rdier EBS	Changed "Mcf" to "Dth" or removed "Mcf". Changed "volumes" to "quantities".
170	Rider EBS	Changed "volumes" to "quantities".
171	Rider EBS	Change "volume bank" and "bank volume" to "bank of gas".
172	Rider EBS	Changed "volume bank" to "bank of gas". Changed "volume" to "quantity".
173	Rider EBS	Changed "banked volumes" to "banked gas".
181	Rules Applicable to Distribution Service	Changed "volumes" to "quantities".
186	Rules Applicable to All Distribution Service	Changed "volumes" to "natural gas".
189	Rules Applicable to All Distribution Service	Changed "volumes" to "quantity".
191	Rules Applicable to All Distribution Service	Changed "Mcf" to "thm".
192	Rules Applicable to All Distribution Service	Changed "volume" to "quantity". Changed "volumes" to "quantities".
201	Rules Applicable Only to General Distribution Service	Changed "volume" to "quantity". Changed "volumes" to "quantities".
202	Rules Applicable Only to General Distribution Service	Changed "volume" to "quantity". Changed "volumes" to "quantities".
204	Rules Applicable Only to General Distribution Service	Changed "volumes" to "quantities".
205	Rules Applicable Only to General Distribution Service	Changed "volumes" to "quantities".
206	Rules Applicable Only to General Distribution Service	Changed "volume" to "quantity". Changed "volumes" to "quantities".

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
207	Rules Applicable Only to General Distribution Service	Changed "volumes" to "quantities" or "quantities delivered". Converted rate per Mcf to rate per thm.
208	Rules Applicable Only to General Distribution Service	Changed "volumes" to "quantities" or "quantities delivered". Converted rate per Mcf to rate per thm.
209	Rules Applicable Only to General Distribution Service	Changed "volume" to "quantity". Changed "volumes" to "quantities".
210	Rules Applicable Only to General Distribution Service	Changed "volume" to "quantity". Changed "volumes" to "quantities".
211	Rules Applicable Only to General Distribution Service	Converted 50,000 Mcf to thms. Converted a rate per Mcf to a rate per thm.
213	Rules Applicable Only to General Distribution Service	Changed "volumes" to "quantities". Changed "volume bank" to "bank of gas".
214	Rules Applicable Only to General Distribution Service	Removed "volumetric". Added "gas".
225	Rules Applicable Only to Choice Service	Converted 5,000 Mcf to therms.
227	Rules Applicable Only to Choice Service	Changed "Ccf" to "thm".
232	Rules Applicable Only to Choice Service	Changed "volumes" to "quantities".
233	Rules Applicable Only to Choice Service	Changed "volumes" to "quantities". Changed "volume" to "quantity".
234	Rules Applicable Only to Choice Service	Removed "volumetric". Added "gas".
235	Rules Applicable Only to Choice Service	Changed "volumes" to "quantities". Changed "volume" to "quantity".
238	Rules Applicable Only to Choice Service	Deleted reference to annual average Btu content.
242	Rules Applicable Only to Choice Service	Changed "volumes" to "quantities". Changed "volume" to "quantity". Converted a rate per Mcf to a rate per thm.
243	Rules Applicable Only to Choice Service	Changed "volumes" to "quantities". Converted a rate per Mcf to a rate per thm.
247a	Rules Applicable Only to Choice Service	Changed "volumes" to "quantities".

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DESCRIPTION OF TERRITORY

ADAMS COUNTY

Abbottstown
Arendtsville
Aspers
Bendersville
Berwick Township
Biglerville
Butler Township
Caledonia
Cashtown
Conewago Township*
Cumberland Township
East Berlin
Fairfield
Fayetteville
Franklin Township
Freedom Township
Germany Township
Gettysburg
Hamilton Township
Hamiltonban Township
Hemptom
Littlestown
McSherrystown*
Menallen Township
Mt. Joy Township
Mt. Pleasant Township
New Oxford
Oxford Township
Reading Township
Strabane Township
Table Rock
Two Taverns
Tyrone Township
Union Township

ALLEGHENY COUNTY

The Company is certified to serve in all cities, boroughs and townships in Allegheny County.

ARMSTRONG COUNTY

Distant
Hovey Township
Madison Township
Mahoning Township
McWilliams
New Salem
Oakland
Oak Ridge
Parker city
Perry Township
Red Bank Township
South Bethlehem

BEAVER COUNTY

The Company is certified in serve in all cities, boroughs and townships in Beaver County.

BEDFORD COUNTY

Cumberland Valley Township
Londonderry Township
Mann Township
Southampton Township
State Line

BUTLER COUNTY

Adams Township
Allegheny Township
Annandale
Annisville
Brady Township
Bruin
Center Township
CherryTownship
Clay Township
Concord Township
Cranberry Township

BUTLER COUNTY (Continued)

Criders Corners
Deegan
Eau Claire
Fairview
Fairview Township
Fallowfield Township
Forestville
Franklin Township
Harrisville
Karns City **
Marion Township
Mercer Township
Muddy Creek Township
North Washington
Parker Township
Slippery Rock Township
Valencia
Valencia Township
Washington Township
West Liberty
Wick
Worth Township

CENTRE COUNTY ***

Bellefonte
Benner Township
Boggs Township
Burnside Township
College Township
Ferguson Township
Patton Township
Patter Township
Snow Shoe Township
Spring Township
State College
Union Township

* Territory formerly served under Tariff Gas-Pa. P.U.C. No. 7.
** Limited to industrial service to Pennsylvania Refining Company.
*** Territory formerly served under Tariff Gas-Pa. P.U.C. No. 6.

DESCRIPTION OF TERRITORY (Continued)

CHESTER COUNTY

Coatesville*

CLARION COUNTY

Ashland Township
Beaver Township
Callensburg
Climax
Dutch Hill
Elk City
Elk Township
Fairmont City
Foxburg
Hawthorne
Huey
Knox
Lamartine
Lawsonham
Leatherwood
Licking Township
Madison Township
Mayport
Monroe
New Bethlehem
Perry township
Perryville
Porter Township
Red Bank Township
Richland Township
Rimersburg
Salem
Salem Township
Shippenville
St. Petersburg
Toby Township
Turkey City
Turnip Hole
Wentlings
West Freedom
West Monterey

CLEARFIELD COUNTY

Burnside Township
Jordon Township**
Union Township

ELK COUNTY

Highland Township
Nansen
Russell city

FAYETTE COUNTY

The Company is certified to serve in all cities, boroughs and townships in Fayette County.

FRANKLIN COUNTY

Antrim Township
Caledonia
Greencastle
Greene Township
Guilford Township
Mercersburg
Mont Alto
Montgomery Township
Nunnery
Peters Township
Quincy
Quincy Township
Shady Grove
Washington Township
Waynesboro

FULTON COUNTY

Bethel Township
Thompson Township
Union Township

GREENE COUNTY

The Company is certified to serve in all cities, boroughs and townships in Greene County, with the exception of Monongahela Township, where the Company is authorized to serve customers located within the industrial park owned by Indiana County Industrial Development Authority and Indiana County Industrial Development Corporation.

INDIANA COUNTY

Center Township***
Cheryhill Township**
Clymer
White Township***

JEFFERSON COUNTY

Beaver Township
Clover Township
Heath Township
Iowa
Knox Township
Pine Creek Township
Polk Township
Ringgold Township
Rose Township
Summerville
Union Township
Warsaw Township
Winslow Township

* Limited to industrial service to Lukens Steel Company and Subsidiaries.
** Limited to industrial service to Hirman Swank's Sons.
*** Limited to service to customers located within the industrial park owned by Indiana County Industrial Development Authority and Indiana County Development Corporation.

DESCRIPTION OF TERRITORY (Continued)

LAWRENCE COUNTY

Bessemer
Big Beaver Township
Chewton
Ellport
Ellwood City
Energy
Harlansburg
Hickory Township
Joyce
Little Beaver Township
Mt. Jackson
Meshannock Township
New Castle
North Beaver Township
Perry Township
Princeton
Scott Township
Shenango Township
Slippery Rock Township
South New Castle
Taylor Township
Union Township
Wampum
Wayne Township
Wurtemburg

McKEAN COUNTY

Bradford
Bradford Township
Custer City
Dallas City
Degolia
Derrick City
Foster Brook
Foster Township
Lafayette Township
Lewis Run
Mt. Alton
Tune

MERCER COUNTY

Liberty Township
North Liberty

SOMERSET COUNTY

Addison Township
Berlin
Brothers Valley Township
Elk Lick Township
Greenville Township
Meyersdale
Salisbury
Somerset
Somerset Township
Southampton Township
Summit Township

VENANGO COUNTY

Clintonville
Clinton Township
Dotter
Emlenton
Freedom
Irwin Township
Mariasville
Nickleville
Pittsville
Richland Township
Rockland Township
Scrubgrass Township

WARREN COUNTY

Conewango Township
Glade Township
Mead Township
Pleasant Township
Russell
Shefield township
Starbrick
Warren

WASHINGTON COUNTY

The Company is certified to serve in all cities, boroughs and townships in Washington County.

WESTMORELAND COUNTY

Alverton
Ardara
Buzzardtown
Cereal
Circleville
Coal Hollow
Collinsburg
Cowansburg
East Huntingdon Township
Eldora
Fellsburg
Fells Chapel
Foxtone
Grapeville
Gratztown
Hahntown
Hempfield Township
Herminie
Irwin
Jeannette
Lowber
Madison
Marchland
Monessen
Mt. Pleasant
Mt. Pleasant Township
North Huntington Township
Penglyn
Penn
Penn Township
Rilton
Rostrover Township
Ruffsdale
Rural (Scottdale)
Scottdale
Sewickley Township
Shafton
Smithton
South Huntingdon Township
Stewartsville
Straw Pump
Sutersville
Tarr
Unity Township
West Newton
Youngwood

DESCRIPTION OF TERRITORY (Continued)

YORK COUNTY *

Carroll Township
Codorus Township**
Conewago Township
Dallastown
Dillsburg
Dover
Dover Township
East Hopewell Township
East Manchester Township
East Prospect
Fawn Township
Glen Rock
Hallam
Hallam Township
Hanover
Hopewell Township
Jackson Township
Jacobus
Jefferson
Loganville
Lower Chancefore Township
Lower Windsor Township
Manchester
Manchester Township
Manheim Township
Mount Wolf
Newberry Township
New Freedom
North Codorus Township
North York
Paradise Township
Penn Township
Railroad
Red Lion
Seven Valleys
Shrewsburg
Shrewsburg Township
Springettsbury Township
Springfield Township
Spring Garden Township
Spring Grove
Stewartstown

YORK COUNTY (Continued)

Warrington Township
Washington Township
Wellsville
West Manchester Township
West Manheim Township
West York
Windsor
Windsor Township
Wrightsville
Yoe
York
Yorkana
York Haven
York New Salem
York Township

* Territory formerly served under Tariff Gas – Pa. P.U.C. No. 7 with the exception of Codorus and Manheim Townships and portions of East Manchester, Hallam, Manchester and Penn Townships.

** Limited to industrial service to Aircraft-Marine Products, Inc.

RATES AVAILABLE UNDER THIS TARIFF

Rate CDS - Cogeneration Distribution Service (pp. 125-126)

Available to any customer who qualifies as a cogenerator under Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA). Customer must demonstrate to the Company's satisfaction that qualifying cogeneration gas burning equipment will be installed and only gas used for cogeneration will be billed at the rate negotiated under this rate schedule. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract. Separate metering and piping to qualifying end use equipment will be required.

Service under this rate schedule shall not be available to a customer who is a Priority 1 Customer, as defined in the Service Limitations section of this tariff and is using gas to generate electricity for Essential Human Needs Use, as defined in the Service Limitations section of this tariff, shall be required to purchase Standby Service if an alternate fuel is not available to generate electricity to cover the electricity peak day requirement. (C)

Rate DGDS - Distributed Generation Distribution Service (pp. 137-138)

Available, at one location, for the distribution requirements of any commercial or industrial customer using distributed generation equipment such as reciprocating engines, gas turbines, microturbines, and fuel cells used for electrical power generation. Service is available when such customer executes a contract with the Company for a period mutually agreed to between the Company and the customer for distribution service in accordance with all terms and conditions of such contract. Provided that the Company's facilities are adequate to provide the requested service. Customer may not take service under any other rate schedule except Rate SS – Standby Service.

Rate GDS - Generation Distribution Service (pp. 127-128)

Available to any customer who uses gas to generate electricity for sale, either wholesale or retail; provided that such sale of electricity is subject to the regulatory jurisdiction of either the Pennsylvania Public Utility Commission or the Federal Energy Regulatory Commission. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract.

Rate LDS - Large Distribution Service (pp. 103-106)

Available to any commercial or industrial customer whose annual throughput requirement (determined under the customer charge provisions of Rate LDS) is 536,500 thm or greater, and who does not take service under any other rate schedule except Rate SS-Standby Service. (C)

Rate LGSS - Large General Sales Service (pp. 100-102)

This rate schedule is available, at one location, for the total requirements of any commercial or industrial customer whose purchase requirements are in excess of 64,380 thm, and who does not contract for distribution service. (C)

(C) Indicates Change

RATES AVAILABLE UNDER THIS TARIFF (Continued)

Rate MLDS - Main Line Distribution Service (pp. 111-114)

Available at one location, for the total requirements of a commercial or industrial customer when the Customer meets either one of the following qualifications:

(a) the Customer has annual throughput requirements of not less than 268,250 thm and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLS Customer"); or (C)

(b) the Customer has annual throughput requirements of not less than 2,146,000 thm and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLS Customer"), (C)

and meets all of the following conditions:

(a) Customer does not take service under any other rate schedule except Rate SS – Standby Service, and

(b) Customer acquires its own gas and executes an applications and agreement with the Company as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

Rate MLSS - Main Line Sales Service (pp. 107-110)

Available at one location, for the total requirements of a commercial or industrial customer when the Customer meets either one of the following qualifications:

(a) the Customer has annual throughput requirements of not less than 268,250 thm and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLSS Customer"); or

(b) the Customer has annual throughput requirements of not less than 2,146,000 thm and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLSS Customer"). (C)

Rate NCS - Negotiated Contract Service (pp. 115-116)

Available to any commercial or industrial customer, at the Company's discretion, who meets the following qualifications:

(a) The customer is not presently served by the Company and has projected throughput requirements of not less than 21,460 thm annually or is a current customer; and (C)

(b) The customer gives the Company satisfactory proof that, absent service under this rate schedule, the customer's facilities or operations would not be constructed in the Company's operating territory, or that, absent service under this rate schedule, customer would install long-term alternate fuel facilities.

(c) Customer does not take service under any other rate schedule except Rate SS – Standby Service.

RATES AVAILABLE UNDER THIS TARIFF (Continued)

Rate NGV - Natural Gas Vehicle Service (pp. 129-131)

This rate schedule is available for any customer for the use of natural gas directly in a natural gas vehicle (NGV). The customer to qualify must be the operator of a public fueling station or the owner/operator of a natural gas vehicle or fleet of vehicles who receives service at separately metered fueling facilities owned by the vehicle owner/operator for the exclusive use of the customer's vehicle(s).

Rate NSS - Negotiated Sales Service (pp. 117-121)

Available to any commercial or industrial customer who would not initiate service from the Company or would no longer take service from the Company but for the availability of service under Rate NSS, and whose annual throughput requirements exceed 21,460 thm. A customer with annual throughput requirements below 64,380 thm that is eligible for service under this rate schedule shall be deemed to meet the usage eligibility provisions for transportation service under Rate SGS. (C)

Rate PS - Propane Service (pp. 132-133)

The Company may from time to time, at its sole option, provide propane service to new customers requesting natural gas service in the Company's service territory where the extension of natural gas facilities is temporarily uneconomic but is anticipated to be economic within a (5) five year period and, absent this rate schedule, the customer would not request service from the Company.

Rate RDGDS - Residential Distributed Generation Distribution Service (pp. 84-85)

Available to any residential customer meeting the following conditions:

1. The customer does not take service under any other rate schedule.
2. The customer or group of customers have an aggregate annual demand of at least 53,650 thm or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elects an NGS to provide natural gas commodity service. The gas supply for each aggregation must enter the Company's system at a city gate(s) used by the Company to serve the customers unless otherwise permitted by Columbia. (C)
3. Available, at one location, for the total requirements of any residential customer who operates distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use. The Customer must demonstrate to the Company's satisfaction that qualifying gas burning electric generation equipment has been installed.
4. The Company's facilities are adequate to provide the requested service.

Service is available when such customer(s) selects an NGS, and provides the Company with a 60-day notice.

(C) Indicates Change

RATES AVAILABLE UNDER THIS TARIFF (Continued)

Rate RDGSS - Residential Distributed Generation Sales Service (pp. 81-83)

Available, at one location, for the total requirements of any residential customer who operates distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use. The Customer must demonstrate to the Company's satisfaction that qualifying gas burning electric generation equipment has been installed. Provided, that the Company's facilities are adequate to provide the requested service.

Rate RDS - Residential Distribution Service (pp. 78-80)

This rate is available for a Residential customer or a group of Residential customers that has an aggregate annual demand of at least 53,650 thm or a minimum of 50 customers being served pursuant to the aggregation provisions of the Rules Applicable to Distribution Service. (C)

Rate RSS - Residential Sales Service (pp. 76-77)

This rate schedule is available, at one location, for the total requirements of any residential customer.

Rate SCD - Small Commercial Distribution (pp. 93-95)

This rate is available to any commercial customer that: (1) is eligible for Choice Service; (2) has a historic throughput less than or equal to 64,380 thm; annually; (3) is not served under any other schedule, (4) the customer or group of customers have an aggregate annual demand of at least 53,650 thm or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elects an NGS of natural gas commodity service for a one year period. (C)

Rate SDS-Small Distribution Service (pp. 96-99)

Available to any commercial or industrial customer whose annual throughput requirements (including sales and distribution) exceed 64,380 thm, who does not receive service under any other rate schedule except Rate SS-Standby Service, and whose annual throughput (as determined under Customer Charge provisions of Rate SDS) is less than 536,500 thm. (C)

Rate SDSS - Supplier Default Sales Service (pp. 122-123)

Available to any commercial or industrial customer with annual throughput requirements of 6,438 thm or greater, and whose natural gas supplier has defaulted according to the provisions of the Default (Other than Slamming) By the NGS section of the Rules Applicable to Distribution Service of this tariff, and who at the time of the default was receiving General Distribution Service under Rate SGDS-Small General Distribution Service, Rate SDS – Small Distribution Service, Rate LDS – Large Distribution Service, Rate MLDS – Main Line Distribution Service, Rate CDS – Cogeneration Distribution Service or Rate GDS – Generation Distribution Service. (C)

(C) Indicates Change

RATES AVAILABLE UNDER THIS TARIFF (Continued)

Rate SGDS - Small General Distribution Service (pp. 89-92)

Available, at one location, for the total requirements of any commercial or industrial customer meeting all of the following conditions:

1. The Customer's total annual throughput requirements, as determined under the Customer Charge provisions are less than 64,380 thms annually. (C)

2. The Customer does not take service under any other rate schedule except Rate SS – Standby Service.

3. Customer acquires its own gas and executes an application and agreement with the Company, as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

4. The customer is a member of an aggregation group pursuant to the provisions of the Rules Applicable to Distribution Service.

5. Priority One customers, as defined in the Service Limitations section of this tariff, must buy distribution service at the Priority One distribution rate, which includes recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this tariff. All other SGDS customers wishing to contract for standby service may execute a contract for service under Rate SS - Standby Service. (C)

6. There is an annual enrollment window for accounts transferring from Rate Schedule SCD to Rate Schedule SGDS. Notice of intent to switch from Rate Schedule SCD to Rate Schedule SGDS is due January 2nd of each year to be effective the following April 1st.

Rate SGSS - Small General Sales Service (pp. 86-88)

This rate schedule is available, at one location, for the total requirements of any commercial or industrial customer whose total throughput requirements are less than 64,380 thms annually and who does not contract for distribution service. (C)

Rate SS - Standby Service (pp. 134-136)

Available to any qualified customer receiving General Distribution Service or Negotiated Sales Service who executes a contract with the Company for service under this rate schedule for a period of not less than one (1) year.

(C) Indicates Change

Supplement No. 187 to
Tariff Gas - Pa. P.U.C. No. 9
Sixty-Third Revised Page No. 16
Columbia Gas of Pennsylvania, Inc. **Canceling Sixty-Second Revised Page No. 16**

Rates per thm

Retail Service Rate Schedules		Distribution Charge 1/	Gas Supply Charge		Gas Cost Adjustment	Total Effective Rate 3/
Rate RSS - Residential Sales Service						
Monthly Customer Charge	$	18.73	-		-	18.73
Commodity Charge:						
First 21 thms per month	$	0.13365	0.38040	2/	(0.05980)	0.45425
Over 21 thms per month	$	0.40073	0.38040	2/	(0.05980)	0.72133
Customer Transferring from Rate Schedule RDS						
First 21 thms per month	$	0.13365	0.38040	2/	-	0.51405
Over 21 thms per month	$	0.40073	0.38040	2/	-	0.78113
Rate SGSS - Small General Sales Service						
Monthly Customer Charge:						
Annual Throughput < 6,438 thms	$	20.18	-		-	20.18
Annual Throughput >= 6,438 thms and <= 64,380 thms	$	32.09	-		-	32.09
Commodity Charge	$	0.30179	0.38040	2/	(0.05980)	0.62239
Customers Transferring from Rate Schedule SCD	$	0.30179	0.38040	2/	-	0.68219

1/ Includes applicable charges for Riders CC, PGC, and USP.
2/ Does not reflect the unbundling of uncollectibles related to gas costs. See applicable rate schedule for details.
3/ Excludes State Tax Adjustment Surcharge. See Page 165 herein for detail. Excludes Tennessee Refund when applicable. See Page No. 21 herein.

Issued: June 28, 2012 **Effective: July 1, 2012**

Issued by: Mark R. Kempic - President

Supplement No. 186 to
Tariff Gas - Pa. P.U.C. No. 9
Thirty-Fifth Revised Page No. 17
Canceling Thirty-Third Revised Page No. 17

Columbia Gas of Pennsylvania, Inc.

Rates per thm

Retail Service Rate Schedules		Distribution Charge	Gas Supply Charge	Gas Cost Adjustment	Total Effective Rate 1/
Rate LGSS - Large General Sales Service					
Monthly Customer Charge:					
Annual Throughput < 107,300 thms	$	125.12	-	-	125.12
Annual Throughput >= 107,300 thms but < 536,489 thms	$	469.34	-	-	469.34
Annual Throughput >= 536,489 thms but < 1,072,989 thms	$	1,149.00	-	-	1,149.00
Annual Throughput >= 1,072,989 thms but < 3,219,000 thms	$	2,050.00	-	-	2,050.00
Annual Throughput >= 3,219,000 thms but < 7,510,990 thms	$	4,096.00	-	-	4,096.00
Annual Throughput > 7,510,989 thms	$	7,322.00	-	-	7,322.00
Commodity Charge:					
First 10,730 thms per Month	$	0.26758	0.35044	(0.05980)	0.55822
Next 42,920 thms per Month	$	0.26224	0.35044	(0.05980)	0.55288
Next 53,650 thms per Month	$	0.25907	0.35044	(0.05980)	0.54971
All thm per Month Over 107,300	$	0.23933	0.35044	(0.05980)	0.52997
Rate MLSS - Main Line Sales Service					
Monthly Customer Charge:					
Annual Throughput >= 268,250 thms but < 536,500 thms	$	469.34	-	-	469.34
Annual Throughput >= 536,500 thms but < 1,073,000 thms	$	1,149.00	-	-	1,149.00
Annual Throughput >= 1,073,000 thms but < 3,219,000 thms	$	2,050.00	-	-	2,050.00
Annual Throughput >= 3,219,000 thms but < 7,511,000 thms	$	4,096.00	-	-	4,096.00
Annual Throughput >= 7,511,000 thms	$	7,322.00	-	-	7,322.00
Commodity Charge:					
MLS-I	$	0.00935	0.35044	(0.05980)	0.29999
MLS-II					
Annual Throughput < 1,073,000 thms	$	0.05264	0.35044	(0.05980)	0.34328
Annual Throughput >= 1,073,000 thms but < 3,219,000 thms	$	0.04471	0.35044	(0.05980)	0.33535
Annual Throughput >= 3,219,000 thms but < 7,511,000 thms	$	0.03866	0.35044	(0.05980)	0.32930
Annual Throughput >= 7,511,000 thms	$	0.03349	0.35044	(0.05980)	0.32413
Rate SS - Standby Service		$0.77792 per thm based on a customer's Maximum Daily Firm Requirement. See Pages 134-136 herein for detail.			

1/ Excludes State Tax Adjustment Surcharge. See Page 165 herein for detail.

Issued: June 28, 2012

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Issued by: Mark [illegible]mpic - President

Supplement No. 187 to
Tariff Gas - Pa. P.U.C. No. 9
Sixtieth Revised Page No. 18
Canceling Fifty-Ninth Revised Page No. 18

Columbia Gas of Pennsylvania, Inc.

Rates per thm

Distribution Service Rate Schedules		Distribution Charge 1/	Gas Supply Charge	Gas Cost Adjustment	Total Effective Rate 3/
Rate RDS - Residential Distribution Service					
Monthly Customer Charge	$	18.73	-	-	18.73
Distribution Charge:					
Customers Electing CHOICE - 1st Year					
First 21 thms per month	$	0.13365	-	(0.05980)	0.07385
Over 21 thms per month	$	0.40073	-	(0.05980)	0.34093
Customers Electing CHOICE - 2nd Year					
First 21 thms per month	$	0.13365	-	-	0.13365
Over 21 thms per month	$	0.40073	-	-	0.40073
Rate SCD - Small Commercial Distribution					
Monthly Customer Charge:					
Annual Throughput < 6,438 thms	$	20.18	-	-	20.18
Annual Throughput >= 6,438 and <= 64,380 thms	$	32.09	-	-	32.09
Distribution Charge:					
Customers Electing CHOICE - 1st Year	$	0.30179	-	(0.05980)	0.24199
Customers Electing CHOICE - 2nd Year	$	0.30179	-	-	0.30179
Rate SGDS - Small General Distribution Service					
Monthly Customer Charge:					
Annual Throughput < 6,438 thms	$	20.18	-	-	20.18
Annual Throughput >= 6,438 and < 64,380 thms	$	32.09	-	-	32.09
Distribution Charge:					
Priority One DS	$	0.33175	-	-	0.33175
Non-Priority One DS	$	0.20658	2/	-	0.20658
Rate SDS - Small Distribution Service					
Monthly Customer Charge:					
Annual Throughput >= 64,380 thms and < 107,300 thms	$	125.12	-	-	125.12
Annual Throughput >= 107,300 thms and < 536,490 thms	$	469.34	-	-	469.34
Distribution Charge	$	0.11416	2/	-	0.11416

1/ Includes applicable charges for Riders CC, PGC, and USP.
2/ Subject to the terms and provisions of Rider EBS.
3/ Excludes State Tax Adjustment Surcharge. See Page 165 herein for detail. Excludes Tennessee Refund when applicable. See Page No. 21 herein for detail.

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Supplement No. 181 to
Tariff Gas - Pa. P.U.C. No. 9
Ninth Revised Page No. 19

Columbia Gas of Pennsylvania, Inc. **Canceling Eighth Revised Page No. 19**

Rates per thm

Distribution Service Rate Schedules		Distribution Charge	Gas Supply Charge	Gas Cost Adjustment	Total Effective Rate 2/
Rate LDS - Large Distribution Service					
Monthly Customer Charge:					
Annual Throughput => 536,500 thms but < 1,073,000 thms	$	1,227.00	-	-	1,227.00
Annual Throughput >= 1,073,000 thms but < 3,219,000 thms	$	2,190.00	-	-	2,190.00
Annual Throughput >= 3,219,000 thms but < 7,511,000 thms	$	4,526.00	-	-	4,526.00
Annual Throughput >= 7,511,000 thms	$	7,322.00	-	-	7,322.00
Distribution Charge:					
Annual Throughput => 536,500 thms and < 1,073,000 thms	$	0.09270	1/	-	0.09270
Annual Throughput >= 1,073,000 thms but < 3,219,000 thms	$	0.08114	1/	-	0.08114
Annual Throughput >= 3,219,000 thms	$	0.06716	1/	-	0.06716
Rate MLDS - Main Line Distribution Service					
Monthly Customer Charge:					
Annual Throughput >= 268,250 thms and < 536,500 thms	$	469.34	-	-	469.34
Annual Throughput >= 536,500 thms but < 1,073,000 thms	$	1,149.00	-	-	1,149.00
Annual Throughput >= 1,073,000 thms but < 3,219,000 thms	$	2,050.00	-	-	2,050.00
Annual Throughput >= 3,219,000 thms but < 7,511,000 thms	$	4,096.00	-	-	4,096.00
Annual Throughput >= 7,511,000 thms	$	7,322.00	-	-	7,322.00
Distribution Charge:					
MLS-I	$	0.00935	1/	-	0.00935
MLS-II					
Annual Throughput < 1,073, 000 thms	$	0.05264	1/	-	0.05264
Annual Throughput >= 1,073,000 thms but < 3,219,000 thms	$	0.04471	1/	-	0.04471
Annual Throughput >= 3,219,000 thms but < 7,511,000 thms	$	0.03866	1/	-	0.03866
Annual Throughput >= 7,511,000 thms	$	0.03349	1/	-	0.03349

1/ Subject to the terms and provisions of Rider EBS.
2/ Does not reflect the State Tax Adjustment Surcharge. See Page 165 herein for detail.

Issued: January 20, 2012 **Effective: January 31, 2012**

Issued by: M. Carol Fox - President

Supplement No. 187 to
Tariff Gas - Pa. P.U.C. No. 9
Sixtieth Revised Page No. 20

Columbia Gas of Pennsylvania, Inc. **Canceling Fifty-Ninth Revised Page No. 20**

Rates per thm

Retail Service and Distribution Service Rate Schedules		Distribution Charge 1/	Gas Supply Charge 2/	Gas Cost Adjustment	Total Effective Rate 3/
Rate RDGSS - Residential Distrbuted Generation Sales Service					
Monthly Customer Charge	$	18.73	-	-	18.73
Commodity Charge:					
First 21 thms per month	$	0.13365	0.38040 2/	(0.05980)	0.45425
Over 21 thms per month	$	0.40073	0.38040 2/	(0.05980)	0.72133
Customers Transferring from RDGDS or RDS					
Commodity Charge:	$	0.13365	0.38040 2/	-	0.51405
First 21 thms per month	$	0.40073	0.38040 2/	-	0.78113
Over 21 thms per month					
Rate RDGDS - Residential Distrbuted Generation Distribution Service					
Monthly Customer Charge	$	18.73	-	-	18.73
Commodity Charge:					
First 21 thms per month	$	0.13365	-	-	0.13365
Over 21 thms per month	$	0.40073	-	-	0.40073

1/ Includes applicable charges for Riders CC, PGC, and USP.
2/ Does not reflect the unbundling of uncollectibles related to gas costs. See applicable rate schedule for details.
3/ Excludes State Tax Adjustment Surcharge. See Page 165 herein for detail.

Issued: June 28, 2012 **Effective: July 1, 2012**

Issued by: Mark R. Kempic - President

Supplement No. 187 to
Tariff Gas - Pa. P.U.C. No. 9
Sixty-Eighth Revised Page No. 21
Canceling Sixty-Seventh Revised Page No. 21

Columbia Gas of Pennsylvania, Inc.

Rates per thm

Riders	Rate $/ thm	Applicable Rate Schedules
Customer Choice - Rider CC		
Capacity	-	RSS/RDS
Choice Administration	-	SGS/SGDS/SCD/PS
Tennessee Refund	(0.01226)	SGSS/SGDS/SCD/PPS(Commercial)
Universal Service Plan - Rider USP	0.03844	RSS/RDS/RDGSS/RDGDS
Elective Balancing Service - Rider EBS		
Option 1 - Small Customer	0.02103	SGDS/SDS
Option 1 - Large Customer	0.00898	LDS/MLS
Option 2 - Small Customer	0.00697	SGDS/SDS
Option 2 - Large Customer	0.00226	LDS/MLS
Purchased Gas Cost - Rider PGC		
Demand		
Cost of Gas	0.14937	
E-Factor	(0.02420)	
Total	0.12517	
Commodity		
Cost of Gas	0.35044	
E-Factor	(0.05980)	
Total	0.29064	
Total Purchased Gas Cost Rate	0.41581	RSS/RDGSS/SGS/LGSS/MLSS

Issued: June 28, 2012
Effective: July 1, 2012

Issued by: Mark R. Kempic - President

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

1. The Gas Tariff

1.1 Filing and Posting

A copy of this Tariff, which is the rates, rules and regulations under which gas service will be supplied by Columbia Gas of Pennsylvania, Inc. to its customers in Pennsylvania, is on file with the Pennsylvania Public Utility Commission and is posted and open for inspection at the offices of the Company.

1.2 Revisions

This Tariff may be revised, amended, supplemented and otherwise changed from time to time in accordance with the Pennsylvania Public Utility Law and such changes, when effective, shall have the same force and effect as the present Tariff.

1.3 Application of Tariff

The Tariff provisions apply to any party or parties lawfully receiving gas service from the Company, under the rates set forth therein, and the receipt of gas shall constitute the receiver a customer of the Company as the term is used herein.

1.4 Rules and Regulations

The Rules and Regulations, filed as a part of this Tariff, are a part of every contract or agreement for service, whether written, oral or implied, made by the Company, and govern all classes of service where applicable.

1.5 Statement of Agents

No agent or employee of the Company has authority to make any promise, agreement or representation inconsistent with the provisions of this Tariff.

1.6 Definitions

The following definitions shall apply to this tariff, unless otherwise clearly indicated:

1. Act – The Pennsylvania legislation known as the 'Natural Gas Customer Choice and Competition Act,' codified at 66 Pa.C.S. § 2201-2211, revising Public Utility Code, 66 Pa.C.S. §§ 101, et. seq.

2. Applicant - Any person, corporation or other entity that (i) desires to receive from the Company natural gas or any other service provided for in this Tariff at a specific location, (ii) complies completely with all Company requirements for obtaining natural gas or any other service provided for in this Tariff, (iii) has requested and is awaiting Company approval of its request for service, and (iv) is not yet actually receiving from the Company any service provided for in this Tariff. An Applicant shall become a Customer for purposes of this Tariff only after it actually starts receiving the applicable service(s) from the Company under this Tariff. (C)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions – Continued

For residential utility service, the term "Applicant" is further defined as a natural person not currently receiving service who applies for residential service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested.

3. "BCF" shall mean one billion (1,000,000,000) cubic feet of gas. This is a measure of gas usage.

4. "BTU" or "British thermal unit" is the amount of heat energy needed to raise the temperature of one pound of water by one degree F. (C)

5. "Burner Tip" shall mean the point at which natural gas is used such as a furnace, water heater or range.

6. "CCF" is a measure of gas usage and shall mean one hundred (100) cubic feet of gas. (C)

7. "Chapter 56" shall mean the PUC regulations that govern metering, billing and collections for residential gas and electricity service found in 52 Pa. Code §56.

8. "Choice" and "Choice Service" shall mean Distribution service provided to Customers under rate schedules RDS, RDGDS and SCD.

9. Commercial Customer

A customer using gas in an establishment of a commercial or service nature including boarding homes and personal care homes. In this class are included, among others, warehousing, distributing or selling commodities, providing professional services or other economic and social endeavors, wholesale and retail stores, offices, office buildings, hotels, clubs, lodges, associations, restaurants, warehouses, railroad and bus stations, banks, laundries, dry cleaners, undertaking establishments, garages, gasoline stations, theaters, bowling alleys, billiard parlors, motor courts, camps, bars, grills, taverns, retail bakeries, private hospitals, public or private schools, churches, religious and charitable institutions, governmental agencies, or the like.

Included in this group are customers who receive the Company's gas service through one meter set to a combination of four or more dwelling units or through one meter set to a combination of up to three dwelling units and one or more business premises, where the business premises is the predominant usage factor. If the ratepayer's predominate usage is for natural gas powered vehicle service, then the ratepayer will be classified as a commercial ratepayer.

If gas is supplied through a single meter and is used for both commercial and residential or commercial and industrial usage, the service will be considered commercial if it is the predominant usage factor.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions - Continued

10. "Commission" shall mean the Pennsylvania Public Utility Commission. The state agency *responsible for utility rates and services offered by the Company and for Natural Gas Suppliers* as provided for in §2208 of the Act.

11. "Commodity Charge" and "Natural Gas Supply Charge" shall mean basic service charges for natural gas supply services to retail customers, excluding charges for natural gas distribution services.

12. "Company" and "Natural Gas Distribution Company" and "NGDC" shall mean Columbia Gas of Pennsylvania, Inc., a public utility that provides Natural Gas Distribution services and which may provide Natural Gas Supply Services and other services.

13. "Customer" shall mean a person, partnership, association, corporation or other entity that purchases natural gas and in whose name a service account exists with the Company. For the limited purpose of changing an NGS, "Customer" may also include an agent who has been duly authorized to initiate a change of the Customer's NGS on behalf of that person, partnership, association, corporation, or other entity through a signed document which identifies by name the agent who has the authority to initiate a change of the Customer's NGS. PA. P.U.C. Docket No. M-00991249F006.

14. "Customer Proxy" generally means the entity that receives notices (e.g. OFOs, OMOs, SFO, etc), receives bills, and controls the gas bank account. Specifically, "Responsible Party" shall mean the Customer in circumstances described in paragraphs 1, 2 and 3 of the "Shipper" definition, and the Natural Gas Supplier in circumstances described by paragraph 4 of the "Shipper" definition.

15. "Distributed Generation" shall mean any generating resource other than central station generation that is placed close to the load being served, usually meaning the customer site. Distributed Generation technologies may include, but not limited to, reciprocating engines, gas turbines, microturbines, and fuel cells.

16. "Distribution", "Distribution Service" and "Natural Gas Distribution Service" shall mean Natural Gas Distribution Service as defined in the Commission's Docket No. M-00991249F0005.

17. "Distribution Charge" shall mean the basic service charges for the delivery of natural gas to a retail customer from the point of receipt into the Company's system. These charges include basic service and universal service.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions - Continued

18. "Distribution Pipeline" shall mean any Company pipeline other than a Transmission Pipeline or Company service line.

19. "Dth" shall mean ten therms.

20. "Gas Cost Adjustment Charge" shall mean the amount billed or credited each month to account for the differences between projected and actual gas supply costs of the Company.

21. "General Distribution Service" and "GDS" shall mean Distribution service provided under rate schedules DGDS, CDS, GDS, LDS, MLDS, NCS, SGDS or SDS.

22. Industrial Customer

    A customer using gas for creating or changing raw or unfinished material into another form or product through the application of heat or heat treating, steam agitation, evaporation, baking, drying, distilling, etc.

    Typical industrial users are manufacturing plants, machine shops, steel and iron mills, foundries, lumber planing and saw mills, canneries, dairies, meat packers, breweries, distilleries, potteries, railroad repair shops, refineries, creameries, flour mills, pump stations, ice plants, quarries, milk plants, mines, shipbuilders, chemical plants, grain elevators, food processing facilities, petrochemical operations in which the gas is the raw material, etc. If gas service is supplied through a single meter and is used for both industrial and commercial purposes, the service shall be considered industrial if the industrial usage is the predominant usage factor.

23. "Mcf" shall mean one thousand (1,000) cubic feet of gas.

24. "Nonbasic Services" shall mean optional recurring services which are distinctly separate and clearly not required for the physical delivery of natural gas service.

25. "Pipeline Scheduling Point" or "PSP" shall mean a single delivery point or set of delivery points grouped or designated by an upstream pipeline for purposes of scheduling gas supplies for delivery by such upstream pipeline and shall consist of the following: Interconnections with DTI Transmission, Inc., Equitrans, L.P., National Fuel Gas Supply Corporation, Tennessee Gas Pipeline Company, Texas Eastern Transmission, LP and Columbia Gas Transmission, LLC. The interconnections with Columbia Gas Transmission, LLC include the Market Areas and Master List of Interconnections as defined in the General Terms and Conditions of the FERC Gas Tariff of Columbia Gas Transmission, LLC. As of May 1, 2010, the Columbia Gas Transmission, LLC Pipeline Scheduling Points included: 25E-25 (Lancaster); 25-26 (Bedford); 25E-29 (Downingtown); 25-35 (Pittsburgh); 25-36 (Olean); 25-38 (Rimersburg); 25-39 (New Castle) and 25-40 (PA/WV Misc).

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions - Continued

26. Residential Customer

A customer using gas in a single family residential dwelling or unit for space heating, air conditioning, cooking, water heating, incineration, refrigeration, laundry drying, lighting, incidental heating, or other domestic purposes. For residential utility service, the term "Customer" is further defined as a natural person in whose name a residential service account is listed and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested.

Included in this group are customers using gas through one meter set which provides service to two or three dwelling units in a multi-family residence or building where the owner of the building occupies one of the dwelling units, or through one meter set to a combination of one dwelling unit and one or more business premises, where the residential premises is occupied by the owner of the building and is the predominant gas usage factor, or a tenant billed for natural gas consumption or use by other tenants at the same premise when the amount of consumption in common areas is minimal and an agreement has been reached between the landlord and tenant for the tenant to pay for such service. If gas is supplied through a single meter and is used for both residential and commercial purposes, the service shall be considered residential if the residential usage is the predominant usage factor.

27. "Sales Service" shall mean service provided by the Company in which the customer purchases its gas supplies from the Company and the Company distributes the gas supplies to the Customer.

28. "Shipper" generally means the entity nominating gas service for distribution. Specifically, "Shipper" is defined as:

i.) a General Distribution Service Customer that nominates gas for Distribution; or

ii.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for distribution, but which has not been appointed in writing as the Customer's agent by the Customer; or

iii.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for distribution, which NGS is acting as the General Distribution Services Customer's duly authorized agent for the purpose of purchasing gas; or

iv.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for Distribution, which NGS is acting as the General Distribution Service Customer's duly authorized aggregation agent for the purpose of purchasing gas.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions - Continued

29. Supplier of Last Resort - The Company or another entity as determined pursuant to §2207 of the Act that provides natural gas supply services to customers that do not elect another supplier or choose to be served by the supplier of last resort, customers that are refused service from another natural gas supplier, or customers whose natural gas supplier fails to deliver the required gas supplies. Currently, the Company is the supplier of last resort for all customers under the terms of this tariff. Each customer may only have one supplier of last resort.

31. "Therm" or "thm" shall mean a unit of heat equivalent to 100,000 British thermal units. The Company uses thms as the unit of measure for billing its customers. (C)

32. "Therm multiplier" shall mean a numeric multiplier that is applied to the volume of gas consumed (as measured in cubic feet, CCF, or MCF) to determine the amount of energy consumed (as measured in therms). (C)

33. Transmission Pipeline

    Pipelines and related facilities which are either: 1) owned by the Company in the form of a D-Line or a Company-owned pipeline that operates at a hoop stress of 20 percent or more of the specified minimum yield strength of the pipe as determined by 49 C.F.R §192.3, or 2) pipelines and related facilities owned by another company which obtains at least 90% of its gas operating revenues from the transportation of gas for others and classifies at least 90% of its mains (other than service pipe) as field and gathering lines, storage, or transmission lines. The Company's customers are not typically served directly from a Transmission Pipeline, and according to the provisions set forth in the Termination of Service from Transmission Pipelines section of this tariff, the Company reserves the right to remove, relocate or abandon its Transmission Pipelines.

34. User Without Contract

    Any person who has not contacted the Company to establish service in their name but who is receiving the benefits of natural gas service. This situation includes, but is not limited to, situations wherein the Company arrives at the premise to disconnect the service as a result of a request from the previous customer and finds the premise occupied. User Without Contract does not include instances where the Company's meter or equipment has been tampered with; the service was obtained through fraud or material misrepresentation of the customer's identity; a tariff provision was violated so as to endanger the safety of a person or the integrity of the Company's system, or the gas service was otherwise established without the Company's authorization.

(C) Indicates Change

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RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

2. Service Limitations

2.1 Availability

The use of the Company's service shall not be for any purpose other than that covered by the availability provisions of the rate under which service is supplied.

2.2 Transmission Lines (C)

Transmission pipelines or high pressure "D-Line" distribution facilities, from which gas may be supplied to customers along the route thereof, are not intended and cannot be maintained solely for service to such customers. The Company may refuse to render service from such pipelines in those instances where hazardous conditions of service might result from the pressures involved, where the service is subject to early termination, or partial or complete failure, arising from depletion or insufficiency of local gas supply, where the costs incident to rendering service would be of such nature as to result in discrimination against other customers, or where for other reasons, such as the temporary nature of certain pipelines, the service would be of short duration, hazardous or inadequate. (See the Termination of Service from Transmission Pipelines paragraph of this tariff.)

2.3 Gas Emergency Rules

2.3.1 Definitions

A. "Alternate Fuel Capability" shall mean a situation in which an alternate fuel could have been utilized whether or not the facilities for such use have actually been installed. For purposes of this definition, alternate fuel means any fuel other than natural gas.

B. "Emergency" shall mean whenever the aggregate demand of firm service customers on the Company's system or confined segment of the system exceeds or threatens to exceed the gas supply or capacity that is actually and lawfully available to the Company to meet the demands, and the actual or threatened excess in demand creates an immediate threat to the Company's system operating integrity with respect to Priority 1 customers, as defined in the Priority-based Curtailment definitions.

C. "Emergency Action Curtailments" shall mean curtailments of natural gas supply service and/or distribution service pursuant to these Gas Emergency Rules.

D. "Essential Human Needs Use" shall mean gas usage by customers for service to any buildings where persons normally dwell including, but not limited to, apartment houses, dormitories, hotels, hospitals, and nursing homes as well as the use of natural gas by sewage plants.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

2. Service Limitations - Continued

2.3 Gas Emergency Rules- Continued

E. "Firm Service" shall mean service pursuant to schedules or contracts under which the utility is expressly or impliedly obligated to deliver specific quantities of gas within a given time period or which anticipate no interruptions, but which may permit unexpected interruptions in case service to higher priority customers is threatened. A utility shall be deemed to be implicitly obligated to deliver specific quantities of gas where such utility has by any means previously or presently established periodic allocations for its customers. (C) (C)

F. "Interruptible Service" shall mean service pursuant to schedules or contracts under which the utility expressly or impliedly reserves the option to interrupt or curtail deliveries.

G. "Plant Protection Use" shall mean minimum quantities of natural gas required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel. Plant protection requirements include quantities of gas necessary for the protection of such material in process as would otherwise be destroyed, but does not include deliveries required to maintain production. (C) (C)

H. "Priority 1" shall mean gas supply and distribution services for Essential Human Needs Use.

2.3.2. Emergency Actions Curtailments

A. In the event of an Emergency, if, in the sole judgment of the Company, there is sufficient time, the Company shall use reasonable business and operational efforts to: interrupt all interruptible services, issue Operational Flow and Matching Orders and Operational Alerts pursuant to the Rules Applicable to Distribution Service section of this tariff, and call for voluntary usage reductions by all customers prior to requiring reductions in gas consumption according to the provisions below.

B. In the event of an Emergency, the Company may curtail, in part or in whole, natural gas supply and/or distribution service for each commercial and industrial customer that is not a Priority 1 customer. Such curtailments will be made without regard to priorities of use as necessary to minimize the potential threat to public health and safety. Emergency Action curtailments will not require reductions to a level below the amount necessary for Plant Protection Use as defined in the Priority-Based Curtailment Definitions section. When all other service has been curtailed except for Priority 1 service and the Company continues to be unable to meet Priority 1 requirements, the Company shall exercise its judgment as to any further curtailment that may be necessary and shall utilize measures designed to minimize harm to customers if curtailments to plant protection use are found to be necessary. The Company shall restore service as soon as practicable to any gas-fired electric generation facility that is deemed critical to electric system reliability by the electrical system's control area operator.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

2. Service Limitations - Continued

2.3 Gas Emergency Rules Continued

C. In order to implement Emergency Action Curtailments, the Company shall provide an authorized usage factor using the means most likely to reach impacted customers (via telephone, fax, e-mail, electronic bulletin board or other reasonable means). For industrial and commercial customers taking General Distribution Service, the authorized usage factor will be based on each customer's then current Maximum Daily Quantity. For sales service customers, the Company will base the authorized usage factor upon a recent billing month or other readily available consumption data that is available to both the customer and the Company. (C)

D. Emergency Action Curtailments shall be for a period specified by the Company until further notice, but shall last no more than five business days unless extended by Commission order. As an alternative to extending mandatory reductions for periods beyond five days, the Commission may order the Company to initiate Priority-Based Curtailments as defined below. The Company may change a customer's authorized usage factor, upon notice, at *any time during an Emergency.*

2.3.3 Priority-Based Curtailments

A. In the event the Commission orders a Priority-Based Curtailment, it will be administered in the following order, without incurring thereby any liability for any subsequent loss, injury, expense or damage which the customer may sustain by reason of such curtailment or discontinuance. If less than all of the requirements under a classification must be curtailed or discontinued, the Company will implement the curtailment or discontinuance on a pro-rata basis to the extent feasible, but may require curtailment in only portions of the Company's service territory. The following priority listing identifies the order of interruption for distribution services and sales services by incorporating the interruption requirements found in the Rules Applicable to Distribution Service.

B. In the event the Commission orders a Priority-Based Curtailment, the Company shall provide all affected customers the maximum notice possible, by means of telephone, fax or other acceptable forms of electronic communications and will specify the curtailment percentage of the customer's firm gas service and resulting allowance as may be the case.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

2.3 Gas Emergency Rules - Continued

Order of Curtailment	Priority	Rate Schedule	Type of Gas
1	7	CDS, MLDS, LDS, NSS, NCS, GDS, NGV, SDSS	Non-Flowing Distribution and Interruptible Service
2	6	SDS, SGDS	Non-Flowing Distribution and Interruptible Service
3	5	CDS, MLDS, LDS, NCS, GDS, NGV	Flowing Non-Contiguous Distribution Service
4	4	SDS, SGDS	Flowing Non-Contiguous Distribution Service
5	3	CDS, MLDS, LDS, SDS, SGDS, MLSS, LGSS, SGSS, SS, NCS, GDS, NGV, NSS	Industrial Flowing Contiguous Distribution and Firm and Interruptible Service
6	2	CDS, MLDS, LDS, SDS, SGDS, MLSS, LGSS, SGSS, SS, NCS, GDS, NGV, SCD, NSS	Commercial Flowing Contiguous Distribution and Firm Non-Human Needs and Interruptible Service
7	1	RSS, SGSS, LGSS, MLSS, MLDS, LDS, SS, RDS, SDS, SGDS	Residential and Essential Human Needs Service (C)

Notes:

1) "Non-flowing Distribution" as used in Priorities (6) and (7) above is defined as the failure of customer-owned supplies to reach a Delivery Point of the Company as enumerated in the Rules Applicable to the Distribution Service.

2) "Flowing Non-Contiguous Distribution" as used in Priorities (4) and (5) above is defined as customer-owned supplies which have reached a Delivery Point of the Company, but at a Local Market Area other than the one in which the customers are located as defined in the Rules Applicable to Distribution Service.

3) "Flowing Contiguous Distribution" as used in Priority Categories (2) and (3) above is defined as customer-owned supplies which have reached a Delivery Point in the same Company Local Market Area in which the Customer's facilities are located as defined in the Rules Applicable to Distribution Service.

4) Customers in a higher priority, with Priority 1 being the highest, will not be curtailed until all customers falling into a lower priority have been restricted to plant protection use levels, unless operational circumstances or physical limitations warrant a different result.

5) Where only a partial restriction of a priority category is required, implementation shall be pro-rata to the extent practicable under the circumstances.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THEDISTRIBUTION AND SALE OF GAS (Continued)

2. Service Limitations - Continued

2.3 Gas Emergency Rules- Continued

2.3.4 Penalty Provisions

A. Penalty for Unauthorized Use

When a customer consumes more gas than the authorized usage factor specified by the Company under the Gas Emergency Rules section of this tariff,the Customer shall pay a penalty of Four dollars and sixty-six cents ($4.66) per thm for each thm taken in excess of the customer's authorized usage factor. (C)

Any penalty charges incurred will be billed for the billing month in which the unauthorized consumption first occurs. Penalty charges will be due and Customer shall be subject to disconnection of service for nonpayment of such charges in accordance with the Rules and Regulations Governing the Distribution and Sale of Gas of this tariff.

B. Continued Violation

The Company may discontinue service, for the duration of an emergency, to a customer that takes gas in violation of the provisions of the Gas Emergency Rules section of this tariff.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

2. Service Limitations - Continued

2.3 Gas Emergency Rules – Continued

2.3.4 Penalty Provisions - continued

C. Disposition of Penalties

As of December 31 of each year, the Company shall total all penalties then collected from all Customers resulting from the Gas Emergency Rules applicable to the contract period of the same year. As of December 31 of each year, the Company shall also total the penalties paid to its supplier(s) for quantities taken in excess of the quantities authorized by supplier(s) for the contract period of the same year. The Company shall return to all Customers who did not incur penalties under the penalty provisions of the Gas Emergency Rules all penalties collected under the Gas Emergency Rules in excess of those penalties paid to the Company's supplier(s). The total amount of such penalties to be returned shall be divided by the total quantity of sales to all Customers who did not incur penalties during the contract period. The result of this computation shall represent the factor to be multiplied by each such Customer's total purchase quantities during the applicable contract period to determine the amount to be returned for each such Customer as a credit on the invoice to Customer for the January billing month. If the credit computed as above is less than one-thousandth of a cent per therm, the penalties to be returned shall be temporarily retained and added to the penalties to be returned in the subsequent period. All references to "contract period" in this Section shall mean a twelve-month period ended October 31. (C) (C) (C)

2.4 Emergency Curtailment for Tests or Repairs

If an emergency situation arises such as the necessity to modify, test, replace or repair the Company's facilities, or the facilities of the Company's supplier of gas, and the gas available for distribution by the Company is insufficient to meet all of the Customer's authorized quantities, then the Company, upon providing as much notice as possible to customer, shall order additional curtailment to customer to the extent required. Such additional reduction required shall be determined by the Company without regard to priorities of use; however, the authorized quantity shall not be lower than the minimum quantity necessary for Plant Protection Use. In the event the initial notice of additional curtailment to Customer is oral, such notice must be confirmed in writing within forty-eight (48) hours. The Commission will be notified immediately of the declaration of an emergency situation. (C) (C)

If Customer exceeds its authorized usage factor during a period of Emergency Curtailment for Tests or Repairs, Customer shall pay a penalty of Four dollars and sixty-six cents ($4.66) per thm for all quantities taken in excess of the Customer's emergency authorized quantity. (C)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

2. Service Limitations - Continued

2.5 Compliance with Minimum Insulation Standards

The Company shall refuse service to all applicants for new gas service at facilities that do not meet the minimum insulation standards as prescribed herein. All applicants for new gas service must certify that the following minimum insulation standards have been met before service will be established.

2.5.1 Minimum insulation Standards - Residential Structures

A residential structure is a single-family residence, duplex, townhouse or multi-family apartment.

Any new or renovated residential structure to be served with gas for space heating purposes shall be thermally protected to the minimum standards set for new or renovated residential structures in the "Building Energy Conservation Act", as amended from time to time by the Commonwealth of Pennsylvania, and the rules and regulations lawfully promulgated thereunder by the Pennsylvania Public Utility Commission and the Pennsylvania Department of Community Affairs.

The following standards shall apply to existing residential dwellings where economically feasible:

(a) The thermal resistance of building sections adjacent to heated space shall be:

		Minimum
1.	Roof/ceiling	R-19
2.	Exterior Walls	R-11
3.	Floors over unheated crawl spaces and unheated basements	R-11
4.	Floors over unheated garages and areas open to the outside	R-19
5.	Foundation walls above frostline, including walls in living areas and basements	R-7
6.	Edge insulation	R-5
7.	Heating ducts in unheated areas	R-5

(b) Storm doors or insulated doors and storm windows or windows glazed with insulating glass shall be installed.

(c) Main entrance doors to multi-family apartment buildings shall be self-closing.

(d) Automatic thermostats should be used.

(e) Vapor barriers with adequate ventilation, weatherstripping, sill sealers, exterior caulking and attic fans shall be used wherever applicable.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

2. Service Limitations - Continued

2.5 Compliance with Minimum Insulation Standards -Continued

These standards shall apply to existing residential dwellings where economically and feasibly possible.

Mobile homes constructed after June 15, 1976 must meet the HUD "Mobile Home Construction and Safety Standards".

Mobile homes constructed before June 15, 1976 must satisfy this minimum thermal standard: "Storm doors or insulated doors and storm windows or windows glazed with insulating glass shall be installed."

2.5.2 Minimum Insulation Standards--Commercial and Industrial Structures

Any new commercial or industrial structure, where natural gas is to be utilized for space heating, must be thermally protected to the minimum thermal protection standards of ASHRAE 90-75.

Any existing commercial or industrial structure, where gas is to be utilized for space heating, must be thermally protected to the minimum thermal protection standards of ASHRAE 90-75 where economically and physically possible.

Where natural gas is to be used for product processing, the application for gas service will be reviewed by the Company to determine if the applicant has considered the economically efficient use of gas.

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RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

3. Application for Service

3.1 Application

All Applicants desiring any type of service from the Company under this Tariff shall contact the Company and specifically request the type and nature of service. Applications for service may be made by telephoning the Company or its authorized agent, or through application via the Internet.

Upon being contacted by a customer requesting service, the Company will advise the customer *that Choice service is available and that the Company can mail them a list of licensed NGSs offering retail* service in the Company's service territory with appropriate contact information for those suppliers. The Company will also advise the customer that they can view this information on the Internet and refer the customer to the Commission for further information.

Prior to providing utility service, the Company may require the applicant to provide:

1. Information that positively identifies him/her self.

2. The name of any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested.

3. The names of each adult occupant residing at the location, and proof of their identity.

4. A cash deposit as described in the Credit section of this tariff.

The Company may ask for the combined gross income of all adult occupants; however, the applicant is not required to provide the information as a condition of receiving gas service, unless the applicant is seeking to enroll in the Company's Customer Assistance Program, or the applicant is applying for service at a location previously terminated for non-payment, in which cases the applicant must provide the combined gross income of all adult occupants.

3.2 Right to Reject

The Company may place limitations on the amount or character of service it will supply, or may reject applications for any of the following reasons:

(a) Until the customer has complied with the state and municipal regulations governing gas service.
(b) If the Company does not have adequate facilities to render the service desired.
(c) If such service is of a character that it is likely to affect unfavorably service to other customers.
(d) If, in the judgment of the Company, the applicant's installation of piping or gas equipment is *hazardous, or of such a character that satisfactory service cannot be rendered.*
(e) If an extension of street main, except as set forth under Section 8–Extensions, is required to furnish such service.
(f) Where the service proposed is from a transmission pipeline as specified in the Transmission Lines section of this tariff.
(g) When it is necessary to conserve the supply of gas as specified in the Service Limitations section of this tariff. (C)
(h) Until the customer has complied with minimum insulation standards as specified in the Compliance with Minimum Insulation Standards section of this tariff.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

3. Application for Service – Continued

3.2 Right to Reject – Continued

(i) Failure to provide the names of each adult occupant residing at the location and proof of their identity.
(j) When an applicant who is required to secure an account to obtain service, does not pay a security deposit and does not provide a third party guarantor
(k) Non-payment of a cash deposit equal to one-sixth of the applicant's estimated annual bill, at the time the Company determines a deposit is required, from the following:

(1) An applicant who previously received utility distribution services and was a customer of the Company and whose service was terminated for any of the following reasons:

I. Nonpayment of an undisputed delinquent account.
II. Failure to complete payment of a deposit, provide a guarantee or establish credit.
III. Failure to permit access to meters, service connections or other property of the public utility for the purpose of replacement, maintenance, repair or meter reading.
IV. Unauthorized use of the utility service delivered on or about the affected dwelling.
V. Failure to comply with the material terms of a settlement or payment agreement.
VI. Fraud or material misrepresentation of identity for the purpose of obtaining utility service.
VII. Tampering with meters, including, but not limited to, bypassing a meter or removal of an automatic meter reading device or other public utility equipment.
VIII. Violating tariff provisions on file with the commission so as to endanger the safety of a person or the integrity of the delivery system of the public utility.

(2) Any Applicant or Customer who is unable to establish creditworthiness to the satisfaction of the public utility through the use of a generally accepted credit scoring methodology which employs standards for using the methodology that fall within the range of general industry practice.

(3) A Customer who fails to comply with a material term or condition of a settlement or payment agreement.

3.3 Acceptance

Acceptance of service by the customer shall constitute an agreement to accept service under these Rules and Regulations, as amended from time to time, the Orders or Rules of the Pennsylvania Public Utility Commission, and Laws of the Commonwealth of Pennsylvania, and the Laws of the United States of America.

3.4 Unauthorized Use (C)

The use of service delivered on or about the affected dwelling obtained from the Company without authority may be immediately terminated by the Company without prior notice as specified in the Notice of Termination of Service section of this tariff. The use of service without notifying the Company and enabling it to read its meter will render the user liable for any amount due for service supplied to the premises from the time of the last reading of the meter, immediately preceding his occupancy, as shown by the books of the Company.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

3. Application for Service – Continued

3.5 Fraud or Material Misrepresentation

The Company may immediately terminate service when fraud or material misrepresentation of the customer's identity is used for the purpose of obtaining service as specified in the Termination of Service section of this tariff.

4. Customer's Installations

4.1 Information from Customer

Anyone desiring to equip his premises for the use of gas shall communicate with the Company personally, or through his contractor or agent, giving the exact location of the premises and details of all gas consuming equipment to be installed.

4.2 Point of Connection

The Company will designate the point where the customer would be required to terminate his piping for connection to the lines of the Company. The furnishing of such information does not constitute an agreement, or obligation, on the part of the Company to render service.

4.3 Meter Space

The customer shall provide, free of expense to the Company, a space satisfactory to the Company for meters, regulators, pipes or other equipment of the Company which may be necessary for the rendering of adequate service, the Company reserving the right to establish standards as to the location, size, fire-proofing, ventilating, etc. of such space in accordance with pressure conditions, quantities and other pertinent factors. In certain buildings, the Company may require that an approved meter room be provided. (C)

4.4 Meter Location

The Company shall have the right to determine the location of its meters, which must be placed where they will be easily accessible, not exposed to extreme heat (as near steam pipes, boilers or furnaces), sudden changes of temperature, or liable to damage by having earth or objects thrown on or placed against them. Meters will not be set in coal cellars under any circumstances, nor under the deck of show windows, or in small closets, or other locations of a like character.

On an outside meter installation, a meter cover or housing may be required at the customer's expense when, in the Company's judgment, conditions require such physical protection for the meter installation.

4.5 Meter Connections

A domestic customer, at his expense, shall furnish and install the necessary piping, valves and fittings, exclusive of meter swivels, for the installation of the Company's meter or meters. All other customers may be required to furnish said piping, etc. depending upon the quantity of gas to be used and the conditions under which service is to be rendered. (C)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

4. Customer's Installations – Continued

4.6 Temporary Service

The customer shall pay the cost for all material, labor and all other necessary expense incurred by the Company in supplying gas service to the customer for any temporary purpose or use, and shall pay the cost of removing material after service is discontinued, in addition to the regular payments for gas used. The Company will credit the customer with the reasonable salvage value of any material recovered.

4.7 Service Lines

The customer shall install at his expense the service line to the point of connection designated by the Company. (See Rule 8.1--Service Connections.)

4.8 Service Line Specifications

The service line to be installed by the customer shall be in accordance with the Company's requirements as to diameter. All material and construction must be of a quality accepted by the best gas fitting practices, and must conform with the Company's Rules and Regulations governing the installation of service lines.

4.9 Connection of Service Line

In those cases where the service connection of the Company has been installed, the customer shall connect the service line installed by him to the service connection of the Company in a manner required by the Company. In those cases where the service connection of the Company has not been installed, the Company shall connect the service line installed by the customer to the service connection of the Company.

4.10 Regulators and Safety Appliances

In rural areas, where gas service is obtained from a high pressure line, the necessary regulator or regulators and safety devices required to reduce the pressure from the maximum pressure at the high pressure line to a suitable utilization pressure are to be installed at the customer's expense.

4.11 Additional Service Lines

No additional tap or service lines shall be made or meter set for gas service to a garage, or other building on any lot where there already exists a service line to the residence or main building of the customer.

4.12 House Piping

Prior to the installation of house piping by the customer in new or altered premises, inquiry should be made of the Company to determine the requirements, sizes of pipe, quality and other specifications.

4.13 Maintenance of Lines (C)

All house and service lines to the curb valve, or to the property or lot line if there is no curb valve, shall be kept and maintained in good condition by the owner of such facilities. When leaky or hazardous conditions of the service and house lines are found, repairs shall be made promptly by the owner of such facilities. (See the Ownership and Maintenance section of this tariff for further information.)

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

4. Customer's Installations - Continued

4.14 Interference with Facilities

Without prior written notice to the Company, the customer shall not open, tamper or interfere with, in any manner, his service line or with any regulator or regulators or safety appliances installed in connection with service to him, irrespective of ownership thereof, except to see that same are kept in proper working order. Neither shall the customer increase or decrease the pressure of same without the written approval of the Company. Any customer action taken that may endanger the safety of a person or the integrity of the Company's delivery system will be grounds for immediate termination without notice as specified in the Termination of Service section of this tariff.

4.15 Customer's Responsibility (C)

Customer assumes all responsibility for property owned by the customer on customer's side of the point of connection, as well as for the installation and appliances used in connection therewith, and will save Company harmless from and against all claims for injury or damage to persons or property occasioned by or in any way resulting from such service or the use thereof on customer's side of the point of connection.

5. Testing and Inspecting of Customer's Installations

5.1 Requirement

Prior to the introduction of gas service, the service line of the customer must be tested and inspected to ensure compliance with the Company's standards for gas piping on the customer's premises. Prior to the introduction of gas service, the house piping of the customer must be tested and inspected to ensure compliance with all applicable codes for house piping on the customer's premises.

5.2 Company's Right to Inspect New Customer Service Lines

The Company shall have the right, but shall not be obliged, to inspect any new installation before service is introduced or at any later time, and reserves the right to reject any piping or appliances that is not in accordance with the Company's standard for gas piping on the customer's premises or any applicable codes. However, any such inspection, or failure to inspect, or to reject, shall not render the Company liable or responsible for any loss or damage, resulting from defects in the installation, piping, or appliances, or from violation of Company rules, or from accidents which may occur upon the premises of the customer.

5.3 Testing of Service Lines and House Piping

The customer's service line and house piping must be tested by the owner or his competent representative before service is rendered to a customer, or before service is resumed to a customer whose service line or house piping has been repaired, renewed, enlarged or changed in any manner. Such test is to be made in accordance with the Company's standards for gas piping on customer's premises and all applicable codes.

5.4 Defective Installation

The Company may refuse to connect if, in its judgment, the Customer's installation is defective, or unsatisfactory; it does not meet company standards; or if it fails to meet any applicable code.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

5. Testing and Inspecting of Customer's Installations - Continued

5.5 Unsatisfactory Test or Inspection

In case of leak, or other unsatisfactory condition of the service line, or house piping, resulting in the disapproval thereof by the Company, correction shall be made of such condition at the owner's expense, in accordance with the Company's standards for gas piping on the customer's premises and all applicable codes.

5.6 Inspection and Testing Fee

The first inspection at any premises shall be without charge, but additional inspections requested by the customer or required because of unsatisfactory conditions disclosed by the first inspection shall be subject to a charge at the rate of Thirty-one Dollars ($31.00) per hour.

5.7 Responsibility for Material or Workmanship

The Company will not be responsible for any imperfect material or defective or faulty workmanship or for any loss or damage arising from such imperfect material or defective or faulty workmanship, in any job of gas fitting solely by virtue of inspection by Company inspectors under the Testing and Inspecting of Customer's Installations section of this tariff. For protection, adequacy and safety of service to its customers, the Company has adopted these Rules and Regulations, and may refuse to turn gas into any premises where the gas piping does not conform to the rules and regulations. (C)

6. Credit

6.1 Prior Debts

6.1.1 Residential Prior Debts

Service will not be furnished to a former residential customer until amounts due for gas service within the last four (4) years at previous location(s) and in the customer's name have been satisfied. The four (4) year limitation does not apply if the balance includes amounts that were the result of fraud or theft on the part of the applicant. (C)

The Company may, but is not required, to allow the outstanding residential account balance to be transferred to the new account and amortized over a reasonable period of time.

The Company will use all means of determining liability for a past due balance of any residential applicant or customer. This may include the following: (C)

(1) Use of Company records that contain confidential information previously provided to the Company.
(2) The dates contained on a valid mortgage, lease or deed containing the applicant or customer's name coincide with the address and period for which the outstanding bill amount accrued and for which the utility is holding the applicant or customer responsible.

(C) Indicates Change

RULES AND REGULATIONS GOVERING THE DISTRIBUTION AND SALE OF GAS (Continued)

6. Credit - Continued

6.1 Prior Debts

6.1.1 Residential Prior Debts – continued

(3) Information contained in the Company's records that indicate that the applicant was an occupant living at the premise for which the applicant is requesting service during the time frame that the bill accrued.
(4) Use of a skip tracing software that contains records of names and addresses. This information is maintained by a third party vendor that contains multiple sources of public information. (C)
(5) Information provided by the applicant or customer and accepted by the Company that verifies that the applicant or customer resided at another address during the period of time in which the bill accrued. (C)

If an outstanding balance exists at the property for which service is being requested, before providing service the Company may require the payment of any outstanding balance or portion of an outstanding balance if the applicant resided at the property for which service is requested during the time the outstanding balance accrued. (C)

6.1.2 Commercial or Industrial Prior Debts

Service will not be furnished to a former commercial or industrial customer until amounts due for gas service at a previous location and in the customer's name have been satisfied.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THEDISTRIBUTION AND SALE OF GAS (Continued)

6. Credit – Continued

6.2 Deposits

Deposits may be required from customers taking service for a period of less than thirty (30) days, in an amount equal to the estimated gross bill for such temporary period. Deposits for residential service will equal one sixth of the estimated annual bill of the property for which the residential utility service is requested. The estimated annual bill shall be calculated on the basis of the annual bill to the dwelling at which service is being requested for the prior 12 months, or, if unavailable, a similar dwelling in close proximity. Deposits required by the Company for Tariff regulated charges shall be based on only those regulated charges. Any customer having secured the return of a deposit shall not be required to make a new deposit unless the service has been discontinued or the customer's credit standing impaired through failure to comply with Tariff provisions.

(1) Residential Deposits

The Company uses a generally accepted credit scoring methodology, in the range of general industry practice, based on an applicant or customer's utility payment history. (C)

(A) A deposit for residential service may be required from the following:

1. An Applicant who previously received utility distribution services and was a customer of the Company and whose service was terminated for any of the following reasons:

   (a) Nonpayment of an undisputed delinquent account.
   (b) Failure to complete payment of a deposit, provide a guarantee or establish credit.
   (c) Failure to permit access to meters, service connections or other property of the Company for the purpose of replacement, maintenance, repair or meter reading.
   (d) Unauthorized use of the utility service delivered on or about the affected dwelling.
   (e) Failure to comply with the material terms of a settlement or payment agreement.
   (f) Fraud or material misrepresentation of identity for the purpose of obtaining utility service.
   (g) Tampering with meters, including, but not limited to, bypassing a meter or removal of an automatic meter reading device or other public utility equipment.
   (h) Violating tariff provisions on file with the commission so as to endanger the safety of a person or the integrity of the delivery system of the public utility.

2. Any residential Applicant or Customer who is unable to establish creditworthiness to the satisfaction of the Company through the use of a generally accepted credit scoring methodology which employs standards for using the methodology that fall within the range of general industry practice. The Company may use other means to determine credit worthiness for commercial and industrial customers.

3. A customer who fails to comply with a material term or condition of a settlement or payment agreement.

(B) The Company may accept a third-party guarantor in lieu of a cash deposit for a residential account. The guaranty shall be in writing and shall state the terms of the guaranty. The Guarantor shall be responsible for all missed payments owed to the Company.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

6. Credit - Continued

6.2 Deposits – Continued

(2) Non-Residential Deposits or Other Form of Adequate Financial Assurance (C)

(A) Letters of credit or other forms of financial assurance acceptable to the Company may be required from all other applicants or customers. The Company shall perform a creditworthiness evaluation of the Applicant or Customer, including an assessment of the credit risk exposure resulting from, but not limited to, distribution rates, customer charges, charges for natural gas supply, interstate pipeline capacity charges, imbalance charges, cash-out charges, pipeline penalty charges, and any other amounts that may become owed to the Company by the Applicant or Customer. If at any time before or during the provision of service to the Applicant or Customer the Company determines that the credit risk exposure is greater than any secured and/or unsecured credit that may be granted resulting from the creditworthiness evaluation, the Applicant or Customer must provide the Company with adequate financial assurance to cover the difference between the credit risk exposure and any secured and/or unsecured credit granted prior to, or to continue receiving any type of service from the Company.

6.3 Return of Deposit or Other Form of Adequate Financial Assurance (C)

The Company may hold a deposit secured from a residential customer until a timely payment history is established or for a maximum period of twenty-four (24) months. A timely payment history is established when a residential customer has paid in full and on time for twelve (12) consecutive months. If a residential customer becomes delinquent before the end of the deposit holding period the Company may deduct the outstanding balance from the deposit. At the end of the deposit-holding period, the Company shall deduct the outstanding balance from the deposit and return or credit any positive difference to the customer. If service is terminated before the end of the deposit-holding period, the Company shall deduct the outstanding balance from the deposit and return any positive difference to the customer within sixty (60) days of the termination.

Deposits or other forms of adequate financial assurance secured from a non-residential customer shall be returned to the depositor when undisputed bills covering a period of twelve (12) months have been paid, provided, however, that the Customer's credit profile determined from an updated creditworthiness evaluation conducted by the Company in its reasonable judgment has not so deteriorated by the end of the twelve months as to warrant continued retention of the deposit or other adequate financial assurance. The payment of any undisputed bill, within the meaning of the Public Utility Law, shall be payment of the bill with or without discount or penalty, within thirty (30) days following the period for which the bill was rendered, or payment within thirty (30) days following presentation of the bill, or the payment of any contested bill, payment of which is withheld beyond the period herein mentioned, and the dispute is terminated substantially in favor of the customer, and payment made by the customer within ten (10) days thereafter. (C)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

6. Credit - Continued

6.4 Interest on Deposits

The Company shall accrue on the deposit for a residential account, until it is returned or credited, the legal rate of interest pursuant to section 202 of the Act of January 30, 1974 (P.L.13, No.6), referred to as The Loan Interest and Protection Law, and return such interest with the deposit.

The Company will pay interest on cash deposits from non-residential customers at the rate of six percent (6%) per annum, without deduction for any taxes thereon. Non-residential accounts with deposits held for more than a year, will receive a credit toward their outstanding balance for any accrued interest. The credit will be applied at the end of each calendar year.

6.5 Time for Paying Deposits

Upon reconnection of service at a premise previously terminated for non-payment, the Company may require the Applicant to pay a cash deposit and the Applicant shall have up to 90 days to pay the deposit in accordance with the provisions of Chapter 56. The Company may require an Applicant to pay the full amount of the cash deposit prior to connection if the premise was not previously terminated for non-payment.

6.6 Failure to Pay Full Amount of Cash Deposit

The Company may deny service to an Applicant who requests service at a premise previously terminated for non-payment if the Applicant fails to pay the first installment of the cash deposit in accordance with the provisions of Chapter 56. The Company may terminate service to a customer who began taking service at a premise previously terminated for non-payment when the Customer fails to pay the full amount of the cash deposit in accordance with the provisions of Chapter 56. At all other premises, the Company shall not be required to provide service to an Applicant who fails to pay the full amount of the cash deposit, and the Company may terminate service to a Customer who fails to pay the full amount of the cash deposit.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

7. Point of Delivery of Gas to Customer

7.1 Point of Delivery

The point of delivery of gas to a customer shall be at the outlet side of the curb valve, or the property or lot line if there is no curb valve, at which point title of the gas shall pass to the customer; provided, however, in the territory formerly served under Tariff Gas - Pa. P.U.C. Nos. 6 and 7, the point of delivery shall be the outlet side of the meter at which point title of the gas shall pass to the customer. (See the Description of Territory section of this tariff to identify territory formerly served under Tariff Gas - Pa. P.U.C. No. 6 and Tariff Gas - Pa. P.U.C. No. 7.)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

8. Extensions

8.1 Service Connections

The Company will install the service line from its main to point of delivery, as defined in the Point of Delivery section of this tariff; provided, however;

(a) In the territories formerly served under Tariff Gas--Pa. P.U.C. No. 6 and Tariff Gas--Pa. P.U.C. No. 7, the Company will install the service line from its main to a convenient point approximately fifty (50) feet inside the customer's property line. (See the description of Territory section of this tariff to identify territory formerly served under Tariff Gas--Pa. P.U.C. No. 6 and Tariff Gas--Pa. P.U.C. No. 7.)

(b) In rural areas, where service is not available directly from the Company, service may be provided from a transmission or production line. It is the sole discretion of the owner of the transmission or production line to allow service from their facilities to the customer. If connection is allowed, the Company's service connection will consist of a tap on the line and a service valve.

8.2 Capital Expenditure Policy

8.2.1 Residential Distribution Service

The applicants will be required to provide a refundable cash deposit to the Company equal to the difference between the minimum capital investment required to serve the applicant's gas requirements and the amount of capital that the Company can justify investing in the project, based on the anticipated gas requirements of the applicant(s). Minimum capital investment is the capital expenditure required to serve only the gas requirements requested by the particular applicant(s).

The maximum allowable investment is the amount of capital expenditure which the estimated revenues generated from a proposed project would support and still provide the necessary return to the company, taking into consideration the estimated additional annual quantities,rate schedule, cost of gas, operating and maintenance expense, interest and taxes. (C)

8.2.2 Commercial and Industrial Distribution Service

The applicants will be required to provide a refundable cash deposit to the Company equal to the difference between the minimum capital investment required to serve the applicant's gas requirements and the amount of capital that the Company can justify investing in the project, based on the anticipated gas requirements of the applicant(s). Minimum capital investment is the capital expenditure required to serve only the gas requirements requested by the particular applicant(s).

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

8. Extensions - Continued

8.2 Capital Expenditure Policy – Continued

8.2.2 Commercial and Industrial Distribution Service – Continued

(a) Projects Where the Net Present Value of the Cash Flows, Using the Minimum Capital Investment, is Equal to or Greater than Zero.

Such projects are economically feasible provided that there are assurances that the applicant will use the projected quantities of gas for the minimum time period stated in the agreement. Such assurances may be provided in the form of a minimum use agreement, in which applicant contractually agrees to take delivery of certain minimum quantities of gas, and to pay the applicable distribution charges for such quantities, irrespective of applicant's actual consumption of gas. At the Company's sole discretion, a deposit may be required if the Company is not certain that the applicant will use the quantity of gas, as projected, for the entire Minimum Time Period. The maximum required deposit shall be no more than the minimum capital investment. (C)

(b) Projects Where the Net Present Value of the Cash Flows, Using the Minimum Capital Investment, is Less than Zero.

The Company shall require a refundable deposit in the amount that the net present value is below zero. For example, if the net present value of a project is -$1,000, the Company shall require a $1,000 refundable deposit. In addition, if there is uncertainty that the applicant will use the projected quantity of gas for the minimum time period stated in the agreement, the Company may, in its sole discretion, (1) require the Applicant to pay an additional refundable deposit, or (2) require the applicant to enter into a minimum use agreement, in which applicant contractually agrees to take delivery of certain minimum quantities of gas, and to pay the applicable distribution charges for such quantity, irrespective of applicant's actual consumption of gas. The additional refundable deposit, if required, shall be no more than the combined total of the Company's minimum capital investment and the net present value. For example, if the Company's minimum capital investment is $10,000 and the net present value of the project is -$1,000, the applicant shall be required to provide an additional $9,000 deposit. (C)

For purposes of subsection (a) and (b), above, the maximum allowable investment is the amount of capital expenditure which the estimated revenues generated from a proposed project would support and still provide the necessary return to the Company, taking into consideration the estimated additional annual quantity, rate schedule, cost of gas, operating and maintenance expense, interest and taxes. (C)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

8. Extensions - Continued

8.2 Capital Expenditure Policy – Continued

8.2.3 Reduction or Elimination of Deposit

In any case where a deposit is required, it may be reduced or eliminated, if in the Company's judgment, the institution of such service will benefit other customers within a reasonable period of time.

8.2.4 Taxes on Deposits for Construction & Customer Advances

Any deposit, advance or other like amounts received from the applicant which shall constitute taxable income as defined by the Internal Revenue Service will have the income taxes segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with a deposit or advance will not be charged to the specific depositor of the capital.

8.3 Deposits and Refunds

When a deposit is required by the Company, the terms and conditions of the project and the refund will be specified in an agreement between the Company and the applicant.

Part or all of the deposit may be subject to refund to the applicant upon such basis or conditions as may be mutually agreeable to the Company and the applicant.

8.4 Ownership and Maintenance

The Company shall own, maintain and renew, when necessary, its main extension and/or service line from its main to the point of delivery, as defined in Rule 7.1.

8.5 Interference with Facilities

The Company's main, service line, curb valve shall not be opened, tampered or interfered with at any time. Any action taken, without the Company's prior knowledge, will be considered an action endangering the safety of a person or the integrity of the Company's delivery system and will be grounds for immediate termination of service.

8.6 Special Facilities (C)

Any special services, facilities, instrumentalities or non-standard construction methodologies which may be rendered or furnished by the Company for an applicant or customer at his request or at the direction of a governmental authority, and not provided for in the Company's rate schedules, and not ordinarily, necessarily, or directly involved in the furnishing of natural gas distribution service, shall be paid for by the applicant or customer for whom such services, facilities, instrumentalities or non-standard construction methodologies are furnished, and such costs shall be in addition to the charges for natural gas distribution service provided for in the applicable rate schedule or in addition to any deposit required under this section.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

9. Rights-of-Way

9.1 Company Facilities on Applicant or Customer's Property (C)

When, in order to serve an applicant or customer, it is necessary to extend the Company's facilities over or through the applicant or customer's property, the applicant or customer may be required to enter into a right of way agreement with the Company in which the applicant or customer shall grant to the Company all necessary easements or rights of way on property owned by the applicant or customer at no cost to the Company. Any such easement or right of way shall be recorded and shall run with the land. Applicant or customer will be required to save the Company harmless from claims to the easements or rights of way granted to the Company pursuant to this tariff provision.

9.2 Procurement by Applicant or Customer (C)

When, in order to provide natural gas distribution service to an applicant or customer, it is necessary to extend the Company's facilities over or through the property of a third party, the applicant or customer shall, at a minimum, use its best efforts to assist the Company in acquiring any necessary easements or rights of way on property owned by third parties. The applicant or customer may be required to secure to, and for, the Company, all necessary and convenient easements or rights of way and to pay the costs incident thereto. The applicant or customer shall accept service subject to any limitations or restrictions contained in the easement or right of way agreement.

9.3 Delays (C)

Applications for service from facilities to be constructed where a right of way is not owned by the Company, will only be accepted subject to delays incident to obtaining a satisfactory easement or right of way. The Company shall not be obligated to proceed with the capital expenditure and the Company's agreement to construct facilities to serve the applicant or customer may be terminated at the discretion of the Company if: (1) the applicant or customer fails to enter into a right of way agreement or easement with the Company as required by the provisions of this Tariff regarding Company Facilities on Applicant or Customer's Property; or (2) the Company is not able to obtain such third party easements or rights of way upon terms and conditions (including cost) mutually agreeable to the Company and such third party property owner(s). In the event of such termination, the applicant or the customer shall be responsible for all costs expended or obligated by the Company related to the proposed facilities at the time of termination.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

10. Introduction of Service

10.1 Customer to be Present When Service is Commenced

As a safety precaution, the customer, or an adult representative of the customer, shall specify the time when gas service is to be turned on, and the Company will not turn on such service unless said customer or adult representative so directs.

11. Company Equipment on Customer's Premises

11.1 Maintenance

The Company shall keep in repair and maintain its own property installed on the premises of the customer.

11.2 Customer's Responsibility

The customer shall be responsible for safe keeping of the Company's property while located on the customer's premises. In the event of injury or destruction of any such property from the act of negligence of the customer or his agent, the customer shall pay the costs of repairs and replacement.

11.3 Protection by Customer

The customer shall protect the equipment of the Company on his premises, and shall not permit any person, except a Company employee having proper Company identification, to break any seals upon, or do any work on, any meter, service pipe or other equipment of the Company located on the customer's premises.

11.4 Tampering

In the event of the Company's meters or other property being tampered or interfered with, the customer being supplied through such equipment shall pay the amount which may be reasonably estimated to be due for service used but not registered on the Company's meter, and for any repairs, replacements or changes in facilities required, as well as for costs of inspections, investigations and protective installations.

11.5 Access to Premises

The Company, or its authorized agents, shall have access at all reasonable times to the property or premises in or on which gas is used, to determine if the gas is being carried, distributed and burned in a proper and safe manner and in accordance with these Rules and Regulations, or to read, inspect and test the meter or house lines and other appliances, equipment or facilities. Refusal on the part of the customer to allow access to his premises shall constitute sufficient cause for turning off the gas supply to such premises.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

11. Company Equipment on Customer's Premises - Continued

11.5 Access to Premises - Continued

In the event the customer does not provide access during a 12 consecutive month period to read the meter, upon notice from the Company, the customer must choose from one of the following three options:

(1) To schedule a service call to gain access to the premises for purposes of inspection or meter reading. The Company will provide one service call annually to customers for the purpose of gaining access. If a customer requests to schedule an additional service call during a 12 consecutive month period, the customer will be assessed a charge for a one hour service call. Additionally, if the customer fails to meet a scheduled appointment without good cause and without providing a 24 hour notice of cancellation, the Company may charge for one hour of service time. If the Company fails to meet a scheduled appointment without good cause and without providing 24 hour notice of cancellation, the Company may credit the customer's account with a credit equal to one hour of service time;

OR

(2) To install, at the Customer's expense, telemetering facilities for purposes of monitoring and/or billing customer usage. Customer shall provide and maintain phone and/or electric lines to the location of such facilities as specified by the Company; (C)

OR

(3) To install, an electronic meter-reading device for the purpose of monitoring and/or billing customer usage. (C)

If the customer does not select one of the above three options within 60 days notice from the Company, the Company reserves the right in its sole discretion to implement one of the above three options. If the customer refuses to allow the Company to implement one of the above three options, it will be grounds for termination.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

12. Selection of Rate Schedule

12.1 Choice of Rate and Company Assistance

Where optional rate schedules are available for the same class of service, the customer shall designate the schedule he desires. Where selection of the most favorable schedule is difficult to predetermine, the Company will, at the request of the customer, assist the customer in the choice of the schedule most advantageous to the customer. The customer will be given reasonable opportunity to change to another schedule, but the Company shall not be required to make refunds for any previous billing under any schedule prior to the time of receipt of a written request from the customer for a change to another schedule.

While the Company will explain the contents of each of its rate schedules to customers, the Company shall not be required to assist customers in choosing between sales service and distribution service or in evaluating proposals of natural gas suppliers.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

13. Service Continuity

13.1 Regularity of Supply

The Company will use reasonable diligence to provide supply service that is reasonably continuous, and without interruption to those customers purchasing their gas supply from the Company, and the Company will use reasonable diligence to provide distribution service that is reasonably continuous, regular and without interruption to those Customers purchasing distribution service from the Company. The Company shall not be liable for failure to furnish a sufficient supply of gas or for failure to distribute the Customer's gas to the Customer arising from any cause whatsoever, beyond the Company's control. The liability of the Company for damages for failure to furnish a sufficient supply of gas, or for failure to distribute Customer's gas to it shall be limited to an amount equivalent to the Customer's proportional monthly customer service charge for the period of service during which a supply or distribution failure occurs, unless otherwise negotiated between the Company and the customer. In no event shall the Company be liable for extraordinary or consequential damages arising in any manner whatsoever as a result of supply or distribution failure.

13.2 Interruption of Service

The Company may temporarily interrupt service where necessary to effect repairs or maintenance, to eliminate an imminent threat to life, health, safety, or substantial property damage, or for reasons of local, State or national emergency; provided, however, that if such interruption exceeds seven (7) days in any one billing month, the applicable customer charge and the quantity of gas specified in each rate block shall be reduced prorata.

13.3 Notice of Trouble

The customer shall notify the Company immediately should the service be unsatisfactory for any reason, or should there be any defects, leaks, trouble, or accident affecting the supply of gas.

13.4 Force Majeure

Neither Company nor customer shall be liable in damages to the other for any act, omission circumstance occasioned by or in consequence of any acts of God, strikes, lockouts affecting the Company or its suppliers of gas, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lighting, earthquakes, fires, storms, floods, washouts, arrests and restrains of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably with in the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

14. Customer's Use of Service

14.1 Precautions to be Taken by Customer

A customer shall take due care to prevent any waste of gas. The responsibility of detection of defects and leaks on the customer's premises and in the service line is upon the customer. Defects among other things shall mean failure or deficiency of gas, irregular supply, leakage and excessive pressure. In case of detection of any defect within his premises, the customer shall immediately vacate the premises and then, immediately thereafter, notify the Company so that the conditions existing may receive prompt and proper attention. When gas has been shut off because of a leak in house lines or fixtures or other hazardous conditions of service, it shall not be turned on again until such leak or other hazardous conditions have been repaired and made safe either by a competent plumber or gas-fitter.

14.2 Sale of Gas by Customer

The customer shall not sell gas purchased by him from the Company to other occupants of the premises or to other premises without the written permission of the Company.

14.3 Fluctuations

Gas service must not be used in such a manner as to cause unusual fluctuations or disturbances in the Company's supply system, and in the case of a violation of this rule, the Company may discontinue service or require the customer to modify his installation and/or equip it with approved controlling devices.

14.4 Liability for Damages

In the absence of proof of casual negligence, the Company shall not be liable for any injury to persons or damage to property arising or accruing in any manner whatsoever from the use of gas.

14.5 Residential Appliance Efficiency Information

The Company shall maintain a list of the names and telephone numbers of the major manufacturers of residential gas appliances. Upon request from a customer, which can come via e-mail (cpacustserv@nisource.com), letter, or phone call, the Company will provide the customer with a particular manufacturer's telephone number and address so that the customer may contact the manufacturer directly for energy efficiency information. (C)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

17. 15. Measurement

15.1 Measurement of Gas

Except as herein otherwise provided, the measurement of gas service shall be by meters purchased and installed by the Company. The meter will be of such size and type as the Company may determine to adequately serve the customer's service requirements, and the Company may from time to time, change or alter the equipment to provide for accurate measurement. To determine measured usage, factors such as those for pressure, temperature, specific gravity and deviation from the laws for ideal gases shall be applied. (C)

15.2 Meters Not Available

In cases where meters are not available due to circumstances beyond the control of the company, and the necessity for rendering gas service to the customer is urgent, the Company may, by written agreement with the customer, commence service and render bills temporarily on the basis of estimated gas consumption.

15.3 Meter Reading

Bills will be rendered and be payable once each month. The Company may read any meter once each month, but ordinarily it will read meters of domestic and commercial customers once each two months. As to any customer whose meter is read once each two months, the consumption for the first month of each bimonthly meter reading period shall be determined by estimation on the basis of the customer's previous usage, adjusted for weather conditions; and the consumption for the second month of each bimonthly meter reading period shall be determined by subtracting the first month's estimated consumption from the total actual consumption for the bimonthly period as shown by the meter. The bill for each month shall be the result of applying to the consumption, determined as aforesaid, the applicable rates and charges contained in this Tariff.

Upon request the Company will supply any customer with a card form upon which he may record his meter reading at the end of the first month of each bimonthly meter reading period; and if such card is received by the Company within two days after the close of such month the bill for such month will be computed from the meter reading shown on the card instead of by estimate. The Company will adjust estimates of bills for changes in conditions of which it has been notified in advance by a customer.

15.4 Automatic Meter Reading

All readings by an automatic meter reading device shall be deemed actual readings.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

15. Measurement - Continued

15.5 Estimated Usage

The Company shall estimate usage (1) for one month of each meter reading period where scheduled meter readings are on a bimonthly basis or (2) when a meter is installed but the scheduled meter reading cannot be obtained due to the inability of the Company's agent or representative to gain access to the meter location at the time scheduled, or (3) in case any meter or measuring device for any reason fails to register for any period of time the full consumption by a customer or (4) where the Company is unable to obtain a meter reading for causes beyond its control.

Estimated readings shall be based upon prior consumption at the particular location for a similar period of time corrected for current conditions. The customer shall be obligated to pay the bill based on the estimated consumption as though the same was based on an actual meter reading, and failure to so pay shall subject the customer and his service to Rule 18.2–Termination for Nonpayment. Bills based on estimated readings shall be subject to adjustment for any unusual circumstances found to have affected the quantity of gas used, or for obvious errors in estimates, which adjustments shall be made not later than on the next subsequent bill rendered the customer.

In those instances where the Company's agent or representative is unable to gain access to the customer's premises, during the regular scheduled working hours to obtain a meter reading, the number of estimated readings shall be limited to three consecutive months, and customer's service, thereafter, is subject to termination. (See the Grounds for Termination of Service paragraph in the Termination of Service section of this tariff.)

15.6 Flowing Temperature

The Company shall determine the temperature of the natural gas flowing through the meter or meters by recorder, from established tables for the location involved, or by use of temperature sending elements used in conjunction with electronic measuring devices.

15.7 Measuring Equipment

Unless otherwise agreed upon, the Company will own, install, maintain and operate measuring stations equipped with displacement or flow meters and other necessary measuring equipment to determine the quantity of gas delivered. The gas delivered shall be measured in accordance with the latest approved methods in use in the industry generally. Orifice meters shall be installed and operated, and gas quantities computed, in accordance with Report No. 3 of the Gas Measurement Committee of the American Gas Association, as amended, expanded or superseded from time to time, applied in a practical and appropriate manner. Displacement meter readings shall be adjusted for pressure and temperature conditions. Customer may install check measuring equipment, provided such equipment is installed so as not to interfere with the operations of the Company. The Company and Customer, in the presence of each other, shall have access to the other's measuring equipment at all reasonable times, but, unless otherwise agreed upon, the reading, calibrating and adjustment thereof and the changing of charts shall be done only by the owner thereof. Both the Company and Customer shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting testing, calibrating or adjusting done in connection with the other's measuring equipment. The records from such measuring equipment shall remain the property of their owner, but, upon request, each will submit to the other its records and charts, together with calculations therefrom, for inspection, subject to return within thirty (30) days after receipt thereof. Customer shall exercise reasonable care in the installation, maintenance and operation of its equipment so as to avoid any inaccuracy in the determination of the quantity of gas delivered. (C)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

15. Measurement - Continued

15.8 Therm Adjustment (C)

The Company shall apply a therm multiplier to metered cubic foot usage to adjust for heating value. This therm multiplier shall be calculated monthly based on the most recent reported heating value for the Pipeline Scheduling Point ("PSP") within the Company's service territory in which the customer's meter is located.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

16. Meter Tests

16.1 Meter Tests

The Company shall have the right to test any meter at any time at its expense and, if such test discloses the meter is registering on an average (a) more than two percent (2%) slow; (b) more than two percent (2%) fast, or if the meter is found not to register for any period, the Company shall render a bill or make a refund as the case may be, pursuant to Title 52 Pa. Code Section 59.22.

16.2 Request Tests

The customer shall have the right to request the testing of his meter and the Company will, upon written application, have the same removed, sealed and tested in accordance with Title 52 Pa. Code Section 59.21; subject, however, to the customer depositing with the Company the sum of money required by such rule to cover the expense of such test. If such meter, when tested, registers on an average between two percent (2%) fast and two percent (2%) slow, the meter shall be treated for all purposes hereof as registering correctly, and the said sum of money required to be deposited with the Company by the customer shall be forfeited to the Company to cover the cost of such test. If such test shall show such meter to be incorrect beyond the above referred to allowable variation, then the Company shall return such deposit and make the necessary adjustment in the billing for gas service as required by Title 52 Pa. Code Section 59.22.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

17. Payment Terms

17.1 Billing Period

Bills for service to all customers will be rendered monthly at the rates set forth from time to time in the Company's then effective Tariff on file with the Pennsylvania Public Utility Commission.

The Company will offer each customer participating in the Choice program, the option of a consolidated bill by the Company which contains the NGS charges in a format that complies with the Commission's Customer Information and Disclosure Guidelines. If the NGS provides billing services for its charges, the customer can choose to receive one bill containing only the Company's charges and a second bill from the NGS containing only the NGS's charges. The conditions under which the Company will exchange data with the NGS to effectuate either of these billing options is set forth in more detail in the Rules Applicable to Distribution Service. (C)

17.2 Payment Period

Bills are due upon presentation and payment may be made by the customer by mailing a check to the address for payment designated on the bills, or at a Columbia authorized collection agency, or any other method designated by the Company. The final date for payment will not fall on a Saturday, Sunday or holiday, and will be at least twenty (20) days after presentation (date of postmark) for residential customers and at least fifteen (15) days after presentation (date of postmark) for other than residential customers. Failure to receive the bill will not excuse customers from payment obligations and payments must be made without regard to any counter claims whatsoever.

17.3 Payments by Mail

Any remittance received by mail at the address for payment designated by the Company on the customer's bill, bearing U.S. Post Office stamp date corresponding with or previous to the last date of payment, will be accepted by the Company as compliance with the terms of payment.

17.4 Payment of Cash Deposits

Upon reconnection of service at a premise previously terminated for non-payment, the Applicant may be required to pay a deposit and shall have up to 90 days to pay the deposit in accordance with the provisions of Chapter 56. Applicants requesting service at a premise not previously terminated for non-payment may be required to pay the full amount of the deposit prior to connection.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

17. Payment Terms – Continued

17.5 Disputed Bills

In the event of a dispute between the customer and the Company respecting any bill, the Company will forthwith make such investigation as may be required by the particular case and report the result thereof to the customer.

The first disputed bill investigation in a twelve consecutive month period will be provided at no charge, any subsequent request by the customer in the same twelve consecutive month period will be assessed the cost of the service call unless the investigation detects metering or some other Company error. The charge to the customer shall be limited to the Company's costs based upon the actual time spent on the service call, with a maximum charge equal to a 45 minute service call; or the maximum charge for a meter test pursuant to Commission regulations if applicable.

When the Company has made such a report to the customer, either (1) sustaining the bill as rendered or (2) submitting a corrected bill, the date of the bill for purposes of payment shall be considered to be as of the date of said report, and the customer shall pay the amount due within the time provided in these Rules and Regulations, and failure to so pay shall render the customer and his service liable to the penalties herein provided. Any amounts received by the Company in excess of the amount disclosed to be due by the Company's investigation of the dispute shall be forthwith returned to the customer if the error arose from any cause other than the incorrect estimating of a customer's consumption for the period in dispute. Errors arising through the incorrect estimating of a customer's consumption shall be adjusted in accordance with the provisions of Rule 15.5 of these Rules and Regulations.

17.6 Interest on Overpayments

The Company will pay interest on refunds of customer overpayments at the rate of six percent (6%) per annum without deduction for any taxes thereon, except where customer overpayments are refunded within ninety (90) days of overpayment. The term "customer overpayment" shall not include any balance that may arise under the Company's budget billing program.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

17. Payment Terms - Continued

17.7 Dishonored Tender of Payment

If the Company receives a negotiable instrument from a residential applicant or a residential customer as payment of any bill, charge, or deposit due, and if such instrument is subsequently dishonored or is unable to be collected for any reason, the Company may charge the residential applicant or customer a service charge in the amount of twenty dollars. The service charge may be billed separately by the Company.

After the Company has provided a written termination notice and attempted telephone contact to a residential customer as provided in the notice of Termination of Service section of this tariff, termination of service may proceed without additional notice if:

a. A customer tenders payment which is subsequently dishonored under 13 PA.C.S. § 3502 (relating to dishonor); or
b. A customer tenders payment with an access device, as defined in 18 PA.C.S. § 4106 (D) (relating to access device fraud), which is unauthorized, revoked or cancelled.

If the Company receives a negotiable instrument from a non-residential applicant or customer as payment of any bill, charge, or deposit due, and if such instrument is subsequently dishonored or is unable to be collected for any reason, the Company shall charge the applicant or customer a service charge in the full amount permitted by law for each dishonored negotiable instrument. The service charge may be added to the monthly bill of the non-residential customer, or it may be separately billed to the applicant or customer.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

18. Termination of Service

18.1 Definition

Termination of service, as it applies to this Section 18, shall mean the cessation of service, whether temporary or permanent, without the consent of the customer.

18.2 Grounds for Termination of Service

After notice as provided in the Notice of Termination of Service section of this tariff, the Company may terminate service provided to a customer for any of the following actions by the customer or his guarantor:

1. Nonpayment of an undisputed delinquent account.
2. Failure to comply with the material terms of a payment agreement.
3. Failure to complete payment of a deposit, provide a guarantee of payment or establish credit.
4. Failure to permit access to meters, service connections or other property of the Company, including obstructed or hazardous access (this will eliminate current Termination for Cause section), for the purpose of replacement, maintenance, repair, or meter reading.
5. The Company may also terminate service to a User Without Contract after limited notice as specified in the "Notice of Termination of Service section – Notice to User Without Contract".

The Company may also remove its equipment in case of nonpayment of bill.

Service will not be terminated for failure to pay competitive charges.

18.3 Notice of Termination of Service

18.3.1 Prior to terminating service as specified in the Grounds for Termination of Service section of this tariff, with the exception of User Without Contract, the Company:

1. Shall provide written notice of the termination to the customer at least ten (10) days prior to the date of the proposed termination. The termination notice shall remain effective for 60 days.
2. Shall attempt to contact the customer or occupant, either in person or by telephone, to provide notice of the proposed termination at least three days prior to the scheduled termination. Phone contact shall be deemed complete upon attempted calls on two separate days to the residence between the hours of 7 a.m. and 9 p.m. if the calls were made at various times each day.
3. During the months of December through March, unless personal contact has been made with the customer or responsible adult by personally visiting the customer's residence, the Company shall, within 48 hours of the scheduled date of termination, post a notice of the proposed termination at the service location.
4. After complying with items 2 and 3 above, the Company shall attempt to make personal contact with the customer or responsible adult at the time service is terminated. Termination of service shall not be delayed for failure to make personal contact.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

18. Termination of Service - Continued

18.3 Notice of Termination of Service – Continued

18.3.2 Notice to User Without Contract

Three days prior to terminating service to a User Without Contract, the Company will post the premises with a notice directing the occupant to contact the Company to provide application for service. If an application is not received within 3 days, the Company may terminate service without further notice.

The Company shall not be required to take any additional actions prior to termination.

18.4 Grounds for Immediate Termination Without Prior Notice:

Gas service may be immediately terminated without prior notice specified in the Notice of Termination of Service section in any of the following situations:

1. Fraud or material misrepresentation of the customer's identity is used for the purpose of obtaining service.
2. Any customer action taken that may endanger the safety of a person or the integrity of the Company's delivery system.
3. Tampering with meters or other Company equipment.
4. Unauthorized use.
5. Hazardous or defective customer installations.
6. Customer's equipment or use thereof might injuriously affect the equipment of the Company or the Company's service to other customers.

18.5 Post Termination Notice

Upon termination, the Company shall make a good faith attempt to provide a post termination notice to the customer or a responsible person at the affected premises, and in the case of a single meter, multiunit dwelling, the Company shall conspicuously post the notice at the dwelling, including in common areas when possible.

18.6 Timing of Termination

The Company may terminate service for the reasons set forth in the Grounds for Termination of Service section of this tariff Monday through Friday as long as the Company can accept payment to restore service on the following day and can restore service, consistent with the Reconnection of Service section of this tariff.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

18. Termination of Service - Continued

18.7 Winter Termination

Unless otherwise authorized by the Public Utility Commission, after November 30 and before April 1, the Company shall not terminate service to residential customers with household incomes at or below 250% of the federal poverty level except for: 1) customers whose actions are included in the Grounds for Immediate Termination Without Prior Notice section of this tariff; and 2) any person receiving gas service as a User Without Contract.

The Company will use financial information from the customer provided within the most recent twelve (12) month period to determine if a customer exceeds the 250% federal poverty level threshold. (C)

18.8 Medical Certification

The Company shall not terminate service to a premise when a licensed physician or a nurse practitioner has certified that the customer or a member of the customer's household is seriously ill or afflicted with a medical condition that will be aggravated by cessation of service. The customer shall obtain a letter from a licensed physician verifying the condition and shall promptly forward it to the Company. The medical certification procedure shall be implemented in accordance with Commission regulations.

18.9 Termination of Service from Transmission Pipelines

The Company may, in its discretion, remove, relocate or abandon transmission pipelines either temporarily or permanently, or change the use thereof and cease to furnish gas to such customers located along the route thereof, or the company may cease to furnish gas to its customers served directly from production or transmission pipelines of other companies, if for any reason said lines are not available to serve gas to said customers, without prejudice to the right of the Company to continue to supply gas to other customers of the Company. In case of termination of service from a transmission pipeline, thirty (30) days' notice shall be given by the Company to the customer.

18.10 Reconnection of Service

Whenever a customer's gas shall be turned off or his meter disconnected at his request or by reason of noncompliance with these Rules and Regulations or the Rules, Regulations or Orders of the Pennsylvania Public Utility Commission, except for repairs, want of supply or any leak of gas from customer or Company lines, the same customer, whether an applicant or ratepayer as defined at 52 Pa. Code § 56.2, shall pay a reconnection charge of twenty-four dollars ($24) per visit for resumption of service at the same address within twelve months after discontinuance or termination, in addition to any other charges provided for in the rate schedule applicable to the customer.

18.10.1 Timing of Reconnection

When service to a residential dwelling has been terminated and, provided the applicant has met all applicable conditions, the Company shall reconnect service as follows:

a. Within 24 hours for erroneous terminations or upon receipt by the Company of a valid medical certification.
b. Within 24 hours for terminations occurring after November 30 and before April 1.
c. Within three days for erroneous termination requiring street or sidewalk digging.
d. Within three days from April 1 to November 30 for proper terminations.
e. Within seven days for proper terminations requiring street or sidewalk digging.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

18. Termination of Service - Continued

18.10.2 Payment to Restore Residential Service

The Company shall provide for and inform the applicant or customer of a location where the customer can make payment to restore service.

The Company may require:

a. Household Income Exceeding 300% of Federal Poverty Level and all Customers Who Have Defaulted on Two or More Payment Plans. The Company may require full payment of any outstanding balance incurred together with any reconnection fees by the customer or applicant prior to reconnection of service if the customer or applicant has an income exceeding 300% of the federal poverty level or has defaulted on two or more payment agreements. If a customer or applicant with household income exceeding 300% of the federal poverty level experiences a life event the customer shall be permitted a period of not more than three months to pay the outstanding balance required for reconnect. For purposes of this paragraph, a life event is:

   I. A job loss that extended beyond nine months.
   II. A serious illness that extended beyond nine months.
   III. Death of the primary wage earner.

b. Household Income Exceeding 150% of Federal Poverty Level and Not Greater Than 300% of Federal Poverty Level. The Company may require full payment of any reconnection fees together with repayment over 12 months of any outstanding balance incurred by the customer or applicant if the customer or applicant has an income exceeding 150% of the federal poverty level but not greater than 300% of the federal poverty level.

c. Household Income Not Exceeding 150% of Federal Poverty Level. The Company may require full payment of any reconnection fees together with payment over 24 months of any outstanding balance incurred by the customer or applicant if the customer or applicant has an income not exceeding 150% of the federal poverty level.

d. The Company may also require the payment of any outstanding balance or portion of an outstanding balance if the applicant resided at the property for which service is requested during the time the outstanding balance accrued.

e. The Company may establish that an applicant previously resided at a property for which residential service is requested through the use of mortgage, deed or lease information, a commercially available consumer credit reporting service or other methods approved as valid by the Public Utility Commission including those mentioned under paragraph 6.1 Prior Debts of this tariff. (C)

18.11 Compliance with Pennsylvania Public Utility Commission Regulations

Notwithstanding the provisions for termination of service set forth under this Section 18, the Company may not terminate gas service unless in compliance with the Rules, Regulations or Orders of the Pennsylvania Public Utility Commission pertaining thereto and in effect at the time of such termination.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

19. Discontinuation of Service

19.1 Definition

Discontinuation of Service, as it applies to this Section 19, shall mean the cessation of service with the consent of the customer.

19.2 Discontinuation by Customer

A customer who intends to vacate the premises, discontinue the use of gas or terminate his liability to pay for gas distributed to the premises, shall give at least seven (7) days' notice to the Company. If such notice is given, the customer shall not be liable for service taken after the effective date of such notice. If at least seven (7) days' notice is not given, the customer shall be liable for service taken from the time following the Company's receipt of customer's notice until such time as a final reading is taken, or the final bill is estimated, or service is placed in the name of a successor customer, or the customer provides the meter reading which is subject to review by the Company. If no notice is given by the customer, the customer is liable for service taken until such time as service is placed in the name of a successor customer or the Company determines the property to be vacant. The customer shall be liable for gas usage in accordance with the procedure stated in Section 19.3.

19.3 Final Bill

Except as otherwise provided in this section, final bills for customers on rate schedules RSS, RDS, SGS and SCD may be based on estimated consumption without an actual meter reading. When disconnect and reconnect orders are executed on different days, an actual meter reading shall be obtained. When disconnect and reconnect orders are executed on the same day, final bills may be estimated. When a final bill is estimated, consumption shall be based on average daily usage for non-heat usage, average usage per degree day for heating usage, and the number of days in the final billing period in accordance with Section 19.2. Final bills will not be estimated when usage factors cannot be calculated, when a customer specifically requests that the meter be read, or when either the disconnecting or reconnecting customer provides the meter reading which is subject to the Company's review. The Company reserves the right to estimate any customer's final meter reading in instances where access to the meter is not provided within a reasonable time.

19.4 Compliance with Pennsylvania Public Utility Commission Regulations

Notwithstanding the provisions for discontinuation of service set forth under this Section 19, the Company may not discontinue service unless in compliance with the Rules, Regulations or Orders of the Pennsylvania Public Utility Commission pertaining thereto and in effect at the time of such discontinuation.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

20. Flexible Rate Provisions

20.1 Applicability

Customers receiving service under Rate Schedules SDS, LDS, RSS, RDS, RDGSS, RDGDS, DGDS, PS, SGSS, LGSS, SGDS, SCD, SS, NSS, MLSS, and MLDS ("Primary Schedule") may be charged a flexible distribution charge with respect to competition from alternate fuels.. Service under Rate RSS, RDS, RDGSS and RDGDS shall be firm and the Company will maintain firm capacity to serve such customers. Gas Costs to Rate Schedules RSS and RDS will not be flexed.

20.2 Election of Flexible Rate

Components of a customer's rate may be lowered when the customer submits a sworn affidavit that a lower rate is required to meet competition from an alternate fuel. Rate components eligible for a downward adjustment include the distribution charge, the elective balancing service charge for distribution service, and the retainage percentage for distribution service.

Prior to flexing distribution charges for distribution service customers, the Company may reduce charges that are for recovery of balancing service charges under Rider EBS and/or the retainage percentage applied to the gas received on behalf of the distribution service customer. However, any discount to the retainage percentage undertaken to compete with another NGDC will not be recoverable by the Company in its annual 1307(f) filing.

The Company reserves the right to verify the accuracy of statements included in this affidavit and the right to make final determination as to the quantities of natural gas used in each billing period in place of alternate fuels. The Company will notify customer of the applicable charge, if lower than the applicable distribution charge in the Primary Rate Schedule, that the Company determines is required to meet the delivered price of the alternate fuel four (4) days prior to the beginning of each billing month unless the rate is the same as charged by the Company in the prior month. (C)

The Company will only lower its distribution charge below the maximum rate under the Primary Rate Schedule as a last resort, and only to the extent it is necessary to meet the demonstrated competitive alternate fuel price. Any lowered distribution charge shall be offered regardless of whether the customer is receiving sales or distribution service. For customers eligible for service under Rate RDS and SCD, the Company will advise NGSs upon request whether a particular customer is receiving or is eligible to receive a lowered distribution charge.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

20. Flexible Rate Provisions

20.2 Election of Flexible Rate – Cont'd

In the sworn affidavit submitted by the customer, the following must be documented:

(a) The customer has alternate fuel capability in place and operable or would otherwise construct facilities to obtain gas service from an alternate source;

(b) The quantity of natural gas transported by the Company which would be displaced by operation of the alternate fuel capability; (C)

(c) The burner tip cost in thm equivalent of the customer's alternate fuel; and (C)

(d) If the customer has an agreement with a producer for purchase of gas, the customer must verify that it has exercised all contractual rights available to the customer, including price redetermination, marketability or market reopener provisions, to reduce the city gate price of natural gas delivered to the Company for redelivery to the customer, and that the customer has the right to cease purchases under the agreement. Upon request by the Company customer agrees to submit a true copy of the currently effective agreement or agreements between customer and producer(s) for purchase of natural gas quantities delivered to the Company's city gate for redelivery to the customer. If the customer does not have an outstanding contract with a producer, the customer must verify that the customer is unable to purchase gas at a price, including cost of delivery by Columbia,that is equal to the cost of alternative fuel. (C)

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FOR FUTURE USE

RATE RSS - RESIDENTIAL SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any residential customer.

RATE

The customers under this rate schedule shall be subject to a monthly customer charge, a natural gas supply charge and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

If a customer transfers to this rate from Rate RDS-Residential Distribution Service then for a period of twelve months, the rate shall be adjusted to exclude the amount per thm equal to the "E" Factor for the twelve months ended September 30 included in the then applicable Purchased Gas Commodity Rate. (C)

The above distribution charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

The PGCC and Capacity Assignment Credit (aka the Price-to-Compare) will be increased by 1.52% to reflect the unbundling of uncollectibles related to gas costs.

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the customer charge.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

PURCHASED GAS COST RIDER

The distribution and natural gas supply charges include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this tariff.

USP COSTS AND CUSTOMER CHOICE COSTS

The distribution charge is subject to Rider Universal Services Plan and Rider Customer Choice as specified within Rider USP and Rider Customer Choice in this tariff.

(C) Indicates Change

RATE RSS – RESIDENTIAL SALES SERVICE (CONTINUED)

(C)

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than twenty (20) days after presentation (date of postmark).

Effective with bills due after May 1, 2001, if the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the customer's bill that is unpaid on the due date consistent with Paragraph 4.13.3.2.3 of the Columbia Rules Applicable to Distribution Service.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be two thousand (2,000) cubic feet per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by one thousand (1,000) cubic feet per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein.

3. Columbia is authorized to implement a program applicable to customers enrolled in its Customer Assistance Plan under Rate RSS and Rate RDS, provided that payments made by such customers are in accord with the payment requirements contained in the Customer Assistance Plan.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 181 to
Tariff Gas – Pa. P.U.C. No. 9
Thirty-sixth Revised Page No. 78
Columbia Gas of Pennsylvania, Inc. Canceling Thirty-Fifth Revised Page No. 78

RATE RDS - RESIDENTIAL DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any residential customer meeting the following conditions:

1. The customer does not take service under any other rate schedule.
2. The customer or group of customers have an aggregate annual demand of at least 53,650 thms or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elects an NGS to provide natural gas commodity service. The gas supply for each aggregation must enter the Company's system at a city gate(s) used by the Company to serve the customers unless otherwise permitted by Columbia. (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service.

RATE

The customers under this rate schedule shall be subject to a monthly customer charge and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

The Distribution Charges include the applicable Purchase Gas Demand Cost rate. The distribution charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

In addition, if the customer transfers to this rate from rate RSS-Residential Sales Service, then for a period of twelve months, the rate shall be adjusted to include the amount per thm equal to the "E" Factor for the twelve months ended September 30 included in the then-applicable Purchased Gas Commodity Cost rate. (C)

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the Customer Charge.

PURCHASED GAS COST RIDER

The above distribution charges include recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

USP COSTS AND CUSTOMER CHOICE COSTS

The distribution charges are subject to Rider Universal Service Plan and Rider Customer Choice as specified within Rider USP and Rider Customer Choice in this tariff.

(C) Indicates Change

RATE RDS - RESIDENTIAL DISTRIBUTION SERVICE (CONTINUED)

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than twenty (20) days after presentation (date of postmark).

If the Choice customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date consistent with the Billing Option Selection section of the Rules Applicable to Distribution Service.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Where a Customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the Customer's metered usage and the total billed under the rates contained herein. (C) (C)

3. The Customer may receive a separate bill from its NGS for services provided by the NGS. Otherwise, all charges for natural gas service to the Customer will be billed by the Company. When the Company bills for the NGS, the Company will have the right to terminate service for failure to pay the NGS's Natural Gas Supply Services charges portion of the bill in compliance with all applicable laws and regulations regarding termination of service including the Termination of Service rule of this Tariff. The NGS shall not be permitted to accept the Company's bill for distribution on behalf of the Customers.

4. Before participating in the Choice Service distribution program, Customers with arrears, who are not already subject to a payment plan, shall be required to enter into a payment plan with the Company.

5. The Company will purchase at a discount the accounts receivable from NGSs who elect to have the Company provide a single bill monthly to the customer for distribution service and the NGS's Natural Gas Supply Services charges.

6. The Company is authorized to implement a program applicable to Customers enrolled in its Customer Assistance Plan under Rate RSS and Rate RDS, provided that payments made by such Customers are in accordance with the payment requirements contained in the Customer Assistance Plan.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

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FOR FUTURE USE

Supplement No. 181 to
Tariff Gas – Pa. P.U.C. No. 9
Thirty-eighth Revised Page No. 81
Columbia Gas of Pennsylvania, Inc. Canceling Thirty-seventh Revised Page No. 81

RATE RDGSS – RESIDENTIAL DISTRIBUTED GENERATION SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any residential customer who operates distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use. The Customer must demonstrate to the Company's satisfaction that qualifying gas burning electric generation equipment has been installed. Provided, that the Company's facilities are adequate to provide the requested service.

RATE

The customers under this rate schedule shall be subject to a monthly customer charge, a natural gas supply charge and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

If a customer transfers to this rate from Rate RDS-Residential Distribution Service or Rate RDGDS–Residential Distributed Generation Distribution Service, then for a period of twelve months, the rate shall be adjusted to exclude the amount per thm equal to the "E" Factor for the twelve months ended September 30 included in the then applicable Purchased Gas Commodity Rate. (C)

The distribution charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff and for the purposes of the rate schedule the term alternate fuel shall include electricity.

The PGCC and Capacity Assignment Credit (aka the Price-to-Compare) will be increased by 1.52% to reflect the unbundling of uncollectibles related to gas costs.

(C) Indicates Change

RATE RDGSS – RESIDENTIAL DISTRIBUTED GENERATION SALES SERVICE (Continued)

MINIMUM MONTHLY CHARGE

Where the Company incurs additional costs to establish service under this rate schedule, a minimum monthly charge may be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The service agreement will be for a term of not less than three (3) years, unless mutually agreed to between the Company and the customer. The minimum charge will be based on the actual additional costs to the Company, if applicable, to serve a generation customer. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

PURCHASED GAS COST RIDER

The distribution and commodity charges include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this tariff.

UNIVERSAL SERVICE PLAN AND CUSTOMER CHOICE COSTS

The distribution charge is subject to Rider USP costs and Rider CC costs as specified within Rider USP and Rider Customer Choice in this tariff. (C)

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than twenty (20) days after presentation (date of postmark). If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

(C) Indicates Change

RATE RDGSS –RESIDENTIAL DISTRIBUTED GENERATION SALES SERVICE (Continued)

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the monthly customer charge for each month of the intervening period, but not to exceed twelve (12) months and any amount due to the Company under a service agreement.

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein. (C) (C)

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 181 to
Tariff Gas – Pa. P.U.C. No. 9
Thirty-fourth Revised Page No. 84
Columbia Gas of Pennsylvania, Inc. Canceling Thirty-thirdRevised Page No. 84

RATE RDGDS – RESIDENTIAL DISTRIBUTED GENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any residential customer meeting the following conditions:

1. The customer does not take service under any other rate schedule.
2. The customer or group of customers have an aggregate annual demand of at least 53,650 thms or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elects an NGS to provide natural gas commodity service. The gas supply for each aggregation must enter the Company's system at a city gate(s) used by the Company to serve the customers unless otherwise permitted by Columbia. (C)
3. Available, at one location, for the total requirements of any residential customer who operates distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use. The Customer must demonstrate to the Company's satisfaction that qualifying gas burning electric generation equipment has been installed.
4. The Company's facilities are adequate to provide the requested service.

Service is available when such customer(s) selects an NGS, and provides the Company with a 60 day notice.

RATE

The customers under this rate schedule shall be subject to a monthly customer charge and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

The Distribution Charges include the applicable Purchase Gas Demand Cost rate for customers electing Choice service. The above distribution charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff and for the purposes of this rate schedule the term alternate fuel shall include electricity.

In addition, if the customer transfers to this rate from rate RSS-Residential Sales Service, or rate RDGSS Residential Distributed Generation Sales Service, then for a period of twelve months, the rate shall be adjusted to include the amount per thm equal to the "E" Factor for the twelve months ended September 30 included in the then-applicable Purchased Gas Commodity Cost rate for customers electing Choice service. (C)

(C) Indicates Change

RATE RDGDS – RESIDENTIAL DISTRIBUTED GENERATION DISTRIBUTION SERVICE (CONTINUED)

MINIMUM MONTHLY CHARGE

Where the Company incurs additional costs to establish service under this rate schedule, a minimum monthly charge may be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The service agreement will be for a term of not less than three (3) years, unless mutually agreed to between the Company and the customer. The minimum charge will be based on the actual additional costs to the Company, if applicable, to serve a generation customer. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than twenty (20) days after presentation (date of postmark). If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the monthly customer charge for each month of the intervening period, but not to exceed twelve (12) months, and any amount due to the Company under a service agreement. Restoration of service will not be denied for the nonpayment of NGS charges.

2. Where a Customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the Customer's metered usage and the total billed under the rates contained herein. (C) (C)

UNIVERSAL SERVICE PLAN AND CUSTOMER CHOICE COSTS

The distribution charges are subject to Rider USP costs and Rider CC costs as specified within Rider USP and Rider Customer Choice in this tariff.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

APPLICABLE SALES SERVICE RATE

Except as otherwise provided under the Rules Applicable to Distribution Service, a customer or its NGS under this Rate Schedule desiring to purchase gas or to replace under-deliveries of gas or over consumption of gas by the customer, to which the Rules Applicable to Distribution Service would otherwise be applicable, shall be charged the current month's average daily city gate rate, as published in Gas Daily, times 120%, plus applicable taxes and the delivery charge.

(C) Indicates Change

RATE SGSS - SMALL GENERAL SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any commercial or industrial customer whose total throughput requirements are equal to or less than 64,380 thms annually, and who does not contract for distribution service. (C)

RATE

The customers under this rate schedule shall be subject to a monthly customer charge, a natural gas supply charge and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

If a customer transfers to this rate from Rate SCD-Small Commercial Distribution Service, Rate SGDS Small General Distribution Service, Rate CDS – Cogeneration Distribution Service, Rate DGDS - Distributed Generation Distribution Service, then for a period of twelve months, the rate shall be adjusted to exclude the amount per thm equal to the "E" Factor for the twelve months ended September 30 included in the then applicable Purchased Gas Commodity Cost rate. (C) (C)

The PGCC and Capacity Assignment Credit (aka the Price-to-Compare) will be increased by 1.52% to reflect the unbundling of uncollectibles related to gas costs.

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the customer charge.

DETERMINATION OF MONTHLY CUSTOMER CHARGE

The Customer Charge will be determined based upon the Customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ended October 31. If a Customer does not have sufficient consumption history to determine its customer charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the Customer to submit estimated annual gas requirement, including sales and distribution, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the Customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change January 1 of each year. (C)

In all cases, the Company reserves the right to review the Customer Charge and, upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

(C) Indicates Change

RATE SGSS - SMALL GENERAL SALES SERVICE (Continued)

STATE TAX ADJUSTMENT SURCHARGE

The State Tax Adjustment Surcharge will be applied to the non-Purchased Gas Cost portion of the charges set forth in this rate schedule.

PURCHASED GAS COST RIDER

The distribution and natural gas supply charges for sales service include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this tariff.

CUSTOMER CHOICE COSTS

The distribution charge is subject to a Customer Choice charge pursuant to Rider CC.

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS

1. An existing Customer currently receiving service under this rate schedule or a potential Customer eligible to receive service under this rate schedule is eligible to receive special development/retention rates, if the customer meets the following conditions:

   a. The Customer agrees to enter into a three-year contract for service under this rate schedule.

(C) Indicates Change

RATE SGSS - SMALL GENERAL SALES SERVICE (Continued)

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS (Continued)

b. The Customer gives the Company a sworn affidavit stating that, absent service under these Customer Development/ Retention Provisions, the Customer would install an alternate source of energy; would construct facilities to obtain gas service from an alternative source; or would not construct facilities or operations in the Company's operating territory.

c. If the Customer qualifies under these Customer Development/Retention Provisions, the monthly charges for service to the Customer shall be computed based upon a declining, percentage reduction in the non-gas distribution rates under this rate schedule. Customer charges, gas costs, penalties and charges of third party transporters, if any, to a Customer served under this rate schedule are not subject to reduction. The percentage reductions are as follows:

First Year	35% reduction
Second Year	25% reduction
Third Year	15% reduction

2. Except as modified by the terms of these Customer Development/Retention Provisions, all provisions of this rate schedule apply to service to the Customer.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the customer, the Company shall be under no obligation to reconnect service to the same customer on the same premises until the customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Customers classified as "other" shall be billed under this rate schedule.

3. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein. (C)

4. Energy usage eligibility for this rate schedule will be determined annually. In the event the Customer's annual purchases are in excess of 64,380 thms, the customer shall be transferred to Rate LGSS. (C)

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any commercial or industrial customer meeting all of the following conditions:

1. The Customer's total annual throughput requirements, as determined under the Customer Charge provisions below, are less than 64,380 thms annually. (C)

2. The Customer does not take service under any other rate schedule except Rate SS – Standby Service.

3. Customer acquires its own gas and executes an application and agreement with the Company, as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

4. The customer is a member of an aggregation group pursuant to the provisions of the Rules Applicable to Distribution Service.

5. Priority One customers, as defined in the Service Limitations section of this tariff, must buy distribution service at the Priority One distribution rate, which includes recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this tariff. All other SGDS customers wishing to contract for Standby Service may execute a contract for service under Rate SS – Standby Service. (C)

6. There is an annual enrollment window for accounts transferring from Rate Schedule SCD to Rate Schedule SGDS. Notice of intent to switch from Rate Schedule SCD to Rate Schedule SGDS is due January 2nd of each year to be effective April 1st of the same year.

CHARACTER OF SERVICE

Distribution Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

RATE

The customers under this rate schedule shall be subject to a monthly customer charge and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

The distribution rates may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

(C) Indicates Change

RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE (Continued)

DETERMINATION OF MONTHLY CUSTOMER CHARGE

The Customer Charge will be determined based upon the Customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ended October 31. If a Customer does not have sufficient consumption history to determine its customer charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the Customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the Customer's estimate where necessary. A customer's Customer Charge will remain constant annually, subject to change January 1 of each year. (C)

In all cases, the Company reserves the right to review the Customer Charge and, upon receipt of satisfactory proof, to adjust the Customer Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the sum of (a) the Customer Charge; plus (b) purchase gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the Customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The charges are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

PURCHASED GAS COST RIDER

The distribution charges for Priority One Service include recovery of Purchased Gas Demand Costs pursuant to the Purchased Gas Cost Rider as set forth in this tariff.

ELECTIVE BALANCING SERVICE RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this tariff.

CUSTOMER CHOICE COSTS

The distribution charge is subject to a Customer Choice charge pursuant to Rider CC.

APPLICABLE SALES SERVICE RATE

Priority One customers desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service, plus the Priority One Service rate.

(C) Indicates Change

RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE (Continued)

APPLICABLE SALES SERVICE RATE (Continued) (C)

Non-Priority One distribution customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service, plus the non-gas portion of the distribution rate.

Sales service hereunder shall be considered imbalance gas as defined in the Rules Applicable to Distribution Service section of this tariff. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

The Company shall give the customer 2 hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

A Non-Priority One customer is subject to a charge for unauthorized takes after notice to interrupt. On any day when a Non-Priority One customer has be given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to the charges set forth in the Rules Applicable to Distribution Service. Payments of such penalty charge shall be in addition to the charges specified in this rate schedule.

TERMS OF PAYMENT (C)

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS

1. An existing Customer currently receiving service under this rate schedule or a potential Customer eligible to receive service under this rate schedule is eligible to receive special development/retention rates, if the customer meets the following conditions:

   a. The Customer agrees to enter into a three-year contract for service under this rate schedule.

   b. The Customer gives the Company a sworn affidavit stating that, absent service under these Customer Development/ Retention Provisions, the Customer would install an alternate source of energy; would construct facilities to obtain gas service from an alternative source; or would not construct facilities or operations in the Company's operating territory.

(C) Indicates Change

RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE (Continued)

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS (Continued)

c. If the Customer qualifies under these Customer Development/Retention Provisions, the monthly charges for service to the Customer shall be computed based upon a declining, percentage reduction in the non-gas distribution rates under this rate schedule. Customer charges, gas costs, penalties and charges of third party transporters, if any, to a Customer served under this rate schedule are not subject to reduction. The percentage reductions are as follows:

First Year	35% reduction
Second Year	25% reduction
Third Year	15% reduction

2. Except as modified by the terms of these Customer Development/Retention Provisions, all provisions of this rate schedule apply to service to the Customer.

SPECIAL PROVISIONS

1. If service is discontinued at the request of the customer, the Company shall be under no obligation to reconnect service to the same customer on the same premises until the customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein. (C)

3. Energy usage eligibility for this rate schedule will be determined annually. In the event the Customer's total annual purchases of sales and distribution are in excess of 64,380 thms, the customer shall be transferred to Rate SDS, or Rate LDS, as applicable. (C)

4. The Company reserves the right, as a condition of service or as a condition of continuation of service under this rate schedule, to require the customer to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE SCD - SMALL COMMERCIAL DISTRIBUTION

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial customer meeting the following conditions:

1. The customer's historic throughput is less than or equal to 64,380 thms annually. (C)

2. The customer does not take service under any other rate schedule.

3. The customer or group of customers have an aggregate annual demand of at least 53,650 thms or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elects an NGS to provide natural gas commodity service. The gas supply for each aggregation must enter the Company's system at a city gate(s) used by the Company to serve the customers unless otherwise permitted by Columbia. (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service.

RATE

The customers under this rate schedule shall be subject to a monthly customer charge and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

The Distribution Charges include the applicable Purchase Gas Demand Cost rate. The above distribution charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

In addition, if the customer transfers to this rate from Rate SGS-Small General Service, then for a period of twelve months, the rate shall be adjusted to include the amount per thm equal to the "E" Factor for the twelve months ending September 30 included in the then-applicable Purchased Gas Commodity Cost rate. (C)

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the Customer Charge.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

(C) Indicates Change

RATE SCD - SMALL COMMERCIAL DISTRIBUTION (Continued)

CUSTOMER CHOICE COSTS

The distribution charges are subject to a Customer Choice charge pursuant to Rider CC.

PURCHASED GAS COST RIDER

The distribution charges include recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff.

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the customer, the Company shall be under no obligation to reconnect service to the same customer on the same premises until the customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and thegas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein. (C) (C)

3. The customer, at its option, may receive a separate bill from its NGS for services provided by the NGS. Otherwise, all charges for natural gas service to the customer will be billed by the Company. When the Company bills for the NGS, the Company will have the right to terminate service for failure to pay the NGS's Natural Gas Supply Services charges in compliance with all applicable laws and regulations regarding termination of service.

4. Before participating in Choice Service, customers with arrears, who are not already subject to a payment plan, shall be required to enter into a payment plan with the Company.

5. The Company will purchase at a discount the accounts receivable from NGSs who elect to have the Company bill the NGS's Natural Gas Supply Service charges.

6. Effective eighteen (18) months after the Public Utility Commission issues a final order in Docket No. P-2009-2099333, an NGS may choose the Company's consolidated billing option or issue its own bills for Gas Supply Service charges (Billing Option 1 or Billing Option 2 as described in the Rules Applicable Only to Choice Service) for all or a portion of its customers eligible for Rate SCD.

(C) Indicates Change

RATE SCD - SMALL COMMERCIAL DISTRIBUTION (Continued)

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of delivery service under this rate schedule.

(C) Indicates Change

RATE SDS - SMALL DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer meeting all of the following conditions:

1. The Customer's annual throughput requirements, including sales and distribution, are in excess of 64,380 thms. (C)

2. The Customer does not take service under any other rate schedule except Rate SS - Standby Service.

3. The Customer's annual throughput, as determined under the Customer Charge provisions below, is less than 536,500 thms. (C)

A customer who is served by the Company under more than one account at a single contiguous location may aggregate total throughput requirements under all such accounts for purposes of meeting the 64,380 thm annual throughput requirement. Service is available when such customer(s) acquires its own gas and executes a contract with the Company for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract. (C)

Service under this rate schedule shall not be available to a single customer who is a Priority One Customer, as defined in the Service Limitations section of this tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability. (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

A Small Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company,

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

RATE SDS - SMALL DISTRIBUTION SERVICE (Continued)

RATE

The customers under this rate schedule shall be subject to a monthly customer charge and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

The customer charge will be determined based upon the customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ended October 31. If a customer does not have sufficient consumption history to determine its customer charge based on twelve months, the customer charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the customer charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's customer charge will remain constant annually, subject to change January 1 of each year. (C)

In all cases, the Company reserves the right to review the customer charge and, upon receipt of satisfactory proof, to adjust the customer charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

The above distribution rates may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the sum of (a) the customer charge; plus (b) purchased gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the customer charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

ELECTIVE BALANCING SERVICES RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth within this tariff.

(C) Indicates Change

RATE SDS - SMALL DISTRIBUTION SERVICE (Continued)

APPLICABLE SALES SERVICE RATE (C)

Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service plus the non-gas portion of distribution rates contained in Rate SGSS - Small General Sales Service.

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service section of this tariff. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

The Company shall give the customer 2 hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to the charges set forth in the Rules Applicable to Distribution Service. Payment of such penalty charge shall be in addition to the charges specified herein.

TERMS OF PAYMENT (C)

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

(C) Indicates Change

RATE SDS - SMALL DISTRIBUTION SERVICE (Continued)

SPECIAL PROVISIONS APPLICABLE TO ALL SDS CUSTOMERS

1. Customers desiring to transfer to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, transportation capacity and storage capacity or any combination thereof that is required to accommodate such transfer; or (2) the Company, in its sole judgment concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.

2. In the event customer's throughput requirements, as determined annually under the Customer Charge provisions above, are 536,500 thms or greater, the customer shall be transferred to Rate LDS - Large Distribution Service, effective the immediately succeeding January 1. (C)

3. Customers that request to be transferred to this rate schedule prior to the end of the Customer's existing contract under another rate schedule shall be required to contract for Maximum Daily Firm Requirement under Rate SS at the level of the Customer's Maximum Daily Firm Requirement, if any, under such existing contract.

4. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE LGSS - LARGE GENERAL SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any commercial or industrial customer whose purchase requirements are in excess of 64,380 thms, and who does not contract for distribution service. (C)

Customers who take service under this rate schedule are entitled to firm retail gas service from the Company.

RATE

The customers under this rate schedule shall be subject to a monthly customer charge, a natural gas supply charge and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

DETERMINATION OF MONTHLY CUSTOMER CHARGE

The Customer Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution if the customer previously contracted for distribution service, measured in therms (thms), for the most recent twelve month period ended October 31. If a customer does not have sufficient consumption history to determine its customer charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's customer charge will remain constant annually, subject to change January 1 of each year. (C)

In all cases, the Company reserves the right to review the customer's customer charge, and upon receipt of satisfactory proof, to adjust the customer charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which result in a measurable permanent change in the customer's requirements or consumption.

(C) Indicates Change

RATE LGSS - LARGE GENERAL SALES SERVICE (Continued)

MINIMUM MONTHLY CHARGE (C)

The minimum monthly charge shall be the customer charge, except that in the event of curtailment in the delivery of gas by the Company or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

PURCHASED GAS COST RIDER

The distribution and commodity charges include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this tariff.

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

(C) Indicates Change

RATE LGSS - LARGE GENERAL SALES SERVICE (Continued)

SPECIAL PROVISIONS

1. The term of service shall be for a one (1) year period beginning November 1 of each year. Service hereunder shall be automatically renewed each year unless notice to discontinue service is given by the customer not less than sixty (60) days prior to November 1. Service commencing hereunder subsequent to November 1 of any year shall be for the remainder of the twelve-month period ended October 31 and then placed on an annual basis.

2. New customers, customers transferring to or from this rate schedule shall be permitted to take service under this Rate Schedule only if: (1) the Company can obtain any increase in its pipeline capacity with Columbia Gas Transmission Corporation under the FTS rate schedule or any successor rate schedule that is required to accommodate such transfer; or (2) the Company, in its sole judgment, concludes that no increase in the Company's pipeline capacity under Columbia Gas Transmission Corporation's FTS rate schedule or any successor rate schedule is required. The Company shall establish the date any transfer is to be effective.

3. Energy usage eligibility for this rate schedule shall be determined annually. In the event Customer's annual purchases are less then 64,380 thms, the customer shall be transferred to Rate SGSS. (C)

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE LDS - LARGE DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer meeting all of the following conditions:

1. The Customer's annual throughput requirements, as determined under the Customer Charge provisions below, 536,500 thms or greater. (C)

2. The Customer does not take service under any other rate schedule except Rate SS - Standby Service.

A customer who is served by the Company under more than one account at a single contiguous location may aggregate total throughput requirements under all such accounts for purposes of meeting the 536,500 thm annual throughput requirement. Service is available when such customer(s) acquires its own gas and executes a contract with the Company for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract. (C)

Service under this rate schedule shall not be available to a single customer who is a Priority One Customer, as defined in the Service Limitations section of this tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility no covered by installed operable alternative fuel capability. (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

A Large Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company,

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

RATE LDS - LARGE DISTRIBUTION SERVICE (Continued)

RATE

The customers under this rate schedule shall be subject to a monthly customer charge, and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

The Customer Charge will be determined based upon the Customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ended October 31. If a Customer does not have sufficient consumption history to determine its customer charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the Customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the Customer's estimate where necessary. A customer's customer charge will remain constant annually, subject to change January 1 of each year. (C)

In all cases, the Company reserves the right to review the customer charge and, upon receipt of satisfactory proof, to adjust the customer charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

The applicable distribution charge for all distribution quantities shall be determined based upon the Customer Charge group in which the Customer is placed, as established annually above. (C)

The distribution rates may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

(C) Indicates Change

RATE LDS - LARGE DISTRIBUTION SERVICE (Continued)

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the sum of (a) the Customer Charge; plus (b) purchased gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the Customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

ELECTIVE BALANCING SERVICES RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this tariff.

APPLICABLE SALES SERVICE RATE

Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service plus the non-gas portion of distribution rates contained in the first block of Rate SGS - Small General Service.

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service of this tariff. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

The Company shall give the customer 2 hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to the charges set forth in the Rules Applicable to Distribution Service. Payment of such penalty charge shall be in addition to the charges specified herein.

(C) Indicates Change

RATE LDS - LARGE DISTRIBUTION SERVICE (Continued)

TERMS OF PAYMENT

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS APPLICABLE TO ALL LDS CUSTOMERS

1. Customers desiring to transfer to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, transportation capacity and storage capacity or any combination thereof that is required to accommodate such transfer; or (2) the Company, in its sole judgment concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.

2. In the event customer's throughput requirements, as determined annually under the Customer Charge provisions above, are less than 536,500 thms, the customer shall be transferred to Rate SDS - Small Distribution Service, effective immediately succeeding January 1. (C)

3. Customers that request to be transferred to this rate schedule prior to the end of the Customer's existing contract under another rate schedule shall be required to contract for Maximum Daily Firm Requirement under Rate SS at the level of the Customer's Maximum Daily Firm Requirement, if any, under such existing contract.

4. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

RATE MLSS – MAIN LINE SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available at one location, for the total requirements of a commercial or industrial customer when: (i) the customer does not take service under any other rate schedule; and (ii) the Customer meets either one of the following qualifications:

(a) the Customer has annual throughput requirements of not less than 268,250 thms and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLSS Customer"); or (C)

(b) the Customer has annual throughput requirements of not less than 2,146,000 thms and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLSS Customer"). (C)

Customers who take service under this rate schedule are entitled to firm retail gas service from the Company.

RATE

Customers being served with this rate schedule shall be subject to a monthly customer charge, a natural gas supply charge and distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

The applicable commodity charge for all distribution quantities for MLSS Class II customers shall be determined based upon the Customer Charge group in which the Customer is placed, as established annually. (C)

The distribution rates may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

(C) Indicates Change

RATE MLSS – MAIN LINE SALES SERVICE (Continued)

DETERMINATION OF MONTHLY CUSTOMER CHARGE

The customer charge will be determined based upon the customer's actual throughput quantities, including sales and distribution if the customer previously contracted for distribution service, measured in therms (thms), for the most recent twelve-month period ended October 31. If a customer does not have sufficient consumption history to determine its customer charge based on twelve months, the Customer Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, upon which to develop the Customer Charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's customer charge will remain constant annually, subject to change January 1 of each year. (C)

In all cases, the Company reserves the right to review the customer charge and, upon receipt of satisfactory proof, to adjust the customer charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the Customer Charge. In the event of curtailment in the delivery of gas by the Company or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

(C) Indicates Change

RATE MLSS – MAIN LINE SALES SERVICE (Continued)

PURCHASED GAS COST RIDER

The distribution and natural gas supply charges in this rate schedule include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this tariff.

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS APPLICABLE TO ALL MLSS CUSTOMERS

1. Customers desiring to transfer to or from this rate schedule must notify the Company in writing. Transfers to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, pipeline capacity and storage capacity, or any combination thereof that is required to accommodate such change; or (2) the Company, in its sole judgment, concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.

2. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter and such installation shall be at the expense of the customer, excluding the cost of the meter plus all costs associated with dedicated telephone lines and telemetering equipment. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

3. Energy usage eligibility for this rate schedule shall be determined annually. In the event Customer's annual purchases are less than 268,250 thms, the customer shall be transferred to either Rate LGSS or Rate SGSS effective the immediately succeeding January 1. (C)

4. New customers and customers transferring to or from this Rate Schedule shall be permitted to take service under this Rate Schedule only if: (1) the Company can obtain any increase in its pipeline capacity with Columbia Gas Transmission Corporation under the FTS rate schedule or any successor rate schedule that is required to accommodate such transfer; or (2) the Company, in its sole judgment, concludes that no increase in the Company's pipeline capacity under Columbia Gas Transmission Corporation's FTS rate schedule or any successor rate schedule is required. The Company shall establish the date any transfer is to be effective.

(C) Indicates Change

RATE MLSS - MAIN LINE SALES SERVICE (Continued)

SPECIAL PROVISION APPLICABLE TO CLASS I MLSS CUSTOMERS (C)

In the event a Class I MLSS customer desires to obtain firm transportation capacity on the interstate pipeline system of Columbia Gas Transmission Corporation, as to which supplier the Company may exercise an option to convert daily firm wholesale entitlement to daily firm transportation capacity entitlement under Federal Energy Regulatory Commission (FERC) approved rate schedules pursuant to Order 500 and successor orders of that Agency, the Company may assign daily firm transportation capacity entitlement to a Class I MLS customer under the following conditions:

(a) If, in the exercise of its informed business judgment, the Company determines that it can exercise its conversion option under FERC Order 500 and/or assign such increased transportation capacity without impairing its ability to meet its public service obligation to all customers and its ability to pursue a least cost acquisition policy to obtain system supplies. The Company reserves the right to limit any such conversion and/or assignment as necessary to maintain its ability in this regard;

(b) The Class I MLSS customer agrees to maintain the customer's existing contractual Maximum Daily Firm Requirement under Rate SS - Standby Service (if any) during the term of the assignment;

(c) The Class I MLSS customer signs an agreement committing to pay for the firm transportation demand charges constituting the Company as its agent to purchase gas to be redelivered to the Class I MLSS customer after firm transportation service has been provided using the assigned capacity;

(d) The term of this assignment shall be coextensive with the term of the agency agreement, subject to renewal with express approval of the Public Utility Commission;

(e) This provision shall be operative only so long as Columbia continues to have the option to convert daily firm wholesale entitlement to daily firm transportation capacity requirements under FERC Order 500 or any successor thereto. (C)

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

RATE MLDS – MAIN LINE DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available at one location, for the total requirements of a commercial or industrial customer when the Customer meets either one of the following qualifications:

(a) the Customer has annual throughput requirements of not less than 268,250 thms and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLDS Customer"); or (C)

(b) the Customer has annual throughput requirements of not less than 2,146,000 thms and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLDS Customer") (C)

and meets all of the following conditions:

(a) Customer does not take service under any other rate schedule except Rate SS – Standby Service

(b) Customer acquires its own gas and executes an application and agreement with the Company, as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

Service under this rate schedule shall not be available to a single customer who is a Priority One Customer, as defined in the Service Limitations section of this tariff, unless such customer also contracts for firm service under Rate SS – Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability. (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

A Main Line Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company,

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

RATE MLDS – MAIN LINE DISTRIBUTION SERVICE (Continued)

RATE

The customers under this rate schedule shall be subject to a monthly customer charge, and a distribution charge.

The rate information is detailed in the Rate Summary pages of this tariff.

The applicable distribution charge for all distribution quantities for MLDS Class II customers shall be determined based upon the Customer Charge group in which the Customer is placed, as established annually. (C)

The distribution rates may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

ELECTIVE BALANCING SERVICES RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this tariff.

DETERMINATION OF MONTHLY CUSTOMER CHARGE

The customer charge will be determined based upon the customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ended October 31. If a customer does not have sufficient consumption history to determine its customer charge based on twelve months, the customer charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the customer charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's customer charge will remain constant annually, subject to change January 1 of each year. (C)

In all cases, the Company reserves the right to review the customer charge and, upon receipt of satisfactory proof, to adjust the customer charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the sum of (a) the Customer Charge; plus (b) purchased gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the Customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the Customer Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

(C) Indicates Change

RATE MLDS – MAIN LINE DISTRIBUTION SERVICE (Continued)

APPLICABLE SALES SERVICE RATE

Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service, plus the non-gas portion of distribution charges contained in the first block of Rate SGDS – Small General Distribution Service.

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

The Company shall give the customer 2 hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to the charges set forth in the Rules Applicable to Distribution Service. Payment of such penalty charge shall be in addition to the charges specified above.

TERMS OF PAYMENT

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS APPLICABLE TO ALL MLDS CUSTOMERS

1. Within sixty (60) days of receipt of all necessary information requested by the Company, to evaluate a customer's application, the Company will respond to the application and agree either to supply service or to deny service on the grounds of insufficient capacity. If the Company refuses to provide distribution service under this rate schedule, the Company shall provide detailed support for its decision.
2. Customers desiring to transfer to or from this rate schedule must notify the Company in writing. Transfers to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, transportation capacity and storage capacity, or any combination thereof that is required to accommodate such change; or (2) the Company, in its sole judgment, concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.

RATE MLDS - MAIN LINE DISTRIBUTION SERVICE (Continued)

SPECIAL PROVISIONS APPLICABLE TO ALL MLDS CUSTOMERS – Continued

3. Customers that request to be transferred to this rate schedule prior to the end of the Customer's existing contract under another rate schedule shall be required to contract for Maximum Daily Firm Requirement under Rate SS at the level of the Customer's Maximum Daily Firm Requirement, if any, under such existing contract.
4. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter and such installation shall be at the expense of the customer, excluding the cost of the meter plus all costs associated with dedicated telephone lines and telemetering equipment. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.
5. Energy usage eligibility for this rate schedule shall be determined annually. In the event Customer's annual throughput is less than 268,250 thms, the customer shall be transferred to either Rate LDS, Rate SDS or Rate SGDS effective the immediately succeeding January 1. (C)

SPECIAL PROVISION APPLICABLE TO CLASS I MLDS CUSTOMERS

In the event a Class I MLS customer desires to obtain firm transportation capacity on the interstate pipeline system of Columbia Gas Transmission Corporation, as to which supplier the Company may exercise an option to convert daily firm wholesale entitlement to daily firm transportation capacity entitlement under Federal Energy Regulatory Commission (FERC) approved rate schedules pursuant to Order 500 and successor orders of that Agency, the Company may assign daily firm transportation capacity entitlement to a Class I MLS customer under the following conditions:

(a) If, in the exercise of its informed business judgment, the Company determines that it can exercise its conversion option under FERC Order 500 and/or assign such increased transportation capacity without impairing its ability to meet its public service obligation to all customers and its ability to pursue a least cost acquisition policy to obtain system supplies. The Company reserves the right to limit any such conversion and/or assignment as necessary to maintain its ability in this regard;
(b) The Class I MLS customer agrees to maintain the customer's existing contractual Maximum Daily Firm Requirement under Rate SS - Standby Service (if any) during the term of the assignment;
(c) The Class I MLS customer signs an agreement committing to pay for the firm transportation demand charges constituting the Company as its agent to purchase gas to be redelivered to the Class I MLS customer after firm transportation service has been provided using the assigned capacity;
(d) The term of this assignment shall be coextensive with the term of the agency agreement, subject to renewal with express approval of the Public Utility Commission;
(e) This provision shall be operative only so long as Columbia continues to have the option to convert daily firm wholesale entitlement to daily firm transportation capacity requirements under FERC Order 500 or any successor thereto.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

RATE NCS--NEGOTIATED CONTRACT SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer, at the Company's discretion, who meets the following qualifications:

(a) The customer is not presently served by the Company and has projected throughput requirements of not less than 21,460 thms annually, or is a current customer; and (C)

(b) The customer gives the Company satisfactory proof that, absent service under this rate schedule, the customer's facilities or operations would not be constructed in the Company's operating territory, or that, absent service under this rate schedule, customer would install long-term alternate fuel facilities.

Service under this rate schedule shall not be available to a single customer who is a Priority 1 Customer, as defined in the Service Limitations section of this tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability. (C)

CHARACTER OF SERVICE

Any qualified customer taking service under this rate schedule shall do so by agreement. This rate schedule shall provide a long-term negotiated contract with the customer, to the extent qualified by the Special Provisions of this tariff.

A Negotiated Contract Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company,

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

RATE NCS--NEGOTIATED CONTRACT SERVICE (Continued)

DISTRIBUTION RATE

The distribution rate per thm shall be: (C)

(a) The amount for recovery of non-gas costs, which shall be determined by negotiation between the Company and the customer.

(b) Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this tariff.

The non-gas portion of these distribution rates is subject to an escalation clause, as set forth in the customer's contract.

MINIMUM CHARGE

Customers served hereunder shall be subject to a minimum charge. Such charge will be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

TERMS OF PAYMENT

The above rate is net. Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract. Bills for gas sales service and distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the unpaid portion of such bill from the due date to the date of payment.

SPECIAL PROVISIONS

1. Customers shall not be permitted to combine usage with other customers in order to meet the eligibility provisions of this Tariff.

2. The customer shall be responsible to reimburse the Company as billed for any penalty or deficiency charge, however denominated by the Company's interstate pipeline suppliers, incurred by the Company as a result of excessive daily, seasonal or annual takes by the customer.

3. The Company may require that an existing customer agree to separate piping or sub-metering, or verification that additional load is the result of plant expansion.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE NSS - NEGOTIATED SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer, who meets the following requirements:

1. The Customer would not initiate service from the Company or would no longer take service from the Company, but for the availability of service under Rate NSS.

2. The Customer's annual throughput requirements exceed 21,460 thms. (c)

3. The Customer does not take service under any other rate schedule other than Rate SS - Standby Service, with the exception that the customer may receive distribution service under an applicable rate schedule if the customer elects the energy usage nomination option under the RATES section below. (c)

4. The Customer executes a contract for a minimum of one year for service under this Rate Schedule. The contract shall contain the rate or methodology for determining the rate, as well as any other terms and conditions of service.

5. The Customer has installed alternate fuel capability or nominates standby service sufficient to serve all essential Human Needs.

Service hereunder is available only:

(a) In instances where the Company's facilities and gas supply are adequate or can be made adequate economically to supply Customers' requirements; and

(b) In months where the Company posts capacity, or obtains additional capacity, as more fully described herein.

CHARACTER OF SERVICE

Service hereunder may be either firm service or interruptible service.

1. Interruptible Service. Under Interruptible service, the Company under this rate schedule takes no responsibility to obtain sufficient gas supplies or capacity to avoid interruption on a daily basis, and service is interruptible on any day when the Company gives notice to the customer. The Company shall give the customer two hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

(C) Indicates Change

RATE NSS - NEGOTIATED SALES SERVICE (Continued)

CHARACTER OF SERVICE - Continued

2. Firm Service. Where the Company either has or can obtain firm capacity sufficient to meet the customer's firm requirements, the customer may elect firm service. The customer may elect the degree of firm service desired, both with respect to quantities and number of days of interruption. The Company will provide firm NSS service only if: (a) the Company acquires additional capacity specifically to serve the NSS customer on days when service otherwise would be interrupted, or (b) the customer elects Standby Service under Rate SS. Firm Service, other than under Rate SS, shall not be available if the Customer was served by the company under another firm sales service rate schedule during the immediately preceding 12 months, unless the customer demonstrates, to the Company's satisfaction, that the customer otherwise would no longer take firm sales service from the Company (C)

RATES

A. CUSTOMER CHARGE

Customers hereunder shall pay a customer charge. The charge will be negotiated for each customer served under this rate schedule, and will be no less than the equivalent customer charge under the otherwise applicable Transportation rate schedule and the amount shall be included in the customer's service contract.

B. DISTRIBUTION AND COMMODITY CHARGES

The Customer shall elect one of the following rate options at the time it executes a contract for service under this rate schedule.

1. Energy Usage Nomination Option - Customers electing the energy usage nomination option shall pay a negotiated rate per thm, which shall be no less than the sum of the following: (C)

a. the applicable cost of gas, as determined below; plus

b. an E-Factor charge or credit, if applicable, plus

c. a negotiated margin, inclusive of amounts necessary to provide for capacity credits as provided for in this rate.

The applicable cost of gas under the energy usage nomination option shall be determined on a monthly basis and shall equal the cost of spot purchases delivered to the city gate and scheduled to commence on the first day of each month, including transportation and retainage; provided, however, that if such scheduled spot purchases are made for both firm sales customers and NSS sales customers, the lowest cost spot purchases shall be charged to firm sales customers. If NSS purchases under the energy usage nomination option are made in excess of the quantity nominated, then the applicable cost of gas for such excess shall be the gas cost computed in accordance with the provision of the Rules Applicable to Distribution Service. If NSS nominations exceed scheduled quantities of spot purchases, the applicable cost of gas for such excess shall be determined in accordance with the No Nomination Option Provision. The applicable cost of gas shall be excluded from the Purchased Gas Cost Rider. (C)

(C) Indicates Change

RATE NSS - NEGOTIATED SALES SERVICE (Continued)

RATES - Continued

Customers receiving service under the energy usage nomination option shall be required to nominate quantities to be received under NSS service not less than 5 business days before each calendar month; provided, however, that, by mutual agreement between the Company and the customer, the nomination date may be set at an earlier date. The customer will be permitted to increase the nomination during the month on 24 hours notice; the customer must agree to pay the commodity cost of additional purchased gas made to accommodate the increased nominations. (C)

2. No Nomination Option - Customers electing the no nomination option shall pay a negotiated rate per thm, which shall be no less than the sum of the following: (C)

    a. the applicable cost of gas, as determined below, plus

    b. an E-Factor charge or credit, if applicable, plus

    c. a negotiated margin, inclusive of amounts necessary to provide for Purchased Gas Cost credits as provided for in this rate.

    The applicable cost of gas under the No Nomination Option shall be determined on a monthly basis and shall equal the average city gate commodity cost of gas purchases (excluding gas withdrawn from storage) scheduled to commence on the first day of each month, including transportation and retainage. The applicable cost of gas shall be excluded from the Purchased Gas Cost Rider. (C)

3. Fixed Price Option - Customers electing the fixed price option shall, at the time of execution of their contract, nominate quantities to be taken during each billing month of the contract. The rate per thm per month shall be negotiated, but shall be no less than the sum of the following: (C)

    a. the settled fixed price for natural gas, under a fixed price contract entered into by the Company with a gas supplier, as determined below, including transportation and retainage; plus (C)

    b. an E-Factor charge or credit, if applicable, plus

    c. a negotiated margin, inclusive of amounts necessary to provide for applicable Purchased Gas Cost credits as provided for in this rate.

    Contemporaneous with the Customer's execution of a contract under the fixed price option, the Company will enter into a fixed price contract for natural gas with a gas supplier. The contract will provide for quantities equal to the quantities nominated for each month of the Customer's contract. In the event the Company executes, in the same month, multiple contracts having the same term as the contract term of the NSS sale, the higher cost gas supply will be assigned to the NSS customer. The settled fixed price for gas hereunder shall be excluded from the Purchased Gas Cost Rider. (C)

    Effective July 7, 1998, if a customer transfers to this rate from another sales rate schedule of the Company, to which the Purchased Gas Cost rider applies, then for a period of twelve months, the commodity rate shall be adjusted to include the amount per thm equal to the "E-Factor" included in the then-applicable Purchased Gas Commodity Cost rate. (C)

(C) Indicates Change

RATE NSS - NEGOTIATED SALES SERVICE (Continued)

CREDITS TO THE PURCHASED GAS COST RIDER

The Company shall credit as revenues for recovery of purchased gas costs, an amount equal to (1) the Rider EBS-Option 2 rates and (2) interstate pipeline capacity costs. The amount of the credit for interstate pipeline capacity costs shall be separately computed for each NSS contract and shall be equal to the greater of the following:

a. Actual sales multiplied by the average rate per thm of all final accepted bids for thirty day recallable capacity received by Columbia five days prior to the commencement of each month of the contract; or (C)

b. Actual sales multiplied by $.00465/thm in December, January and February; and $.00093/thm in all other months. (C)

For firm service not provided by Rate SS-Standby Service, the Company shall credit an additional amount for recovery of interstate pipeline capacity costs. The amount of the credit shall be separately computed for each firm NSS contract and shall be equal to the actual capacity costs incurred to acquire additional capacity, which was obtained, on either a short-term or long-term basis, in order to provide firm service to the customer on days when service otherwise would be interrupted.

For firm service provided by Rate SS-Standby Service, the credit for recovery of interstate pipeline capacity costs shall be computed in accordance with Rate SS.

SPECIAL PROVISIONS

1. The distribution non-gas margin component of sales under this rate schedule shall be no less than the otherwise-applicable distribution rate offered by Columbia to the customer.

2. Subject to the minimum pricing provisions set forth herein, the price and length of term for service under this rate schedule shall be established through negotiations between the Company and the customer. Provided, however, that no contract shall be entered into hereunder without the Company first posting, on Columbia Gas Transmission Corporation's Electronic Bulletin Board, thirty day recallable capacity.

3. If in any billing month the actual usage by the NSS customer is less than nominated quantities, the nominated quantities must be paid for by the customer and the quantity not taken will be subject to the provisions of Rider EBS. (C)

4. The Company shall schedule gas purchases sufficient to meet quantities nominated under this rate schedule each month. (C)

5. On any day when a Customer electing interruptible service under this rate schedule has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute consumption in excess of deliveries and shall be subject to provisions of the Consumption in Excess of Deliveries section in Paragraph 3 of the RADS. Payment of the charges specified in the above mentioned paragraph shall be in addition to the charges specified in this rate schedule.

(C) Indicates Change

RATE NSS - NEGOTIATED SALES SERVICE (Continued)

SPECIAL PROVISIONS - Continued

6. The Company shall require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with any necessary dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The meter and associated telemetering equipment shall be the property of the Company.

7. The Company agrees to retain the actual posted Electronic Bulletin Board notices utilized to determine the aforementioned capacity credit and agrees to provide a summary of the terms of release and prices paid for such release in its annual Section 1307(f) filing.

8. The Company shall include, with its annual Section 1307(f) filing, an identification of the cost of gas acquired to provide service to customers under this rate schedule.

9. The Company agrees to provide a report with its annual Section 1307(f) filing detailing the bases for any service provided under this rate schedule to customers with annual throughput requirements below 64,380 thms. (C)

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

TERMS OF PAYMENT

The above rates are net. Bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the Customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

RULES AND REGULATIONS

Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE SDSS - SUPPLIER DEFAULT SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer with annual throughput requirements of 6,438 thms or greater, and whose natural gas supplier has defaulted according to the provisions of section 2.13 of the Rules Applicable to Distribution Service section of this tariff, and who at the time of the default was receiving General Distribution Service under Rate SGS – Small General Service, Rate SDS – Small Distribution Service, Rate LDS – Large Distribution Service, Rate MLS – Main Line Distribution Service, Rate CDS – Cogeneration Distribution Service or Rate GDS – Generation Distribution Service. (C)

The Company may place Customers meeting the availability requirements on Rate SDSS automatically upon the first billing cycle following the default of the customer's natural gas supplier, unless the Customer notifies the Company that it does not desire to be served under Rate SDSS.

CHARACTER OF SERVICE

The Company shall provide interruptible Natural Gas Supply Service ("Sales" service) to customers taking Rate SDSS on a best efforts basis and customers served under Rate SDSS shall be considered Sales customers for purposes of administering provisions of the Company's tariff. Nevertheless, the Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption on a daily basis, and service hereunder is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

RATE

Customers served under Rate SDSS shall pay all applicable customer, administrative, distribution, minimum, and State Tax Adjustment Surcharge under their former General Distribution Service rate schedule, and charges under all applicable riders. Each customer served under Rate SDSS shall remain subject to the charges under the Service Option previously chosen under Rider EBS. Customers served under Rate SDSS shall not pay any charges under the Rules Applicable to Distribution Service section of the Tariff ("RADS"), nor shall they pay the Applicable Sales Service Rate contained in their former General Distribution Service rate schedule. Instead, Customers served under Rate SDSS shall pay a commodity charge which shall be the product of multiplying the rate per thm, determined as provided below, by the quantity of gas sold to the customer by the Company during the applicable billing month. (C)

Determination of Commodity Rate:

A charge for commodity gas costs shall be determined by selecting the greater of: (1) the average of the highest "City Gate" price for deliveries for ten (10) consecutive days during the calendar month as published in Platts Gas Daily "Daily price survey" under the heading "Texas Eastern, M-3", or (2) the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any, excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month. The commodity gas cost shall be increased by a premium of 5% in order to determine the final applicable Commodity Rate.

(C) Indicates Change

RATE SDSS - SUPPLIER DEFAULT SALES SERVICE

CHARGE FOR UNAUTHORIZED TAKES AFTER NOTICE TO INTERRUPT

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available on that day shall constitute unauthorized takes and shall be subject to a penalty charge of $2.79590 per thm. Payment of such penalty charge shall be in addition to the charges specified in this rate schedule. (C)

TERMS OF PAYMENT

The above rates are net. Bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 ¼%) per month will accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS APPLICABLE TO ALL SDSS CUSTOMERS

1. In the event customer's throughput requirements, as determined annually under the customer charge provisions of this rate, fall below 6,438 thms, the customer shall be transferred to Rate SGS – Small General Service Sales Service, effective the immediately succeeding January 1. (C)

2. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

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FOR FUTURE USE

RATE CDS - COGENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any customer who qualifies as a cogenerator under Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA). Customer must demonstrate to the Company's satisfaction that qualifying cogeneration gas burning equipment will be installed and only gas used for cogeneration will be billed at the rate negotiated under this rate schedule. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract. Separate metering and piping to qualifying end use equipment will be required.

Service under this rate schedule shall not be available to a customer who is a Priority 1 Customer, and is using gas to generate electricity for Essential Human Needs Use, (as defined in the Service Limitations of this tariff), unless the customer either purchases Standby Service or has an alternate fuel available to generate electricity to cover the electricity peak day requirement. (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to deliver such natural gas. The Company may require 24-hour notice from customer of their desire to operate on any day and the Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

A Cogeneration Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company,

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

RATE

The rate charged qualifying customers in each billing month (shall be an amount for recovery of non-gas costs and Rider EBS costs, which shall be determined by negotiation between the customer and the Company. Such rate, which may be subject to an escalation clause, will be included in the customer's service agreement.

(C) Indicates Change

RATE CDS - COGENERATION DISTRIBUTION SERVICE (Continued)

MINIMUM CHARGE

Customers served hereunder shall be subject to a minimum charge. Such charge will be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The minimum charge will include the actual additional costs to the Company, if applicable, to connect a cogeneration customer. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

TERMS OF PAYMENT

The above rate is net. Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS

If a potential customer and the Company cannot agree to terms under this rate schedule, the customer may apply to be classified as a customer under any other rate schedule for which the customer would be eligible.

The Company may retain a reasonable allowance of the total quantity of gas distributed into its system for the customer's account for gas which is lost or unaccounted for in its operations. This allowance will be determined on the basis of an estimate of the lost and unaccounted to be experienced on the specific lines used to serve the customer. (C)

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

RATE GDS - GENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY (C)

Available to any customer who uses gas to generate electricity for sale, either wholesale or retail; provided that such sale of electricity is subject to the regulatory jurisdiction of either the Pennsylvania Public Utility Commission or the Federal Energy Regulatory Commission. Service under this rate schedule is only available for gas distributed to serve generation requirements. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to distribute such natural gas. The Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

A Generation Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company, (C)

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

RATE (C)

The rate charged qualifying customers in each billing month shall be an amount for recovery of non-gas costs and Rider EBS costs, which shall be determined by negotiation between the customer and the Company. Such rate, which may be subject to an escalation clause, will be included in the customer's service agreement..

MINIMUM CHARGE

Customers served hereunder shall be subject to a minimum charge. Such charge will be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The minimum charge will include the actual additional costs to the Company, if applicable, to connect a generation customer. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules. (C)

(C) Indicates Change

RATE GDS - GENERATION DISTRIBUTION SERVICE (Continued)

TERMS OF PAYMENT

The above rate is net. Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS

If a potential customer and the Company cannot agree to terms under this rate schedule, the customer may apply to be classified as a customer under any other rate schedule for which the customer would be eligible.

The Company may retain a reasonable allowance of the total quantity of gas distributed into its system for the customer's account for gas which is lost or unaccounted for in its operations. This allowance will be determined on the basis of an estimate of the lost and unaccounted for to be experienced on the specific lines used to serve the customer. (C)

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

RATE NGV - NATURAL GAS VEHICLE SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any Customer for use of natural gas directly in a natural gas vehicle ("NGV"). The following shall qualify as a customer for purposes of this rate schedule:

1. The operator of a public fueling station.

2. The owner/operator of a natural gas vehicle or fleet of vehicles, who receives service at separately metered fueling facilities owned by the vehicle owner/operator for the exclusive use of the customer's vehicle(s).

The Customer will install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the Customer, excluding the cost of the meter.

CHARACTER OF SERVICE

Except as provided herein, a customer under this Rate Schedule may elect either Firm Sales Service, Interruptible Sales Service or Distribution Service.

Where the customer is the owner/operator of a dedicated natural gas vehicle or dedicated fleet of vehicles used to provide public transportation or otherwise used to provide essential public services, the customer must either:

1. Elect firm sales service; or

2. Provide adequate proof of firm pipeline capacity and firm gas supply obtained by the customer, or contract for Standby Service, to be eligible for distribution service during the term of service under this rate schedule.

Under Interruptible Sales Service, the Company takes no responsibility to obtain sufficient gas supplies to avoid interruption on a daily basis, and service is interruptible on any day when the Company has insufficient supply or capacity to provide service. Where feasible, the Company shall give the Customer two hours advance notice of interruption. The Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the Customer by reason of any interruption of service.

Distribution Service hereunder shall be subject to the Rules Applicable to Distribution Service of this tariff.

(C) Indicates Change

RATE NGV - NATURAL GAS VEHICLE SERVICE (Continued)

RATES

Sales or Distribution service to an operator of a public fueling station, or to an owner/operator of a natural gas vehicle taking service at separately metered fueling facilities owned by the customer, shall be made pursuant to a contract for service under this rate schedule. The contract shall be for no less than a one-year period. The contract may provide for a negotiated customer charge and either a fixed commodity charge or a methodology for determining the commodity charge. The commodity charge shall take into account whether service is a firm sale, interruptible sale or distribution.

CREDITS FOR RECOVERY OF PURCHASED GAS COSTS

Where service hereunder is provided as a sale, the Company shall credit to the Purchased Gas Cost Rider amounts for recovery of purchased gas costs, dependent upon whether sales are firm or interruptible. The amount of the credit shall be as set forth in the Purchased Gas Cost Rider.

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

TERMS OF PAYMENT

The above rates are net. Where service is pursuant to contract, bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the Customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 ¼%) per month shall accrue on the portion of the bill that is unpaid on the due date.

Bills for gas sold at a filing station operated by the Company shall be paid at the time of delivery.

RIDER EBS

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this tariff.

APPLICABLE SALES SERVICE RATE

Distribution Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs set forth in the Rules Applicable to Distribution Service, plus the non-gas portion of distribution rates contained in the first block of Rate SGS - Small General Service.

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the *Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service.* The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

(C) Indicates Change

RATE NGV - NATURAL GAS VEHICLE SERVICE (Continued)

PENALTY FOR FAILURE TO INTERRUPT

On any day when the Customer has been given notice by the Company to interrupt either interruptible sales service or distribution service, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to a charges set forth in the Rules Applicable to Distribution Service. Payment of such penalty charge shall be in addition to the charges specified herein.

SPECIAL PROVISIONS

1. Where the customer is the operator of a public fueling station, the customer shall obtain all permits, licenses and other governmental approvals necessary to operate a public fueling station, and shall agree to be liable for all taxes levied as a result of sales to the public.

RULES AND REGULATIONS

Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this Rate Schedule, shall govern, where applicable, the supply of sales service under this Rate Schedule.

(C) Indicates Change

RATE PS - PROPANE SERVICE

APPLICABILITY

Available for service throughout the territory served under this Tariff.

AVAILABILITY

The Company may from time to time, at its sole option, provide propane service to new customers requesting natural gas service in the Company's service territory where the extension of natural gas facilities is temporarily uneconomic but is anticipated to be economic within a five (5) year period, and absent this rate schedule, the customer would not request service from the Company.

RATE

Customer Charge

The customers hereunder shall pay a customer charge equivalent to the customer charge under the otherwise applicable sales rate schedule.

Distribution and Commodity Charge:

For a period not to exceed five years, or upon conversion to natural gas service (whichever is less) the distribution and commodity charge shall be equal to the current distribution and commodity charge, including the Purchased Gas Cost Rider set forth in this tariff, under the otherwise applicable sales rate schedule. If the extension of natural gas facilities has not been completed within a five year period, beginning in year six, the distribution and commodity charge shall be equal to the sum of: (1) the current distribution charge under the applicable sales rate schedule, excluding the purchased gas cost component; plus (2) the current cost of propane supplied to the customer. The above distribution charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

PURCHASED GAS COST RIDER

The above distribution and commodity charge includes recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this tariff except as otherwise stated in the Distribution and Commodity Charge section of this tariff.

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

CUSTOMER CHOICE RIDER (C)

The distribution charge is subject to a Customer Choice Rider charge pursuant to Rider CC.

TERMINATION

Service under this Schedule may be terminated at any time upon not less than sixty (60) days written notice from the Company to the customer, and shall terminate automatically upon the conversion of the customer to natural gas service.

(C) Indicates Change

RATE PS - PROPANE SERVICE (Continued)

TERMS OF PAYMENT

The above rates are net. Bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than twenty (20) days after presentation.

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 ¼%) per month will accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS

1. Any costs to convert a Customer's appliance to/from propane service will be paid by the customer.
2. If propane service is to be provided to an existing or planned real estate subdivision, an economic analysis may be prepared with respect to facilities to be installed to serve the subdivision pursuant to section 8.2.

(C) Indicates Change

Supplement No. 181 to
Tariff Gas – Pa. P.U.C. No. 9
Eighth Revised Page No. 134
Columbia Gas of Pennsylvania, Inc. Canceling Seventh Revised Page No. 134

RATE SS – STANDBY SERVICE

AVAILABILITY

Available to any qualified customer receiving General Distribution Service or Negotiated Sales Service who executes a contract with the Company for service under this rate schedule for a period of not less than one (1) year for Standby Service.

PURPOSE

This rate schedule is designed to provide the maximum unbundling of supply options to customers for which this rate schedule is available. The customer will elect Maximum Daily Firm Requirement which best meets the degree of system supply risk which the customer is willing to assume.

NOMINATION OF MAXIMUM DAILY FIRM REQUIREMENT

The Maximum Daily Firm Requirement shall be the maximum daily quantity of gas that the customer proposes to reserve for purchase from the Company. The Maximum Daily Firm Requirement shall be the quantity of gas nominated by the customer in the customer's contract. The Company retains the right to refuse the requested nomination if the Company determines, in its sole discretion, that it does not have adequate gas supplies or distribution capacity to provide the service over the life of the contract. (C)

In the event the customer desires to increase or decrease the then effective Maximum Daily Firm Requirement, during or at the end of the contract term, it shall, on or before April 1 of any year, notify the Company by letter as to the total amount of such increase or decrease. The Company shall notify the customer by letter as to whether the Company will grant the requested increase or decrease within thirty days of notification that it has received any required change in its daily demand from its supplier. Requests not granted in writing by November 1 shall be deemed denied. No increase or decrease will be granted unless: (1) the Company can obtain a corresponding increase or decrease in its gas supplies, transportation capacity and storage capacity, or any combination thereof; or (2) the Company concludes, in its sole judgment, that the Company can accommodate the requested change without changes in the Company's gas supplies, transportation capacity or storage capacity. Any decrease or increase in the Customer's Maximum Daily Firm Requirement authorized by the Company shall become effective November 1 following April 1 of the year in which notification of the request for change is timely received.

RATES

Maximum Daily Firm Requirement - The rate per thm of Maximum Daily Firm Requirement shall be computed as follows: (C)

The total estimated demand charges to be paid by the Company for the projected period that is the basis for the computation of the projected cost of purchased gas included in base rates under the Purchased Gas Cost Rider of this Tariff, shall be divided by, the total firm entitlement of the Company, expressed in thm, for the projected period that is the basis for the computation of the projected cost of purchased gas included in base rates under the Purchased Gas Cost Rider of this Tariff. (C)

Each time there is a change in the provision for recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this Tariff, a re-computation shall be made of the rate per thm of Maximum Daily Firm Requirement. (C)

(C) Indicates Change

RATE SS - STANDBY SERVICE (Continued)

COMMODITY RATE FOR PURCHASES

Quantities of gas purchased from the Company shall be charged an amount for recovery of purchased gas costs set forth in the Rules Applicable to Distribution Service plus the non-gas portion of commodity rates set forth in Rate SGSS. (C)

CHARGE FOR UNAUTHORIZED TAKES

On any day when the Customer has been given notice by the Company to interrupt, pursuant to provisions contained in the Customer's Primary Rate Schedule, any quantity of gas taken in excess of the Customer's Maximum Daily Firm Requirement for that day shall constitute unauthorized takes and shall be subject to the charges set forth under the Rules Applicable to Distribution Service.

STATE TAX ADJUSTMENT SURCHARGE

The commodity charges are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

TERM OF CONTRACT

Contracts for service hereunder shall be for not less than a one (1) year period. Contracts shall be automatically renewed at the end of the initial term for a one year period unless written notice to terminate is given by the Company or the customer not later than sixty days prior to expiration of the contract.

SPECIAL PROVISIONS

1. The Maximum Daily Firm Requirement of the customer will be contracted for by the Company from its supplier and no curtailments or interruptions of this gas are planned. However, in the event of emergencies, shortages of gas or force majeure causes, the Company reserves the right to curtail the Maximum Daily Firm Requirement of customer, without incurring any liability for any loss or damage that may be sustained by the customer by reason of any such interruptions. The Company will, however, adjust the applicable monthly Maximum Daily Firm Requirement charge, on a pro rata basis, for any curtailment in such Maximum Daily Firm Requirement except for instances where such curtailment is the result of failure by supplier to deliver its contractual commitment to the Company because of a gas supply shortage. Such adjustment shall be made by crediting the customer's applicable monthly bill with an amount equal to the appropriate unit monthly Daily Purchased Gas Demand charge per thm divided by the number of days in the billing month times the quantity of gas represented by the difference between the Maximum Daily Firm Requirement and the quantity of gas actually delivered on those days during the billing month when deliveries were curtailed below the Customer's Maximum Daily Firm Requirement. (C)

2. The Company reserves the right to require any customer requesting service under this rate schedule to install, as a condition of service under this Rate Schedule, a daily demand reading meter and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

(C) Indicates Change

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FOR FUTURE USE

RATE DGDS - DISTRIBUTED GENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the distribution requirements of any commercial or industrial customer using distributed generation equipment such as reciprocating engines, gas turbines, microturbines, and fuel cells used for electrical power generation. Service is available when such customer executes a contract with the Company for a period mutually agreed to between the Company and the customer for distribution service in accordance with all terms and conditions of such contract. Provided, that the Company's facilities are adequate to provide the requested service.

Service under this rate schedule shall not be available to a single customer who is a Priority 1 Customer, as defined in the Service Limitations section of this tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability. (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to distribute such natural gas. The Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

A Distributed Generation Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company,

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

DISTRIBUTION RATE

The distribution rate per thm shall be: (C)

(a) The amount for recovery of non-gas costs and Rider EBS costs which shall be determined by negotiation between the Company and the customer.

The non-gas portion of these distribution rates may be subject to an escalation clause, as set forth in the customer's contract. If a potential customer and the Company cannot agree to terms under this rate schedule, the customer may apply to be classified as a customer under any other rate schedule for which the customer would be eligible.

(C) Indicates Change

RATE DGDS - DISTRIBUTED GENERATION DISTRIBUTION SERVICE (Continued)

MINIMUM CHARGE

Customers served hereunder may be subject to a minimum charge. Such charge will be negotiated individually for each customer served under this rate schedule and the amount shall be included in the customer's contract. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

TERMS OF PAYMENT

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract. Bills for gas distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the unpaid portion of such bill from the due date to the date of payment.

SPECIAL PROVISIONS

1. Service under this rate schedule shall be subject to the Rules Applicable to Distribution Service of this tariff.

2 The Company may require that an existing customer agree to separate piping or sub-metering.

3 The Company may retain a reasonable allowance of the total quantity of gas distributed into its system for the customer's account for gas which is lost or unaccounted for in its operations. This allowance will be determined on the basis of an estimate of the lost and unaccounted for to be experienced on the specific lines used to serve the customer. (C)

4 The Company shall not be obligated to incur additional costs for additional or upgraded facilities necessary to provide distribution service under this rate schedule unless the customer requesting service thereof agrees to pay the costs of additional or upgraded facilities prior to the installation of service.

5 The Customer agrees to permit access to their facilities by employees or agents of the Company at all reasonable times for the purpose of determining that the operation of installed generation equipment and facilities is in compliance with all terms and conditions for service required under this rate schedule.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas and Rules Applicable to Distribution Service of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE CAP – CUSTOMER ASSISTANCE PROGRAM (C)

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any residential customer at one location using natural gas as their main heating source and meeting the following requirements:

1. This rate will serve 100% of the total requirements.
2. The total household income is equal to or less than 150% of the Federal Poverty Level.
3. The customer does not take service under any other rate schedule.
4. The customer is either over sixty years old or is payment-troubled (i.e., has at least one failed payment agreement with the Company within the past 12 months, has received a termination notice from the Company within the past 12 months, has been verified as a current participant in another utility's CAP, or is unable to establish creditworthiness through the use of generally accepted credit scoring methodology).
5. The meter at the premise must serve only the customer's dwelling space.
6. The customer must agree with the terms specified in the Company's CAP Customer Agreement Form.

CAP CUSTOMER APPLICATION AND RESPONSIBILITIES

In order to gain acceptance in CAP and to maintain participation in CAP after acceptance into the Program, a customer must agree to, and comply with, the following:

1. Verify gross monthly income for all adult household members at time of application.
2. Reverify gross monthly household income annually. This requirement shall be waived in any year that the customer applies for, and receives, an Energy Assistance Grant that is posted to the Company.
3. Notify the Company's Universal Services representative of any changes in income, household size, or residence.
4. Make timely monthly CAP payments, including a $5.00 co-payment on arrears.
5. Apply for federal Low Income Heating Assistance Program (LIHEAP) benefits, and direct the payment of LIHEAP to the Company.
6. Apply for any free weatherization service, including the Company's Warm Choice Program, as well as local county weatherization programs if the customer meets eligibility requirements.
7. Release the Company from any liability associated with the customer's participation in CAP.

(C) Indicates Change

Rate CAP – CUSTOMER ASSISTANCE PROGRAM (Continued)

8. Agree not to use any non-essential gas appliance, such as a pool heater.

9. Allow the Company to purchase gas on the customer's behalf.

10. In the case of a CAP applicant who is currently without service, and who has a balance from a prior account, make an upfront payment in satisfaction of the prior balance up to, but no more than, $150.

MONTHLY PAYMENT OPTIONS

The most affordable payment option for the eligible CAP customer shall be selected from the Options below. The monthly payment will not be less than the average payment received from the customer in the previous twelve (12) months. A minimum payment amount of twenty-five dollars ($25.00) is required.

Option #1: Percentage of Income.
0 – 110% of Poverty = 7%
110 – 150% of Poverty = 9%

Option #2: Average of last 12 months of customer payments. (Available for customers with at least six months of uninterrupted service.)

Option #3: Flat rate of 50% of budget billing (adjusted annually)

Senior CAP Option: Flat rate of 75% of budget billing for all customers over 60 years of age with no arrears or payment plan default.

In addition to the monthly payment established under either Option #1, #2, #3, or Senior CAP Option, the CAP customer is required to pay a five-dollar ($5.00) co-payment towards pre-program arrears, as well as an additional amount calculated each year based on the previous year's LIHEAP grants applied to CAP accounts. (C)

A CAP customer's monthly payment shall not exceed the non-CAP budget payment applicable to the customer's account, exclusive of the $5.00 co-payment towards pre-program arrears. In the event that a CAP customer's monthly payment is determined to exceed the non-CAP budget payment applicable to the customer's account, the applicable information is reviewed to determine if the CAP payment should be lowered or if the customer should be removed from CAP.

SECURITY DEPOSITS

CAP customers will not be charged security deposits.

Any paid security deposits on accounts with an approved CAP application will be credited to the arrears prior to CAP enrollment.

Unpaid security deposits for customers entering into the CAP will be waived after income verification is complete.

(C) Indicates Change

RATE CAP – CUSTOMER ASSISTANCE PROGRAM – (Continued) (C)

REVERIFICATION

CAP Customers are required to reverify their income annually.

CAP customers 60 years and older who are also on Social Security or Disability Assistance are exempt from annual re-verification.

A customer who has been removed from CAP for failure to reverify will be re-entered into CAP immediately, once eligible proof of income is received.

DEFAULT PROVISIONS

Nonpayment of CAP During the Period April 1 through November 30

A CAP customer shall be considered to be in default after two-missed CAP payments, whether consecutive or not, and will be eligible for termination of service in compliance with the Termination of Service provisions of this tariff and all laws and regulations regarding termination of service. The termination notice will reflect all missed CAP payments.

In order to avoid termination of service, a CAP customer who has received a termination notice shall furnish a make-up payment as set forth in the termination notice prior to the scheduled termination date. The Company may, in its sole discretion, delay termination, but such delay shall not be deemed a waiver of the right to terminate service.

Nonpayment of CAP During the Period November 1 through March 31

During the period November 1 through March 31, a CAP customer will neither be removed from CAP nor receive a termination notice for failing to make monthly CAP payments.

Starting with the April 1st termination date, Columbia will issue termination notices to CAP customers who failed to pay CAP budget payments during the November to March period. The amount on the termination notice shall be for all missed CAP payments.

In order to avoid termination of service, a CAP customer who has received a termination notice shall furnish a make-up payment as set forth in the termination notice prior to the scheduled termination date. The Company may, in its sole discretion, delay termination, but such delay shall not be deemed a waiver of the right to terminate service.

Customers Requesting Removal

A customer requesting removal from CAP in writing shall be removed from CAP immediately upon the Company's receipt of such request. The customer may not reenter the CAP for one year after the time of requested removal.

(C) Indicates Change

RATE CAP – CUSTOMER ASSISTANCE PROGRAM – (Continued) (C)

Noncompliance with Weatherization Measures

The Company may, at its discretion, remove from CAP, or increase the monthly CAP payment for, a customer:

1. refusing a referral for weatherization services.
2. who has received weatherization services, but who has not reduced monthly consumption.

Failure to Reverify Income

The Company will issue a letter to the customer 30 days prior to the customer's CAP participation anniversary date, notifying the customer of the requirement to reverify household income in order to remain in CAP. The Company shall remove from CAP any customer failing to reverify household income within 30 days after the anniversary date and 60 days after the initial notification that reverification of income is required.

RE-INSTATEMENT PRODECURES

The Company will re-instate to CAP customers who have been removed from CAP as follows:

1. A CAP customer whose service has been terminated may be charged an up-front reconnection fee consistent with the Reconnection of Service section of this tariff during the months of April through October.

2. The customer must pay the entire balance of missed CAP payments including the five-dollar co-pay to the pre-program arrears.

3. Any payments made by the customer after removal are deducted from the amount needed for program re-entry.

4. The pre program arrearage will be the same at the time of reinstatement as at the time of default.

5. Any charges incurred after default, which are not paid by the customer, are treated as current bill shortfall.

6. This process also applies to CAP customers who move to a new service address with no interruption of service due to termination.

ARREARAGE RETIREMENT

Customers who are current on their CAP payment plan including co-pays will receive forgiveness of their pre-program arrears in equal monthly installments over three years.

(C) Indicates Change

RATE CAP – CUSTOMER ASSISTANCE PROGRAM – (Continued)

CAP AGGREGATION

A CAP customer is required to agree in writing to allow Columbia to act as an agent, on their behalf to contract for the purchase of gas supplies from a licensed natural gas supplier (NGS).

At least quarterly, the Company will solicit Commission licensed NGSs to provide the CAP gas supply service at a discount in relation to the Company's applicable Purchased Gas Cost rates.

PURCHASED GAS COST RIDER

The distribution charges include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this tariff.

In the event that no licensed NGS responds to a quarterly solicitation to provide CAP gas supply service, the Company will provide natural gas supply to the CAP, and the natural gas supply charges to be used to determine current bill shortfall will include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this tariff.

The PGCC and Capacity Assignment Credit (aka the Price-to-Compare) will be increased by 1.52% to reflect the unbundling of uncollectibles related to gas costs. (C)

TERMS OF PAYMENT

The CAP monthly payment must be paid by the due date.

Any customer found stealing gas will be charged separately from their CAP payment or billed separately for CAP prior to reconnection for the amount of the theft.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

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FOR FUTURE USE

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FOR FUTURE USE

RIDER USP – UNIVERSAL SERVICE PLAN

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

This Rider shall be applicable to all residential customers except customers in the Company's Customer Assistance Program ("CAP").

CHARACTER OF RATE

This Rider has been established to recover costs related to the Company's Universal Service and Conservation Programs.

RATE

In addition to the charges provided in this tariff, an amount shall be added to the otherwise applicable charge for each thm of sales quantities or distribution quantities distributed by the Company to customers receiving service under Rate Schedules RSS, RDS, RDGSS, RDGDS or successor rate schedules. (C)

The rate information is detailed in the Rate Summary pages of this tariff.

No charge shall be applicable to Customers enrolled in the Company's CAP.

CALCULATION OF RATE

The Rider USP rate shall be calculated to recover costs for the following programs: Low Income Usage Reduction Program (LIURP); Customer Assistance Program (CAP); and Income Qualified Energy Efficiency Program (IQEEP).

LIURP costs will be calculated based on the projected number of Level 1 income homes to be weatherized. IQEEP program costs will be calculated on the projected number of Level 2 income homes provided with an energy audit, programmable thermostat and/or rebates.

CAP costs will be calculated to include the projected CAP Shortfall (the difference between the total calculated RSS bill excluding Rider CC and Rider USP and the CAP bill) based upon the current discounts at normalized annual quantities of the then-current CAP participants, the projected CAP Shortfall for projected customer additions to CAP during the period that the CAP Rider rate will be in effect at the average discount of current CAP participants at normalized annual quantities, the projected CAP customer application costs, the projected CAP pre-program arrearages to be forgiven and written off during the next 12 months, any changes, including programming changes, resulting from the CAP Plus design, and any administrative costs associated with the CAP Pilot described in the settlement agreement in Docket No. R-2010-2215623. (C) (C)

If the Company is successful in obtaining a CAP gas supply aggregator as provided in Rate CAP-Customer Assistance Program, then the shortfall will be adjusted to reflect the RDS rate plus the gas costs resulting from the aggregation service.

The costs shall be divided by the total annual projected throughput quantities of all residential non-CAP customers as established in the Company's most recent Purchased Gas Cost proceeding to determine the rate per thm for this Rider. (C)

(C) Indicates Change

RIDER USP – UNIVERSAL SERVICE PLAN – Continued

QUARTERLY ADJUSTMENT

Each quarter, and at any time that the Company makes a change in base rates or Purchased Gas Cost rates affecting residential customers, the Company shall recalculate the Rider USP rate pursuant to the calculation described above to reflect the Company's current data for the components used in the USP rate calculation. The Company shall file the updated rate with the Commission to be effective one (1) day after filing.

ANNUAL RECONCILIATION

On or before April 1 each year, the Company shall file with the Commission data showing the reconciliation of actual revenues received under this Rider and actual recoverable costs incurred for the preceding twelve months ended December. The resulting over/undercollection (plus interest calculated at 6% annually) will be reflected in the CAP quarterly rate adjustment to be effective April 1. Actual recoverable costs shall reflect actual application costs, actual LIURP costs, and actual Income Qualified Energy Efficieny Program costs. . Actual recoverable costs shall also reflect actual shortfall costs and actual pre-program arrearages, provided that CAP participation on an average annual basis for the preceding year did not exceed 25,300 participants. In the event that CAP participation in the preceding year exceeded 25,300 on an average annual basis, actual recoverable costs shall reflect actual shortfall cost and actual pre-program arrearages for all customers up to the 25,300 participation level. For any and all CAP customers exceeding the 25,300 participation level on an average annual basis, Columbia shall offset the actual shortfall and actual pre-program arrearages by 7.5%. Except for the offset that is applied when CAP participation exceeds 25,300 on an average annual basis, actual CAP shortfall costs shall be based upon actual numbers of CAP customers, actual CAP throughput quantities, actual CAP payments received. (C

(C) Indicates Change

RIDER CC - CUSTOMER CHOICE

This Rider has been established to recover costs related to providing Customer Choice to Customers in Pennsylvania.

In addition to the charges provided in this tariff, an amount shall be added to the otherwise applicable charge for each thm of sales quantities or distribution quantities distributed by the Company to Customers receiving service under Rate Schedules RSS, RDS, RDGSS, RDGDS, PS, SGSS, SGDS, DGDS using less than 64,380 thms annually, and SCD, or successor rate schedules. (C)

RATES

The rate information is detailed in the Rate Summary pages of this tariff.

No charge shall be applicable to Customers enrolled in the Company's Customer Assistance Plan ("CAP").

Further, the Company may reduce or eliminate the otherwise applicable charge to any Customer if it is reasonably necessary to do so to meet competition from an alternative fuel, including gas from another supplier of gas that has constructed, or could construct, facilities to deliver gas to the Customer without use of the Company's facilities. The Company will notify Customer of the applicable rate if lower than the applicable rate set forth above, four (4) days prior to the beginning of each billing month, unless the rate is the same as charged by the Company in the prior month. Such reduction or elimination of the charge shall be eliminated or reduced before any reduction is made to the other charges under this tariff.

(C) Indicates Change

RIDER EDS - ECONOMIC DEVELOPMENT SERVICE RIDER

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

This Rider is available to a commercial or industrial customer which receives service under Rate LGSS, Rate SDS, or Rate LDS ("Applicable Schedule") and which meets the following additional qualifications:

(a) The customer is a new customer or has not been a customer of the Company for a period of two (2) years prior to requesting service in accordance with this Rider and can document to the Company's satisfaction that additional consumption will result at customer facility;

(b) The throughput requirements of the customer are projected to be not less than 64,380 thms annually; and (C)

(c) The customer gives the Company satisfactory proof that, absent service under this Rider, the customer's facilities or operations would not be constructed in the Company's operating territory, or that, absent service under this Rider, customer would install long-term alternate fuel facilities.

CHARACTER OF SERVICE

This Rider provides for reduced charges for new gas loads related to economic development projects within the Company's service area. Service pursuant to this Rider will commence upon approval by the Company and will continue for a period not to exceed three (3) years.

RATES

The monthly charges for service to customers for which this Rider is applicable shall be computed based upon a declining, three-year percentage reduction in the non-gas distribution rate under the Applicable Schedule. Customer charges, penalties and charges of third party transporters, if any, under the Applicable Schedule are not subject to reduction. The percentage reductions are as follows:

First Year -	35% reduction
Second Year -	25% reduction
Third Year -	15% reduction

FLEXIBLE RATES

To the extent that the Applicable Schedule contains provisions permitting the Company to lower ("flex") applicable commodity charges to meet competition from an alternative fuel, nothing in this Rider shall be interpreted to prohibit the operation of such flex provisions to obtain or maintain a customer. The otherwise applicable percentage reduction set forth in this Rider shall not be applicable to that portion of a customer's rate that is flexed downward.

(C) Indicates Change

RIDER EDS - ECONOMIC DEVELOPMENT SERVICE RIDER (Continued)

NO BUYERS GROUPS PERMITTED

Customers shall not be permitted to combine usage with other customers in order to meet the eligibility provisions of this Rider.

OTHER PROVISIONS

Except as modified by the terms of this Rider, all provisions of the Applicable Schedule apply to service to the customer.

PURCHASED GAS COST RIDER

PROVISIONS FOR RECOVERY OF PURCHASED GAS COSTS

Rates for each thm of gas supplied to sales customers subject to this Rider under the Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules shall include $0.41581 per thm for recovery of purchased gas costs. This rate includes the commodity cost component (CC) of $0.35044 per thm, the commodity e-factor component (CE) of ($0.05980) per thm, the demand cost component (DC) of $0.14937 per thm, and the demand e-factor component of ($0.02420) per thm. (D) (I)

DISTRIBUTION SERVICE

Rates for each thm of gas distributed under the Rate RDS, Rate RDGDS, Rate SCD and Rate SGDS rate schedules for Priority-One Service customers shall include $0.12517 per thm for recovery of purchased gas demand costs. This rate includes the DC of $0.14937 per thm and the demand e-factor component of ($0.02420) per thm. (I)

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

QUARTERLY UPDATES

The Company's rates for recovery of purchased gas costs are also subject to quarterly adjustments under procedures set forth in the Commission's regulations at 52.Pa. Code § 53.64 (i) (5). Such updates shall reflect, in addition to the provisions of the regulation, adjustments to the projected commodity cost of purchased gas based upon more current versions of the same sources of data and using the same methods to project the commodity cost of purchased gas approved by the Commission in the Company's most recent annual proceeding for recovery of purchased gas costs under section 1307(f) of the Public Utility Code.

COMPUTATION OF PURCHASED GAS COMMODITY COSTS PER THM

Purchased gas commodity costs, per thm, shall be computed to the nearest one-thousandth cent (0.001¢) in accordance with the formula set forth below:

$$PGCC = [(CC - CE) \div S]$$

Purchased gas commodity costs, so computed, shall be included in rates charged to customers for gas service under the Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules for consecutive twelve month periods beginning October 1 of each year unless such period is revised by the Commission. The amount of purchased gas commodity costs, per thm, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) of the Commission's Regulations adopted pursuant thereto.

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

(D) Indicates Decrease
(I) Indicates Increase

PURCHASED GAS COST RIDER (Continued)

COMPUTATION OF PURCHASED GAS COMMODITY COSTS PER THM - Continued (C)

"PGCC" - purchased gas commodity costs determined to the nearest one-thousandth cent (0.001¢) to be included in rates for each thm of gas supplied under this Rider for the Rate RSS, Rate PRDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules. (C)

"CC" - the estimated current commodity cost of gas, which shall be determined as follows:

1. for all types of purchased gas, the projected commodity cost for each purchase (adjusted for net current gas stored), for the projected period when rates will be in effect; plus

2. the arithmetic difference of (a) the projected book value of noncurrent gas at the beginning of the computation year minus (b) the projected book value of noncurrent gas at the end of the computation year; plus

3. any other purchased gas costs not defined as demand costs.

"CE" - experienced net overcollection or undercollection of purchased gas commodity costs.

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

Supplier refunds received that are specifically identifiable as refunds of commodity costs will be in the calculation of "CE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. The period over which such refunds will be made shall be established by the Commission.

"S" - projected thms of gas to be billed to customers subject only to Rider PGC under the commodity charges of the Rate RSS, Rate PRDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules of this tariff during the period when rates will be in effect. (C)

(C) Indicates Change

PURCHASED GAS COST RIDER (Continued)

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER THM (C)

For customers subject to this Rider, purchased gas demand costs, per thm, shall be computed to the nearest one-thousandth cent (0.001¢), in accordance with the formula set forth below: (C)

$$PGDC = (DC - DE) \div S)$$

Purchased gas demand costs, so computed, shall be included in rates charged to customers for gas service, pursuant to the Rate RSS, Rate RDGSS, RDS, Rate RDGDS, Rate SGSS, Rate SCD, Rate LGSS, and Rate MLSS rate schedules, and Priority One SGDS Customers receiving distribution service, for consecutive twelve-month periods beginning October 1 of each year unless such period is revised by the Commission. The amount of purchased gas demand costs, per thm, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) of the Commission's regulations adopted pursuant thereto. (C)

In computing purchased gas demand costs, per thm, pursuant to the formula, above, the following definitions shall apply: (C)

"PGDC" - purchased gas demand costs determined to the nearest one-thousandth cent (0.001¢) to be included in rates for each thm of gas supplied under the Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules of the tariff. (C)

"DC" - the estimated current demand cost of gas, which shall be determined as follows:

1. for all types of purchased gas, the projected total demand charges from any interstate pipeline company or any source of gas supply purchased by the Company for the projected period when rates will be in effect; plus
2. the projected firm transportation reservation or standby service charges of any interstate or intrastate pipeline or supplier, excluding charges for transportation acquired for the purpose of providing the Full Balancing Service under Rider EBS – Option 1; plus
3. the projected charges for storage capacity of any interstate or intrastate pipeline supplier, excluding charges for storage capacity acquired for the purpose of providing the Full Balancing Service under Rider EBS – Option 1.

From the sum of items 1, 2 and 3 the following amount shall be deducted:

a. the projected Maximum Daily Firm Requirement to be billed to all customers under Rate SS during the projected period times the rate per thm under the Maximum Daily Firm Requirement charge of Rate SS; (C)
b. the projected intra-month balancing service costs to be billed to customers electing Rider EBS - Option 2.

"DE" - experienced net overcollection or undercollection of purchased gas demand costs.

Such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-undercollection calculation reflected in rates. "DE" shall be $0 prior to October 1, 1996.

(C) Indicates Change

PURCHASED GAS COST RIDER (Continued)

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER THM – Continued

Supplier refunds that are not included in "CE" will be included in the calculation of "DE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. The period over which such refunds will be made shall be established by the Commission.

"S" - projected thms of gas to be billed to customers under the distribution charges of the Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules plus the projected thm of gas to be distributed to customers under Rate RDS, Rate RDGDS, Rate SCD and SGDS Priority One Distribution rate schedules of this tariff during the period when rates will be in effect.

CALCULATION OF PURCHASED GAS DEMAND COST FOR CUSTOMERS ELECTING CHOICE SERVICE

The purchase gas demand cost rate included in the distribution charge of customers taking Choice Service shall be $0.09521/thm. Such rate shall be equal to the Purchased Gas Demand Component of $0.12517 as calculated above, less a credit of $0.02996/thm. The credit per thm shall be equal to the projected annual cost of assigned Firm Capacity less estimated annual storage commodity costs (storage injection, withdrawal, shrinkage and commodity transportation cost) with the net divided by the estimated, normalized annual usage of customers electing Choice Service. For purposes of calculating the Price to Compare under the Company's Choice program, the credit noted above will be added to the Company's commodity cost of gas (CC) component. (I)

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS

Commodity E-factor

In computing the experienced over/under collection of purchased gas commodity costs for a period defined by the Commission, the following procedure shall be used.

(a) All experienced purchased gas commodity costs actually incurred by the Company to service customers pursuant to all rate schedules of this tariff.

Experienced purchased gas commodity costs shall include, but not be limited to, the following:

(1) the cost of propane to provide service under Rate PS,

(2) payments to suppliers to accept assignment of capacity on interstate pipelines other than Columbia Gas Transmission Corporation to the extent permitted under the Rules Applicable to Distribution Service,

(3) costs paid for employing futures, options and other risk management tools, including but not limited to, supplier related costs associated with the fixed price contracts or financial contracts utilized by the Company to lessen the impact of price volatility for PGC customers, and

(4) the index price of gas purchased from distribution customers under the provisions of the Deliveries in Excess of Consumption section of Paragraph 3 of the Rules Applicable to Distribution Service.

(I) Indicates Increase

PURCHASED GAS COST RIDER (Continued)

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS - Continued

(b) The following amount shall be included as revenues recovered for gas commodity costs:

(1) an amount determined by multiplying commodity sales quantities subject only to Rider PGC billed under the Rate RSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules, for the applicable over/undercollection period, times the PGCC component excluding the commodity E Factor; plus (C)

(2) an amount determined by multiplying commodity sales quantities billed under Rate SGDS, Rate SDS, Rate LDS, Rate MLDS, and Rate SDSS rate schedules, times the index price of gas defined in the Consumption in Excess of Deliveries section of the Rules Applicable to Distribution Service. (C)

Demand E-factor

In computing the experienced over/undercollection of purchased gas demand costs for a period defined by the Commission, the following procedure shall be used.

(a) All experienced purchased gas demand costs actually incurred by the Company to service customers pursuant to all rate schedules of this tariff, excluding the cost of capacity acquired for the purpose of providing Full Balancing Service under Option 1 of the Elective Balancing Services Rider. Capacity acquired to provide Full Balancing Service under EBS Option 1 will include sufficient storage capacity for the aggregate of the maximum banks provided under this option, and sufficient storage withdrawal and transportation capacity to provide the firm balancing entitlements.

(b) The following amount shall be included as revenues recovered for gas demand costs:

(1) an amount determined by multiplying commodity sales quantities billed under this Rider for the Rate RSS, Rate SGSS, Rate LGSS and MLSS rate schedules, for the applicable over/undercollection period, times the PGDC component excluding the demand E Factor; plus (C)

(2) the amounts billed under Rate SS; plus

(3) the amounts billed distribution service customers under Rider EBS - Option 2; plus

(4) an amount determined by multiplying distribution quantities billed under Rate RDS and Rate SCD for the applicable over/undercollection period, times the applicable PGDC component excluding the demand E factors; plus (C)

(C) Indicates Change

PURCHASED GAS COST RIDER (Continued)

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS - Continued

Demand E-Factor – Continued

(5) credits received for capacity assigned pursuant to the Rules Applicable to Distribution Service; plus

Interest on over/under collection of gas costs shall be computed monthly at the appropriate rate provided for in Section 1307(f)(5) of the Public Utility Code from the month that the over or undercollection occurs to the effective month such over or undercollection is refunded.

ADJUSTMENT OF "E" FACTOR AMOUNTS

Each 1307(f) rate shall also provide for refund or recovery of amounts necessary to adjust for over or underrecoveries of "E" factor amounts included in prior 1307(f) rates. In computing the amount to be included for over or undercollection of "E" factor amounts, the amount recovered for "E" factor amounts under the prior 1307(f) rate shall be determined by multiplying the applicable commodity quantities billed under the Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, Rate MLSS, Rate RDS, Rate RDGDS, Rate SGDS, and Rate SCD rate schedules during the applicable 1307(f) period times the portion of the PGCC and the PGDC component that provides for recovery of "E" factor amounts. (C)

SUPPLIER REFUNDS APPLICABLE TO RATE SS CUSTOMERS

Any supplier refunds received from Columbia Gas Transmission Corporation, which are specifically identified as refunds of Contract Demand charges made after March 31, 1992, shall be refunded pro rata to customers taking service during the applicable prior period(s) under Rate SS. All refunds shall include interest added at the annual rate of six percent (6%) calculated from the month received to the month the refund is made. Refunds shall be paid once each year, as soon as practicable following October 30 of each year, and shall include all applicable supplier refunds received by the Company during the preceding twelve-month period ended October 30.

SHARING OF OFF-SYSTEM SALES REVENUE

Following is the definition of gas cost for off-system sales program.

(1) For sales in which a specific purchase is not made, the cost of gas will be defined as the daily average city gate commodity cost of the gas supplies purchased by the Company and flowing on the first of the month (WACCOG). For sales made upstream of the Company's city gate, the cost of transportation, including retainage, from the point of sale to the city gate will be subtracted from the WACCOG. This amount will be further adjusted to include applicable taxes, other than income taxes, and other costs.

(2) For incremental sales in which a specific purchase is made, the cost of gas will be defined as the purchase price plus transportation costs, including retainage, taxes and other costs that have or will be incurred.

(C) Indicates Change

PURCHASED GAS COST RIDER (Continued)

GAS PROCUREMENT INCENTIVE PROGRAM

The gas procurement incentive program will be limited to spot gas purchased for the months of April through October. Each month the Company's actual cost will be compared to an adjusted NYMEX index for such month.

The adjusted NYMEX index will be determined by averaging the month end closing prices reported for the last three days of trading on NYMEX after adjusting these prices for the differential between the average of indices representing cash prices paid on such days at the Henry Hub, for gas to be delivered on the first day of the month, and the average of indices prices representing the specific delivery points where Columbia takes title to its gas supply. In any instances where indices are not published in any one of the three chosen publications for a receipt point where the Company purchases spot gas, then the index used will be (1) Columbia Gas Transmission Corporation's Appalachian Index average used at points of delivery into Columbia Gas Transmission Corporation; (2) Columbia Gas Transmission Corporation's Appalachian Index average plus Columbia Gas Transmission Corporation's Storage Service Transportation commodity costs used at points of delivery out of Columbia Gas Transmission Corporation; or (3) if the first two are not appropriate, the price paid will be adjusted by deducting a 100% load factor firm transportation rate to the most applicable receipt point where an index is available. The index and Henry Hub prices utilized will be an average of first of the month prices reported in *Inside F.E.R.C.'s Gas Market Report*, *Natural Gas Week* and *Natural Gas Intelligence.*

A band of ninety-nine (99%) to one-hundred one percent (101%) will be applied monthly to the average indexed prices, as described above, to be compared to the Company's actual prices paid for spot gas purchased to flow during the month to determine the appropriate monthly retention of savings or absorption of losses. The Company will share savings 50%/50% between customers and the Company for increments of actual gas purchases below ninety-nine percent (99%) of the adjusted NYMEX index. The Company will absorb losses 50%/50% between customers and the Company for increments of actual gas purchases above one-hundred one percent (101%) of the adjusted NYMEX index. If the actual gas purchases fall within the band, there will be no sharing.

This program will be in effect from October 1, 2002 through September 30, 2004, unless extended by the Company with approval of the Commission.

RATE NGV GAS COST CREDIT

The following purchased gas cost credits shall be provided for all gas sold under the NGV rate schedule:

1. Demand Costs
   For firm sales under Rate NGV, an amount per thm for recovery of demand costs determined as follows: (C)

$$\frac{\text{Annual Demand Costs}}{\text{(Maximum Daily Quantity x 365) x Average NGV Load Factor}} \quad \text{(C)}$$

   Where:
   a. Annual Demand Costs equal the total annual demand charges for supply and capacity included in the Company's purchased gas cost rates under the Purchased Gas Cost Rider, and

   b. Maximum Daily Quantity equals maximum firm deliveries that can be made by the Company to its customers during the winter period. (C)

PURCHASED GAS COST RIDER (Continued)

RATE NGV GAS COST CREDIT - Continued

For interruptible sales under Rate NGV, an amount for recovery of upstream capacity costs, which is the greater of the following:

a. The average rate per thm of all final accepted bids for thirty day recallable capacity received by the Company five days prior to the commencement of each month of the contract; or (C)

b. $.00465/thm in December, January and February, and $.00093/thm in all other months. (C)

2. Commodity Costs

The amount to be credited for recovery of commodity costs shall be determined on a monthly basis and shall equal the highest cost of spot purchases scheduled to commence on the first day of each month, including transportation and retainage. If no spot purchases are scheduled, the amount to be credited shall be the average commodity cost of gas purchased during the months, including transportation and retainage. (C) (C)

SHARING OF CAPACITY RELEASE REVENUE

Capacity release credits derived from "administrative releases" shall be excluded from the foregoing sharing calculation, and all such credits actually derived shall be included in the "E" Factor in their entirety. "Administrative releases" are defined as follows:

(i) Revenues for release of capacity to a producer or marketer where Columbia purchased the gas transported by the producer or marketer for its system supply;

(ii) Revenues from releases of capacity at full margin to certain end-use customers where such releases were the result of the conversion of pre-Federal Energy Regulatory Commission Order No. 636 buy-sell arrangements; and

(iii) Revenues from releases of capacity used in serving end users in a Commission-approved unbundling of service, provided that the benchmark would be adjusted to reflect the assignment of such capacity.

Effective October 1, 2002, capacity release revenue shall be subject to the sharing mechanism as set forth on Page No. 159.

(C) Indicates Change

PURCHASED GAS COST RIDER (Continued)

SHARING MECHANISM FOR OFF-SYSTEM SALES AND CAPACITY RELEASE REVENUES

Effective October 1, 2010 through September 30, 2011, the sharing mechanism for the off-system sales and capacity release revenues shall be as follows. Customer shall receive 75% of all net proceeds. The Company will reflect in the calculation of PGC rates a projected credit of $8.0 million per year. The projected credit will be reconciled to the customers' share of actual credits.

The projected and reconciled off-system sales and capacity release margins credited to the PGC will be divided between the Purchased Gas Demand Cost (PGDC) and the Purchased Gas Commodity Cost (PGCC). The PGDC will be credited with 40% of the margins. The PGCC will be credited with 60% of the margins.

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FOR FUTURE USE

STATE TAX ADJUSTMENT SURCHARGE

There shall be added to the non-Purchased Gas Cost portion of charges for gas service under all of the Company's rate schedules contained in this Tariff unless otherwise specified below, a surcharge of (0.116%) for service rendered on and after January 1, 2012. (D)

The above surcharge will be recomputed, using the elements prescribed by the Commission:

(a) Whenever any of the tax rates used in calculation of the surcharge are changed;

(b) Whenever the utility makes effective an increase or decrease in base rates, exclusive of Purchased Gas Cost rates and applicable Rider rates;

(c) And by March 31, 1971 and every year thereafter.

The above new recomputation will be submitted to the Commission within ten (10) days after the occurrence of the event or date which occasioned such recomputation. If the recomputed surcharge is less than the one in effect the utility will, and if the recomputed surcharge is more than the one then in effect, the utility may, submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be ten (10) days after filing.

Any charges billed under Rate Schedules CDS, DGDS, GDS or NCS or charges flexed in accordance with the Flexible Rate Provisions contained in Tariff Rule 20 shall not be subject to the State Tax Adjustment Surcharge.

(D) Indicates Decrease

Supplement No. 181 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 166
Columbia Gas of Pennsylvania, Inc. Canceling Sixth Revised Page No. 166

RIDER EBS – ELECTIVE BALANCING SERVICES

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

This Rider has been established to provide balancing service options for General Distribution Service (GDS) customers in Pennsylvania.

In addition to the charges provided in the customer's rate schedule, an amount may be added to the otherwise applicable charge for each thm of distribution quantities distributed by the Company to a customer receiving service under Rate Schedules SGDS, SDS, LDS, and MLDS, or successor rate schedules, for EBS service as provided below. Rider EBS contains three options for balancing service as described below. (C)

SERVICE OPTIONS:

Option 1: FULL BALANCING SERVICE

Full Balancing Service provides the Customer Proxy with the opportunity to: (1) maintain a bank from month to month on the Company's system; (2) access banked gas on a firm basis pursuant to the Seasonal Flow Order, Operational Flow Order, and Matching Flow Order sections in Paragraph 3 of the Rules Applicable to Distribution Service ("RADS") on any day, including days in which an SFO, OFO, or OMO restricts GDS under-deliveries, up to five percent (5%) of the customer's then current Maximum Daily Quantity ("MDQ"), and, to the extent made available by the Company on a best efforts basis, additional interruptible access to the Customer Proxy's bank and (3) to add to the bank on any day, including days in which an SFO, OFO, or OMO restricts GDS over-deliveries. Deliveries to the Company on days in which an SFO, OFO or OMO restricts over-deliveries shall not exceed one hundred two and one-half percent (102.5%) of the maximum prescribed SFO, OFO, or OMO Level unless authorized by the Company.

Option 1: BANK TOLERANCE

The cumulative balance of excess deliveries ("positive bank"), at the end of any billing month, shall not exceed the following specified Bank Tolerance Percentages:

1. For any customer with annual consumption equal to or greater than 536,500 thms --- 5% of the customer's then current annual quantities. (C)

2. For any customer with annual consumption less than 536,500 thms — 10% of the customer's then current annual quantities as specified for the billing months of November through September, and 5% of the customer's then current annual quantity for the October billing month. (C)

(C) Indicates Change

RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 1: RATES (C)

The rates for EBS-Option 1 will be calculated on an annual basis by the Company. The Company shall calculate the rates after Customer Proxies have elected their service options and after the Company has secured the assets that are required to provide the service. The Company shall file the rates with the Commission to take effect on April 1 of each year upon one day's notice. The rates for service commencing April 1, 2005 are specified in the Rate Summary Section of this tariff.

The Company may reduce or eliminate the otherwise applicable charge for Rider EBS-Option 1 to any customer if it is reasonably necessary to do so to meet competition from an alternative fuel, including gas from another supplier of gas that has constructed, or could construct, facilities to deliver gas to the customer without use of the Company's facilities. The Company will notify the Customer Proxy of the applicable rate if lower than the applicable rate set forth above, at least four (4) days prior to the beginning of each billing month, unless the rate is the same as charged by the Company in the prior month. Such reduction or elimination of the charge shall be reduced before any reduction is made to the other charges under this tariff.

The rates identified in this section billed and collected pursuant to Option 1 shall not be credited toward recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider.

Option 1: ELECTING SERVICE (C)

Option 1 is the default service option under Rider EBS. Any customer whose Customer Proxy has not elected to take service under one of the other options shall automatically take service under Option 1. A Customer Proxy for an existing GDS customer may elect to change its service option no more than one time per year. An estimate of the rates shall be posted on the Company's EBB on August 1 of each year. All requests to change the service option must be submitted to the Company in writing (e.g. fax, e-mail, electronic bulletin board) no later than the fifteenth of August prior to the April in which the elected option becomes effective. The EBS-Option 1 final rate will be posted on the Company's EBB on September 1. If the September 1 final rate exceeds the August 1 estimated rate by more than 20%, Customer Proxies who have elected EBS-Option 1 may change their election by submitting a change to the Company in writing (e.g. fax, e-mail, EBB) no later than the fifteenth of September. The elected option shall remain in effect for the one-year period commencing April 1 of the following calendar year. A Customer Proxy for a new GDS customer shall elect its service option at the time it executes its General Distribution Service Application and Agreement; however, if the new GDS customer executes its General Distribution Service Application and Agreement after August 15, the Company is under no obligation to provide service to the customer under Option 1 until April of the next following year if the Company does not have adequate storage and capacity assets to provide the service. If the Company cannot serve the new GDS customer under Option 1 until April of the next following year, the company will serve the customer under Option 2 during the interim.

Columbia's obligation to provide service under Option 1 is conditioned upon its ability to secure the assets necessary to provide the service. If sufficient assets are not available to provide Option 1 service, customers will default to Option 2.

(C) Indicates Change

RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 1: FULL BALANCING SERVICE (Continued)

Option 1: CHARACTER OF SERVICE

Normal Operations

In any billing month under Normal Operations (defined as operations during times when neither an SFO, OFO nor an OMO is in effect), if the customer's consumption plus retainage on the distribution system is greater than the sum of: (a) the quantity of gas delivered to the Company's City Gate by the Shipper for the Customer Proxy's account during the billing month, plus (b) the Customer Proxy's positive bank at the beginning of the month, such use shall be considered imbalance gas sold by the Company to the Customer Proxy under the provisions of the Consumption in Excess of Deliveries section in the Rules Applicable Only to General Distribution Service section of the RADS . (C)

If in any billing month under Normal Operations, the customer's consumption plus retainage on the distribution system is less than the quantity of gas delivered into the Company's system on its behalf, the Customer Proxy may use such excess delivered gas to meet requirements in any succeeding billing month, subject to the Company's rights to limit service as provided in the RADS. Provided, however, that the cumulative balance of excess deliveries ("positive bank"), at the end of any billing month, shall not exceed the Bank Tolerance Percentage. Any positive bank in excess of this tolerance level shall be considered imbalance gas purchased by the Company from the Customer Proxy under the provisions of the Deliveries in Excess of Consumption section in the Rules Applicable Only to General Distribution Service section of the RADS. (C)

During SFOs/OFOs/OMOs

During periods when there is an SFO, OFO or OMO that restricts GDS under-deliveries, EBS Option 1 Customer Proxies will have firm daily access to banks equal to five percent (5%) of the customer's then current Maximum Daily Quantity ("MDQ"). Additional interruptible access to bank capacity will be available on a best-efforts basis. Should a Shipper on any SFO, OFO, or OMO day under-deliver gas supplies to the Company by a quantity greater than 5% of the customer's MDQ and any interruptible access to the bank permitted through the SFO, OFO or OMO notice, such quantities shall be charged to the Customer Proxy in accordance with the Consumption in Excess of Deliveries, Seasonal Flow Orders, Operational Flow Orders or Operational Matching Orders sections of the Rules Applicable Only to General Distribution Service section of the RADS as is appropriate to the circumstance. If on any day, the Customer Proxy's bank is not adequate to support any part or all of the bank access made available by the Company and the resulting bank availability combined with other confirmed deliveries by the Shipper is less than the daily delivery requirement under the SFO, OFO, or OMO, the Customer Proxy will be charged for any delivery deficiency in accordance with the Seasonal Flow Order section in the Rules Applicable Only to General Distribution Service section of the RADS for an SFO, or the Operational Matching Order, Operational Flow Order and Consumption in Excess of Deliveries section in the Rules Applicable Only to General Distribution Service section of the RADS for an OFO/OMO. At the end of any month in which there has been an SFO, OFO, or OMO that restricts GDS under-deliveries, authorized bank withdrawals used to help meet the daily delivery requirements of an OFO or OMO will be deemed to be the first gas withdrawn from the bank, followed by authorized bank withdrawals used to help meet the daily delivery requirements of an SFO during the month. Any remaining available bank quantities will be applied to days of Normal Operations. Authorized bank withdrawals herein are considered to be the firm access provided under EBS Option 1 plus any interruptible access provided by the Company subject to the Customer Proxy(s) having sufficient quantities in its (their) bank to support the access permitted by the Company. (C) (C)

(C) Indicates Change

RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 1: FULL BALANCING SERVICE - CHARACTER OF SERVICE (Continued)

During SFOs/OFOs/OMOs - Continued

During periods when there is an SFO, OFO or OMO restriction of GDS over-deliveries, Shippers will be entitled to deliver to the Company up to one hundred two and one-half percent (102.5%)of the Company's maximum prescribed daily SFO, OFO or OMO quantity. However, should daily deliveries exceed one hundred two and one-half percent (102.5%) of the customer's maximum daily prescribed SFO, OFO, or OMO quantity, or if the cumulative excess deliveries exceed the bank tolerances described above, those excess daily deliveries shall be considered imbalance gas purchased by the Company pursuant to the Deliveries in Excess of Consumption or the Seasonal Flow Order paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS and the Customer Proxy shall be charged in accordance with the Seasonal Flow Order, Operational Flow Order or Operational Matching Order paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS.

Option 1: IMBALANCE TRADING SERVICES

A) Bank Balance Transfers

During Normal Operations, subject to the Limitations of Distribution Service in the Rules Applicable to All Distribution Service section of the RADS, Customer Proxies who subscribe to Rider EBS-Option 1 may transfer a bank balance that existed at the beginning of the month to another Customer Proxy that has also subscribed to Rider EBS-Option 1 and that also schedules deliveries to the Company's city-gates within the same Pipeline Scheduling Point. No pre-arranged contract is required. The Customer Proxy must submit all requests for Bank Balance Transfers to the Company in writing (e.g. fax, e-mail, electronic bulletin board) no later than the first business day following the last business day of the calendar month in which the trade is to apply. A fee of $0.07 per Dth for each Dth transferred between Columbia Pipeline Scheduling Point shall be charged to the Customer Proxy transferring the bank balance. A fee of $.07/Dth, with a cap of $500 per trade, for transfers within a Pipeline Scheduling Point shall be charged to the Customer Proxy transferring the bank balance. EBS –Option 1 Customer Proxies who successfully transfer bank balances to eliminate an imbalance will not be subject to the Consumption in Excess of Deliveries or Deliveries in Excess of Consumption paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. (C)

During any month in which an SFO, OFO, or OMO was in effect, Customer Proxies who subscribe to Rider EBS-Option 1 may transfer a bank balance that existed at the beginning of the month to another Customer Proxy whose customer is located in the same Pipeline Scheduling Point that has also subscribed to Rider EBS-Option 1 and that schedules deliveries to the Company's city-gates on the same transmission company. Provided, however, that bank balance transfers will apply to the SFO, OFO, or OMO period only up to the level of daily access to banked quantities authorized by the OFO, OMO, or SFO. No pre-arranged contract is required. The Customer Proxy must submit all requests for Bank Balance Transfers to the Company in writing (e.g.fax, e-mail, electronic bulletin board) no later than the first business day following the last business day of the calendar month in which the trade is to apply. A fee of $0.07 per Dth, with a cap of $500 per trade, for transfers within a Pipeline Scheduling Point shall be charged to the Customer Proxy transferring the bank balance. EBS –Option 1 Customer Proxies who successfully transfer bank balances to eliminate an imbalance will not be subject to the Seasonal Flow Orders, Operational Flow Orders, Operational Matching Orders, Consumption in Excess of Deliveries and Deliveries in Excess of Consumption paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. (C) (C)

(C) Indicates Change

RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 1: FULL BALANCING SERVICE - IMBALANCE TRADING SERVICES (Continued)

The imbalance trading services set forth in this Rider do not relieve Shippers of their obligation to deliver gas to Columbia in the Pipeline Scheduling Point in which they or their customers reside.

B) Gas Transfer Service

Availability

During Normal Operations or periods during which an SFO, OFO or OMO is in effect, subject to The Limitations on Distribution Service paragraphs of the RADS, this optional service is available to Customer Proxies who subscribe to Rider EBS-Option 1. This service provides for the transfer of gas quantities from one Customer Proxy ("Transferor") to another Customer Proxy ("Transferee").

Character of Service

a. Each transfer must occur such that gas is transferred from the Transferor to the Transferee on the same Gas Day. Transferor must request the transfer at the end of the current month, as described in subparagraph (e) below.

b. Transfers may only occur between a Transferor and a Transferee located within the same Local Market Area with confirmed deliveries on the same transmission pipeline.

c. Quantities eligible for transfer shall not exceed the Transferor's confirmed deliveries for the day of transfer. A transfer request may not be accepted by the Company if such transfer would cause the Transferor to incur imbalance charges. (C)

d. Customer Proxies must rely on customer usage posted daily on the Company's website. The Company shall post customer usage on its Internet-based website as soon as practicable after the end of each Gas Day throughout the billing cycle. All customer usage will be posted on a best efforts basis by 5:00 P.M. Eastern time on the second business day following the end of the previous calendar month.

e. All gas transfer requests must be accurately completed and executed by both the Transferor and the Transferee and submitted to the Company on the Company's standard Gas Transfer Request Form by 5:00 P.M. Eastern time on the third business day following the end of the previous calendar month.

f. The Company is not involved in any arrangement or agreement for compensation for the value of the gas being transferred, or for any other fees between the Transferor and Transferee. The Company's role in administering this rate schedule is limited to transferring the approved gas quantities from the Transferor's to the Transferee's account with the Company.

Rate

The Company will charge the Transferor $0.07 per unit transferred. The unit will be either Dth or Mcf, depending upon the supply source being transferred. For transactions of less than 300 units, there will be a minimum charge of $21.00 per transaction.

(C) Indicates Change

RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 1: FULL BALANCING SERVICE (Continued)

Option 1: TERMINATION OF SERVICE

Customer Proxies may terminate service under Option 1 only by electing another option in accordance with the provisions set forth in this Rider or by terminating GDS service. A Customer Proxy whose Customer is terminating GDS service may be charged a termination fee if the Customer Proxy fails to provide termination notice prior to the fifteenth of September prior to the April in which the service is to be terminated. Such termination fee shall be based upon the cost of the assets secured by the Company to provide service to the Customer. Upon termination of service under Option 1, the Company will make every effort to deliver to the Customer Proxy the Customer Proxy's banked gas during the next month's billing cycle following the date of termination. However, should Customer Proxy fail to take delivery of its entire bank of gas within the next month, Company may, at its option, retain and purchase the undelivered bank of gas at ninety percent (90%) of the index rate determined pursuant to the Deliveries in Excess of Consumption paragraph in the Rules Applicable Only to General Distribution Service section of the RADS. In addition, if the Customer Proxy owes the Company any outstanding charges, the Company may retain as an offset to such outstanding charges, banked gas that would otherwise be delivered to Customer Proxy upon termination of GDS service. The value assigned to such retained bank of gas which are purchased or retained will be ninety percent (90%) of the index rate determined pursuant to the Deliveries in Excess of Consumption paragraph in the Rules Applicable Only to General Distribution Service section of the RADS for the month in which the Customer Proxy failed to take delivery of the gas. (C) (C) (C) (C) (C)

(C) Indicates Change

RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 2: MONTHLY CASH OUT (INTRA-MONTH BALANCING SERVICE)

Intra-Month Balancing Service provides Shippers with: (1) the opportunity to maintain a bank from day to day within a month on the Company's system; (2) limited or no use of the bank during issuance of an SFO, OFO or OMO pursuant to the SFO, OFO and OMO paragraphs of the RADS; and (3) a monthly cash-out of any bank of gas existing at the end of the month. (C)

Option 2: RATES

Rates for Intra-Month Balancing Service are specified in the Rate Summary Section of this tariff.

Any amounts billed and collected pursuant to Option 2 shall be credited toward recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider. The Company may reduce or eliminate the otherwise applicable charge to any customer if it is reasonably necessary to do so to meet competition from an alternative fuel, including gas from another supplier of gas that has constructed, or could construct, facilities to deliver gas to the customer without use of the Company's facilities. The Company will notify the Customer Proxy of the applicable rate if lower than the applicable rate set forth above, four (4) days prior to the beginning of each billing month, unless the rate is the same as charged by the Company in the prior month. Such reduction or elimination of the charge shall be reduced before any reduction is made to the other charges under this tariff.

Option 2: ELECTING SERVICE

Option 2 must be elected by the Customer Proxy in writing (e.g. fax, e-mail, electronic bulletin board). A Customer Proxy may elect to change its service option no more than one time per year. All requests to change the service option must be submitted to the Company in writing (e.g. fax, e-mail, electronic bulletin board) no later than the fifteenth of August prior to the April in which the elected option becomes effective. The elected option shall remain in effect from April 1 through March 31 of the following calendar year.

Option 2: CHARACTER OF SERVICE

Normal Operations

In any billing month under Normal Operations, if the customer uses more gas than the quantity of gas, after adjustments for retainage, delivered to the Company's City Gate by the Shipper for the Customer Proxy's account during the billing month, such use shall be considered imbalance gas sold by the Company to the Customer Proxy under the provisions of the Consumption in Excess of Deliveries paragraph in the Rules Applicable Only to General Distribution Service section of the RADS. (C)

If in any billing month, under normal operations, the customer consumes less gas than the quantity of gas delivered to the Company's City Gate by the Shipper, such use shall be considered imbalance gas purchased by the Company from the Customer Proxy under the provisions of the Deliveries in Excess of Consumption paragraph in the Rules Applicable Only to General Distribution Service section of the RADS. (C)

(C) Indicates Change

RIDER EBS – ELECTIVE BALANCING SERVICES (Continued)

Option 2: MONTHLY CASH OUT – CHARACTER OF SERVICE (Continued)

During SFO

If the Shipper under-delivers during an SFO that restricts under-deliveries, the Customer Proxy will be charged for under-deliveries in accordance with the Seasonal Flow Order paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. If the Shipper over-delivers during an SFO that restricts over-deliveries, the over-deliveries shall be considered imbalance gas purchased by the Company from the Customer Proxy pursuant to the Seasonal Flow Order paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. The Customer Proxy shall have access to any positive intra-month bank only to the extent specified by the Company in an SFO.

During OFO/OMO

If the Shipper under-delivers during an OFO or OMO that restricts under-deliveries, the Customer Proxy will be charged for under-deliveries in accordance with the Consumption in Excess of Deliveries paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS, and either the Operational Flow Orders or Operational Matching Orders paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. If the Shipper over-delivers during an OFO or OMO that restricts over-deliveries, the over-deliveries shall be considered imbalance gas purchased by the Company from the Customer Proxy pursuant to the Deliveries in Excess of Consumption paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS and the Customer Proxy shall be charged in accordance with either the OFO or OMO paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. On a best efforts basis, the Company may offer the Customer Proxy daily access to any positive intra-month bank only to the extent specified by the Company in an OFO or OMO. Such best-efforts access shall not be subject to charges under either the OFO or OMO paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS nor shall it alter the Customer Proxy's obligation to be in balance at the end of the month in accordance with the provisions of EBS Option-2.

Option 2: TERMINATION OF SERVICE

Customer Proxies may terminate service under Option 2 only by electing another option as described in this Rider or by the Customer terminating GDS service. Upon termination of service under Option 2, the Company will calculate imbalance gas sold or purchased by the Company from the Customer Proxy as described in the "Normal Operations" paragraph above. However, if the Customer Proxy owes the Company any outstanding charges, the Company may retain as an offset to such outstanding charges, banked gas or over-deliveries that would otherwise be delivered to the Customer Proxy upon termination of service. The value assigned to such retained bank of gas or over-deliveries which are purchased will be ninety percent (90%) of the index rate determined pursuant to the Deliveries in Excess of Consumption paragraphs in the Rules Applicable Only to General Distribution Service section of the RADS. (C)

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FOR FUTURE USE

Rules Applicable to Distribution Service

1. DEFINITIONS

The following terms shall have the meanings indicated below:

1.1 "Account" shall mean all gas consumption which (1) is consumed by the same individual, governmental, or corporate entity, including subsidiaries and affiliates, and (2) occurs on property which is either contiguous or is separated by no more than the width of a public or private right of way. A single Account shall not include gas consumed by different tenants or other entities if the gas is distributed through separate Company meters, even if the charges for such distribution service are paid by a single landlord, property owner, or other entity.

1.2 "Adequacy" shall mean the delivery to an NGDC of sufficient quantities of natural gas so as to supply the requirements of retail gas customers, taking into account design peak and seasonal demands, as well as isolated market areas and system operation requirements and contingencies. (C)

1.3 "Affiliated NGS" shall mean:

(i) An NGS engaging in marketing activities related to natural gas supply services by the marketing division or marketing operation of an NGDC.

(ii) The term does not include a utility's marketing department or division to the extent that it informs existing or prospective customers of the availability and price of the regulated sales service that utility furnishes in its role as supplier of last resort.

1.4 "Aggregation Agent" shall mean an NGS which serves as an agent for General Distribution Service Customers in Aggregation Nomination Groups or for Choice Service Customers in Choice Aggregation Nomination Groups.

1.5 "Aggregation Service Agreement" shall mean a contract between the NGS and the Company that specifies the terms and conditions for participation in Aggregation Service.

1.6 "Aggregation Nomination Group" shall mean a group of General Distribution Service Customers organized pursuant to the requirements of the General Distribution Aggregation Service paragraph of these Rules Applicable to Distribution Service.

1.7 "Aggregation" shall mean the process of combining customers for the purpose of administering, scheduling and nominating gas supplies as defined by the Limitation Where a Shipper has a Positive Bank or the Choice Aggregation Service paragraphs of these Rules Applicable to Distribution Service.

18 "Basic Services" shall mean services necessary for the physical delivery of natural gas to a retail customer, consisting of natural gas distribution services and Natural Gas Supply Services.

1.9 "Billing Cycle" shall mean the regularly occurring period, of approximately 31 days, in which a Customer is billed for gas service. A Billing Cycle need not coincide with calendar month.

(C) Indicates Change

1. DEFINITIONS (Continued)

1.10 "Choice Aggregation Nomination Group" shall mean a Customer or group of Customers electing Rate RDS or SCD organized pursuant to the requirements of the Choice Aggregation Service as specified in the Rules Applicable to Distribution Service section of this tariff.

1.11 "Choice Daily Delivery Requirement" shall mean the normalized daily delivery requirement for a Choice Aggregation Nomination Group, calculated by the Company pursuant to the requirements of Paragraph 4.9.2 of these Rules Applicable to Distribution Service.

1.12 "Choice EBB" shall mean the Company's electronic bulletin board ("EBB") which is used to submit Customers in the Choice service, obtaining Choice reports etc.

1.13"Choice Primary FTS Daily Capacity Requirement" shall mean the Primary FTS capacity required to be held by an NGS for a Choice Aggregation Nomination Group in a quantity equal to the Choice Aggregation Nomination Group's estimated normalized annual usage divided by 365, converted to a Dth basis using the Company's annual average Btu content, and adjusted for Company use and Retainage.

1.14 "Choice Tariff" shall mean either Rate SCD or Rate RDS, Rider CC, these Rules Applicable to Distribution Service, as applicable for the particular Customer being served, as well as the Company's Rules and Regulations.

1.15 "City Gate" shall mean the point where interstate pipelines deliver gas into the Company's facilities.

1.16"Commission" shall mean the Pennsylvania Public Utility Commission.

1.17"Customer Proxy" generally means the entity that receives notices (e.g. OFOs, OMOs, SFOs etc), receives bills, and controls the gas bank account. Specifically, "Responsible Party" shall mean the Customer in circumstances described in paragraphs 1, 2 and 3 of the "Shipper" definition, and the Natural Gas Supplier in circumstances described by paragraph 4 of the "Shipper" definition.

1.18 "Delivery Point" shall mean the location at which the Company shall first receive the gas supply from an NGS.

1.19 "EBB" shall mean an Electronic Bulletin Board system.

1.20 "Favored Customer" shall mean any customer of an NGDC or its affiliated NGS which receives a benefit of economic value to retain that customer on the distribution system.

1.21 "FERC" shall mean the Federal Energy Regulatory Commission.

(C) Indicates Change

(C)

1.22 "Firm Service" with regard to Natural Gas Supply services shall mean the quality of Natural Gas Supply Service provided to the Customer in which gas shall be available at all times, even under adverse conditions. "Firm Service" with regard to Natural Gas Distribution Company services shall mean that the Company will distribute gas to the Customer on a firm basis during any day in which the Customer's gas is delivered by the Shipper to the Company at a Delivery Point in the same Company Local Market Area in which the Customer's facilities are located, as further defined in Paragraph 2.6 of these Rules Applicable to Distribution Service.

1.23 "FTS" shall mean firm transportation service provided by an interstate pipeline in which gas is transported on a firm basis from designated receipt points to designated delivery points.

1.24 "gas" shall mean the gas commodity provided by the NGS to the Company for Distribution.

1.25 "General Distribution Aggregation Service" shall mean the aggregation of General Distribution Service Customers in a group for the purpose of administering gas purchase and supply.

1.26 "General Distribution Application and Agreement" shall mean the Application completed by a Customer who desires to begin taking General Distribution Service.

1.27 "General Distribution Service" and "GDS" shall mean Distribution service provided under rate schedules DGDS, CDS, GDS, LDS, MLDS, NCS, SGDS , or SDS. (C)

1.28 "Historical Billing Data" shall mean the minimum of twelve (12) months of data as recorded by the Company, which contains usage data and dollar amount billed, unless 12 months of such data is not available.

1.29 "Initial NGS Application" shall mean the initial application that must be made to the Company by the NGS prior to providing either General Distribution Service or Choice Service.

1.30 "ITS" shall mean interruptible transportation service provided by an interstate pipeline, in which natural gas is transported on an interruptible basis.

1.31 "Local Market Area" shall mean a continuous, physically-interconnected system of Company-owned distribution piping through which the Company provides natural gas service to Customers in a discrete geographic area, utilizing one or more common Delivery Points from interstate pipeline supplier(s) or local gas supplier(s). (C)

1.32 "Material Obligation" shall mean any obligation of the NGS under these Rules Applicable to Distribution Service, which if not fulfilled by the NGS, would impair the Customer's Natural Gas Supply Services or would impair the Company's ability to provide natural gas distribution services to its Customers. (C)

1.33 "month" shall mean calendar month. (C)

(C) Indicates Change

1.34 "Natural Gas Distribution Company" or "NGDC" shall mean a public utility or city natural gas distribution operation that provides natural gas distribution services and which may provide natural gas supply services and other services. For purposes of this standard of conduct, the term does not include: (C)

(i) A public utility subject to the jurisdiction of the Commission which has annual gas operating revenues of less than $6 million per year, except:

(A) When the public utility voluntarily petitions the Commission to be included within the definition of an NGDC.

(B) When the public utility seeks to provide natural gas supply services to retail gas customers outside its service territory.

(ii) A natural gas public utility subject to the jurisdiction of the Commission that is not interconnected to an interstate gas pipeline by means of a direct or indirect connection through the distribution system of another natural gas public utility or through a natural gas gathering system.

1.35 "Natural Gas Provider" or "NGP" shall mean the NGDC, NGS, marketer, aggregator and/or broker, as well as any third party acting on behalf of these entities.

1.36 "Natural Gas Supplier" or "NGS" shall mean an entity other than a natural gas distribution company, but including natural gas distribution company marketing affiliates without regard to structural relationship, which provides natural gas supply services to retail gas customers utilizing the jurisdictional facilities of a natural gas distribution company. The term includes: (C)

(i) A natural gas distribution company that provides natural gas supply services outside its certifcated service territories.

(ii) A municipal corporation, its affiliates or any joint venture, to the extent that it chosses to provide natural gas supply services to retail customers located outside of its corporate or municipal limits, as applicable, other than:

(a) As provided prior to July 1, 1999, the effective date of 66 Pa.C.S. Chapter 22 (relating to natural gas competition), under a certificate of public convenience if required under this title.

(b) Total natural gas supply services in de minims amounts.

(c) Natural gas supply services requested by, or provided with the consent of, the public utility in whose certificated territory the services are provided.

(d) Natural gas supply services provided to the municipal corporation itself or its tenants on land it owns or leases, or subject to an agreement of sale or pending condemnation, as of September 1, 1999, to the extent permited by applicable law independent of 66 Pa.C.S. Chapter 22.

(C) Indicates Change

(iii) The term excludes an entity to the extent that it provides free gas to end-users under the terms of an oil or gas lease. Notwithstanding any other provision of 66 Pa.C.S. (relating to the Public Utility Code), an NGS that is not an NGDC is not a public utility as defined in 66 Pa.C.S. §102 (relating to definitions) to the extent that the NGS is utilizing the jurisdictional distribution facilities of an NGDC or is providing other services authorized by the Commission.

1.37 "Natural Gas Supply Services" shall mean the sale or arrangement of the sale of natural gas to retail customers and services that may be unbundled by the Commission under section 2203(3) of the Act. The term does not include distribution service.

1.38 "NGS Choice Distribution Aggregation Agreement" shall mean the contract between the NGS and the Company that specifies the terms and conditions for participation in the Choice Service. (C)

1.39 "Nomination EBB" shall mean the electronic bulletin board and nomination system, which is used for scheduling deliveries of gas on the Company's system.

1.40 "Paragraph" shall mean a numbered paragraph of these Rules Applicable to Distribution Service as well as all sub-paragraphs falling under that numbered paragraph.

1.41 "Primary FTS" with regard to Columbia Gas Transmission Corporation capacity, shall mean FTS which has a designated primary delivery point located in the same Pipeline Scheduling Point in which the Customer is located and has a designated primary receipt point at a location considered to be a point of generally available supply. "Primary FTS" with regard to any other transmission pipeline shall mean firm transportation service which has a designated primary delivery point located in the same Company Local Market Area in which the customer is located and has a designated primary receipt point at a location considered to be a point of generally available supply. (C)

1.42 "Reliability" comprises adequacy and security.

1.43 "Retainage" shall mean gas lost and unaccounted for in the Company's operations as more specifically defined in the Retainage paragraph of these Rules Applicable to Distribution Service.

1.44 "Rules and Regulations" shall mean the "Rules and Regulations Governing the Distribution and Sale of Gas" section of the Company's tariff.

1.45 "Security" means designing, maintaining and operating a system so that it can safely handle extreme conditions, as well as emergencies.

1.46 "Shipper" generally means the entity nominating gas service for distribution. Specifically, "Shipper" is defined as:

1.) a General Distribution Service Customer that nominates gas for Distribution; or

2.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for distribution, but which has not been appointed in writing as the Customer's agent by the Customer; or

(C) Indicates Change

3.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for distribution, which NGS is acting as the General Distribution Service Customer's duly authorized agent for the purpose of purchasing gas; or

4.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for Distribution, which NGS is acting as the General Distribution Service Customer's duly authorized aggregation agent for the purpose of purchasing gas.

1.47 "Storage" shall mean placing natural gas into an underground facility for removal and use at a later date.

1.48 "Transmission" shall mean the moving of natural gas through the interstate pipeline system for delivery to the NGDC.

2. RULES APPLICABLE TO ALL DISTRIBUTION SERVICE

2.1 This Paragraph applies to all distribution service on the Company's system, regardless of whether the Customer is acting as its own Shipper or whether the Customer has contracted with an NGS to provide this service.

2.2 ELECTRONIC COMMUNICATIONS.

2.2.1 All nominations must be performed through the Company's Nomination EBB.

2.3 INITIAL NGS APPLICATION

2.3.1 All NGSs must complete an Initial NGS Application in the form prescribed by the Company, and have it approved by the Company prior to being able to supply gas for either General Distribution Service or Choice Service on the Company's system. NGSs may be required by the Company to resubmit the Initial NGS Application in instances where changed circumstances cause the Initial NGS Application to no longer be applicable. Such changed circumstances include, but are not limited to circumstances such as: a change in the financial status of the NGS, a substantial change in the number of Customers being served by the NGS, or a substantial change in the amount of natural gas being provided by the NGS. (C)

2.3.2 All NGSs must be licensed by the Commission prior to the Company's approval of the Initial NGS Application to provide Natural Gas Supply Services on the Company's system. Pursuant to Section 2208 of the Public Utility Code, 66 Pa. C.S. §2208, no entity shall engage in the business of an NGS unless it holds a license issued by the PUC. NGS license application packages can be found on the PUC web site at http://puc.paonline.com. PA. P.U.C. Docket No. M-00991248F0002

(C) Indicates Change

2. RULES APPLICABLE TO ALL DISTRIBUTION SERVICE – continued

2.3 INITIAL NGS APPLICATION - continued

2.3.3 Absent a Commission waiver, all parties must adhere to the applicable Chapter 56 standards when they engage in an activity covered by those standards. 52 Pa. Code Ch. 56. NGSs should also refer to the Commission's guidelines on Maintaining Customer Services at the Same Level of Quality Pursuant to 66 Pa. C.S. § 2206(a), Docket No. M-00991249F0003.

2.3.4 As part of the Initial NGS Application process, an NGS must meet the standards and fulfill the obligations of creditworthiness as required under the NGS Creditworthiness paragraph of these Rules Applicable to Distribution Service before being permitted to provide Natural Gas Supply Services on the Company's system.

2.4 NGS CREDITWORTHINESS

2.4.1 The Company will require the NGS to provide financial information in order for the Company to establish the NGS's creditworthiness. The NGS shall provide the Company with the financial information that it provided to the Commission, as well as the NGS's most current financial information. In addition, the Company may request the NGS to furnish the following financial information: (C)

- Credit reports,
- Bank References,
- Audited Financial Statements, Annual Report, 10K or 10Q prepared in the past 12 months,
- Confirmation that the NGS is not operating under any bankruptcy or insolvency law,
- Confirmation that no significant lawsuits or judgements are outstanding,
- Confirmation that the NGS is not aware of any adverse condition which could cause a material change in financial condition,
- A list of parent company and other affiliates,
- Names, addresses and telephone numbers of three trade references, and/or
- Additional financial related information as determined by the Company.

2.4.2 The creditworthiness evaluation will be based on standard credit factors such as previous operating history including operating history on other NGDC's when applicable, financial and credit ratings from investment rating companies, trade references, unused line of credit, financial information and number and class of customers to be served. The Company shall determine creditworthiness based on the above criteria but will not deny creditworthiness without reasonable cause. (C)

2.4.3 Amount and Form of Security (C)

The criteria for determining the amount and form of security will be based on criteria specified in Chapter 62, Subchapter D.

The security amount may be modified. An adjustment to the amount of security may be requested by the Company or the NGS as specified in §62.111(c)(6) and (7) of the Pennsylvania Code.

(C) Indicates Change

2. RULES APPLICABLE TO ALL DISTRIBUTION SERVICE – continued

2.4 NGS CREDITWORTHINESS – continued

2.4.4 Calculation of the Security Requirement (C)

The following is a calculation of the Natural Gas Supplier's (NGS) Security Requirement. The NGS Financial Exposure is the sum of one month's commodity exposure, plus one month's capacity exposure. The Security Requirement ("SR") is the NGS Financial Exposure ("FE") less any Unsecured Credit Level ("UCL"), Accounts Receivable Credit ("ARC") or Current Collateral ("CC").

SR = FE – (UCL + ARC + CUC), *where*
FE = COE + CAE, and
COE = {(ARCC x RC x CR) + (ACCC x CC x CR), and
CAE = FT x FTR, and
ARC = {(NGSAR x ARCC x RC) + (NGSAR x ACCC x CC)}

An Accounts Receivable Credit is applied only when Columbia has been provided first secured interest. The NGS shall provide Columbia with any additional documents and take any additional steps that Columbia may request to perfect Columbia's interest.

Columbia will perform the above calculations monthly. The Security Requirement may be adjusted as circumstances warrant and in accordance with Chapter 62 – Natural Gas Supply Customer Choice, Subchapter D, Licensing Requirements for Natural Gas Suppliers.

In computing the amount of security required of the NGS pursuant to the formula above, the following definitions shall apply:

ARC equals Accounts Receivable Credit (if applicable).

ARCC equals Average Residential Customer Consumption.

ACCC equals Average Commercial Customer Consumption.

CAE equals capacity exposure (in $).

CC equals number of Commercial Customers.

COE equals commodity exposure (in $).

CR equals the Commodity rate calculated using the Inside FERC Columbia Gas Transmission LLC ("TCO") Appalachia index rate for prices of spot gas purchased at the TCO pool for the first of the month plus the current TCO shrinkage and commodity charges.

CUC equals Current Collateral (in $) (if applicable).

(C) Indicates Change

2. RULES APPLICABLE TO ALL DISTRIBUTION SERVICE – continued

2.4 NGS CREDITWORTHINESS – continued

2.4.4 Calculation of the Security Requirement - continued (C)

FE equals Financial Exposure (in $).

FT equals the amount of firm transportation capacity assigned to the NGS. **FTR** equals the firm transportation monthly rate (in $/dth).

FTR equals the firm transportation monthly rate (in $/dth).

NGSAR equals Natural Gas Suppliers' Average Rate.

RC equals number of Residential Customers.

SR equals Security Requirement (in $).

UCL equals Unsecured Credit Level (if applicable).

2.4.5 A non-refundable fee of $100.00 will be charged for each credit evaluation to offset the cost of determining the NGS's creditworthiness or adjust the amount of security. The Company reserves the right to conduct evaluations on an as-needed basis. The Company will bill the NGS the $100.00 non-refundable fee for such evaluations but will limit the number of charges to two per year.

2.4.6 In those instances where an NGS is providing Natural Gas Supply Services pursuant to the Rules Applicable Onlly to General Distribution Service of these Rules Applicable to Distribution Service, the Customer is ultimately responsible to the Company for the payment of any invoices, fees, imbalance purchases, banking and balancing charges, OFO or OMO charges, penalties or other charges arising out of the NGS's provision of Natural Gas Supply Services to that Customer. NGSs providing Natural Gas Supply Service to Customers pursuant to the Rules Applicable Only to General Distribution Service of these Rules Applicable to Distribution Service shall not be required to provide a legal and/or financial instrument as specified in Chapter 62 §111(c)(2), or property under Chapter 62 §111(c)(3), if applicable, unless such legal and/or financial instrument as specified in Chapter 62 §111(c)(2), or property under Chapter 62 §111(c)(3), if applicable, is necessary based upon the Company's creditworthiness requirement.. (C)

(C) Indicates Change

2. RULES APPLICABLE TO ALL DISTRIBUTION SERVICE – continued

2.4 NGS CREDITWORTHINESS – continued

2.4.7 In those instances where an NGS is providing Choice Natural Gas Supply Services pursuant to the Rules Applicable Only to Choice Service rule of these Rules Applicable to Distribution Service, the NGS, rather than the Customer, is ultimately responsible to the Company for payment of all fees and charges set forth in the Rules Applicable to All Distribution Service rule and the Rules Applicable Only to Choice Service rule of these Rules Applicable to Distribution Service. The NGS shall be required to provide a legal and/or financial instrument as specified in Chapter 62 §111(c)(2), or property under Chapter 62 §111(c)(3), if applicable, in an amount that the Company will determine based upon the financial information provided and in a consistent manner pursuant to the NGS Creditworthiness paragraph. All fees and charges under the Rules Applicable Only to Choice Service of these Rules Applicable to Distribution Service may be recoverable against the legal and/or financial instrument as specified in Chapter 62 §111(c)(2), or property under Chapter 62 §111(c)(3) if applicable, required of the NGS. The legal and/or financial instrument as specified in Chapter 62 §111(c)(2), or property under Chapter 62 §111(c)(3), if applicable, shall be due and payable upon default and shall cover the NGS's obligations under the Act, including without limitation Section 2207(k) of the Act, and must also provide for payment of Company-imposed fees. Additionally, if the Commission so finds and orders, an additional legal and/or financial instrument as specified in Chapter 62 §111(c)(2), or property under Chapter 62 §111(c)(3) ,if applicable, may also provide for restitution for customers and Commission-imposed financial penalties, in an amount determined by the Commission. (C)

2.4.8 Annual Report. The Company will file an annual report with the Commission by April 30 of each year containing the information specified in Title 52 of the Pennsylvania Code, §62.111(c)(5). (C)

2.5 CHARACTER OF DISTRIBUTION SERVICE

2.5.1 Title to Gas. The Customer or its NGS warrants that it has good title to all natural gas delivered to the Company for Distribution to the Customer, and that such gas will be free and clear of all liens, encumbrances, and claims whatsoever, and that it will indemnify the Company, and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of a breach of such warranty.

2.5.2 Planning Issues. In view of Customer obtaining its own supply of natural gas, by direct or indirect means, the Customer and Shipper understand that the Company will no longer consider Customer's gas requirements in arranging for the system gas supply the Company purchases for its Sales Service Customers.

(C) Indicates Change

2.5.3. Quality of Gas. It is the Customer Proxy's obligation to provide gas of suitable quality to the Company at the agreed upon delivery points. The quantity, pressure and time of delivery shall be agreed to by the Company and the Customer's Proxy in advance, prior to delivery of the natural gas supplies. (C)

2.5.4 Additional Facilities. If additional facilities are required for the Company to provide the service, and such facilities are not required for the provision of Sales service, the Customer must pay, in full, for any additional facilities required to be constructed, and such payments shall not be subject to refund under any circumstances.

2.5.5 The Company is responsible for Customer service functions, including meter reading, installation, testing and maintenance, emergency response for all Customers, and complaint resolution and collections related to services provided by the Company. The Company shall be responsible for the physical connection and disconnection of distribution service, whether temporary or permanent, with or without the consent of the customer. PA. P.U.C. Docket No. M-00991249F003.

2.6 LIMITATIONS ON DISTRIBUTION SERVICE

2.6.1 Firm Service. Distribution service is a Firm Service. That is, the Company will distribute gas to the Customer on a firm basis during any day in which the Customer's gas is delivered by the Shipper to the Company at a Delivery Point in the same Company Local Market Area in which Customer's facilities are located, subject to the limitations set forth in the rate schedule(s) for Distribution service applicable to the Customer, the order of interruption priority set forth in the Priority-Based Curtailments section in Rule 2 of the Rules and Regulations of the Company's tariff and the System Integrity Measures and Procedures, and Seasonal Flow Orders sections in Paragraph 3, and Operational Flow Orders in Paragraph 4 of these Rules Applicable to Distribution Service and subject to the limitations set forth below.

2.6.2 Limitation for Failure of Shipper to Provide Gas to the Company in Customer's Local Market Area.

2.6.2.1 Consistent with the authority provided under the System Integrity Measures and Procedures, Operational Flow Orders, and Operational Matching Orders sections of Paragraph 3 and the Operational Flow Order section in Paragraph 4 of the Rules Applicable to Distribution Service (RADS), if on any day, one or more Shipper(s) fails to deliver sufficient gas supplies to meet its/their Customer's(s') estimated requirements on that day to a receipt point in the Local Market Area in which the Customer's(s') facilities are located, or the total gas supplies delivered into that Local Market Area on that day are insufficient to meet the estimated total requirements of all the Company's Customers in that Local Market Area on that day, the Company may issue Operational Flow Orders (OFOs) or Operational Matching Orders (OMOs) pursuant to the Operational Flow Orders and Operational Matching Orders sections in Paragraph 3 and the Operational Flow Orders section in Paragraph 4 of these RADS, and if further limitations should become necessary, the Company shall order the curtailment of consumption pursuant to the priorities established in the Priority Based Curtailments section of the Gas Emergency Rules in Rule 2 of the Rules and Regulations Governing the Distribution and Sale of Gas.

(C) Indicates Change

2.6.2 Limitation for Failure of Shipper to Provide Gas to the Company in Customer's Local Market Area - Continued

2.6.2.2 The Company will not limit distribution service when the Shipper fails to provide gas to the Company in the Customer's local market area as specified in Paragraph 2 of the RADS to the extent that (a) the Shipper's customer(s) has (have) a daily firm contractual requirement under Rate Schedule SS or (b) the Shipper has sufficient gas supplies to meet its delivery requirement on that day, delivered that day into the same Local Market Area in which the Customer's (s') facilities are located; or (c) upon approval of the Company, the Shipper delivers its gas supplies to a receipt point which is located in a Local Market Area other than the Local Market Area in which the Customer's facilities are located (non-contiguous deliveries) and the Customer's consumption is not anticipated to cause pressure or delivery problems on the Company's facilities in the Local Market Area in which the Customer's (s') facilities are located or on the facilities of the Company's interstate pipeline suppliers. The Company has the right to restrict non-contiguous deliveries and such Distribution service may be limited whenever such non-contiguous deliveries are anticipated to cause pressure or delivery problems on the Company's facilities in the Local Market Area in which the Customer's facilities are located or on the facilities of the Company's interstate pipeline suppliers; or the Company is directed by the interstate pipeline supplier to limit its receipts of gas in order to comply with the interstate pipeline supplier's FERC approved tariff. If the Shipper does not meet the aforementioned criteria and limitation is necessary, the Customer Proxy shall be subject to the provisions of the System Integrity Measures and Procedures, Operational Flow Orders and Operational Matching Orders sections in Paragraph 3 and the Operational Flow Orders section in Paragraph 4 of these Rules Applicable to Distribution Service, and if further limitations should become necessary, the Customer shall be subject to limitation in accordance with the order of priority set forth in the Priority Based Curtailment section of the Gas Emergency Rules included in Rule 2 of the Rules and Regulations Governing the Distribution and Sale of Gas.

2.6.3 Limitation in the Event that Service to the Company's Priority One Customers is Threatened.

2.6.3.1 Distribution service may be limited or curtailed during periods when retail service to priority one Customers (as defined in the Rules and Regulations of the Company's tariff) is threatened by the Company's inability to maintain adequate delivery pressure or Shippers fail to deliver adequate gas supplies to the Delivery Points. Distribution service also may be limited or curtailed whenever, in the event of a sudden and unforeseen supply deficiency, the Company invokes an Emergency Curtailment for Tests or Repairs pursuant to the Gas Emergency Rules section in Rule 2 of the Rules and Regulations of the Company's tariff.

(C) Indicates Change

2.6.3 Limitation in the Event that Service to the Company's Priority One Customers is Threatened - Continued

2.6.3.2 In the event of limitation or curtailment of Distribution service, pursuant to this Paragraph and during such period of limitation or curtailment, the Customer Proxy must, if requested by the Company, sell to the Company all or a portion of the gas which was not delivered to the Delivery Point at the higher of: (1) the cost of gas at the Delivery Point to the Company, or (2) the Company's average weighted cost of purchased gas per thm, as determined based upon the Company's Purchase Gas Cost Rider. The cost at which the Shipper acquired the gas will be determined from the Customer's contract with the NGS. The Customer will be required to furnish a copy of the contract to the Company upon request. (C)

2.6.4 Sale of Gas in the Event of Limitation

2.6.4.1 In the event of limitation or curtailment as a result of the Shipper failing to provide gas to the Company in the Customer's Local Market Area pursuant to the Limitation for Failure of Shipper to Provide Gas to the Company in Customer's Local Market Area section in Paragraph 2 of these Rules Applicable to Distribution Service and during such period of limitation or curtailment, the Customer Proxy may elect to sell to the Company, and the Company may agree to purchase from the Customer Proxy, all or a portion of the Shipper's gas actually produced from local Pennsylvania production sources into the Company's facilities at the lower of: 1) The Shipper's cost of gas at the Delivery Point to the Company; or 2) The Company's monthly weighted average commodity gas cost as determined based on the currently effective Purchase Gas Cost Rider rate for the month the limitation occurs.

2.7 DISTRIBUTION NOMINATIONS

2.7.1 For purposes of nomination and scheduling of Distribution deliveries, all Shippers must utilize the Nomination EBB. The Nomination EBB requires that the Shipper has a personal computer meeting the specifications of the Nomination EBB. All Shippers must have access to the Internet and must acquire a password and nomination identification number from the Company to access the Nomination EBB.

2.8 OPERATIONAL ALERTS (OAs)

2.8.1 An operational alert ("OA") may be called during periods of projected increased or decreased consumer demand for, or supply of, natural gas which may cause system stress or threaten applicable storage or other pipeline contract limitations. An OA is a request for specific action on the part of an individual Customer Proxy, or all Customer Proxies. The Customer Proxies are expected to respond to OAs within 4 hours after the Company provided notice, informing the Company of their intended action(s). Where possible, an OA may be used to avoid an OFO or OMO but shall not be required as a condition to the issuance of an OFO or OMO.

(C) Indicates Change

2.9 EMERGENCY ALERTS (EAs)

2.9.1 If an unforeseen emergency situation arises which could threaten the continuous adequate delivery of natural gas to a Customer, the Company will provide the Customer Proxy with as much notice as is reasonably possible under the emergency situation. Such notice shall be made by the medium most reasonably expected to reach the Customer Proxy in a timely manner, including but not limited to: telephonic, e-mail, facsimile, Nomination EBB, or personal contact. In such notice, the Company will advise the Customer Proxy of the unforeseen emergency situation, and the Customer Proxy is expected to comply with the Company's requests.

2.10 LATE PAYMENT CHARGE

2.10.1 The Company shall bill the Customer Proxy on a monthly basis and all bills shall be due and payable within fifteen (15) days of the date the bill is postmarked. Any bill not paid by the due date shall be increased by one and one-quarter percent (1-1/4%) of the amount not timely paid each month.

2.11 CHARGES BY OTHER PIPELINES OR DISTRIBUTORS

2.11.1 If furnishing service, pursuant to the Customer's applicable Distribution rate schedule, required the Company to use a service provided other than by the Company, any cost incurred by, or billed to the Company, with regard thereto, shall be billed to the Customer Proxy.

2.11.2 The Customer Proxy shall also reimburse the Company for penalties assessed to the Company under the applicable rate schedule of a third party pipeline or Distributor as a result of daily excess consumption, daily excess tenders, excess monthly imbalances, banking imbalances or other factors set forth in such rate schedules.

2.12 RETAINAGE

2.12.1 The Company may retain a reasonable allowance of the total quantity of gas delivered into its system for the Customer's account, for gas which is lost or unaccounted for in the Company's operations. (C)

2.12.2 The percentage retainage is as follows:

MLS Class I Customers - 0%

Customers served by excess pressure measuring stations - 1%

All other Customers - The system average lost and unaccounted for quantities, as determined annually and effective on January 1. The percentage will be calculated as the simple average of three annual retainage rates ending August 31 for the immediately preceding 3-year period, including company use gas and excluding quantities and retainage for MLSS and MLDS Class I accounts and accounts served by an excess pressure measuring station. (C)

(C) Indicates Change

(C)

2.13 RETROACTIVE PERIOD ADJUSTMENTS

When the Company becomes aware of an overstatement or understatement of consumption or nominations on a customer's account for a previous period, the Company will adjust the customer's and/or the Aggregation Agent's account using the rates that were in effect for the month being adjusted.

2.14 DEFAULT (OTHER THAN SLAMMING) BY THE NGS

If the NGS breaches any Material Obligation it owes to the Company under its tariff, other than in instances of slamming, and fails to cure said breach within five business days after written notice from the Company, the Company shall have the right to prohibit the NGS from adding additional customers or to disqualify the NGS from operating on the Company's system entirely. Bankruptcy of the NGS is deemed to be an incident of default. In the event of an uncured breach, the Company may offset any and all amounts owed to it by the NGS against any and all amounts owed by the Company to the NGS, including without limitation, charges for imbalance gas sold by the Company, out of period adjustments to the NGS's account, amounts owed to the NGS for bank balances, and amounts owed to the Company for SFO, OFO, or OMO charges, etc. In the event a Choice NGS defaults and the Company is required to provide service to the NGS' customers at the rate which was contracted between the NGS and its customers (Section 2207 (K) of the Natural Gas Choice and Competition Act), the Company may also use any bank balance owed to the NGS to offset any incremental costs incurred by the Company in serving that NGS's customers. The Company reserves its rights to draw upon any bond or financial security instrument that may be required under the NGS Creditworthiness section in Paragraph 2 of the RADS and to pursue any and all damages it may incur as a result of a breach by the NGS.

2.15 NONLIABILTY OF COMPANY

The Company shall not be liable, under any circumstance or in any respect, to a Customer, to a producer of gas or to any other person or entity for damages arising either directly or indirectly from interruption, curtailment or termination of distribution service.

(C) Indicates Change

2.16 DUTIES UNDER FORCE MAJEURE CONDITIONS

Other than the Responsible Party's obligation to make payments of amounts due hereunder and the Shipper's duty to provide adequate supplies of gas, in the event that either party hereto is rendered unable, wholly or in part, by force majeure, to carry out its obligations under this Schedule, it is agreed that upon notice of such force majeure in writing or by telephone to the other party as soon as reasonably possible after the occurrence of the cause relied on, the obligation of the party giving such notice, insofar as they are affected by such force majeure, shall be suspended during the continuation of any inability so caused, but for no longer period, and such cause shall be remedied by such party with all reasonable dispatch. Telephone notices given under the provisions of this Paragraph shall be confirmed in writing as soon as reasonably possible, and all notices hereunder shall specifically state the time and date when the force majeure became effective. The obligations under this Schedule shall not be terminated by reason of any such force majeure, but shall remain in full force and effect for the entire term specified herein. The term "force majeure" as used herein shall mean any natural catastrophe, fire, explosion, accident or other casualty, change in circumstances, law or governmental regulation or order (including, without limitation, any such law, regulation or order which curtails or interrupts, directly or indirectly, Customer's right to receive the gas supplied hereunder), strike or other labor dispute and any consequences thereof and other causes beyond the reasonable control of either of the parties hereto, and shall also include any change in any order of the Commission which alters or affects the Customer's right to take or retain the gas supplied hereunder.

2.17 SOLE AND EXCLUSIVE REMEDIES

The termination rights, cancellation rights, and interest payments and other remedies outlined in the Company's tariffs for non-performance herein shall be the Company's and the Customer Proxy's respective sole and exclusive remedies for such non-performance. In no event shall either party be liable for special, incidental, exemplary, punitive, indirect or consequential damages, including, but not limited to, loss of profit or revenue, cost of capital, cost of substitute products, downtime costs, or claims for damages by third parties upon Company or the Customer Proxy. This applies whether claims are based upon contract, warranty, tort, (including negligence and strict liability), or other theories of liability.

2.18 NO WAIVER

No waiver by either party of one or more defaults by the other in the performance of any provisions of these Rules Applicable to Distribution Service shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or of a different character.

2.19 STANDARDS OF CONDUCT

2.19.1 General Requirements. NGDCs and NGSs shall comply with the following requirements:

2.19.1.1 An NGDC shall apply its tariffs in a nondiscriminatory manner to its affiliated NGS and any nonaffiliated NGS.

2.19.1.2 An NGDC may not apply a tariff provision in a manner that would give its affiliated NGS preference over other NGSs with regard to matters such as scheduling, balancing, transportation, storage, curtailment, capacity release and assignment, non-delivery, and other services provided to its affiliated NGS.

2.19.1.3 Mandatory tariff provisions may not be waived by an NGDC for an NGS absent prior approval of the Commission.

2.19.1.4 When a tariff provision is not mandatory or provides for waivers, an NGDC shall grant the waivers without preference to its affiliated NGS or non-affiliated NGS.

2.19.1.5 An NGDC shall maintain a chronological log of tariff provisions for which it has granted waivers. Entries must include the name of the party receiving the waiver, the date and time of the request, the specific tariff provision waived and the reason for the waiver. The chronological log must be open for public inspection during normal business hours. When the NGDC maintains a website, it shall post the terms set forth in this paragraph on its website for at least 3 months.

2.19.1.6 An NGDC shall process requests for distribution services promptly and in a nondiscriminatory fashion with respect to other requests received in the same or a similar period. An NGDC shall maintain a chronological log showing the processing of requests for transportation services. The chronological log must be open for public inspection during normal business hours.

2.19.1.7 If an NGDC provides a distribution service discount, fee waiver or rebate to its favored customers, or to the favored customers of its affiliated NGS, the NGDC shall offer the same distribution service discount, fee waiver or rebate to other similarly situated customers. Offers may not be tied to an unrelated service, incentive or offer on behalf of either the NGDC or its affiliated NGS. A chronological log shall be maintained showing the date, party, time and rationale for the action. The chronological log must be open for public inspection during normal business hours.

2.19.1.8 Subject to customer privacy or confidentiality constraints, an NGDC may not disclose, directly or indirectly, any customer proprietary information to its affiliated NGS unless authorized by the customer. To the extent that an NGDC does disclose customer information without customer authorization, it shall first seek the permission of the customer consistent with its tariffs, any contractual obligations it may have to the customer or § 62.78 (relating to privacy of customer information) and, if that customer grants permission, contemporaneously provide this same information to other similarly situated NGSs in a similar fashion so as not to selectively disclose, delay disclosure or give itself or its affiliated NGS an advantage related to the disclosure. A chronological log shall be maintained showing the date, party, time and rationale for the disclosure. The chronological log must be open for public inspection during normal business hours. This paragraph does not apply to the disclosure of customer information made under a customer assistance program mandated by State law or regulation.

2.19.1.9 An NGDC shall reasonably allocate to its affiliated NGS the costs or expenses for general administration or support services provided to its affiliated NGS.

2.19.1.10 NGDCs may not condition or tie the provision of a product, service or price agreement by the NGDC, including release of interstate pipeline capacity to the provision of a product or service by its affiliated NGS.

2.19.1.11 An NGDC may not give its affiliated NGS preference over a non-affiliated NGS in the provision of goods and services including processing requests for information, complaints and responses to service interruptions. An NGDC shall provide comparable treatment in its provision of goods and services without regard to a customer's chosen NGS.

2.19.1.12 An NGDC and its affiliated NGS shall maintain separate books and records. Transactions between the NGDC and its affiliated NGS may not involve cross-subsidies. Shared facilities must be fully and transparently allocated between the NGDC function and the affiliated NGS function. The NGDC accounts and records must be maintained so that the costs incurred on behalf of an affiliated NGS are clearly identified.

2.19.1.13 NGDC employees who have responsibility for operating the distribution system, including natural gas delivery or billing and metering, as well as those responsible for marketing and customer service, may not be shared with an affiliated NGS, and their offices shall be physically separated from the office(s) used by those working for the affiliated NGS. NGDC employees may transfer to an affiliated NGS provided the transfer is not used as a means to circumvent these standards of conduct.

2.19.1.14 Neither the NGDC nor its affiliated NGS may directly, or by implication, falsely and unfairly represent to a customer, NGS or third party that an advantage may accrue to a party through use of the NGDC's affiliates or subsidiary, such as:

(i) The Commission-regulated services provided by the NGDC are of a superior quality when services are purchased from its affiliated NGS.

(ii) The merchant services for natural gas are being provided by the NGDC when they are in fact being provided by an affiliated NGS.

(iii) The natural gas purchased from a nonaffiliated NGS may not be reliably delivered.

(iv) Natural gas shall be purchased from an affiliated NGS to receive Commission-regulated services.

2.19.1.15 When an affiliated NGS markets or communicates to the public using the NGDC name or logo, it shall include a legible disclaimer that states that:

(i) The affiliated NGS is not the same company as the NGDC.

(ii) The prices of the affiliated NGS are not regulated by the Commission.

(iii) A customer does not have to buy natural gas or other products from the affiliated NGS to receive the same quality of service from the NGDC.

2.19.1.16 When an affiliated NGS advertises or communicates verbally through radio or television to the public using the NGDC name or logo, the affiliated NGS shall include at the conclusion of the communication a legible disclaimer that includes all of the disclaimers in paragraph 2.18.15 (i) – (iii).

2.19.1.17 An NGDC may not:

(i) Jointly market or jointly package its Commission-regulated services with the services of an affiliated NGS.

(ii) Offer or provide to its affiliated NGS products or services, including bill inserts in its NGDC bills promoting an affiliated NGS's services or a link from the NGDC's web-site, unless the NGDC offers or provides these products or services to nonaffiliated NGSs on the same terms and conditions.

(iii) The restrictions in subparagraphs (i) and (ii) do not apply to competitive bid situations.

2.19.1.18 An NGDC may not offer or sell natural gas commodity or capacity to its affiliated NGS without simultaneously posting the offering electronically on a source generally available to the market or by otherwise making a sufficient offer to the market. The NGDC shall maintain a chronological log of these public disseminations. The chronological log must be open for public inspection during normal business hours.

2.19.1.19 An NGDC shall establish and file with the Commission complaint procedures for dealing with alleged violations of the standards of conduct, with the exception of paragraph 2.18.1.9, which is exclusively under the purview of the Commission. These procedures shall be developed in consultation with interested parties during consideration of tariffs guided by this section and § 69.191 (relating to general). The Commission may grant an exception to these requirements if warranted by the facts or circumstances.

2.19.1.20 An NGDC shall keep a chronological log of any complaints filed, excepting those filed to paragraph 2.18.1.9, regarding discriminatory treatment of NGSs. This chronological log must include the date and nature of the complaint and the resolution of the complaint. The chronological log must be open for inspection during normal business hours.

2.19.2 Dispute Resolution Procedures. In addition to the procedures in paragraph 2.18.1.19:

2.19.2.1 When a dispute between an NGDC, an affiliated NGS, or a nonaffiliated NGS, alleging a violation of the standards of conduct provisions occurs, the NGS shall provide the NGDC or affiliated NGS, as applicable, a written notice of dispute that includes the names of the parties and customers, if any, involved and a brief description of the matters in dispute.

2.19.2.2 Within five (5) days of an NGDC's or affiliated NGS's receipt of a notice of dispute, a designated senior representative of each party shall attempt to resolve the dispute on an informal basis.

2.19.2.3 If the representatives are unable to resolve the dispute by mutual agreement within thirty (30) days of receipt, they shall refer the complaint to the Commission's Office of Administrative Law Judge for mediation § 69.392 (relating to availability of mediation process). A party may request mediation prior to that time if informal resolution is not productive.

2.19.2.4 A party may file a complaint concerning the dispute with the Commission under relevant provisions of 66 Pa. C.S. § § 701-703 (relating to procedure on complaints) and § § 5.21-5.31 (relating to formal complaints).

2.19.2.5 A complainant bears the burden of proof consistent with 66 Pa.C.S. § 332 (relating to procedures in general) in regard to the allegations and may request penalties for violations under to 66 Pa. C.S.§ 3301 (relating to civil penalties for violations).

2.19.3 Adoption as Company Policy. An NGDC and its affiliated NGS shall formally adopt and implement these provisions as company policy and take appropriate steps to train and instruct its employees in their content and application.

2.20 COMPLAINT PROCEDURE

If the Customer Proxy believes that the Company acted inconsistently with the terms of these Rules Applicable to Distribution Service, it may file a complaint with the Commission.

2.21 COMPLAINT PROCEDURE – VIOLATIONS OF STANDARDS OF CONDUCT

Alleged violations of the Standards of Conduct shall be communicated by the NGS to the Company by written Notice of Dispute that includes the names of the Parties and Customer(s), if any, involved and a brief description of the matters in dispute. Within five (5) days of receipt of a Notice of Dispute, the Company's General Counsel shall attempt to resolve the dispute on an informal basis. If the dispute is not resolved within thirty (30) days of the date of receipt of the Notice of Dispute, the dispute shall be referred for mediation through the Commission's Office of Administrative Law Judge. If mediation is not successful, the matter will be converted to a formal proceeding before a Commission Administrative Law Judge. Parties alleging violations of the Standards of Conduct may pursue their allegations through the Commission's established complaint procedures. A complainant bears the burden of proof consistent with 66 Pa. C.S. §322 in regard to the allegations and the Commission may impose penalties for such violations pursuant to 66 Pa. C.S. §3301. PA P.U.C. Docket No. M-00991249F004.

3. RULES APPLICABLE ONLY TO GENERAL DISTRIBUTION SERVICE

3.1 This Paragraph applies to all General Distribution Service on the Company's system, regardless of whether the Customer is acting as its own Shipper or whether the Customer has contracted with an NGS to provide this service.

3.2 APPLICATION PROCESS

3.2.1 All Customers must complete an application in the form prescribed by the Company prior to taking service under these Rules Applicable to Distribution Service ("General Distribution Application and Agreement"). The General Distribution Application and Agreement shall set forth: (1) the point(s) of receipt at which the gas will be delivered to the Company; (2) the point(s) to which the Company will distribute the gas to the Customer's facilities; and (3) Customer's maximum daily distribution quantity and annual distribution quantity. The General Distribution Application and Agreement shall also include: the name, address and telephone number to which all notices are to be delivered, an e-mail address (if available), banking and balancing information if applicable, alternate fuel information, and the service and levels of said services to be rendered. The maximum daily and annual quantities are subject to adjustment by the Company no more than one time each year, to reflect the Customer's then current maximum daily and annual quantities experienced in the most recent November to October period, except an adjustment may be made at any time upon agreement of the Customer and the Company. In addition to the maximum daily and annual distribution quantities, for Customers which are asphalt plants, power generators or grain dryers, those Customers shall also provide their maximum daily quantity which is expected to occur in January. (C)

3.2.2 In the General Distribution Application and Agreement, the Customer has the option of appointing an NGS to act on its behalf, for the purpose of establishing and administering the Customer's General Distribution Service. This appointment shall authorize the NGS to administer the Customer's purchase of natural gas supplies, including (by way of illustration and not limitation) the following: obtain the Customer's historic and current usage data from the Company; place a Customer in an Aggregation Nomination Group; receive notices on behalf of the Customer; nominate gas on behalf of the Customers; and obtain from the Company any and all pertinent information pertaining to prior or current month gas deliveries to the Customer, including disbursed quantities, tariff quantities, banked quantities and bank tolerances. The Customer has the right to change his appointment of an NGS to act on his behalf by submitting a new General Distribution Application and Agreement containing the new appointment. (C)

3.2.3 The benefits and obligations of service under these Rules Applicable to Distribution Service shall begin when the Company first receives gas on the Customer's behalf.

3.2.4 Within sixty (60) days of receipt of all necessary information requested by the Company to evaluate a Customer's application, the Company will respond to the General Distribution Application and Agreement and agree either to supply service

(C) Indicates Change

or deny service. If the Company refuses to provide service under the requested rate schedule, the Company shall provide detailed support for its decision.

3.2.5 The NGS is not required to complete an application to provide General Distribution Service; provided that the Customer's NGS submitted an Initial NGS Application which was approved by the Company.

3.3 CHARACTER OF SERVICE TO BE RENDERED

3.3.1 The Company shall receive the quantities of gas supplied by the Shipper and shall redeliver said gas to Customer's facilities. For Customers who purchase 100% Standby Service, the Company will provide Firm Service up to the Customer's then current maximum daily quantity. For Priority One Customers, the Company will provide Firm Service. (C)

3.3.2 Special Conditions for Customers with less than 100% backup service:

3.3.2.1 Customers may request to take General Distribution Service with less than 100% backup service provided that the Customer agrees to the following conditions:

3.3.2.1.1 Interruption of gas distribution may occur if the Shipper fails to deliver sufficient quantities of gas to the Company, including sufficient quantities to cover peak day usage, whether or not such failure is due to the fault of Shipper. Interruptions or limitations may be necessary during peak day conditions even if all of the Customer's gas has been delivered to the Company. (C)

3.3.2.1.2 An interruption of gas deliveries may require or result in (1) the temporary closing of the Customer's facilities, (2) lost production, sales, or business, and (3) damage to Customer's physical facilities. The Customer assumes the risk of any such losses or damage. A failure of the Customer to interrupt after notification to the Customer Proxy by the Company may also subject the Customer Proxy to liability for fines or penalties incurred by the Company as a result of such failure.

(C) Indicates Change

3.3.2.1.3 The Company has the right of access to the Customer's premises in order to read the meter(s), and, to the extent permitted by the Company's approved tariffs, the Company may require the installation of daily metering equipment and may require Customer to pay the associated costs, including: (1) the cost of the equipment, (2) the cost of installation, and (3) the cost of a telephone line to the meter. In certain instances, a dedicated telephone line may be required. The meter and any associated telemetering equipment shall remain the property of the Company.

3.3.2.1.4 In the General Distribution Application and Agreement, the Customer shall provide the Company with the names of two persons, along with their 24/7 contact numbers and e-mail addresses (if available), who are to be contacted in the event that interruption of gas service is required under this Paragraph. (C)

3.3.3 A General Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company,

(1) has not received gas supply for the account;

(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and

(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

3.4 ORDER OF GAS THROUGH THE METER.

3.4.1 Gas through the Customer's meter during each billing month shall be considered to have come from the following sources, in order of priority:

1. gas supplies which have reached the facilities of the Company on behalf of a Customer, including Customer-owned supplies.
2. The cumulative balance, if any, of excess deliveries in prior months.
3. Firm sales, if any, contracted by the Customer from the Company.
4. Imbalance gas provided by the Company as defined in Paragraph 3.11.1 of these Rules Applicable to Distribution Service.

(C) Indicates Change

3.5 SYSTEM INTEGRITY MEASURES AND PROCEDURES

3.5.1 Operational Alert (OA). An operational alert ("OA") may be called during periods of projected increased or decreased consumer demand for, or supply of, natural gas which may cause system stress or threaten applicable storage or other pipeline contract limitations. An OA is a request for specific action on the part of an individual Customer Proxy, or all Customer Proxies. The Customer Proxies are expected to respond to OAs within 4 hours after the Company provided notice, informing the Company of their intended action(s). Where possible, an OA may be used to avoid an OFO or OMO but shall not be required as a condition to the issuance of an OFO or OMO.

3.5.2 Emergency Alerts (EAs). If an unforeseen emergency situation arises which could threaten the continuous adequate delivery of natural gas to a Customer, the Company will provide the Customer Proxy with as much notice as is reasonably possible under the emergency situation. Such notice shall be made by the medium most reasonably expected to reach the Customer Proxy in a timely manner, including but not limited to: telephonic, e-mail, facsimile, Nomination EBB, or personal contact. In such notice, the Company will advise the Customer Proxy of the unforeseen emergency situation, and the Customer Proxy is expected to comply with the Company's requests.

3.5.3 Seasonal Flow Orders (SFOs). As detailed below in the Seasonal Flow Order section of this Paragraph, the Company shall have the authority to issue SFOs whenever the Company believes that the seasonal supplies of Sales Service or Choice customers may be jeopardized. The Company may issue an SFO to Customer Proxies in instances including but not limited to the following: in order to prevent an excess of gas supply on the Company's system, to respond to an operational issue, or to direct Customer Proxies to direct their Shippers to adjust gas quantities being delivered to *the Company to match GDS customers' estimated requirements to prevent shortages* of seasonal supplies on the Company's system.

3.5.4 Operational Flow Orders (OFOs) and Operational Matching Orders (OMOs). The Company has the authority to issue OFOs and OMOs whenever the Company believes that the daily safe and/or reliable operation of its distribution system may be jeopardized including, without limitation, the need to protect the daily supply of Sales and Choice customers. The Company will endeavor to take all actions reasonably practicable to avoid issuing an OFO or OMO. In determining whether to issue an OFO or OMO the Company shall not be required to consider the availability of assets paid for by PGC and/or Choice Customers, or to acquire additional capacity or gas supply to serve GDS Customers (with the exception of quantities elected under Rate SS, and existing capacity for Rider EBS-Option 1). If the Company has the necessary information and conditions do not require a system-wide OFO or OMO, the Company may issue an OFO or OMO to an individual Customer Proxy or Customer Proxies, but this action shall not be a precondition for the Company to issue an OFO or OMO applicable to all GDS Customers or Customer Proxies. Where operationally feasible, the Company will endeavor to issue OFOs/OMOs by Pipeline Scheduling Point. (C)

3.5.5 Eligible Customer Proxies may meet the requirements of SFOs, OFOs and OMOs by subscribing to the Company's Flow Order Management Service as described in Paragraph 3 of these RADS.

(C) Indicates Change

3.6 SEASONAL FLOW ORDERS (SFOs)

3.6.1 An SFO is a demand for specific actions on the part of Shippers that are serving GDScustomers.

3.6.2 An SFO will be issued, to the extent possible, with a minimum of two business days notice to the affected parties.

3.6.3 The Company will have the authority to direct Customer Proxies to direct their Shippers to adjust daily scheduled quantities to a specified level (the SFO Level). The SFO Level may be necessary to restrict under-deliveries or over-deliveries as the Company deems appropriate. (C)

3.6.3.1 For Customers without daily measuring devices, and for Customers that have elected to be governed as an OFO customer pursuant to the provisions of the Operational Matching Orders section of this Paragraph, the SFO Level will be determined by the Company based upon the Company's projection of usage by GDS customers during the period. Issuance of an SFO shall not prohibit issuance of an OFO/OMO if conditions warrant. To meet the daily SFO level, the Shipper may use gas quantities which are: 1) scheduled and delivered on that day to the Company in the same Pipeline Scheduling Point in which the Shipper's customer(s')'s facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available on that day pursuant to the Rider EBS-Option 1; or 4) additional quantities that may be made available by the Company at its sole discretion including quantities delivered to a Local Market Area other than the Local Market Area where the Customer is located in accordance with Paragraph 2 of the RADS . (C) (C)

3.6.3.2 For Customers with daily measuring devices, the Company shall have the authority to direct Customer Proxies to direct their Shippers to adjust Customer's daily consumption quantities or daily scheduled deliveries in order that daily scheduled deliveries (the SFO Level) match Customer's consumption. In order to determine the SFO Level the Company will include quantities: 1) scheduled and delivered on that day to the Company in the same Pipeline Scheduling Point in which the Shipper's customer(s')'s facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available on that day pursuant to the Rider EBS-Option 1; or 4) additional quantities that may be made available to the Shipper by the Company at its sole discretion including quantities delivered to a Local Market Area other than the Local Market Area where the Customer is located in accordance with Paragraph 2 of the RADS. (C) (C) (C) (C)

3.6.4 At the end of the normal billing month, the Company shall calculate the deliveries that the Shipper was required to deliver each day during the SFO as provided in the Seasonal Flow Order section in Paragraph 2 of the RADS. When a difference between the daily SFO Level and actual daily quantities available to meet the SFO Level exists, the following charges will be assessed on the difference: (C)

(1) If a Shipper under-delivers during an SFO that restricts under-deliveries, the charge for under-deliveries shall be calculated using the gas supply index identified in the Consumption in Excess of Deliveries section in Paragraph 3 of the RADS. The "Adjustment to Index Price" shall be the adjustment shown in the following table:

(C) Indicates Change

Ratio of Under-Deliveries to Consumption	Adjustment to Index Price
0% - 10.00%	120%
10.01% and over	130%

(2) If a Shipper over-delivers during an SFO that restricts over-deliveries, the charge for over-deliveries shall be calculated using the gas supply index identified in the Deliveries in Excess of Consumption section in this Paragraph 3 of the RADS; The "Adjustment to Index Price" shall be the adjustment shown in the following table:

Ratio of Over-Deliveries to Consumption	Adjustment to Index Price
0% - 10.00%	80%
10.01% and over	70%

(3) The Customer Proxy shall also be required to pay all other charges incurred by the Company on the dates of the SFO that result from the Shipper's failure to comply with the SFO, including a proportionate share of any pipeline penalties that are incurred by the Company.

3.7 OPERATIONAL FLOW ORDERS (OFOs)

3.7.1 An OFO is a demand for specific actions on the part of Shippers that are serving Customers without daily measuring devices. All Customers without daily measuring devices are subject to the Company's issuance of OFOs.

3.7.2 An OFO will be issued, to the extent possible, with a minimum of eight (8) hours notice to the affected parties. Notice shall be made by the medium most reasonably expected to reach the Customer Proxy with as much notice as reasonably expected to reach the Customer Proxy in a timely manner, including but not limited to: e-mail, facsimile, or Nomination EBB. The notice will include the circumstance that warrants the issuance of the OFO or OMO, and it will explain why the actions are necessary. The notice will be provided via e-mail to the Pennsylvania P.U.C.

3.7.3 The Company will have the authority to direct Customer Proxies to direct their Shippers to adjust daily quantities to a specified level (the Daily OFO Level). Generally, during peak design day conditions, the Daily OFO Level will be equal to the then current maximum daily quantity. Should expected conditions be different than peak design day conditions, the Daily OFO Level may be greater or less than the maximum daily quantity specified in the Customer's General Distribution Application and Agreement. In order to determine compliance with the OFO the Shipper may use gas quantities which are: 1) scheduled and delivered on that day to the Company in the same Pipeline Scheduling Point in which the Shipper's customer(s')'s facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available pursuant to the Rider EBS-Option 1; or 4) additional quantities that may be made available to the Shipper by the Company at its sole discretion including quantities delivered in accordance with the Limitation for Failure of Shipper to Provide Gas to the Company in Customer's Local Market Area section in Paragraph 2 of the RADS. (C) (C) (C) (C) (C)

(C) Indicates Change

3.7.4 When a difference between the Daily OFO Level and actual daily OFO compliance quantities delivered to the Company exists, the following charges will be assessed to the Customer Proxy:

(1) Two dollars and thirty-three cents ($2.33) per thm on the difference, except however, the $2.33 will not be assessed if the difference results from the Shipper delivering more than the Daily OFO Level during an OFO that restricts under-deliveries, or from the Shipper delivering less than the Daily OFO Level during an OFO that restricts over-deliveries; and, (C)

(2) The payment of all other charges incurred by the Company on the date of the OFO that results from the Shipper's failure to comply with the OFO, including a proportionate share of any pipeline penalties that are incurred by the Company.

3.8 OPERATIONAL MATCHING ORDERS (OMOs)

3.8.1 An OMO is a demand for specific actions on the part of Shippers that are serving Customers with daily measuring devices. All Customers with daily measuring devices, except as specified in the Operational Matching Order section in Paragraph 3 of the RADs, are subject to the Company's issuance of OMOs.

3.8.2 Customers that presently have daily measurement through a charted meter, but not an electronic meter, shall have the option of choosing to be governed by Operational Flow Orders as specified in this Paragraph 3 of the RADS. Customers will be able to exercise this option no more than one time each calendar year by notifying the Company in writing prior to November 1st of each year. Once an election is made, the customer's option will remain in effect until changed.

3.8.3 An OMO will be issued, to the extent possible, with a minimum of eight (8) hours notice to the affected parties. Notice shall be made by the medium most reasonably expected to reach the Customer Proxy with as much notice as reasonably expected to reach the Customer Proxy in a timely manner, including but not limited to: e-mail, facsimile, or Nomination EBB. The notice will include the circumstance that warrant the issuance of the OMO and explain why the actions required are necessary. The notice will be provided via e-mail to the PA PUC.

3.8.4 The Company shall have the authority to direct Customer Proxies to adjust Customer's daily consumption or daily scheduled deliveries (Daily OMO Level) in order that daily scheduled deliveries match Customer's consumption. In order to comply with the OMO, the Shipper may use gas quantities which are: 1) scheduled and delivered on that day to the Company in the same Pipeline Scheduling Point in which the Shipper's customer(s')'s facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available pursuant to the Rider EBS-Option 1; or 4) additional quantities that may be made available to the Shipper by the Company at its sole discretion including quantities delivered in accordance with the Limitation for Failure of Shipper to Provide Gas to the Company in Customer's Local Market Area section in Paragraph 2 of the RADS. (C) (C) (C) (C)

(C) Indicates Change

3.8.5 When a difference exists between the Daily OMO Level and actual daily OMO compliance quantities delivered, the following charges will be assessed:

(1) Twenty-five dollars Two dollars and thirty-three cents per thm on the difference, except however, the $2.33 will not be assessed if the difference results from the Shipper delivering more than the Daily OMO Level during an OMO that restricts under-deliveries, or from the Shipper delivering less than the Daily OMO Level during an OMO that restricts over-deliveries, and (C)

(2) Payment of all other charges incurred by the Company on the date of the OMO that result from the Shipper's failure to comply with the OMO, including a proportionate share of any pipeline penalties that are incurred by the Company.

3.9 LIMITATIONS ON NOMINATIONS

3.9.1 A Shipper shall not submit a daily gas supply nomination in excess of one hundred percent (100%) of the Customer's maximum daily quantity except with the Company's prior permission. The Company may reject a nomination to the extent it exceeds one hundred percent (100%) of a Customer's maximum daily quantity and confirm it at a level equal to the limit if the Shipper did not receive the Company's prior permission.

3.10 LIMITATIONS UPON EXCESS DELIVERIES

3.10.1 The Company reserves the right to limit its receipt of deliveries which are in excess of a Customer's consumption of gas for redelivery to a Customer on any given day ("Excess Deliveries") when such Excess Deliveries may cause the Company to incur penalties for exceeding its allowed daily or total Storage injection capacity of its supplying pipeline or other costs incurred to avoid or mitigate pipeline penalties. The level of the limitation shall be specified electronically by the Company to the Customer Proxy. The Company shall bill a proportionate share of the penalties and other costs that were incurred to avoid or mitigate pipeline penalties to all Customer Proxies whose Shipper fails to comply with the Company's limitation under this Paragraph.

3.11 CONSUMPTION IN EXCESS OF DELIVERIES

3.11.1 If, in any billing month, the Customer's consumption, plus retainage on the distribution system is greater than the sum of: (a) the quantity of gas delivered to the Company's City Gate by the Shipper for the Customer's account during the billing month, plus (b) if the Customer Proxy subscribes to EBS-Option 1, access to banked gas quantities as permitted under EBS-Option 1, plus (c) bank transfers performed during that month, then such use shall be considered imbalance gas sold by the Company to the Customer Proxy. (C) (C)

(C) Indicates Change

3.11.2 For Customer Proxies electing Rider EBS-Option 1 or Rider EBS-Option 2, the index price for such imbalance gas shall be determined by selecting the greater of: (1) the average of the highest City Gate price for deliveries to Columbia Gas for ten (10) consecutive days during the calendar month as published in Platts Gas Daily "Daily price survey" under the heading "Texas Eastern, M-3" or (2) the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month.

3.11.3 For Customer Proxies electing Rider EBS-Option 3, the index price of imbalance gas shall be the mid-point price as published in Platts Gas Daily "Daily price survey" under the heading "Texas Eastern, M-3" for the day.

3.11.4 After the index price of gas is determined pursuant to this Paragraph, it shall then be adjusted by the percentages shown in the following table to reflect the degree to which consumption exceeds deliveries. The Company shall calculate the Customer Proxy's bill for imbalance gas by determining the quantity of imbalance gas sold to the Customer Proxy in each of the four tiers of the table, multiplying the quantity sold in each tier by the corresponding factor shown in the table, and adding that amount to any other applicable charges in the customer's rate schedule or RADS. (C) (C)

Ratio of Under-Deliveries to Consumption	Adjustment to Index Price
0.00% - 5.00%	105%
5.01% - 10.00%	110%
10.01% - 15.00%	120%
15.01% and over	130%

During an SFO, the foregoing table shall be replaced by the table in the Seasonal Flow Order section in Paragraph 3 of the RADS.

3.11.5 The Customer Proxy also shall be subject to any applicable penalty under the Operational Flow Order or Operational Matching Order sections of Paragraph 3 of these RADS in the event that such purchases occur during the existence of an OFO or OMO condition.

3.11.6 The Customer Proxy has no right to make purchases pursuant to this provision, and all such sales are considered interruptible sales except to the extent that the Customer has contracted for Standby Service.

3.11.7 The purchase of imbalance gas pursuant to this Paragraph shall not relieve the Customer Proxy of any applicable penalty resulting from the use of those quantities. (C)

(C) Indicates Change

3.12 DELIVERIES IN EXCESS OF CONSUMPTION

3.12.1 If, in any billing month, the Customer's consumption, plus retainage on the distribution system is less than the sum of: (a) the quantity of gas delivered to the Company's City Gate by the Shipper for the Customer's account during the billing month, minus (b) if the Customer Proxy subscribes to Rider EBS-Option 1, increases in the Customer Proxy's positive bank as permitted under EBS-Option 1, plus (c) bank transfers performed for the month, then such deliveries shall be considered imbalance gas purchased by the Company from the Customer Proxy. (C)

3.12.2 For Customer Proxies electing Rider EBS-Option 1 or Rider EBS-Option 2, the index price of such imbalance gas shall be determined by selecting the lower of: (1) the average of the lowest City Gate price for deliveries to Columbia Gas for ten (10) consecutive days during the calendar month as published in Platts Gas Daily "Daily price survey" under the heading "Texas Eastern, M-3", or (2) the lowest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the City Gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty (30) days before the beginning of the calendar month.

3.12.3 For Customer Proxies electing Rider EBS-Option 3, the index price of imbalance gas shall be the mid-point price as published in Platts Gas Daily "Daily price survey" for the day under the heading "Texas Eastern, M-3" .

3.12.4 After the index price of gas is determined pursuant to this Paragraph, it shall then be adjusted by the percentages shown in following table to reflect the degree to which deliveries exceeds consumption. The Company shall calculate the Customer Proxy's payment for imbalance gas by determining the quantities of imbalance gas purchased from the Customer Proxy in each of the four tiers of the table, multiplying the quantities purchased in each tier by the corresponding factor shown in the table. (C) (C)

Ratio of Over-Deliveries to Consumption	Adjustment to Index Price
0.00% - 5.00%	95%
5.01% 10.00%	90%
10.01% - 15.00%	80%
15.01% and over	70%

During an SFO, the foregoing table shall be replaced by the table in the Seasonal Flow Order section in this Paragraph 3 of the RADS.

3.12.5 The Customer Proxy also shall be subject to any applicable penalty under the Operational Flow Order and Operational Matching Order sections in this Paragraph 3 of the RADS in the event that such sale occurs during the existence of an OFO or OMO condition.

3.12.6 The purchase of imbalance gas pursuant to this Paragraph shall not relieve the Customer Proxy of any applicable penalty resulting from the delivery of those quantities. (C)

(C) Indicates Change

3.13 LIMITATION WHERE A CUSTOMER PROXY HAS A POSITIVE BANK

3.13.1 The drawdown of a positive bank is not a firm Distribution service, except as provided in Rider EBS-Option 1. Customer Proxies electing Rider EBS-Option 1 shall have firm access to positive banks as specified in Rider EBS-Option 1. For Customer Proxies electing Rider EBS-Option 2, the existence of a positive intra-month bank shall not prevent limitation of service to a Customer Proxy pursuant to the Limitations on Distribution Service section in Paragraph 2 of these Rules Applicable to Distribution Service, and drawdowns of positive banks may be prohibited whenever, in the Company's sole judgment, such prohibition is necessary to ensure that sufficient gas supplies are available to meet the daily or seasonal requirements of firm sales service Customers, or the balancing requirements of Choice Service Customers.

3.14 FLOW ORDER MANAGEMENT SERVICE

3.14.1 The Flow Order Management Service shall be available to Customers using more than 536,500 thms per year served under Rate LDS – Large Distribution Service and Rate MLS – Main Line Service that are not otherwise in an aggregation group. The service will allow the Large Volume GDS Customers located in the same Pipeline Scheduling Point either to group together themselves, or to nominate an NGS agent which shall group the customers together. Upon formation of such group, each member's compliance with a flow order shall be determined based upon the sum of the scheduled deliveries and the daily requirements of the group. (C)

3.14.2 During an SFO, OFO or OMO, if the group, as a whole, has scheduled adequate deliveries to comply with the SFO, OFO or OMO, then no penalties shall be assessed to any member of the group, regardless of whether that particular member complied with the SFO, OFO or OMO.

3.14.3 During an SFO, OFO or OMO, if the group, as a whole, has not scheduled adequate deliveries to comply with the SFO, OFO or OMO, then a penalty shall be calculated based upon the group's overall non-compliance with the SFO, OFO or OMO. The total penalty shall be divided by the number of members in the group, and that amount shall be billed to each member.

3.14.4 The Flow Order Management Service shall be made available for a fee of $.00093 per thm. A signed agreement must be completed prior to August 15th of the year in which the Flow Order Management Service is to commence. Customers must subscribe to the Flow Order Management Service for an entire year, beginning in November. (C)

3.15 GENERAL DISTRIBUTION AGGREGATION SERVICE

This service is for any NGS that has been elected to serve as an Aggregation Agent by a General Distribution Customer, to be primarily responsible for delivering natural gas to the Company's City Gate on behalf of the Customer. The Aggregation Agent will be responsible, on an aggregate basis, for scheduling and nominating gas, for banking and balancing, receiving notices on behalf of the Customer, and for all other activities associated with the provision of the Natural Gas Supply Services.

(C) Indicates Change

3.15.1 Conditions:

3.15.1.1 Any NGS electing Aggregation service must sign an Aggregation service agreement. (C)

3.15.1.2 Aggregation Agents will be allowed to establish one or more Aggregation Nomination Groups. Customers in an Aggregation Nomination Group must be located within the same Company Local Market Area and the same Pipeline Scheduling Point. Aggregation Agents must provide written notice to the Company that a Customer has elected to be in an Aggregation Nomination Group. The written notice must include the name of the Customer and the Customer's account number. Aggregation Nomination Groups must be comprised solely of General Distribution Service Customers. (C)

3.15.1.3 The Aggregation Agent shall use its best efforts to achieve a balance between its deliveries and its Aggregation Nomination Group's total usage both on a daily and monthly basis, for each Aggregation Nomination Group. The Company reserves the right: (1) to require an Aggregation Agent to balance deliveries and takes of gas; or (2) to require a reasonably uniform daily delivery rate of gas which, at month's end, will equal the Aggregation Nomination Group's requirements for each Aggregation Nomination Group.

3.15.1.4 Aggregation Nomination Groups may include Customers taking service under any GDS rate schedule, except rate SGS - Priority One. Customers taking service under rate SGS – Priority One must always be placed into a separate Aggregation Nomination Group. Each Aggregation Nomination Group must contain only Customers that have elected the same option under Rider EBS.

3.15.1.5 An Aggregation Agent shall supply its Aggregation Nomination Group's full service requirements for natural gas. The Aggregation Agent accepts supply co-management responsibility as defined hereinafter.

3.15.1.6 Supply Co-Management Defined. The Aggregation Agent agrees to deliver gas supplies into the Company's designated City Gate receipt points on a daily basis, in accordance with the aggregate usage requirements of all those Customers that comprise the Aggregation Agent's Aggregation Nomination Group. For those General Distribution Service Customers which are members of Aggregation Agent's Aggregations Nomination Group without daily measurement, the Aggregation Agent agrees to the Company's estimate of takes and the Aggregation Agent agrees to pay all charges assessed by the Company as provided in the OFO paragraph of the Rules Applicable to Distribution Service. (C)

3.15.1.7 The Aggregation Agent shall also be required to balance its gas deliveries into the Company's system with the estimated overall usage levels of each individual Aggregation Nomination Group, in accordance with the provisions of Rider EBS.

(C) Indicates Change

3.15.1.8 The Company will provide the actual usage data for each Customer in that Aggregation Agent's Aggregation Nomination Group. The actual usage data provided will be for the Customer's most recent billing period as Customers are billed by the Company for Rates SGS-DS, SDS, LDS and MLS.

3.15.1.9 The Aggregation Agent's distribution quantities shall be determined from the Company's "Monthly Summary Billing Report." The "Monthly Summary Billing Report" reflects Customer's actual billed distribution quantities as reported to the Aggregation Agent, as generated within the Company's revenue reporting system. (C)

3.15.2 Aggregation Service Under Rider EBS

3.15.2.1 The Aggregation Agent will be allowed to aggregate all participating individual Customer's quantities and any applicable bank tolerances for the purposes of administering Rider EBS. (C)

3.15.2.2 Should a Customer, either by itself or through its Aggregation Agent terminate its General Distribution Aggregation Service, or its General Distribution Service, no portion of the aggregate bank will be assigned to the Customer. Should all the Customers in an Aggregation Nomination Group, either by themselves or through their Aggregation Agent, terminate their General Distribution Aggregation Service or their General Distribution Service, and the Aggregation Agent has no other Aggregation Nomination Group to transfer the bank of gas, then the bank may be purchased by the Company at a price determined in accordance with Paragraph 3.12.4. (C)

3.15.2.3 At the close of each business month, an accounting will be made comparing the total quantities delivered into the Aggregation Nomination Group versus the consumption of the Customers within the Aggregation Nomination Group. For Nomination Aggregation Groups comprised of customers electing Rider EBS-Option 1 or Rider EBS-Option 2, the accounting shall compare the Nomination Aggregation Group's total monthly deliveries to its total monthly consumption. For Nomination Aggregation Groups comprised of customers electing Rider EBS-Option 3, the accounting shall compare the Nomination Aggregation Group's total deliveries on each day of the month to its total consumption for that day. (C)

3.15.2.4 Should the total consumption of the Nomination Aggregation Group exceed its total deliveries, adjusted for unaccounted-for gas and appropriate Customer's Btu adjustments, plus for Nomination Aggregation Groups comprised of customers electing Rider EBS-Option 1, any bank of gas from the previous month, the Aggregation Agent shall be charged an amount for recovery of purchased gas costs as set forth in Paragraph 3.11 of these Rules Applicable to Distribution Service plus the non-gas portion of commodity rates contained in the first block of Rate SGS - Small General Service. (C)

(C) Indicates Change

3.15.2.5 Should the total deliveries for the Nomination Aggregation Group exceed its total consumption, the excess deliveries shall be considered imbalance gas purchased by the Company from the Aggregation Agent as specified in Paragraph 3.12 of these Rules Applicable to Distribution Service.

3.15.3 Customer Accountability

3.15.3.1 Customers in the Aggregation Nomination Group remain ultimately responsible for all imbalance purchases, banking/balancing charges and SFO, OFO or OMO charges, if the Aggregation Agent fails to pay such charges. Failure of an Aggregation Agent to pay charges will be grounds for immediately ending the Aggregation Agent's authority.

3.15.4 Assignment. The Aggregation Agent shall only assign its Aggregation Nomination Groups to another Aggregation Agent with the prior written consent of the Company. The Company shall not unreasonably withhold its consent; however, the Company may condition the assignment upon the fulfillment of reasonable requirements including but not limited to: requiring the assignee to take assignment of any gas bank balance existing at the time of the assignment; requiring the assignee to take assignment of any financial obligation existing at the time of the assignment, or requiring the Aggregation Agent to represent that the Customers in its Aggregation Nomination Group consent to the assignment. (C)

3.16 NGS's DISCONTINUATION OF ITS PROVISION OF NATURAL GAS SUPPLY SERVICES TO ANY ONE CUSTOMER ON THE COMPANY'S SYSTEM

3.16.1 In the event the NGS desires to discontinue providing Natural Gas Supply Services to any Customer on the Company's system, the NGS shall provide 30 days written notice to the Company. The written notice must include the NGS's name, the Customer's name and the Customer's account number.

3.17 NGS's DISCONTINUATION OF ITS PROVISION OF NATURAL GAS SUPPLY SERVICES ON THE COMPANY'S SYSTEM

3.17.1 In the event the NGS elects, or is forced, to discontinue its provision of Natural Gas Supply Services on the Company's system, it shall provide written notice to the Company at the earliest practical time that it intends to discontinue providing Natural Gas Supply Services. The NGS shall continue any obligation to maintain its financial security instrument until it has satisfied all of its outstanding claims of the Company. Upon the NGS's discontinuation of Natural Gas Supply Services, the Company may offset any and all amounts owed to it by the NGS against any and all amounts owed by the Company to the NGS, including without limitation, charges for imbalance gas sold by the Company, out of period adjustments to the NGS's account, amounts owed to the NGS for bank balances, amounts owed to the NGS for accounts receivable collected by the Company, and amounts owed to the Company for SFO, OFO, or OMO charges, etc.

(C) Indicates Change

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4. RULES APPLICABLE ONLY TO CHOICE SERVICE

4.1 This Paragraph applies to all Choice Service on the Company's system.

4.2 AVAILABILITY

Choice Service is available to any Customer or group of Customers served under Rate RDS - Residential Distribution Service, Rate RDGDS – Residential Distributed Generation Distribution Service, Rate SCD - Small Commercial Distribution when:

4.2.1 An NGS has one or more Choice Aggregation Nomination Group(s) with an aggregate annual demand of at least 53,650 thms or a minimum of 50 Customers, and which is in compliance with the Choice Aggregation Provisions of this Paragraph 4; (C)

4.2.2 The Customer's NGS agrees to take capacity as set forth in the "Capacity Requirements" Paragraph of these Rules Applicable to Distribution Service;

4.2.3 The Company has sufficient Storage to provide daily banking and balancing activity, and if capacity is to be assigned, the Company has sufficient upstream capacity, with appropriate upstream interconnections to the Company's City Gate to provide the NGS's primary firm transportation contract quantities;

4.2.4 The existing capacity of the Company's facilities and other physical conditions are sufficient to deliver the quantities required by all of the NGS's Choice Aggregation Nomination Groups; and

4.2.5 The NGS has acquired, or has agreed to acquire, an adequate supply of natural gas, which must be firm supply for the months of November through March, and which must be of a quality acceptable to the Company, including allowances for any retention required by the applicable upstream transporters and for delivery service lost and unaccounted-for gas to be retained by the Company and other transporters, and has made, or has caused to be made, arrangements by which such gas supply can be transported directly to the Company's system in the Local Market Area in which the Customer is located, unless otherwise permitted by the Company in writing. The NGS is required to acquire the necessary firm supply to serve the Choice Daily Delivery Requirement for each of its Choice Aggregation Nomination Groups for the months of November through March.

4.2.6 An NGSs agrees to refer to the Commission's guidelines on Customer Information Disclosure, Docket No. M-00991249F0005, for requirements related to NGS disclosure of the terms of service, marketing, advertising and sales practices, and privacy of customer information.

(C) Indicates Change

4.3 APPLICATION PROCESS

4.3.1 In addition to the Initial NGS Application, all NGSs must enter into an agreement in the form prescribed by the Company prior to providing Natural Gas Supply Service to Choice Customers under these Rules Applicable to Distribution Service ("NGS Choice Distribution Aggregation Agreement"). The NGS Choice Distribution Aggregation Agreement shall specify: the name, address and telephone number of the NGS, the name, address, telephone and fax numbers to which all notices are to be delivered, an e-mail address (if available), the NGS's Capacity Assignment election, the source of the gas, the delivery point to the Company, the NGS's billing option selection, and the NGS's Rate Statement Information. If any of the information on the NGS Choice Distribution Aggregation Agreement changes, the NGS shall submit an updated NGS Choice Distribution Aggregation Agreement specifying the changes. (C)

4.3.2 Within sixty (60) days of receipt of all necessary information requested by the Company to evaluate a NGS Choice Distribution Aggregation Agreement, the Company will respond to the NGS Choice Distribution Aggregation Agreement and either agree to supply service or to deny service. If the Company refuses to provide service under the Rules Applicable Only to Choice Distribution Service section of this these Rules Applicable to Distribution Service, the Company shall provide detailed support for its decision.

4.3.3 A Choice NGS may change their Annual Capacity Assignment election by submitting a new NGS Choice Distribution Aggregation Agreement by January 1. If the Company approves the revised Annual Capacity Assignment election, it will become effective April 1 of the year in which the revision was submitted. (C)

4.4 CHARACTER OF SERVICE TO BE RENDERED

4.4.1 The NGS shall be responsible for obtaining the entire gas supply for each of its Choice Aggregation Nomination Groups. The NGS shall obtain interstate pipeline firm capacity either from the Company or if permitted under these Rules Applicable to Distribution Service, from another source to ensure that the Customer receives Firm Service in accordance with the provisions of the tariff, and the NGS shall obtain adequate gas supplies to ensure that the Customer receives Firm Service in accordance with the provisions of the tariff. The Company shall remain responsible for distributing the gas pursuant to the Company's obligations under its tariffs.

4.4.2 Service Obligations of the Supplier of Last Resort. The Supplier of Last Resort ("SOLR") is the Company. The following services will be provided by the SOLR: Natural Gas Supply Service to those Customers who have not chosen an alternative NGS or who choose to be serviced by their SOLR; Natural Gas Supply Services to those Customers who are refused supply service from an NGS; or Natural Gas Supply Services to those Customers whose NGS has failed to deliver its requirements. PA. P.U.C. Docket No. L-00990144.

(C) Indicates Change

4.5 CUSTOMER INFORMATION

4.5.1 The NGS List. Company will maintain a list of the licensed NGSs including appropriate contact information as provided by the NGS, which have also met the Company's requirements. This list will be made available to Customers upon request.

4.5.2 The Company will utilize the following procedures to inform eligible Customers of their ability to elect a NGS: (1) direct mail literature, (2) information messages enclosed in Customer bills, (3) information accessible on the Company's web site: www.columbiagaspamd.com, (4) targeted broadcast and print mediums, (5) partnering with community based organizations, and (6) the Choice Hot Line @ 1-888-275-4674. The Company will distribute the "Common Natural Gas Competition Terms" as on the back of the bill or through a separate mailing once per year for the life of the Choice education campaign. PA. P.U.C. Docket No. M-00991249F0005.

4.5.3 Requests for Information. The Company will respond to reasonable requests for efficiency information by providing materials or directing inquiries to the PUC. Customers served under Rate Schedules RSS, RDS, SCD (or the volume equivalent SGS), upon request from the Customer, are entitled to receive free of charge once per year, Historical Billing Data and charges which are readily available in the billing system, provided the Company reads the Customer's meter for billing purposes. The Historical Billing Data will be provided in terms of thms. The Company shall notify consumers via bill message that information on energy efficiency and Historical Billing Data is available upon request. PA. P.U.C. Docket No. M-00991249F0005. (C)

4.5.4 Privacy of Customer Information. The Company may release, but is not obligated to release, private Customer information to a third party only after informing each Customer via bill insert of its intent to release such information. Each Customer may notify the Company of their desire to restrict the release of the private information by one of the following options: (1) fill in the necessary information included on the back of the bill insert and return the form with the regular monthly payment, (2) call the Customer Satisfaction Center at 1-888-460-4332, or (3) e-mail the request at cpacustserv@nisource.com. Customers may request to restrict the release of information at any time and the Company shall then honor that request until and unless the Customer requests otherwise. Customers may restrict information according to one of the following two restriction options: (1) restrict the release of only the Customer's Historical Billing Data in $/thm, or (2) restrict the release of all private Customer information (C)
including name, billing address, service address, rate class, rate schedule, account number and Historical Billing Data in $/thm. Under no circumstances will (C)
the Company release Customer telephone numbers. PA. P.U.C. Docket No. M-00991249F0005.

(C) Indicates Change

4.5.5 For Choice Customers enrolled with an NGS, the Company will provide NGSs with each Customer's actual usage data for each Customer's most recent billing period as Customers are billed by the Company.

4.6 ENROLLMENT PROCEDURES

4.6.1 Rolling Enrollment. NGSs shall be able to submit new Customers to Choice Service each month throughout the year through the Choice EBB. The Company must be provided notice and the Customer must be submitted to the Company by the 15th of the current month to begin receiving Choice Service the following month.

4.6.2 Customer Contacting the Company. If a Customer orally contacts the Company to request a change of NGSs, the Company will notify the Customer that the selected NGS must be contacted directly in order to initiate the change. PA. P.U.C. Docket No. M-00991249F006. The Customer may contact the Company directly at any time and request to be placed on SOLR service. If the Customer contacts the Company requesting to be placed on SOLR service, the Company shall place the Customer on SOLR service by submitting that Customer through the Choice EBB, in the same manner that an NGS would submit a Customer.

4.6.3 Enrollment Procedure. The Customer must contact their NGS to initiate the request to initiate, terminate or change their NGS. Enrollment may be performed either telephonically, in writing or through the Internet. Customers may be enrolled in accordance with the following requirements:

4.6.3.1 Telephonic Enrollment. A Customer may enroll in the Choice Service using Telephonic Enrollment. The NGS agrees to tape record the "Enrollment Confirmation" (as defined in this sub-paragraph) of each Customer. The Enrollment Confirmation is defined as a recording that includes, at a minimum, the Customer stating: his/her name, his/her twelve (12) digit Company account number, his/her service address, his/her mailing address, his/her intent to be a customer of the NGS, and the date that the enrollment is being performed. The selected NGS will notify the Company that it was selected to serve the customer by the end of the next business day following the enrollment. After the Company is notified that the Customer desires to select a new NGS, the Company shall send written (C)

(c) Indicates Change

notification to the Customer seeking verification of the Customer's intent to select a new NGS. The written notice shall be mailed by the end of the next business day following the receipt of the notification of a selection of an NGS. The written notification will explain the ten day waiting period in which the selection of the NGS may be canceled before the change takes place and the date service with the new NGS will begin (unless canceled within the ten-day waiting period). The ten-day waiting period shall commence on the day the written notice is sent. The Customer shall have ten (10) days from the date that the written notification is sent to inform the Company that the Customer does not desire to select a new NGS. Upon such notification, the Company shall ensure that the Customer remains with its current Natural Gas Provider. The NGS agrees to keep a copy of the tape recording of the Enrollment Confirmation for so long as that Customer remains a customer of the NGS. The NGS agrees to provide a copy of all tape recordings of all Enrollment Confirmation(s) with that Customer to the Company upon the request of the Company. Failure to supply a copy of the tape recordings of all Enrollment Confirmation(s), within five (5) days of the Company's request, shall cause the Customer to be returned to its previous Natural Gas Provider, and a $50.00 fee shall be paid by the NGS to partially offset the Company's cost of the investigation.

4.6.3.2 Written Enrollment. A Customer may enroll in the Choice Service using Written Enrollment. The NGS agrees to maintain written confirmation of the Enrollment Confirmation (as defined in this Paragraph) of each Customer for so long as that person remains a Customer of the NGS. Valid Written Enrollment requires a document signed by the Customer which document's sole purpose is to obtain the Customer's consent to change NGSs. Documents not considered as valid include, but are not limited to, canceled checks, signed entries for contests and documents used to claim prizes won in contests. The written confirmation of the Enrollment Confirmation shall be defined to include, at a minimum, the Customer's name, his/her twelve (12) digit account number, his/her service address, his/her mailing address, his/her signature, an indication of the Customer's intent to enroll in the Choice Service, and the date that the enrollment is being performed. The selected NGS will notify the Company that it was selected to serve the customer by the end of the next business day following the enrollment. After the Company is notified that the Customer desires to select a new NGS, the Company shall send written (C)

(C) Indicates Change

notification to the Customer seeking verification of the Customer's intent to select a new NGS. The written notice shall be mailed by the end of the next business day following the receipt of the notification of a selection of an NGS. The written notification will explain the ten day waiting period in which the selection of the NGS may be canceled before the change takes place and the date service with the new NGS will begin (unless canceled within the ten-day waiting period). The ten-day waiting period shall commence on the day the written notice is sent. The Customer shall have ten (10) days from the date that the written notification is sent to inform the Company that the Customer does not desire to select a new NGS. Upon such notification, the Company shall ensure that the Customer remains with its current Natural Gas Provider. PA. P.U.C. Docket No. M-00991249F006The NGS agrees to provide a copy of all written confirmations of all Enrollment Confirmation(s) with that Customer to the Company upon request of the Company. Failure to supply a copy of the written Enrollment Confirmation(s) within five (5) days of the Company's request, shall cause the Customer to return to its previous Natural Gas Provider, and a $50.00 fee shall be paid by the NGS to partially offset the Company's cost of the investigation. (C)

4.6.3.3 Internet Enrollment. A Customer may enroll in the Choice Service using Internet Enrollment. If an NGS desires to provide for Internet Enrollment, the NGS agrees to maintain a webpage to provide for Internet Enrollment, which webpage clearly identifies the legal name of the NGS, its address, and telephone number. The NGS agrees to maintain a printed or electronic copy of information appearing on the webpage and received through the webpage at the time when the Customer requested to take service from the NGS ("Enrollment Confirmation"). The Enrollment Confirmation is defined to include, at a minimum, the NGS's legal name, a copy of the agreement between the NGS and the Customer as it appeared at the time the Customer requested service from NGS, the Customer's name, his/her twelve (12) digit Company account number, his/her service address, his/her mailing address, an indication of the Customer's intent to be a customer of that particular NGS, and the date that the enrollment is being performed. The selected NGS will notify the Company that it was selected to serve the customer by the end of the next business day following the enrollment. After the Company is notified that the Customer desires to select a new NGS, the Company shall send written (C)

(C) Indicates Change

notification to the Customer seeking verification of the Customer's intent to select a new NGS. The written notice shall be mailed by the end of the next business day following the receipt of the notification of a selection of an NGS. The written notification will explain the ten day waiting period in which the selection of the NGS may be canceled before the change takes place and the date service with the new NGS will begin (unless canceled within the ten-day waiting period). The ten-day waiting period shall commence on the day the written notice is sent. The Customer shall have ten (10) days from the date that the notice is sent to inform the Company that the Customer does not desire to select a new NGS. Upon such notification, the Company shall ensure that the Customer remains with its current Natural Gas provider. The NGS agrees to keep a printed or electronic copy of the Enrollment Confirmation for so long as that person remains a customer of the NGS. The NGS agrees to provide a copy of all Enrollment Confirmation(s) to the Company upon request of the Company. Failure to supply a copy of all Enrollment Confirmation(s) within five (5) days of the Company's request shall cause the Customer to be returned to its previous Natural Gas Provider, and a $50.00 fee shall be paid by the NGS to partially offset the Company's cost of the investigation.

4.6.4 Waiting Period Restrictions. If, within the 10 day waiting period, any Customer informs the Company that the Customer does not desire to select a new NGS, the NGS shall not resubmit that Customer through the Choice EBB unless the NGS obtains a new Enrollment Confirmation from that Customer.

4.6.5 NGS Customer Submission Procedure. After the Customer selects an NGS, the NGS shall submit the Customer's 12 digit account number, Choice Aggregation Nomination Group and NGS rate code to the Company through the Choice EBB. Customer submissions may be made by the NGS from the 1st through the 15th of each month and from the 21st through the last day of the month. Customer submissions may not be made from the 15th to the 20th of each month, during which time the Choice Aggregation Nomination Group's Choice Daily Delivery Requirement will be estimated and provided to the NGS. (C)

4.6.6 The Company shall process the request to initiate, terminate or change a Customer's NGS one time per month in accordance with this Rule and the Commission's Order on Establishing Standards for Changing Natural Gas Suppliers at Docket M-00991249F0006.

(C) Indicates Change

4.6.7 Customer Requests to Discontinue Distribution Service. If the Customer orally contacts the Company to request a disconnection of service, the Company will verify whether the Customer wants to discontinue Distribution Service at the present service address, or whether the Customer wants to discontinue receiving Natural Gas Supply services from their current NGS. If the Customer wants to discontinue Distribution Service, the Company shall proceed pursuant to Rule 19 of its tariff, and the Company will notify the Customer's NGS that the Customer has ceased taking Distribution Service, and the Company will inform the Customer that the Company is notifying the NGS. If the Customer informs the Company that the Customer wants only to discontinue taking Natural Gas Supply Services from that NGS, the Company will inform the Customer that it is to contact its NGS.

4.7 CHOICE AGGREGATION SERVICE

4.7.1 Aggregation Service is a service provided by the Company that allows Aggregation Agents to deliver to the Company on an aggregated basis those natural gas supplies that are needed to satisfy the requirements of the customers on Distribution Service and in accordance to the rules that the Company has established regarding Choice Service.

4.7.2 All Choice Customers must belong to a Choice Aggregation Nomination Group. The Customer's NGS shall serve as the Aggregation Agent. The Aggregation Agent will be responsible, on an aggregate basis, for scheduling and nominating gas quantities specified by the Company. (C)

4.7.3 Conditions:

4.7.3.1 Aggregation Agents will be allowed to establish one or more Choice Aggregation Nomination Groups. Customers in a Choice Aggregation Nomination Group must be located within the Company's system and the same Pipeline Scheduling Point. Aggregation Agents must provide written notice to the Company that they want a Customer to be in a Choice Aggregation Nomination Group, which shall be performed through a submission on the Choice EBB. Choice Aggregation Nomination Groups must be comprised solely of Choice Customers.

4.7.3.2 NGS shall supply its Choice Aggregation Nomination Groups' Choice Daily Delivery Requirement for natural gas on both a daily and monthly basis. NGS accepts supply co-management responsibility as defined hereinafter.

4.7.3.3 Supply Co-Management Defined. NGS agrees to deliver gas supplies into the Company's designated City Gate receipt points on a daily basis, in an amount equal to the Choice Daily Delivery Requirement of each of the NGS's Choice Aggregation Nomination Group NGS agrees to the Company's estimate of takes and NGS agrees to pay all charges assessed by the Company as provided in Paragraph 4.11.

4.7.3 Aggregation Imbalances

4.7.3.1 There shall be an annual reconciliation and cash-out of the difference between the actual consumption of each Choice Aggregation Nomination Group and the NGS's deliveries on behalf of each Choice Aggregation Nomination Group. The reconciliation and cash-out amount shall be calculated annually following each July billing cycle. For any aggregation imbalances, the Company shall pay or bill the NGS for differences in quantities at a rate equal to the weighted average commodity cost of gas billed by the Company during that same twelve month period ("Cash Out"). (C)

4.7.3.2 If the actual consumption of the Choice Aggregation Nomination Group is more than the NGS's deliveries on behalf of that group, the NGS must purchase the deficient quantity from the Company at the weighted average commodity cost of gas, defined as the quotient of: (1) the total commodity cost of gas purchases, including transmission pipeline transportation and fuel retention, as recorded on the Company's financial statements for the twelve months ending the preceding June 30, divided by (2) tariff sales for the same twelve month period. (C)

4.7.3.3 Likewise, if the actual consumption of the Choice Aggregation Nomination Group is less than the NGS's deliveries on behalf of that group, the Company shall purchase the excess quantity from the NGS at the same price described above. (C)

4.7.3.4 In the event that an NGS's Choice Aggregation Nomination Group decreases by 10% or 1,000 Customers, the Company may elect to Cash Out that NGS at such time. The purchase or sale price of the difference between the actual consumption of the Choice Aggregation Nomination Group and the NGS's deliveries on behalf of that Choice Aggregation Nomination Group shall be the weighted average commodity cost of gas, defined as the quotient of: (1) the total commodity cost of gas purchases, including transmission pipeline transportation and fuel retention, as recorded on the Company's financial statements between the preceding July 1 and the month in which the Cash Out occurs, divided by (2) tariff sales for the same period.

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4.7.4 Assignment. The NGS shall only assign the Choice Customer Group to another NGS with the prior written consent of the Company. The Company shall not unreasonably withhold its consent; however, the Company may condition the assignment upon the fulfillment of reasonable requirements including but not limited to: a demonstration that the agreement between the NGS and the Customer allows an assignment or that the customer had otherwise consented to the assignment; requiring the assignee to take assignment of any gas bank balance existing at the time of the assignment; or requiring the assignee to take assignment of any financial obligation existing at the time of the assignment. (C)

4.8 CAPACITY REQUIREMENTS

4.8.1 Firm Capacity Requirement. The NGS shall utilize Primary FTS in its provision of services to the Customers. Each NGS shall hold capacity in an amount equal to or greater than the Choice Primary FTS Daily Capacity Requirement for each Choice Aggregation Nomination Group.

4.8.2 Primary FTS Capacity Assignment. The NGS must accept the assignment or release of Primary FTS capacity from the Company except as provided in the capacity assignment section below.

4.8.3 Capacity Assignment. The NGS must accept the assignment or release on a recallable basis at maximum rates of the Company's Primary FTS capacity in a quantity equal to the Choice Primary FTS Daily Capacity Requirement for each Choice Aggregation Nomination Group unless the Company has Additional Capacity Resource Requirements (ACRR) as described below.

The Company reserves the right to adjust capacity assignments on an as-needed basis as Customers are removed from the Choice Service; however, all capacity shall be assigned or released for one year periods. The Company shall provide written notification to the NGS in advance of such capacity adjustment.

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The NGS agrees, if required by the Company, to make daily deliveries through the assigned capacity without regard to the loss of Customers. The NGS must accept the assignment or release of either Columbia Gas Transmission Corporation capacity and Columbia Gulf Transmission Company capacity or Columbia Gas Transmission capacity only.

The assignment or release of Columbia Gas Transmission Corporation's FTS capacity shall be equal to the Choice Primary FTS Daily Capacity Requirement.

The Columbia Gulf Transmission Company Rate Schedule FTS-1 capacity to be assigned or released shall be based upon the assigned Rate FTS capacity increased for applicable pipeline fuel. The Company shall release this capacity, on a recallable basis, utilizing the appropriate pipeline company electronic bulletin boards and the NGS shall execute the service agreements so generated by the pipelines prior to the end of the month to enable the NGS to nominate gas supplies under the service agreements for the following month.

Should the Choice Aggregation Nomination Group's quantity increase in subsequent months resulting in the need for additional capacity to be assigned to the NGS, the Company shall utilize the process described above to assign the additional quantities to the NGS with each assignment being for a one-year period. (C) (C)

4.8.3.1 Other Primary FTS Option. The NGS may have the option to provide some or all Primary FTS capacity from some other source for a period of one year. This capacity option shall be made available to an NGS to the extent that the cumulative Other Primary FTS Daily Capacity Requirements (Other Primary FTS) of all NGSs requesting this option does not exceed the Additional Capacity Resource Requirement (ACRR).

An NGS providing Other Primary FTS is required to obtain and maintain capacity resources sufficient to deliver natural gas equal to its Choice Primary FTS Daily Capacity Requirements each day during the effective period of its capacity option election.

The cumulative Other Primary FTS of NGSs may not exceed the ACRR the Company may require in any year.

The ACRR for any year shall be the additional capacity, if any, which is required to meet design day requirements in excess of the Company's available design day capacity, as set forth in its annual 1307(f) filing, for the immediately following November through October period.

(C) Indicates Change

Effective November 2004, the NGSs currently providing Other Primary FTS capacity will be permitted to continue to provide the capacity for the November 2004 through October 2005 contract year, to the extent the Company concludes it needs additional capacity. To establish eligibility under this capacity option beginning in October 2005 and each year thereafter, an NGS must make a timely annual service election. No later than April 1 of each year, the Company will notify all NGSs of the ACRR. Thereafter, an NGS interested in providing firm capacity must notify the Company by June 1, in writing, of its desire to provide capacity, but not to exceed the Choice Primary FTS Daily Capacity Requirement for the NGS Choice Aggregation Nomination Group. Within 45 business days of receiving the timely submitted annual election, the Company will inform the NGS of its eligibility status and the amount of Other Primary FTS to be provided by the NGS. Elections will be accepted on a first come first serve basis, up to the ACRR. Eligibility will be based on the status of the NGS' aggregation agreement and its compliance thereto. An annual election of providing Other Primary FTS shall remain effective for the following one-year period November 1 through October 31. (C)

This capacity option constitutes a limited exception to the otherwise applicable rules under this tariff. An NGS providing capacity under this option shall not be required to take assignment or release of the Company's Primary FTS as otherwise required.

(C) Indicates Change

4.8.4 Subject to the Company's obligations concerning its Acquisition Process for New and Renewed Capacity under the Joint Petition for Settlement of Restructuring Filing in Docket No. R-00994781, should the Company decide to terminate its capacity on Columbia Gas Transmission Corporation or Columbia Gulf Transmission Company, any capacity assignment will terminate no later than the end of the term of the Company's service agreement with the pipeline. It shall be the responsibility of the NGS to acquire Primary FTS subsequent to such termination.

4.8.5 The NGS will at all times be responsible for operating the assigned capacity consistent with the terms and conditions set forth in the tariffs of the Company and the applicable pipeline companies.

4.8.6 Insufficient Capacity. The Company may require that the NGS verify that the Other Primary FTS contract rights exist. The NGS shall comply with the Company's request for verification. The failure or inability of the Company to verify the existence of such contract rights shall not relieve the NGS from any liability for failing to deliver gas, or subject the Company to any liability resulting from the NGS's failure to deliver. The Company may require the NGS to demonstrate in writing, and the NGS shall have the obligation to demonstrate in writing that: (a) The NGS has under contract sufficient firm capacity; AND (b) the NGS utilized such capacity to schedule sufficient supplies at the delivery points specified in the NGS Choice Distribution Aggregation Agreement to meet the needs of Customers served under these Rules Applicable to Distribution Service, and the pipeline confirmed such schedule to said delivery points. Failure to demonstrate that sufficient Other Primary FTS capacity was held shall subject the NGS to bear its respective share of any and all costs incurred by the Company as a result of the NGS's failure. Should an NGS fail to demonstrate that it held adequate capacity on a day when an OFO was in effect, the NGS shall be subject to the penalty provision described in Paragraph 4.11 of these Rules Applicable to Distribution Service, and the fees set forth in Paragraph 4.12. On any and all days in which the NGS's delivery of gas does not match the total requirements of all of the NGS's Choice Aggregation Nomination Groups, the NGS shall pay the Company the fees set forth in Paragraph 4.12 of these Rules Applicable to Distribution Service. (C)

(C) Indicates Change

4.8.7 In recognition that the capacity provided by an NGS pursuant to the Other Primary FTS option may be needed by the Company to serve Customers in the event that the NGS discontinues providing Natural Gas Supply Services on the Company's system, and subject to the Company's obligations concerning its Acquisition Process for New and Renewed Capacity under the Joint Petition for Settlement of Restructuring Filing in Docket No. R-00994781, any Other Primary FTS capacity must be assignable to the Company or another NGS and available for the Company's use or assignment to another NGS. The capacity must also have terms and conditions that permit the contract term to be extended under the interstate pipeline's tariff and under FERC rules and regulations. At the request of the party assigning new, replacement and/or alternate capacity to the Company hereunder, the Company shall use its best efforts to obtain operationally and economically equivalent capacity to that assigned to it. Upon the Company's obtaining such equivalent capacity and the Commission's approval, the Company shall reassign the capacity back to the requesting party. Any capacity so returned or assigned to the Company and/or any replacement capacity provided by the Company shall qualify for assignment and/or full cost recovery by the Company under the Act. Licensed NGSs taking assignment or providing new or replacement capacity will be able to use supplies delivered through this capacity to satisfy the needs of all their Customers, subject to the operational requirements and limitations of the Company's system.

4.9 GAS SUPPLY REQUIREMENTS

4.9.1 Delivery Obligations. Every day the NGS shall deliver the Choice Daily Delivery Requirement for each of the NGS's Choice Aggregation Nomination Groups, unless directed otherwise by the Company through an Operational Flow Order.

4.9.2 Firm Contracts. The NGS agrees that it shall enter into firm supply contracts for the months of November through March for a daily gas supply quantity equal to the sum of the Choice Daily Delivery Requirement of all of its Choice Aggregation Nomination Groups plus any applicable pipeline fuel retention requirements.

4.9.3 Calculation of Choice Daily Delivery Requirement. The Company shall calculate the Choice Daily Delivery Requirement for each Choice Aggregation Nomination Group between the 15th and the 20th of each month and provide the NGS with its Choice Daily Delivery Requirements for each Choice Aggregation Nomination Group. The Choice Daily Delivery Requirement shall be calculated by the Company as follows: the Company shall add the estimated normalized annual consumptions of all Customers presently in the NGS's Choice Aggregation Nomination Group to arrive at an aggregate sum for the Choice Aggregation Nomination Group; the Company shall divide that aggregate sum by 365; and adjust it for Company use and Retainage. The resultant quantity shall be the Choice Daily Delivery Requirement for that Choice Aggregation Nomination Group. (C)

4.9.4 Commencement of Natural Gas Supply Service. For Customers which were submitted to the Choice EBB by the 15th of the current month, the NGS is obligated to begin flowing gas in the amount of its Choice Daily Delivery Requirement on the first day of the following month. For Customers which were submitted to the Choice EBB after the 15th of the current month, the NGS is obligation to begin flowing gas on the first day of the second following month. During the interim period, the Customer shall be served by his existing Natural Gas Provider.

4.9.5 Delivery Requirements. NGSs must make firm deliveries to the Company on any and all days which shall meet the Choice Daily Delivery Requirements of each of the NGS's Choice Aggregation Nomination Groups. The NGS must deliver the Choice Daily Delivery Requirement, which must be firm supply for the months of November through March, and which must be of a quality acceptable to the Company, and the NGS must have made, or cause to be made, arrangements by which such gas supply can be transported directly to the Company's system in the Local Market Area in which the Customer is located on a firm basis, unless otherwise permitted by the Company in writing.

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4.9.6 Insufficient Supplies. In the event that the NGS fails to deliver its Choice Daily Delivery Requirement to the Company, the Company shall have the right to require the NGS to demonstrate, and the NGS shall have the obligation to demonstrate that the NGS scheduled sufficient supplies at the delivery points specified in the NGS Choice Distribution Aggregation Agreement to meet its Choice Daily Delivery Requirements for each of its Choice Aggregation Nomination Groups, and that the pipeline confirmed such schedule to said delivery points. Failure to demonstrate that the Choice Daily Delivery Requirement was made to any market or interstate pipeline interconnection shall subject the NGS to bear its respective share of any and all costs incurred by the Company as a result of the NGS's failure. Should an NGS fail to demonstrate that it delivered its Choice Daily Delivery Requirement for each of its Choice Aggregation Nomination Groups on a day when an OFO was in effect, the NGS shall be subject to the penalty provision described in these Rules Applicable to Distribution Service Paragraph 4.11, and the fees set forth in Paragraph 4.12. On any and all days in which the NGS's delivery of gas does not match the Choice Daily Delivery Requirement of each of the NGS's Choice Aggregation Nomination Group, the NGS shall pay the Company the fees set forth in Paragraph 4.12 herein. (C)

4.9.7 Adjustment to Choice Daily Delivery Requirements. The Company, at its discretion, may compare actual and weather normalized consumption immediately following the winter period. The Company may require any NGS to adjust the NGS's Choice Daily Delivery Requirements during the months of May, and June for the difference between the Choice Aggregation Nomination Group's actual consumption and weather normalized consumption.

4.10 OPERATIONAL REQUIREMENTS

4.10.1 In order to provide those Customers who are located in Local Market Areas served by an interstate pipeline other than Columbia Gas Transmission Corporation a fair opportunity to obtain choice of an NGS, the Company may implement one of the following procedures:

4.10.1.1 The Company may require all NGSs under this Schedule to accept assignment of capacity on interstate pipelines other than Columbia Gas Transmission in an amount which is proportional to the number of Customers served by the NGS divided by all Customers eligible for Choice Service.

(C) Indicates Change

4.10.1.2 The Company may retain, renew or replace the interstate pipeline capacity on the interstate pipeline other than Columbia Gas Transmission and require NGSs under this Schedule, if authorized by FERC rules or orders, to deliver a portion of supplies required by this Schedule into such capacity with such proportion determined as in Paragraph 4.10.1.1, or

4.10.1.3 The Company may make a payment to one or more NGSs to accept assignment of such capacity and use such capacity to meet the requirements of Customers. Such payment shall be recoverable by the Company from Customers. To the extent that such payment does not increase sales rates over levels which would be charged if the Company retained such capacity, it shall be recovered under the Purchased Gas Cost Rider from sales Customers and Customers subject to this Schedule. Any excess over such amount shall be recoverable under Rider CC.

4.10.2 The "Calculation of Demand Cost for Customers Electing Choice Service" provisions of the Purchased Gas Cost Rider shall be deemed modified to the extent necessary consistent with the Company's implementation of one of the foregoing procedures.

4.10.3 In the event an OFO limits deliveries to the Company via FTS capacity below the level of any capacity assigned, the unused FTS capacity may be reassigned by the assignee for the duration of the OFO event. The NGS shall be required, prior to the end of the year for which the capacity was assigned, to deliver additional quantities via ITS equal to the quantities not delivered via FTS capacity during the OFO event. (C)

4.11 OPERATIONAL FLOW ORDERS (OFOs

4.11.1 All Choice NGSs are subject to the Company's issuance of OFOs. The Company will have the authority to direct NGSs to adjust daily scheduled quantities to a specified level. Generally, during peak design day conditions, this specified level will be equal to the Choice Daily Delivery Requirement. Should conditions be greater or less than peak design day conditions, the specified level of the OFO may be greater or less than the Choice Daily Delivery Requirement. (C)

4.11.2 When a difference between the daily OFO quantity and actual daily scheduled deliveries to the Company exist, the following charges will be assessed: (C)

(1) Four dollars and sixty-six cents ($4.66) per thm on the difference; and, (C)

(2) The payment of all other charges incurred by the Company on the date of the OFO that results from the NGS's failure to comply with the OFO including a proportionate share of any pipeline penalties that are incurred by the Company.

(C) Indicates Change

4.12 RATES

4.12.1 Customers served under Rate Schedules RDS and SCD will be billed all applicable charges under the rate schedule. The Customer, or Customer's NGS, shall pay directly to the interstate pipelines the charges for any assigned pipeline capacity.

4.12.2 For NGSs providing service under these Rules Applicable to Distribution Service, the following fees shall be assessed to the NGS:

NGS One-time Application Fee: $390.00

4.12.3 In addition the following billing fees will apply:

Billed Account Adjustments: $1,000.00 processing fee per adjustment plus;
$ 1.00 per adjusted account

4.12.4 Delivered Quantities. All quantities billed to Customers under these Rules Applicable to Distribution Service shall be considered actual quantities delivered, whether the meter reading is an actual or a calculated reading. (C)

4.12.5 In recognition of the fact that the NGS is required to deliver the Choice Daily Delivery Requirement for each of its Choice Aggregation Nomination Groups, failure to deliver the Choice Daily Delivery Requirement for any Choice Aggregation Nomination Group shall subject the NGS to a charge on the difference between the Choice Daily Delivery Requirement and the actual daily deliveries. The Operational Flow Orders paragraph included in these Rules Applicable Only to Choice Service specifies the charge for days in which an SFO, OFO or OMO is in effect. For days in which an SFO, OFO or OMO is not in effect the charge will be two dollars and thirty-three cents ($2.33) per thm. In addition the NGS will be responsible for the payment of all other charges or costs incurred by the Company that result from the NGS's failure to deliver as required, including a proportionate share of any pipeline penalties incurred by the Company. In addition, the NGS will be required to deliver the remaining portion of its Choice Aggregation Nomination Group's estimated normalized usage via ITS in the summer months defined as April through October, unless the Company authorizes a lower or higher level of deliveries via ITS. (C) (C)

(C) Indicates Change

4.13 COMPANY BILLING OF NGS NATURAL GAS SUPPLY SERVICES (C)

4.13.1 Commodity Billing Services. The NGS may choose to bill the Customer directly for the Natural Gas Supply Services (Billing Option 1 below), or the NGS may choose to have the Company bill the Customer for Natural Gas Supply Services in which case the NGS shall sell its receivables to the Company (Billing Option 2 below). (C)

4.13.2 Adjustment of Accounts. If the NGS discontinues participation under this Schedule for any reason, the Company reserves the right to adjust the NGS's accounts to correct any prior errors for a period of twelve (12) months after the NGS discontinues participation. If the Customer discontinues participation under this Schedule for any reason, or if the Customer discontinues the NGS's service, the Company reserves the right to adjust the NGS's accounts to correct any prior errors for a period of twelve (12) months after the Customer has discontinued service.

4.13.3 Billing Option Selection. The NGS shall specify its initial Billing Option Selection as part of the NGS Choice Distribution Aggregation Agreement process. Effective eighteen (18) months after the Public Utility Commission issues a final order in Docket No P-2009-2099333, an NGS may choose Billing Option 1 or Billing Option 2 for all or a portion of its customers eligible for Rate SCD. Thereafter, if the NGS desires to change its Billing Option Selection, it may do so one time each calendar year by resubmitting a copy of the NGS Choice Distribution Aggregation Agreement with the desired Billing Option Selection specified. In the NGS Choice Distribution Aggregation Agreement, the NGS must select one of the following options: (C)

4.13.3.1 Billing Option 1: NGS Billing Service. The NGS shall bill the Customers for the Natural Gas Supply Services. The Company will not purchase the NGS receivables of anycustomer for which the NGS has chosen Billing Option 1. The NGS assumes full responsibility for nonpayment of the NGS's Natural Gas Supply Services charges under Billing Option 1. The NGS shall not bill the Customer for any services provided by the Company under its tariffs and the NGS agrees not to request its Customers to list the NGS's address as the address for Distribution billings. The Company shall provide the NGS with meter reading information and other reports in the Company's standard printed or electronic format on a monthly basis corresponding to the Company's Billing Cycle. The Company shall provide the NGS with said meter reading information no later than ten (10) days after the last day of each Billing Cycle. NGSs who are providing billing services shall comply with the billing and payment provisions set forth in 52 Pa. Code §§ 56.11-56.12, except § 56.15(12) and (13), and § 56.16(b)-(d). This obligation includes the obligation to offer residential customers equal monthly payment arrangements or "budget billing," as set forth in 52 Pa. Code § 56.12(7). NGSs shall abide by the credit determination and cash deposit standards set forth in 52 Pa. Code §§ 56.31-56.38, not including the obligation to serve as supplier of last resort. (C)

(C) Indicates Change

4.13 COMPANY BILLING OF NGS NATURAL GAS SUPPLY SERVICES – continued

(C)

4.13.3.2 Billing Option 2: Company Billing Service. The NGS elects to have the Company bill the Customers for the NGS's Natural Gas Supply Services charges. The NGS understands that the Company shall provide billing services pursuant to the requirements of its tariffs. The Company shall purchase the accounts receivable of any NGS that elects this billing option pursuant to the Voluntary Purchase of Receivables Program paragraph in these Rules Applicable to Distribution Service.

4.13.3.2.1 The Company shall provide the NGS with meter reading information and other reports in the Company's standard printed or electronic format on a monthly basis corresponding to the Company's Billing Cycle. The NGS shall provide the Company with all required billing determinants as indicated on the Company's "NGS Rate Statement" and other information that may be necessary for Customer billing as determined by the Company. The NGS shall provide said billing determinants in the standard printed or electronic format specified by the Company. The NGS shall provide the Company with said billing determinants no later than the 20th of the month prior to the effective Billing Cycle, by supplying a new NGS Rate Statement.

(C)

(C) Indicates Change

4.13 COMPANY BILLING OF NGS NATURAL GAS SUPPLY SERVICES - continued

4.13.3.2.2 The Customer will receive a consolidated bill from the Company which contains the NGS Natural Gas Supply Services charges in a format that complies with the Commission's Customer Information and Disclosure Guidelines. (C)

4.13.3.2.3 Late payment charges shall be applied to all charges when the Customer has selected an NGS who has chosen Billing Option 2. The late payment charges for the NGS's Natural Gas Supply Services charges are part of the Terms of Service between the NGS and the Customer. (C)

4.13.3.2.4 In the event the NGS or the Company declares bankruptcy, the non-bankrupt party may elect to terminate its agreement for Billing Option 2. Such election shall be in writing and shall become effective with the billing cycle beginning ninety (90) days after written notification is received by the Company or the NGS. If the NGS elects to terminate its agreement specifying Billing Option 2, the NGS may not return to Billing Option 2 for one (1) year following the effective date of such election. If the Company elects to terminate its agreement to provide Billing Option 2 for a bankrupt NGS, the NGS may not return to Billing Option 2 until it emerges from bankruptcy. (C)

4.13 COMPANY BILLING OF NGS NATURAL GAS SUPPLY SERVICES - continued

4.13.4 Voluntary Purchase of Receivables Program (C)

4.13.4.1 An NGS that elects Billing Option 2 for its customer accounts shall be required to sell all its accounts receivable to the Company as specified in this Purchase of Receivables ("POR") program paragraph. The NGS shall be required to execute an Accounts Receivable Purchase Agreement with the Company to implement the POR program.

4.13.4.2 An NGS must elect Billing Option 2 for their residential customer accounts and shall sell all of its residential customer accounts receivable to the Company.

4.13.4.3 An NGS participating in the POR program by electing Billing Option 2 is required to accept a new customer for enrollment without regard to the credit-related issues or payment history.

4.13.4.4 An NGS participating in the POR program by electing Billing Option 2 shall not request a security deposit from a customer.

4.13.4.5 The Company will purchase the NGS receivables at a fixed reduced base discount rate which is based on the Company's experienced uncollectible accounts expense ratio established in the Company's then most recent base rate proceeding, plus a fixed administrative adder of 0.59%. The administrative adder will be eliminated once actual costs of establishing the revised POR program are recovered.

4.13.4.6 The Company will purchase only receivables associated with the NGS's Natural Gas Supply Services charges and no other products or services that may be provided by NGSs. The Natural Gas Supply Services charges eligible under the POR program shall not include any charges associated with the following: termination fees, energy efficiency service or equipment, a non-recurring charge billed by an NGS for calling the NGS call center or negotiating a payment plan, security deposits charged by an NGS, other equipment or services provided by an NGS such as heating equipment repairs or maintenance policies or any charges associated with carbon based attributes, including value added green products like carbon attributes.

4.13.4.7 The Company will have the right to terminate a customer's service for failure to pay the NGS's Natural Gas Supply Services charges portion of the bill. Such termination of service will comply with all applicable laws and regulations regarding termination of service.

4.13.4.8 The Company may require full payment of any balance outstanding for the NGS's Natural Gas Supply Services charges before reconnecting service that has been terminated for nonpayment. When requiring full payment, the Company will comply with all applicable laws and regulations regarding reconnection of service.

4.13.4.9 The Company, at its discretion, may decide to terminate the Purchase of Receivables program. The Company will provide at least three (3) months advance notice to any NGS participating in the POR program and all parties to Docket No. P-2009-2099333.

(C) Indicates Change

4.13 COMPANY BILLING OF NGS NATURAL GAS SUPPLY SERVICES – continued

4.13.5 Distribution Billing Services.

4.13.5.1 The Company shall bill all Customers for its Distribution service regardless of whether the NGS or the Company provides Commodity Billing Services. The Company shall provide NGSs with individual Customer's usage data for the Customer's most recent billing cycle as Customers are billed by the Company.

4.13.5.2 The NGS's Natural Gas Supply Service quantities shall be determined from the Company's "Monthly Summary Billing Report." The "Monthly Summary Billing Report" reflects Customer's billed transport quantities as reported to the NGS, as generated within the Company's revenue reporting system. (C)

4.14 COMPLAINT HANDLING PROCESS

4.14.1 General Complaints. Choice Customers shall directly contact the party (NGS or the Company) responsible for the service in question as an initial step for complaint and problem resolution. If the Customer mistakenly contacted the wrong entity, the Customer shall be promptly referred to the appropriate contact. In the event of an unexpected loss of firm Natural Gas Distribution Service, the Customer shall be directed to the NGDC. If the Complaint involves the service of both the NGS and the Company, the Company will coordinate with the NGS so that a proper investigation to a customer dispute is conducted and completed within the time period prescribed by 52 Pa. Code §56.151(5). In such a complaint, the NGS shall provide all information needed by the Company relating to the Customer's dispute and must provide that information within five (5) business days after the Company requests the information. Complaints that pertain to 52 PA Code Chapter 56 (relating to standards and billing practices for residential utility service) matters shall be handled and resolved in accordance with the applicable standards in Chapter 56. The Company will give the PUC access to disclosure statements, billing and other Customer information resources for compliance reviews as deemed necessary by the PUC. PA. P.U.C. Docket No. M-00991249F0005. If a Customer informs the Company that the problem has not been resolved, the Company will inform the Customer of their right to file an informal appeal with the Bureau of Consumer Services at the Commission and provide the Customer with the toll-free telephone number and mailing address of the Commission.

(C) Indicates Change

4.14.2 Slamming Complaints. When a Customer contacts the Company after the 10 day waiting period and alleges that their NGS has been changed without their consent, the Company shall consider the matter a Customer-registered dispute and investigate and respond to the dispute consistent with the requirements found in §§56.151 and 56.152. A Customer who has had an NGS changed without having consented to the change shall be switched back to the previous *Natural Gas Provider. Any charges involved in the switch back to the previous* Natural Gas Provider shall be the responsibility of the NGS that initiated the change without the Customer's consent. PA. P.U.C. Docket No. M-00991249F006.

4.15 INDEMNIFICATION

4.15.1 The NGS shall indemnify, save harmless and at Company's option, defend Company from and against any and all losses, claims, demands, damages, costs (including, without limitation, reasonable attorney's fees), expenses, liabilities, proceedings, suits, actions, restrictions, injunctions, fines, judgments, penalties and assessments which Company may suffer for, on account of, by reason of or in connection with service provided under these Rules Applicable to Distribution Service, and in connection with any bodily injury, including death to any person or persons (including, without limitation, the NGS's employees) or any damage to or destruction of any property, including without limitation, loss of use thereof, arising out of, in any manner connected with or resulting from the gas or services furnished by the NGS under these Rules Applicable to Distribution Service.

4.16 TERMINATION OF AN NGS's PARTICIPATION UNDER THIS SCHEDULE

4.16.1 Should any NGS elect or be required to discontinue serving Customers on the Company's distribution system under Customer Choice, the NGS shall: a) provide all notices required under 66 Pa. C.S. Section 2207(i); b) reassign any capacity originally assigned to it by the Company back to the Company or assign to the Company any new, replacement and/or alternate capacity it acquired; or c) assign the capacity identified in "b)" to another NGS that has accepted assignment of the first "NGS's" Customers; and d) the NGS shall continue its obligation to maintain its financial security instrument until it has satisfied all of its outstanding claims of the Company Upon an NGS's discontinuation of Natural Gas Supply Services, the Company may offset any and all amounts owed to it by the NGS against any and all amounts owed by the Company to the NGS, including without limitation, charges for imbalance gas sold by the Company, out of period adjustments to the NGS's account, amounts owed to the NGS for bank balances, amounts owed to the NGS for accounts receivable collected by the Company, and amounts owed to the Company for OFO/OMO charges, etc. (C)

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9

COLUMBIA GAS OF PENNSYLVANIA, INC.

121 Champion Way, Suite 100 **Canonsburg, Pennsylvania**

RATES AND RULES

FOR

FURNISHING GAS SERVICE

IN

THE TERRITORY AS DESCRIBED HEREIN

ISSUED: September 28, 2012 EFFECTIVE: November 27, 2012

ISSUED BY: MARK R. KEMPIC, PRESIDENT
121 CHAMPION WAY, SUITE 100
CANONSBURG, PENNSYLVANIA 15317

NOTICE

This Tariff Supplement Makes Rate Increases to the Existing Tariff —See Page No. 2 through 2f

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
One-Hundred Sixty-Fifth Revised Page No. 2
Columbia Gas of Pennsylvania, Inc. **Canceling One-Hundred Sixty-Second Revised Page No. 2**

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
Cover	Tariff Cover Page	Supplement #, Effective & Issue Date.
2-2f	List of Changes	List of Changes.
3	Table of Contents	Added the Gas Supply Charge Summary as Page 21a, the Pass-through Charge Summary as Page 21b and the Price-to-Compare Summary as Page 21c.
4	Table of Contents	Added the GPC, MFC and RNA Riders.
5	Table of Contents	Moved "2.5 Character of Distribution Service" from page 4.
7	Description of Territory	Added "Harris Township" and changed "Patter" to "Potter" under "Centre County".
11	Rates Available Under this Tariff	Changed "536,500 thm or greater" to "in excess of 540,000 thm" in Rate LDS. Changed "64,380" to "64,400" in Rate LGSS.
12	Rates Available Under this Tariff	Changed "of not less than 268,250 thm to" in excess of 274,000 thm" in Rate MLDS and Rate MLSS.
13	Rates Available Under this Tariff	Changed "below 64,380 thm" to "less than 64,400 thm".
14	Rates Available Under this Tariff	Changed "64,380" to "64,400" in Rate SCD and Rate SDS. Changed "536,500" to "or equal 540,000" in Rate SDS. Changed "6,438" to "in excess of 6,440" in Rate SDSS. Changed "Default (Other than Slamming) By the NGS" to "NGS Default" in Rate SDSS.
15	Rates Available Under this Tariff	Changed "64,380" to "or equal to 64,400" in Rate SGDS. Changed "64,380" to "or equal to 64,400" in Rate SGSS.
16	Rate Summary	Changed "Customer Charge" to "System Charge". Changed the Distribution Charge for Rate RSS & Rate SGSS. Added a Revenue Normalization Adjustment column and a "Pass-through Charge" column.
17	Rate Summary	Changed "Customer Charge" to "System Charge". Changed the Distribution Charge for Rate LGSS & Rate MLSS. Added a Pass-through Charge column.
18	Rate Summary	Changed "Customer Charge" to "System Charge". Changed the Distribution Charge for Rate RDS, Rate SCD, Rate SGDS and Rate SDS. Added a "Revenue Normalization Adjustment" column and a "Pass-through Charge" column.
19	Rate Summary	Changed "Customer Charge" to "System Charge". Changed the Distribution Charge for Rate LDS & Rate MLDS. Added a "Pass-through Charge" column.

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Eighth Revised Page No. 2a
Columbia Gas of Pennsylvania, Inc. **Canceling Seventh Revised Page No. 2a**

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
20	Rate Summary	Changed "Customer Charge" to "System Charge". Changed the Distribution Charge for Rate RDGSS and Rate RDGDS. Added a "Revenue Normalization Adjustment" column and a "Pass-through Charge" column.
21	Riders and Other Rates Summary	Added Rider GPC, Rider MFC, Rider RNA, the Price-to-Compare and the STAS.
21a	Gas Supply Charge Summary	New page providing Gas Supply Charge detail.
21b	Pass-through Charge Summary	New page providing Pass-through Charge detail.
21c	Price-to-Compare Summary	New page providing Price-to-Compare detail.
23	The Gas Tariff	Added a definition for "Capacity Assignment Factor".
24	The Gas Tariff	Revised the definition of "Distribution Charge".
25	The Gas Tariff	Revised the definition of "Gas Cost Adjustment". Added a definition for "Gas Supply Charge" and "Pass-through Charge". Moved the definition of "Pipeline Scheduling Point" to page 26.
26	The Gas Tariff	Added the definition of "Pipeline Scheduling Point" from page 25. Added a definition of "Price-to-Compare". Moved the definition of "Shipper" to page 27.
27	The Gas Tariff	Added the definition of "Shipper" from page 26. Added a definition for "System Charge". Moved the definition of "User Without Contract" to page 28.
28	The Gas Tariff	Added the definition of "User Without Contract" from page 27.
45	6. Credit	Changed "Customer Charge" to "System Charge".
55	13. Service Continuity	Changed "Customer Charge" to "System Charge".
57	15. Measurement	Removed "17" from heading.

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Twenty-second Revised Page No. 2b
Columbia Gas of Pennsylvania, Inc. **Canceling Twenty-first Revised Page No. 2b**

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
76	Rate RSS	Revised the "Rate" description. Revised the "Minimum Monthly Charge" to reflect "System Charge". Revised the "Rider PGC" to reflect "Pass-through Charge". Revised the "USP Costs and Customer Choice Costs" to reflect the "Pass-through Charge".
77	Rate RSS	Removed item 3 under "Special Provisions".
78	Rate RDS	Revised the "Rate" description. Changed "Customer Charge" to "System Charge" in the "Minimum Charge" description. Revised the "Rider PGC" to reflect "Pass-through Charge". Revised the "USP Costs and Customer Choice Costs" to reflect the "Pass-through Charge".
79	Rate RDS	Deleted item 6 of "Special Provisions".
81	Rate RDGSS	Revised the "Rate" description.
82	Rate RDGSS	Revised the "Rider PGC" and the "Universal Service Plan and Customer Choice Costs" paragraphs to reflect "Pass-through Charges". Revised the "Minimum Charge" description.
83	Rate RDGSS	Changed "monthly customer charge" to "System Charge".
84	Rate RDGDS	Revised the "Availability" and "Rate" description.
85	Rate RDGDS	Revised the "Universal Plan and Customer Choice Costs" paragraph to reflect the "Pass-through Charge". Eliminated the "Applicable Sales Service Rate" paragraph. Changed "monthly customer" to "System" in the "Special Provisions".
86	Rate SGSS	Changed "64,380" to "64,400". Revised the "Rate", "Minimum Charge" and "Determination of System Charge" descriptions.
87	Rate SGSS	Revised the "Purchased Gas Cost Rider" and the "Customer Choice Costs" paragraphs to reflect "Pass-through Charges". Added "Customer Development/Retention Provisions items "b." and "c." from page 88 and changed "customer charge" to "System Charge".
88	Rate SGSS	Moved "Customer Development/Retention Provisions items "b." and "c." to page 87. Changed "64,380" to "64,400" in item 4 of "Special Provisions".

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Sixth Revised Page No. 2c
Columbia Gas of Pennsylvania, Inc. **Canceling Fifth Revised Page No. 2c**

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
89	Rate SGDS	Changed "64,380" to "64,400" in the "Availability" paragraph. Revised the "Rate" description.
90	Rate SGDS	Revised the "Rider PGC" and the "Customer Choice Costs" descriptions to reflect the "Pass-through Charge". Revised the "Determination of System Charge" and "Minimum Charge" paragraphs.
92	Rate SGDS	Revised the "Customer Development/Retention Provisions" paragraph to reflect "Gas Cost Adjustment", "Gas Supply Charge", "Distribution Charge", "System Charge" and "Pass-through Charge". Changed "64,380" to "64,400" in the "Special Provisions" paragraph.
93	Rate SCD	Changed "64,380" to "64,400" in the "Availability" paragraph. Revised the description in the "Rate" and "Minimum Charge" descriptions.
94	Rate SCD	Revised the "Customer Choice" paragraph to reflect the "Pass-through Charge". Revised items 3 and 6 of the "Special Provisions".
96	Rate SDS	Revised the "Availability" description.
97	Rate SDS	Revised the "Rate" and "Minimum Charge" descriptions.
98	Rate SDS	Revised the "Applicable Sales Service Rate" description.
99	Rate SDS	Changed "536,500" to "in excess of 540,000" and "customer" to "System" in item 2 of the "Special Provisions".
100	Rate LGSS	Changed "64,380" to "64,400" in the "Availability" paragraph. Revised the "Rate" description. Revised the "Determination of System Charge" description.
101	Rate LGSS	Revised the "Rider PGC" paragraph to reflect the "Pass-through Charge". Revised the "Minimum Charge" Paragraph.
102	Rate LGSS	Changed "64,380" to "64,400" in item 3 of the "Special Provisions".
103	Rate LDS	Changed "536,500" to "are in excess of 540,000" and revised the description in the "Availability" paragraph.
104	Rate LDS	Revised the "Rate" description.
105	Rate LDS	Revised the "Minimum Charge" description.
106	Rate LDS	Revised quantities and text in item 2 of "Special Provisions".

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fifth Revised Page No. 2d
Columbia Gas of Pennsylvania, Inc. **Canceling Fourth Revised Page No. 2d**

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Revision Description
107	Rate MLSS	Revised the "Rate" description. Changed "of not less than 268,250" to "greater than 274,000" in the "Availability" description.
108	Rate MLSS	Revised the "Determination of System Charge" and "Minimum Charge" descriptions.
109	Rate MLSS	Revised the "Rider PGC" paragraph to reflect the "Pass-through Charge". Changed "268,250" to "or equal to 274,000".
111	Rate MLDS	Changed "of not less 268,250" to "greater than 274,000" in the "Availability" description.
112	Rate MLDS	Revised the "Rate", "Determination of System Charge" and "Minimum Charge" descriptions.
114	Rate MLDS	Changed "268,250" to "or equal to 274,000" in item 5.
116	Rate NCS	Changed "Distribution Rate" to "Distribution Charge". Changed "customer charge" to "System Charge".
118	Rate NSS	Changed "Customer Charge" to "System Charge" in the "Rates" description.
121	Rate NSS	Changed "below 64,380" to "less than or equal to 64,400".
122	Rate SDSS	Revised quantities and text in the "Availability" description. Revised the "Rate" and "Character of Service" descriptions.
123	Rate SDSS	Changed "6,438" to "6,440" in the "Special Provisions" paragraph.
125	Rate CDS	Revised the "Rate" description
127	Rate GDS	Revised the "Rate" description.
130	Rate NGV	Changed "customer charge" to "System Charge" in the "Rate" description.
132	Rate PS	Revised the "Rate" description. Revised the "Rider PGC" and the "Customer Choice" paragraphs to reflect the "Pass-through Charge".
135	Rate SS	Revised the "Commodity Rate for Purchases" and "State Tax Adjustment Surcharge" descriptions.
137	Rate DGDS	Revised the description in the "Rate" description.
139	Rate CAP	Revised page title.
140	Rate CAP	Revised page title.
141	Rate CAP	Revised page title.
142	Rate CAP	Revised page title.

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
First Revised Page No. 2e
Columbia Gas of Pennsylvania, Inc. **Canceling Original Page No. 2e**

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Page Revision
143	Rate CAP	Revised page title. Revised the "Purchased Gas Cost Rider" paragraph to reflect the "Pass-through Charge".
146	Rider USP	Changed "Program" to "Plan" and "CAP Rider" to "USP Rider". Revised the "Rate" description. Replaced "Income Qualified Energy Efficiency Program (IQEEP)" with "WarmWise Audits and Rebates program".
147	Rider USP	Replaced "Income Qualified Energy Efficiency Program" with "WarmWise Audits and Rebates program".
148	Rider CC	Labeled the "Applicability" paragraph and changed "64,380" to "64,400". Revised the description of the "Rate" paragraph.
149	Rider EDS	Changed "not less" to "greater" and "64,380" to "64,400" in the "Availability" paragraph. Revised the "Rate" description.
151	Rider PGC	Revised page title. Revised the "Provisions for Recovery of Purchased Gas Costs" description. Added a "Presentation of Customer Bills" description. Moved "Computation of Purchased Gas Commodity Costs Per Therm" paragraph to page 152.
152	Rider PGC	Revised page title. Added paragraph "Computation of Purchased Gas Commodity Costs Per Therm" from page 151.
153	Rider PGC	Revised page title. Added "Rate PS" in "Computation of Purchased Gas Demand Costs Per Therm" paragraph.
154	Rider PGC	Revised page title. Revised "Provision of Purchased Gas Demand Cost Credit Due to Customers Electing Choice Distribution Service – Capacity Assignment Factor (CAF)" paragraph.
155	Rider PGC	Revised page title. Added Rate PS to item (b) (1) in "Determination of Over/Undercollection of Gas Costs". Added Rate CDS, Rate GDS, Rate DGDS and Rate NCS to item (b) (2) in the "Demand E-factor" description.
156	Rider PGC	Revised page title. Revised the "Adjustment of "E" Factor" description.
160	Rider GPC	New tariff Rider as a result of the Final Rulemaking Order in Docket No. L-2008-2069114.
161	Rider MFC	New tariff Rider as a result of the Final Rulemaking Order in Docket No. L-2008-2069114.

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Page	Page Description	Page Revision
162	Rider RNA	New Rider Revenue Normalization Adjustment.
163	Rider RNA	New Rider Revenue Normalization Adjustment.
166	Rider EBS	Changed options from "three" to "two" in "Availability" description. Deleted "equal to or" and changed "536,500" to "540,000" in the "Option 1: Bank Tolerance" paragraph. Changed "536,500" to "or equal to 540,000" in item 2 of "Option 1: Bank Tolerance" paragraph.
174	Rider NAS	New - Rider New Area Service.
175	Rider NAS	New - Rider New Area Service.
176	Rider NAS	New - Rider New Area Service.
193	RADS	Changed title of paragraph 2.14 to "NGS Default". Added paragraph "2.16 Special Services".
209	RADS	Removed Paragraph 3.11.3 and renumbered subsequent paragraphs.
211	RADS	Changed "536,500" to "540,000" in the "Flow Order Management Service" description.
247	RADS	Removed the reference to the administrative adder in paragraph 4.13.4.5.

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Ninety-second Revised Page No. 3
Canceling Ninety-first Revised Page No. 3

Columbia Gas of Pennsylvania, Inc.

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Fifth Revised Page No. 7
Columbia Gas of Pennsylvania, Inc. **Canceling Fourth Revised Page No. 7**

DESCRIPTION OF TERRITORY

ADAMS COUNTY

Abbottstown
Arendtsville
Aspers
Bendersville
Berwick Township
Biglerville
Butler Township
Caledonia
Cashtown
Conewago Township*
Cumberland Township
East Berlin
Fairfield
Fayetteville
Franklin Township
Freedom Township
Germany Township
Gettysburg
Hamilton Township
Hamiltonban Township
Hemptom
Littlestown
McSherrystown*
Menallen Township
Mt. Joy Township
Mt. Pleasant Township
New Oxford
Oxford Township
Reading Township
Strabane Township
Table Rock
Two Taverns
Tyrone Township
Union Township

ALLEGHENY COUNTY

The Company is certified to serve in all cities, boroughs and townships in Allegheny County.

ARMSTRONG COUNTY

Distant
Hovey Township
Madison Township
Mahoning Township
McWilliams
New Salem
Oakland
Oak Ridge
Parker City
Perry Township
Red Bank Township
South Bethlehem

BEAVER COUNTY

The Company is certified in serve in all cities, boroughs and townships in Beaver County.

BEDFORD COUNTY

Cumberland Valley Township
Londonderry Township
Mann Township
Southampton Township
State Line

BUTLER COUNTY

Adams Township
Allegheny Township
Annandale
Annisville
Brady Township
Bruin
Center Township
Cherry Township
Clay Township
Concord Township
Cranberry Township

BUTLER COUNTY (Continued)

Criders Corners
Deegan
Eau Claire
Fairview
Fairview Township
Fallowfield Township
Forestville
Franklin Township
Harrisville
Karns City **
Marion Township
Mercer Township
Muddy Creek Township
North Washington
Parker Township
Slippery Rock Township
Valencia
Valencia Township
Washington Township
West Liberty
Wick
Worth Township

CENTRE COUNTY * (C)**

Bellefonte
Benner Township
Boggs Township
Burnside Township
College Township
Ferguson Township
Harris Township
Patton Township
Potter Township
Snow Shoe Township
Spring Township
State College
Union Township

* Territory formerly served under Tariff Gas-Pa. P.U.C. No. 7.
** Limited to industrial service to Pennsylvania Refining Company.
*** Territory formerly served under Tariff Gas-Pa. P.U.C. No. 6.

(C) Indicates Change

RATES AVAILABLE UNDER THIS TARIFF

Rate CDS - Cogeneration Distribution Service (pp. 125-126)

Available to any customer who qualifies as a cogenerator under Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA). Customer must demonstrate to the Company's satisfaction that qualifying cogeneration gas burning equipment will be installed and only gas used for cogeneration will be billed at the rate negotiated under this rate schedule. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract. Separate metering and piping to qualifying end use equipment will be required.

Service under this rate schedule shall not be available to a customer who is a Priority 1 Customer, as defined in the Service Limitations section of this tariff and is using gas to generate electricity for Essential Human Needs Use, as defined in the Service Limitations section of this tariff, shall be required to purchase Standby Service if an alternate fuel is not available to generate electricity to cover the electricity peak day requirement.

Rate DGDS - Distributed Generation Distribution Service (pp. 137-138)

Available, at one location, for the distribution requirements of any commercial or industrial customer using distributed generation equipment such as reciprocating engines, gas turbines, microturbines, and fuel cells used for electrical power generation. Service is available when such customer executes a contract with the Company for a period mutually agreed to between the Company and the customer for distribution service in accordance with all terms and conditions of such contract. Provided that the Company's facilities are adequate to provide the requested service. Customer may not take service under any other rate schedule except Rate SS – Standby Service.

Rate GDS - Generation Distribution Service (pp. 127-128)

Available to any customer who uses gas to generate electricity for sale, either wholesale or retail; provided that such sale of electricity is subject to the regulatory jurisdiction of either the Pennsylvania Public Utility Commission or the Federal Energy Regulatory Commission. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract.

Rate LDS - Large Distribution Service (pp. 103-106)

Available to any commercial or industrial customer whose annual throughput requirement (determined under the System Charge provisions of Rate LDS) is in excess of 540,000 thm, and who does not take service under any other rate schedule except Rate SS-Standby Service. (C)

Rate LGSS - Large General Sales Service (pp. 100-102)

This rate schedule is available, at one location, for the total requirements of any commercial or industrial customer whose purchase requirements are in excess of 64,400 thm, and who does not contract for distribution service. (C)

(C) Indicates Change

RATES AVAILABLE UNDER THIS TARIFF (Continued)

Rate MLDS - Main Line Distribution Service (pp. 111-114)

Available at one location, for the total requirements of a commercial or industrial customer when the Customer meets either one of the following qualifications:

(a) the Customer has annual throughput requirements in excess of 274,000 thm and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLS Customer"); or (C)

(b) the Customer has annual throughput requirements of not less than 2,146,000 thm and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLS Customer"),

and meets all of the following conditions:

(a) Customer does not take service under any other rate schedule except Rate SS – Standby Service, and

(b) Customer acquires its own gas and executes an application and agreement with the Company as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

Rate MLSS - Main Line Sales Service (pp. 107-110)

Available at one location, for the total requirements of a commercial or industrial customer when the Customer meets either one of the following qualifications:

(a) the Customer has annual throughput requirements in excess of 274,000 thm and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLSS Customer"); or (C)

(b) the Customer has annual throughput requirements of not less than 2,146,000 thm and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLSS Customer").

Rate NCS - Negotiated Contract Service (pp. 115-116)

Available to any commercial or industrial customer, at the Company's discretion, who meets the following qualifications:

(a) The customer is not presently served by the Company and has projected throughput requirements of not less than 21,460 thm annually or is a current customer; and

(b) The customer gives the Company satisfactory proof that, absent service under this rate schedule, the customer's facilities or operations would not be constructed in the Company's operating territory, or that, absent service under this rate schedule, customer would install long-term alternate fuel facilities.

(c) Customer does not take service under any other rate schedule except Rate SS – Standby Service.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Ninth Revised Page No. 13
Columbia Gas of Pennsylvania, Inc. **Canceling Eighth Revised Page No. 13**

RATES AVAILABLE UNDER THIS TARIFF (Continued)

Rate NGV - Natural Gas Vehicle Service (pp. 129-131)

This rate schedule is available for any customer for the use of natural gas directly in a natural gas vehicle (NGV). The customer to qualify must be the operator of a public fueling station or the owner/operator of a natural gas vehicle or fleet of vehicles who receives service at separately metered fueling facilities owned by the vehicle owner/operator for the exclusive use of the customer's vehicle(s).

Rate NSS - Negotiated Sales Service (pp. 117-121)

Available to any commercial or industrial customer who would not initiate service from the Company or would no longer take service from the Company but for the availability of service under Rate NSS, and whose annual throughput requirements exceed 21,460 thm. A customer with annual throughput requirements less than 64,400 thm that is eligible for service under this rate schedule shall be deemed to meet the usage eligibility provisions for transportation service under Rate SGSS. (C)

Rate PS - Propane Service (pp. 132-133)

The Company may from time to time, at its sole option, provide propane service to new customers requesting natural gas service in the Company's service territory where the extension of natural gas facilities is temporarily uneconomic but is anticipated to be economic within a (5) five year period and, absent this rate schedule, the customer would not request service from the Company.

Rate RDGDS - Residential Distributed Generation Distribution Service (pp. 84-85)

Available to any residential customer meeting the following conditions:

1. The customer does not take service under any other rate schedule.
2. The customer or group of customers have an aggregate annual demand of at least 53,650 thm or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elects an NGS to provide natural gas commodity service. The gas supply for each aggregation must enter the Company's system at a city gate(s) used by the Company to serve the customers unless otherwise permitted by Columbia.
3. Available, at one location, for the total requirements of any residential customer who operates distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use. The Customer must demonstrate to the Company's satisfaction that qualifying gas burning electric generation equipment has been installed.
4. The Company's facilities are adequate to provide the requested service.

Service is available when such customer(s) selects an NGS, and provides the Company with a 60-day notice.

(C) Indicates Change

RATES AVAILABLE UNDER THIS TARIFF (Continued)

Rate RDGSS - Residential Distributed Generation Sales Service (pp. 81-83)

Available, at one location, for the total requirements of any residential customer who operates distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use Provided, that the Company's facilities are adequate to provide the requested service. The Customer must demonstrate to the Company's satisfaction that qualifying gas burning electric generation equipment has been installed.

Rate RDS - Residential Distribution Service (pp. 78-80)

This rate is available for a Residential customer or a group of Residential customers that has an aggregate annual demand of at least 53,650 thm or a minimum of 50 customers being served pursuant to the aggregation provisions of the Rules Applicable to Distribution Service.

Rate RSS - Residential Sales Service (pp. 76-77)

This rate schedule is available, at one location, for the total requirements of any residential customer.

Rate SCD - Small Commercial Distribution (pp. 93-95)

This rate is available to any commercial customer that: (1) is eligible for Choice Service; (2) has a historic throughput less than or equal to 64,400 thm; annually; (3) is not served under any other schedule, (4) the customer or group of customers have an aggregate annual demand of at least 53,650 thm or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elects an NGS of natural gas commodity service for a one year period. (C)

Rate SDS-Small Distribution Service (pp. 96-99)

Available to any commercial or industrial customer whose annual throughput requirements (including sales and distribution) exceed 64,400 thm, who does not receive service under any other rate schedule except Rate SS-Standby Service, and whose annual throughput (as determined under System Charge provisions of Rate SDS) is less than or equal to 540,000 thm. (C)

Rate SDSS - Supplier Default Sales Service (pp. 122-123)

Available to any commercial or industrial customer with annual throughput requirements in excess of 6,440 thm or greater, and whose natural gas supplier has defaulted according to the provisions of the NGS Default section of the Rules Applicable to Distribution Service of this tariff, and who at the time of the default was receiving General Distribution Service under Rate SGDS-Small General Distribution Service, Rate SDS – Small Distribution Service, Rate LDS – Large Distribution Service, Rate MLDS – Main Line Distribution Service, Rate CDS – Cogeneration Distribution Service or Rate GDS – Generation Distribution Service. (C)

(C) Indicates Change

RATES AVAILABLE UNDER THIS TARIFF (Continued)

Rate SGDS - Small General Distribution Service (pp. 89-92)

Available, at one location, for the total requirements of any commercial or industrial customer meeting all of the following conditions:

1. The Customer's total annual throughput requirements, as determined under the System Charge provisions are less than or equal to 64,400 thms annually. (C)

2. The Customer does not take service under any other rate schedule except Rate SS – Standby Service.

3. Customer acquires its own gas and executes an application and agreement with the Company, as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

4. The customer is a member of an aggregation group pursuant to the provisions of the Rules Applicable to Distribution Service.

5. Priority One customers, as defined in the Service Limitations section of this tariff, must buy distribution service at the Priority One distribution rate, which includes recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this tariff. All other SGDS customers wishing to contract for standby service may execute a contract for service under Rate SS - Standby Service.

6. There is an annual enrollment window for accounts transferring from Rate Schedule SCD to Rate Schedule SGDS. Notice of intent to switch from Rate Schedule SCD to Rate Schedule SGDS is due January 2nd of each year to be effective the following April 1st.

Rate SGSS - Small General Sales Service (pp. 86-88)

This rate schedule is available, at one location, for the total requirements of any commercial or industrial customer whose total throughput requirements are less than or equal to 64,400 thms annually and who does not contract for distribution service. (C)

Rate SS - Standby Service (pp. 134-136)

Available to any qualified customer receiving General Distribution Service or Negotiated Sales Service who executes a contract with the Company for service under this rate schedule for a period of not less than one (1) year.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas - Pa. P.U.C. No. 9
Sixty-sixth Revised Page No. 16
Canceling Sixty-third Revised Page No. 16

Columbia Gas of Pennsylvania, Inc.

Rate Summary

Rate per thm

Sales Service Rate Schedules		Distribution Charge	Revenue Normalization Adjustment 1/	Gas Supply Charge 2/	Gas Cost Adjustment	Pass-through Charge 3/	State Tax Adjustment Surcharge 4/	Total Effective Rate 5/
Rate RSS - Residential Sales Service								
System Charge	$	19.00	-	-	-	-	(0.02)	18.98
Usage Charge:	$	0.38621	0.00000	0.35699	(0.05980)	0.16361	(0.00045)	0.84656
Customer Transferring from Rate Schedule RDS								
Usage Charge	$	0.38621	0.00000	0.35699	-	0.16361	(0.00045)	0.90636
Rate SGSS - Small General Sales Service								
System Charge:								
Annual Throughput < = 6,440 thms	$	30.00	-	-	-	-	(0.03)	29.97
Annual Throughput > 6,440 thms and < = 64,400 thms	$	45.00	-	-	-	-	(0.05)	44.95
Usage Charge	$	0.27920	-	0.35699	(0.05980)	0.12517	(0.00032)	0.70124
Customers Transferring from Rate Schedule SCD	$	0.27920	-	0.35699	-	0.12517	(0.00032)	0.76104

1/ The Revenue Normalization Adjustment is not applicable to Rate CAP - Customer Assistance Program.
2/ Please see Page No. 21a for rate components.
3/ Please see Page No. 21b for rate components.
4/ The STAS percentage is reflected on Page No. 21 and is applied to the System Charge and the Distribution Charge.
5/ Excludes Tennessee Refund when applicable. See Page No. 21 herein.

Issued: September 28, 2012

Effective: November 27, 2012

M. R. Kempic - President

Supplement No. 190 to
Tariff Gas - Pa. P.U.C. No. 9
Thirty-seventh Revised Page No. 17
Canceling Thirty-fifth Revised Page No. 17

Columbia Gas of Pennsylvania, Inc.

Rate Summary

Rate per thm

Sales Service Rate Schedules		Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment	Pass-through Charge 2/	State Tax Adjustment Surcharge 3/	Total Effective Rate 4/
Rate LGSS - Large General Sales Service							
System Charge:							
Annual Throughput > 64,400 thms and < = 110,000	$	150.00	-	-	-	(0.17)	149.83
Annual Throughput > 110,000 thms and < = 540,000 thms	$	550.00	-	-	-	(0.64)	549.36
Annual Throughput > 540,000 thms and < = 1,074,000 thms	$	1,227.00	-	-	-	(1.42)	1,225.58
Annual Throughput > 1,074,000 thms and < = 3,4000,000 thms	$	2,050.00	-	-	-	(2.38)	2,047.62
Annual Throughput > 3,400,000 thms and < = 7,500,000 thms	$	4,096.00	-	-	-	(4.75)	4,091.25
Annual Throughput > 7,500,000 thms	$	7,322.00	-	-	-	(8.49)	7,313.51
Usage Charge:							
First 11,000 thms per Month	$	0.19847	0.35188	(0.05980) 5/	0.12517	(0.00023)	0.61549
Next 43,000 thms per Month	$	0.19313	0.35188	(0.05980) 5/	0.12517	(0.00022)	0.61016
Next 54,000 thms per Month	$	0.18996	0.35188	(0.05980) 5/	0.12517	(0.00022)	0.60699
All thm per Month Over 10,800	$	0.11854	0.35188	(0.05980) 5/	0.12517	(0.00014)	0.53565
Rate MLSS - Main Line Sales Service							
System Charge:							
Annual Throughput > 274,000 thms and < = 540,000 thms	$	469.34	-	-	-	(0.54)	468.80
Annual Throughput > 540,000 thms and < = 1,074,000 thms	$	1,149.00	-	-	-	(1.33)	1,147.67
Annual Throughput > 1,074,000 thms and < = 3,4000,000 thms	$	2,050.00	-	-	-	(2.38)	2,047.62
Annual Throughput > 3,400,000 thms and < = 7,500,000 thms	$	4,096.00	-	-	-	(4.75)	4,091.25
Annual Throughput > 7,500,000 thms	$	7,322.00	-	-	-	(8.49)	7,313.51
Usage Charge:							
MLS-I	$	0.00935	0.35188	(0.05980) 5/	0.12517	(0.00001)	0.42659
MLS-II							
Annual Throughput < = 1 ,074,000 thms	$	0.05264	0.35188	(0.05980) 5/	0.12517	(0.00006)	0.46983
Annual Throughput > 1,074,000 thms and < = 3,4000,000 thms	$	0.04471	0.35188	(0.05980) 5/	0.12517	(0.00005)	0.46191
Annual Throughput > 3,400,000 thms and < = 7,500,000 thms	$	0.03866	0.35188	(0.05980) 5/	0.12517	(0.00004)	0.45587
Annual Throughput > 7,500,000 thms	$	0.03349	0.35188	(0.05980) 5/	0.12517	(0.00004)	0.45070
Rate SS - Standby Service		$0.77792 per thm based on a customer's Maximum Daily Firm Requirement. See Pages 134-136 herein for detail.					

1/ Please see Page No. 21a for rate components.
2/ Please see Page No. 21b for rate components.
3/ The STAS percentage is reflected on Page No. 21 and is applied to the System Charge and the Distribution Charge.
4/ Excludes Tennessee Refund when applicable. See Page No. 21 herein.
5/ If a customer transfers to sales service from distribution service, the Gas Cost Adjustment shall not be billed for twelve months.

Supplement No. 190 to
Tariff Gas - Pa. P.U.C. No. 9
Sixty-third Revised Page No. 18
Canceling Sixtieth Revised Page No. 18

Columbia Gas of Pennsylvania, Inc.

Rate Summary
Rate per thm

Distribution Service Rate Schedules		Distribution Charge	Revenue Normalization Adjustment 1/	Gas Supply Charge 2/	Gas Cost Adjustment		Pass-through Charge 3/	State Tax Adjustment Surcharge 4/	Total Effective Rate 5/	
Rate RDS - Residential Distribution Service										
System Charge:	$	19.00	-	-	-		-	(0.02)	18.98	
Usage Charge:										
Customers Electing CHOICE - 1st Year										
First 21 thms per month	$	0.38621	0.00000	-	(0.05980)		0.13365	0.00000	0.46006	
Over 21 thms per month	$	0.38621	0.00000	-	(0.05980)		0.13365	(0.00045)	0.45961	
Customers Electing CHOICE - 2nd Year										
First 21 thms per month	$	0.38621	0.00000	-	-		0.13365	0.00000	0.51986	
Over 21 thms per month	$	0.38621	0.00000	-	-		0.13365	(0.00045)	0.51941	
Rate SCD - Small Commercial Distribution										
System Charge:										
Annual Throughput < = 6,440 thms	$	30.00	-	-	-		-	(0.03)	29.97	
Annual Throughput > 6,440 and < = 64,440 thms	$	45.00	-	-	-		-	(0.05)	44.95	
Usage Charge:										
Customers Electing CHOICE - 1st Year	$	0.27920	-	-	(0.05980)		0.09521	(0.00032)	0.31429	
Customers Electing CHOICE - 2nd Year	$	0.27920	-	-	-		0.09521	(0.00032)	0.37409	
Rate SGDS - Small General Distribution Service										
System Charge:										
Annual Throughput < = 6,440 thms	$	30.00	-	-	-		-	(0.03)	29.97	
Annual Throughput > 6,440 and < = 64,440 thms	$	45.00	-	-	-		-	(0.05)	44.95	
Usage Charge:										
Priority One DS	$	0.27920	-	-	-	7/	0.12517	(0.00032)	0.40405	6/
Non-Priority One DS	$	0.27920	-	-	-	7/	-	(0.00032)	0.27888	6/
Rate SDS - Small Distribution Service										
System Charge:										
Annual Throughput > 64,400 thms and < = 110,000 thms	$	150.00	-	-	-		-	(0.17)	149.83	
Annual Throughput > 110,000 thms and < = 540,000 thms	$	550.00	-	-	-		-	(0.64)	549.36	
Usage Charge:	$	0.11854	-	-	-	7/	-	(0.00014)	0.11840	5/

1/ The Revenue Normalization Adjustment is not applicable to Rate CAP - Customer Assistance Program.
2/ Please see Page No. 21a for rate components.
3/ Please see Page No. 21b for rate components.
4/ The STAS percentage is reflected on Page No. 21 and is applied to the System Charge and the Distribution Charge.
5/ Excludes Tennessee Refund when applicable. See Page No. 21 herein.
6/ Subject to the terms and provisions of Rider EBS.
7/ When a customer transfers to distribution service from sales service, the Gas Cost Adjustment shall be billed for twelve months.

Supplement No. 190 to
Tariff Gas - Pa. P.U.C. No. 9
Tenth Revised Page No. 19
Canceling Ninth Revised Page No. 19

Columbia Gas of Pennsylvania, Inc.

Rate Summary

Rate per thm

Distribution Service Rate Schedules		Distribution Charge	Gas Supply Charge 1/	Gas Cost Adjustment		Pass-through Charge 2/	State Tax Adjustment Surcharge 3/	Total Effective Rate 4/	
Rate LDS - Large Distribution Service									
System Charge:									
Annual Throughput > 540,000 thms and < = 1,074,000 thms	$	1,227.00	-	-		-	(1.42)	1,225.58	
Annual Throughput > 1,074,000 thms and < = 3,400,000 thms	$	2,190.00	-	-		-	(2.54)	2,187.46	
Annual Throughput > 3,400,000 thms and < = 7,500,000 thms	$	4,526.00	-	-		-	(5.25)	4,520.75	
Annual Throughput > 7,500,000 thms	$	7,322.00	-	-		-	(8.49)	7,313.51	
Usage Charge:									
Annual Throughput > 540,000 thms and < = 1,074,000 thms	$	0.09270	-	-	6/	-	(0.00011)	0.09259	5/
Annual Throughput > 1,074,000 thms and < = 3,400,000 thms	$	0.08114	-	-	6/	-	(0.00009)	0.08105	5/
Annual Throughput > 3,400,000 thms and < = 7,500,000 thms	$	0.06716	-	-	6/	-	(0.00008)	0.06708	5/
Annual Throughput > 7,500,000 thms	$	0.04061							
Rate MLDS - Main Line Distribution Service									
System Charge:									
Annual Throughput > 274,000 thms and < = 540,000 thms	$	469.34	-	-		-	(0.54)	468.80	
Annual Throughput > 540,000 thms and < = 1,074,000 thms	$	1,149.00	-	-		-	(1.33)	1,147.67	
Annual Throughput > 1,074,000 thms and < = 3,400,000 thms	$	2,050.00	-	-		-	(2.38)	2,047.62	
Annual Throughput > 3,400,000 thms and < = 7,500,000 thms	$	4,096.00	-	-		-	(4.75)	4,091.25	
Annual Throughput > 7,500,000 thms	$	7,322.00	-	-		-	(8.49)	7,313.51	
Usage Charge:									
MLS-I	$	0.09350	-	-		-	(0.00011)	0.09350	
MLS-II									
Annual Throughput > 540,000 thms and < = 1,074,000 thms	$	0.05264	-	-	6/	-	(0.00006)	0.05258	5/
Annual Throughput > 1,074,000 thms and < = 3,400,000 thms	$	0.04471	-	-	6/	-	(0.00005)	0.04466	5/
Annual Throughput > 3,400,000 thms and < = 7,500,000 thms	$	0.03866	-	-	6/	-	(0.00004)	0.03862	5/
Annual Throughput > 7,500,000 thms	$	0.03349	-	-	6/	-	(0.00004)	0.03345	5/

1/ Please see Page No. 21a for rate components.
2/ Please see Page No. 21b for rate components.
3/ The STAS percentage is reflected on Page No. 21 and is applied to the System Charge and the Distribution Charge.
4/ Excludes Tennessee Refund when applicable. See Page No. 21 herein.
5/ Subject to the terms and provisions of Rider EBS.
6/ When a customer transfers to distribution service from sales service, the Gas Cost Adjustment shall be billed for twelve months.

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M. R. Kempic - President

Supplement No. 190 to
Tariff Gas - Pa. P.U.C. No. 9
Sixty-third Revised Page No. 20
Canceling Sixtieth Revised Page No. 20

Columbia Gas of Pennsylvania, Inc.

Rate Summary
Rate per thm

Retail Service and Distribution Service Rate Schedules		Distribution Charge	Revenue Normalization Adjustment 1/	Gas Supply Charge 2/	Gas Cost Adjustment		Pass-through Charge 3/	State Tax Adjustment Surcharge 4/	Total Effective Rate 5/
Rate RDGSS - Residential Distrbuted Generation Sales Service									
System Charge:	$	19.00	-	-	-		-	(0.02)	18.98
Usage Charge:									
First 21 thms per month	$	0.38621	0.00000	0.35699	(0.05980)	6/	0.16361	(0.00045)	0.84656
Over 21 thms per month	$	0.38621	0.00000	0.35699	(0.05980)	6/	0.16361	(0.00045)	0.84656
Customers Transferring from RDGDS or RDS									
Usage Charge:									
First 21 thms per month	$	0.38621	0.00000	0.35699	-	6/	0.16361	(0.00045)	0.90636
Over 21 thms per month	$	0.38621	0.00000	0.35699	-	6/	0.16361	(0.00045)	0.90636
Rate RDGDS - Residential Distrbuted Generation Distribution Service									
System Charge:	$	19.00	-	-	-		-	(0.02)	18.98
Usage Charge:									
First 21 thms per month	$	0.38621	0.00000	-	-	7/	0.13365	(0.00045)	0.51941
Over 21 thms per month	$	0.38621	0.00000	-	-	7/	0.13365	(0.00045)	0.51941

1/ The Revenue Normalization Adjustment is not applicable to Rate CAP - Customer Assistance Program.
2/ Please see Page No. 21a for rate components.
3/ Please see Page No. 21b for rate components.
4/ The STAS percentage is reflected on Page No. 21 and is applied to the System Charge and the Distribution Charge.
5/ Excludes Tennessee Refund when applicable. See Page No. 21 herein.
6/ When a customer transfers to sales service from distribution service, the Gas Cost Adjustment may not be billed for twelve months.
7/ When a customer transfers to distribution service from sales service, the Gas Cost Adjustment shall be billed for twelve months.

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Supplement No. 190 to
Tariff Gas - Pa. P.U.C. No. 9
Seventy-first Revised Page No. 21
Canceling Sixty-Seventh Revised Page No. 21

Columbia Gas of Pennsylvania, Inc.

Riders and Other Rates Summary
Rates per thm

Riders and Other Rate Information		Rate $/ thm	Applicable Rate Schedules
RIDERS			
Customer Choice - Rider CC	$	0.00000	RSS/RDS/RDGSS/RDGDS/SGSS/SGDS/SCD/DGDS/PS
Universal Service Plan - Rider USP	$	0.03844	RSS/RDS/RDGSS/RDGDS
Elective Balancing Service - Rider EBS			
Option 1 - Small Customer	$	0.02103	SGDS/SDS
Option 1 - Large Customer	$	0.00898	LDS/MLDS
Option 2 - Small Customer	$	0.00697	SGDS/SDS
Option 2 - Large Customer	$	0.00226	LDS/MLDS
Gas Procurement Charge - Rider GPC	$	0.00144	RSS/SGSS/LGSS/MLSS
Merchant Function Charge - Rider MFC	$	0.00511	RSS/RDGSS/SGSS/PS
Revenue Normalization Adjustment - Rider RNA	$	0.00000	RSS/RDS/RDGDS/RDGSS
Purchased Gas Cost - Rider PGC		Pg. 21a & 21b	Rate Schedules specified on Page 21a & 21b
Tennessee Refund	$	(0.01226)	SGSS/SGDS/SCD
Price to Compare for Gas Supply - PTC	$	0.32710	RSS/RDGSS/SGSS/LGSS/MLSS/PS
State Tax Adjustment Surcharge Percentage		(0.116%)	System and Distribution Charges on all rates

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Supplement No. 190 to
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Original Page No. 21a

Columbia Gas of Pennsylvania, Inc.

Gas Supply Charge Summary

$ per thm

Rate Schedule		PGCC	Rider GPC	Rider MFC		Total Gas Supply Charge
Rate CAP - Customer Assistance Plan	$	-	-	-		-
Rate RSS - Residential Sales Service	$	0.35044	0.00144	0.00511		0.35699
Rate RDGSS - Residential Distributed Generation Sales Service		0.35044	0.00144	0.00511		0.35699
Rate SGSS - Small General Sales Service	$	0.35044	0.00144	0.00511		0.35699
Rate LGSS - Large General Sales Service	$	0.35044	0.00144	-		0.35188
Rate MLSS Main Line Sales Service	$	0.35044	0.00144	-		0.35188
Rate PS - Propane Service	$	0.35044	0.00144	0.00511	1/	0.35699

1/ Applicable if customer uses < = 64, 400 thms per year.

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Supplement No. 190 to
Tariff Gas - Pa. P.U.C. No. 9
Original Page No. 21b

Columbia Gas of Pennsylvania, Inc.

Pass-through Charge Summary
Rates per thm

Rate Schedule		PGDC	PGDC "E" Factor	Capacity Assignment Factor	Rider CC	Rider USP	Total Pass-through Charge
Rate CAP - Customer Assistance Plan	$	0.14937	(0.02420)	(0.02996)	-	-	0.09521
Rate RSS - Residential Sales Service	$	0.14937	(0.02420)	-	0.00000	0.03844	0.16361
Rate RDGSS - Residential Distributed Generation Service	$	0.14937	(0.02420)	-	0.00000	0.03844	0.16361
Rate SGSS - Small General Sales Service	$	0.14937	(0.02420)	-	0.00000	-	0.12517
Rate LGSS - Large General Sales Service	$	0.14937	(0.02420)	-	-	-	0.12517
Rate MLSS Main Line Sales Service	$	0.14937	(0.02420)	-	-	-	0.12517
Rate PS - Propane Service	$	0.14937	(0.02420)	-	-	-	0.12517
Rate SS - Standby Service		within Standby Service rate		-	-	-	-
Rate RDS - Residential Distribution Service	$	0.14937	(0.02420)	(0.02996)	0.00000	0.03844	0.13365
Rate RDGDS - Residential Distributed Generation Distribution Service	$	0.14937	(0.02420)	(0.02996)	0.00000	0.03844	0.13365
Rate SCD - Small Commercial Distribution	$	0.14937	(0.02420)	(0.02996)	0.00000	-	0.09521
Rate SGDS - Small General Distribution Service							
Priority One (P1)	$	0.14937	(0.02420)	-	0.00000	-	0.12517
Non-Priority One (NP1)		-	-	-	0.00000	-	-
Rate SDS - Small Distribution Service	$	-	-	-	-	-	-
Rate LDS - Large Distribution Service	$	-	-	-	-	-	-
Rate MLDS - Main Line Distribution Service	$	-	-	-	-	-	-

Supplement No. 190 to
Tariff Gas - Pa. P.U.C. No. 9
Original Page No. 21c

Columbia Gas of Pennsylvania, Inc.

Price-to-Compare (PTC) Summary
Rates per thm

Rate Schedule		PGCC	Gas Cost Adjustment	Capacity Assignment Factor	Rider GPC	Rider MFC	Total Price-to-Compare
Rates RSS, RDGSS, SGSS, PS	$	0.35044	(0.05980)	0.02996	0.00144	0.00511	0.32710

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M. R. Kempic - President

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 23
Columbia Gas of Pennsylvania, Inc. **Canceling Sixth Revised Page No. 23**

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions – Continued

For residential utility service, the term "Applicant" is further defined as a natural person not currently receiving service who applies for residential service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested.

3. "BCF" shall mean one billion (1,000,000,000) cubic feet of gas. This is a measure of gas usage.

4. "BTU" or "British thermal unit" is the amount of heat energy needed to raise the temperature of one pound of water by one degree F.

5. "Burner Tip" shall mean the point at which natural gas is used such as a furnace, water heater or range.

6. "Capacity Assignment Factor" shall mean the amount equal to the projected annual cost of assigned Firm Capacity less estimated annual storage commodity costs (storage injection, withdrawal, shrinkage and commodity transportation cost) with the net divided by the estimated normalized annual usage of customers electing Choice Distribution Service. (C)

7. "CCF" is a measure of gas usage and shall mean one hundred (100) cubic feet of gas.

8. "Chapter 56" shall mean the PUC regulations that govern metering, billing and collections for residential gas and electricity service found in 52 Pa. Code §56.

9. "Choice" and "Choice Service" shall mean Distribution service provided to customers under rate schedules RDS, RDGDS and SCD. (C)

10. Commercial Customer

A customer using gas in an establishment of a commercial or service nature including boarding homes and personal care homes. In this class are included, among others, warehousing, distributing or selling commodities, providing professional services or other economic and social endeavors, wholesale and retail stores, offices, office buildings, hotels, clubs, lodges, associations, restaurants, warehouses, railroad and bus stations, banks, laundries, dry cleaners, undertaking establishments, garages, gasoline stations, theaters, bowling alleys, billiard parlors, motor courts, camps, bars, grills, taverns, retail bakeries, private hospitals, public or private schools, churches, religious and charitable institutions, governmental agencies, or the like.

Included in this group are customers who receive the Company's gas service through one meter set to a combination of four or more dwelling units or through one meter set to a combination of up to three dwelling units and one or more business premises, where the business premises is the predominant usage factor. If the ratepayer's predominate usage is for natural gas powered vehicle service, then the ratepayer will be classified as a commercial ratepayer.

If gas is supplied through a single meter and is used for both commercial and residential or commercial and industrial usage, the service will be considered commercial if it is the predominant usage factor.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions - Continued

11. "Commission" shall mean the Pennsylvania Public Utility Commission. The state agency responsible for utility rates and services offered by the Company and for Natural Gas Suppliers as provided for in §2208 of the Act.

12. "Commodity Charge" and "Natural Gas Supply Charge" shall mean basic service charges for natural gas supply services to retail customers, excluding charges for natural gas distribution services.

13. "Company" and "Natural Gas Distribution Company" and "NGDC" shall mean Columbia Gas of Pennsylvania, Inc., a public utility that provides Natural Gas Distribution services and which may provide Natural Gas Supply Services and other services.

14. "Customer" shall mean a person, partnership, association, corporation or other entity that purchases natural gas and in whose name a service account exists with the Company. For the limited purpose of changing an NGS, "Customer" may also include an agent who has been duly authorized to initiate a change of the Customer's NGS on behalf of that person, partnership, association, corporation, or other entity through a signed document which identifies by name the agent who has the authority to initiate a change of the Customer's NGS. PA. P.U.C. Docket No. M-00991249F006.

15. "Customer Proxy" generally means the entity that receives notices (e.g. OFOs, OMOs, SFO, etc), receives bills, and controls the gas bank account. Specifically, "Responsible Party" shall mean the Customer in circumstances described in paragraphs 1, 2 and 3 of the "Shipper" definition, and the Natural Gas Supplier in circumstances described by paragraph 4 of the "Shipper" definition.

16. "Distributed Generation" shall mean any generating resource other than central station generation that is placed close to the load being served, usually meaning the customer site. Distributed Generation technologies may include, but not limited to, reciprocating engines, gas turbines, microturbines, and fuel cells.

17. "Distribution", "Distribution Service" and "Natural Gas Distribution Service" shall mean Natural Gas Distribution Service as defined in the Commission's Docket No. M-00991249F0005.

18. "Distribution Charge" shall mean the basic service charges for the delivery of natural gas to a retail customer from the point of receipt into the Company's system and shall appear as a line item on a customer's bill. (C)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions - Continued

19. "Distribution Pipeline" shall mean any Company pipeline other than a Transmission Pipeline or Company service line.

20. "Dth" shall mean ten (10) therms.

21. "Gas Cost Adjustment" shall mean the amount billed or credited each month to account for the differences between projected and actual gas supply costs of the Company and is also referred to as the Purchased Gas Commodity Cost (PGCC) "E" Factor. When applicable, the Gas Cost Adjustment appears as a line item on a customer bill. (C)

22. "Gas Supply Charge" shall include the PGCC, the Rider GPC and the Rider MFC and will appear as a line item on the bill of a customer purchasing their natural gas supply service from the Company. If the customer has selected an NGS to serve them under Choice Distribution Service, and the Company is including the NGS gas supply price on the Company's bill to the customer, then the Gas Supply Charge will reflect the charge provided by the NGS to be billed to the customer by the Company. (C)

23. "General Distribution Service" and "GDS" shall mean Distribution service provided under rate schedules DGDS, CDS, GDS, LDS, MLDS, NCS, SGDS or SDS.

24. Industrial Customer

    A customer using gas for creating or changing raw or unfinished material into another form or product through the application of heat or heat treating, steam agitation, evaporation, baking, drying, distilling, etc.

    Typical industrial users are manufacturing plants, machine shops, steel and iron mills, foundries, lumber planing and saw mills, canneries, dairies, meat packers, breweries, distilleries, potteries, railroad repair shops, refineries, creameries, flour mills, pump stations, ice plants, quarries, milk plants, mines, shipbuilders, chemical plants, grain elevators, food processing facilities, petrochemical operations in which the gas is the raw material, etc. If gas service is supplied through a single meter and is used for both industrial and commercial purposes, the service shall be considered industrial if the industrial usage is the predominant usage factor.

25. "Mcf" shall mean one thousand (1,000) cubic feet of gas.

26. "Nonbasic Services" shall mean optional recurring services which are distinctly separate and clearly not required for the physical delivery of natural gas service.

27. "Pass-through Charge" shall mean the charge that appears as a line item on a residential, commercial and industrial bill for an account served pursuant to Rate Schedules CAP, RDS, RDGDS, RDGSS, RSS, SGSS, SCD, SGDS, LGSS, MLSS and PS. Pass-through Charges may include: 1) the Purchased Gas Demand Charge ("PGDC"); 2) the PGDC "E" Factor; 3) the Capacity Assignment Factor ("CAF"); 4) the Rider Customer Choice charge ("Rider CC"); and 5) the Rider Universal Service Plan charge ("Rider USP"). (C)

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions - Continued

28. "Pipeline Scheduling Point" or "PSP" shall mean a single delivery point or set of delivery points grouped or designated by an upstream pipeline for purposes of scheduling gas supplies for delivery by such upstream pipeline and shall consist of the following: Interconnections with DTI Transmission, Inc., Equitrans, L.P., National Fuel Gas Supply Corporation, Tennessee Gas Pipeline Company, Texas Eastern Transmission, LP and Columbia Gas Transmission, LLC. The interconnections with Columbia Gas Transmission, LLC include the Market Areas and Master List of Interconnections as defined in the General Terms and Conditions of the FERC Gas Tariff of Columbia Gas Transmission, LLC. As of May 1, 2010, the Columbia Gas Transmission, LLC Pipeline Scheduling Points included: 25E-25 (Lancaster); 25-26 (Bedford); 25E-29 (Downingtown); 25-35 (Pittsburgh); 25-36 (Olean); 25-38 (Rimersburg); 25-39 (New Castle) and 25-40 (PA/WV Misc).

29. "Price-to-Compare" or "PTC" shall mean the dollar amount charged by the Company for gas supply and used by consumers to compare prices with other NGSs. The Price-to-Compare includes the PGCC, the CAF, the GPC, the MFC and the Gas Cost Adjustment. (C)

30. Residential Customer

    A customer using gas in a single family residential dwelling or unit for space heating, air conditioning, cooking, water heating, incineration, refrigeration, laundry drying, lighting, incidental heating, or other domestic purposes. For residential utility service, the term "Customer" is further defined as a natural person in whose name a residential service account is listed and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested.

    Included in this group are customers using gas through one meter set which provides service to two or three dwelling units in a multi-family residence or building where the owner of the building occupies one of the dwelling units, or through one meter set to a combination of one dwelling unit and one or more business premises, where the residential premises is occupied by the owner of the building and is the predominant gas usage factor, or a tenant billed for natural gas consumption or use by other tenants at the same premise when the amount of consumption in common areas is minimal and an agreement has been reached between the landlord and tenant for the tenant to pay for such service. If gas is supplied through a single meter and is used for both residential and commercial purposes, the service shall be considered residential if the residential usage is the predominant usage factor.

31. "Sales Service" shall mean service provided by the Company in which the customer purchases its gas supplies from the Company and the Company distributes the gas supplies to the Customer.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions - Continued

32. "Shipper" generally means the entity nominating gas service for Distribution Service accounts. Specifically, "Shipper" is defined as: (C)

    i.) a General Distribution Service Customer that nominates gas for Distribution; or

    ii.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for distribution, but which has not been appointed in writing as the Customer's agent by the Customer; or

    iii.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for distribution, which NGS is acting as the General Distribution Services Customer's duly authorized agent for the purpose of purchasing gas; or (C)

    iv.) a Natural Gas Supplier that nominates the General Distribution Service Customer's gas for distribution, which NGS is acting as the General Distribution Service Customer's duly authorized aggregation agent for the purpose of purchasing gas. (C)

33. Supplier of Last Resort - The Company or another entity as determined pursuant to §2207 of the Act that provides natural gas supply services to customers that do not elect another supplier or choose to be served by the supplier of last resort, customers that are refused service from another natural gas supplier, or customers whose natural gas supplier fails to deliver the required gas supplies. Currently, the Company is the supplier of last resort for all customers under the terms of this tariff. Each customer may only have one supplier of last resort.

34. "System Charge" shall mean a flat charge to cover a portion of the cost of installing, maintaining and replacing the Company's pipelines, meters and other equipment, as well as servicing a customer account. The System Charge appears as a line item on the customer bill. (C)

35. "Therm" or "thm" shall mean a unit of heat equivalent to 100,000 British thermal units. The Company uses thms as the unit of measure for billing its customers.

36. "Therm multiplier" shall mean a numeric multiplier that is applied to the volume of gas consumed (as measured in cubic feet, CCF, or MCF) to determine the amount of energy consumed (as measured in therms).

37. Transmission Pipeline

    Pipelines and related facilities which are either: 1) owned by the Company in the form of a D-Line or a Company-owned pipeline that operates at a hoop stress of 20 percent or more of the specified minimum yield strength of the pipe as determined by 49 C.F.R §192.3, or 2) pipelines and related facilities owned by another company which obtains at least 90% of its gas operating revenues from the transportation of gas for others and classifies at least 90% of its mains (other than service pipe) as field and gathering lines, storage, or transmission lines. The Company's customers are not typically served directly from a Transmission Pipeline, and according to the provisions set forth in the Termination of Service from Transmission Pipelines section of this tariff, the Company reserves the right to remove, relocate or abandon its Transmission Pipelines.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

1. The Gas Tariff - Continued

1.6 Definitions - Continued

38. User Without Contract

Any person who has not contacted the Company to establish service in their name but who is receiving the benefits of natural gas service. This situation includes, but is not limited to, situations wherein the Company arrives at the premise to disconnect the service as a result of a request from the previous customer and finds the premise occupied. User Without Contract does not include instances where the Company's meter or equipment has been tampered with; the service was obtained through fraud or material misrepresentation of the customer's identity; a tariff provision was violated so as to endanger the safety of a person or the integrity of the Company's system, or the gas service was otherwise established without the Company's authorization.

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Sixth Revised Page No. 45
Columbia Gas of Pennsylvania, Inc. **Canceling Fifth Revised Page No. 45**

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

6. Credit - Continued

6.2 Deposits – Continued

(2) Non-Residential Deposits or Other Form of Adequate Financial Assurance (C)

(A) Letters of credit or other forms of financial assurance acceptable to the Company may be required from all other applicants or customers. The Company shall perform a creditworthiness evaluation of the Applicant or Customer, including an assessment of the credit risk exposure resulting from, but not limited to, distribution rates, System Charges, charges for natural gas supply, interstate pipeline capacity charges, imbalance charges, cash-out charges, pipeline penalty charges, and any other amounts that may become owed to the Company by the Applicant or Customer. If at any time before or during the provision of service to the Applicant or Customer the Company determines that the credit risk exposure is greater than any secured and/or unsecured credit that may be granted resulting from the creditworthiness evaluation, the Applicant or Customer must provide the Company with adequate financial assurance to cover the difference between the credit risk exposure and any secured and/or unsecured credit granted prior to, or to continue receiving any type of service from the Company.

6.3 Return of Deposit or Other Form of Adequate Financial Assurance

The Company may hold a deposit secured from a residential customer until a timely payment history is established or for a maximum period of twenty-four (24) months. A timely payment history is established when a residential customer has paid in full and on time for twelve (12) consecutive months. If a residential customer becomes delinquent before the end of the deposit holding period the Company may deduct the outstanding balance from the deposit. At the end of the deposit-holding period, the Company shall deduct the outstanding balance from the deposit and return or credit any positive difference to the customer. If service is terminated before the end of the deposit-holding period, the Company shall deduct the outstanding balance from the deposit and return any positive difference to the customer within sixty (60) days of the termination.

Deposits or other forms of adequate financial assurance secured from a non-residential customer shall be returned to the depositor when undisputed bills covering a period of twelve (12) months have been paid, provided, however, that the Customer's credit profile determined from an updated creditworthiness evaluation conducted by the Company in its reasonable judgment has not so deteriorated by the end of the twelve months as to warrant continued retention of the deposit or other adequate financial assurance. The payment of any undisputed bill, within the meaning of the Public Utility Law, shall be payment of the bill with or without discount or penalty, within thirty (30) days following the period for which the bill was rendered, or payment within thirty (30) days following presentation of the bill, or the payment of any contested bill, payment of which is withheld beyond the period herein mentioned, and the dispute is terminated substantially in favor of the customer, and payment made by the customer within ten (10) days thereafter.

(C) Indicates Change

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Fourth Revised Page No. 55
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RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

13. Service Continuity

13.1 Regularity of Supply

The Company will use reasonable diligence to provide supply service that is reasonably continuous, and without interruption to those customers purchasing their gas supply from the Company, and the Company will use reasonable diligence to provide distribution service that is reasonably continuous, regular and without interruption to those Customers purchasing distribution service from the Company. The Company shall not be liable for failure to furnish a sufficient supply of gas or for failure to distribute the Customer's gas to the Customer arising from any cause whatsoever, beyond the Company's control. The liability of the Company for damages for failure to furnish a sufficient supply of gas, or for failure to distribute Customer's gas to it shall be limited to an amount equivalent to the Customer's proportional monthly customer service charge for the period of service during which a supply or distribution failure occurs, unless otherwise negotiated between the Company and the customer. In no event shall the Company be liable for extraordinary or consequential damages arising in any manner whatsoever as a result of supply or distribution failure.

13.2 Interruption of Service

The Company may temporarily interrupt service where necessary to effect repairs or maintenance, to eliminate an imminent threat to life, health, safety, or substantial property damage, or for reasons of local, State or national emergency; provided, however, that if such interruption exceeds seven (7) days in any one billing month, the applicable System Charge and the quantity of gas specified in each rate block shall be reduced prorata. (C)

13.3 Notice of Trouble

The customer shall notify the Company immediately should the service be unsatisfactory for any reason, or should there be any defects, leaks, trouble, or accident affecting the supply of gas.

13.4 Force Majeure

Neither Company nor customer shall be liable in damages to the other for any act, omission circumstance occasioned by or in consequence of any acts of God, strikes, lockouts affecting the Company or its suppliers of gas, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lighting, earthquakes, fires, storms, floods, washouts, arrests and restrains of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably with in the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension.

(C) Indicates Change

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS (Continued)

15. Measurement (C)

15.1 Measurement of Gas

Except as herein otherwise provided, the measurement of gas service shall be by meters purchased and installed by the Company. The meter will be of such size and type as the Company may determine to adequately serve the customer's service requirements, and the Company may from time to time, change or alter the equipment to provide for accurate measurement. To determine measured usage, factors such as those for pressure, temperature, specific gravity and deviation from the laws for ideal gases shall be applied.

15.2 Meters Not Available

In cases where meters are not available due to circumstances beyond the control of the company, and the necessity for rendering gas service to the customer is urgent, the Company may, by written agreement with the customer, commence service and render bills temporarily on the basis of estimated gas consumption.

15.3 Meter Reading

Bills will be rendered and be payable once each month. The Company may read any meter once each month, but ordinarily it will read meters of domestic and commercial customers once each two months. As to any customer whose meter is read once each two months, the consumption for the first month of each bimonthly meter reading period shall be determined by estimation on the basis of the customer's previous usage, adjusted for weather conditions; and the consumption for the second month of each bimonthly meter reading period shall be determined by subtracting the first month's estimated consumption from the total actual consumption for the bimonthly period as shown by the meter. The bill for each month shall be the result of applying to the consumption, determined as aforesaid, the applicable rates and charges contained in this Tariff.

Upon request the Company will supply any customer with a card form upon which he may record his meter reading at the end of the first month of each bimonthly meter reading period; and if such card is received by the Company within two days after the close of such month the bill for such month will be computed from the meter reading shown on the card instead of by estimate. The Company will adjust estimates of bills for changes in conditions of which it has been notified in advance by a customer.

15.4 Automatic Meter Reading

All readings by an automatic meter reading device shall be deemed actual readings.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fortieth Revised Page No. 76
Columbia Gas of Pennsylvania, Inc. **Canceling Thirty-Ninth Revised Page No. 76**

RATE RSS - RESIDENTIAL SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available at one location for the total requirements of any residential customer.

RATE

The customers under this rate schedule shall be subject to a System Charge, a Gas Supply Charge, a Distribution Charge, a Revenue Normalization Adjustment, a Pass-through Charge and a Gas Cost Adjustment (when applicable). (C)

The rate information is detailed in the Rate Summary pages of this tariff.

If a customer transfers to this rate from Rate RDS-Residential Distribution Service then for a period of twelve months, the rate shall be adjusted to exclude the amount per thm equal to the current Commodity "E" Factor which is reflected on the customer bill as the Gas Cost Adjustment. (C)

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff. (C)

MINIMUM CHARGE

The minimum charge shall be the System Charge. (C)

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

RIDER PGC

The Pass-through Charge and the Gas Supply Charge include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this tariff. (C)

USP COSTS AND CUSTOMER CHOICE COSTS

Rider Universal Services Plan and Rider Customer Choice as specified within Rider USP and Rider Customer Choice in this tariff will be reflected in the Pass-through Charge on the customer bill. (C)

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fifth Revised Page No. 77
Columbia Gas of Pennsylvania, Inc. **Canceling Fourth Revised Page No. 77**

RATE RSS – RESIDENTIAL SALES SERVICE (CONTINUED)

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than twenty (20) days after presentation (date of postmark).

Effective with bills due after May 1, 2001, if the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the customer's bill that is unpaid on the due date consistent with Paragraph 4.13.3.2.3 of the Columbia Rules Applicable to Distribution Service.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be two thousand (2,000) cubic feet per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by one thousand (1,000) cubic feet per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Thirty-seventh Revised Page No. 78
Columbia Gas of Pennsylvania, Inc. **Canceling Thirty-sixth Revised Page No. 78**

RATE RDS - RESIDENTIAL DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any residential customer meeting the following conditions:

1. The customer does not take service under any other rate schedule.
2. The customer or group of customers having an aggregate annual demand of at least 53,650 thms or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elect an NGS to provide natural gas commodity service. The gas supply for each aggregation must enter the Company's system at a city gate(s) used by the Company to serve the customers unless otherwise permitted by Columbia. (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service.

RATE

The customers under this rate schedule shall be subject to a System Charge, a Distribution Charge, a Revenue Normalization Adjustment, a Pass-through Charge, and a Gas Cost Adjustment when applicable. (C)

The rate information is detailed in the Rate Summary pages of this tariff.

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff. (C)

In addition, if the customer transfers to this rate from rate RSS-Residential Sales Service, then for a period of twelve months, the rate shall be adjusted to include the amount per thm equal to the current commodity "E" Factor which is reflected on the customer bill as the Gas Cost Adjustment. (C)

MINIMUM CHARGE

The minimum charge shall be the System Charge. (C)

RIDER PGC

The Pass-through Charge includes recovery of purchased gas demand costs pursuant to the Rider PGC as set forth in this Tariff. (C)

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

USP COSTS AND CUSTOMER CHOICE COSTS

Rider Universal Service Plan and Rider Customer Choice as specified within Rider USP and Rider Customer Choice in this tariff will be reflected in the Pass-through Charge on the customer bill. (C)

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Twelveth Revised Page No. 79
Columbia Gas of Pennsylvania, Inc. **Canceling Eleventh Revised Page No. 79**

RATE RDS - RESIDENTIAL DISTRIBUTION SERVICE (CONTINUED)

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than twenty (20) days after presentation (date of postmark).

If the Choice customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date consistent with the Billing Option Selection section of the Rules Applicable to Distribution Service.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Where a Customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the Customer's metered usage and the total billed under the rates contained herein.

3. The Customer may receive a separate bill from its NGS for services provided by the NGS. Otherwise, all charges for natural gas service to the Customer will be billed by the Company. When the Company bills for the NGS, the Company will have the right to terminate service for failure to pay the NGS's Natural Gas Supply Services charges portion of the bill in compliance with all applicable laws and regulations regarding termination of service including the Termination of Service rule of this Tariff. The NGS shall not be permitted to accept the Company's bill for distribution on behalf of the Customers.

4. Before participating in the Choice Service distribution program, Customers with arrears, who are not already subject to a payment plan, shall be required to enter into a payment plan with the Company.

5. The Company will purchase at a discount the accounts receivable from NGSs who elect to have the Company provide a single bill monthly to the customer for distribution Service and the NGS's Natural Gas Supply Services charges.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

**Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Thirty-ninth Revised Page No. 81
Columbia Gas of Pennsylvania, Inc. Canceling Thirty-eighth Revised Page No. 81**

RATE RDGSS – RESIDENTIAL DISTRIBUTED GENERATION SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any residential customer who operates distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use, provided, that the Company's facilities are adequate to provide the requested service. The Customer must demonstrate to the Company's satisfaction that qualifying gas burning electric generation equipment has been installed. (C)

RATE

The customers under this rate schedule shall be subject to a System Charge, a Gas Supply Charge, a Distribution Charge, a Gas Cost Adjustment, a Revenue Normalization Adjustment and a Pass-through Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

If a customer transfers to this rate from Rate RDS-Residential Distribution Service or Rate RDGDS–Residential Distributed Generation Distribution Service, then for a period of twelve months, the rate shall be adjusted to exclude the amount per thm equal to the current commodity "E" Factor which is reflected on the customer bill as the Gas Cost Adjustment. (C)

The distribution charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff and for the purposes of the rate schedule the term alternate fuel shall include electricity.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 82
Columbia Gas of Pennsylvania, Inc. **Canceling Sixth Revised Page No. 82**

RATE RDGSS – RESIDENTIAL DISTRIBUTED GENERATION SALES SERVICE (Continued)

MINIMUM CHARGE

Where the Company incurs additional costs to establish service under this rate schedule, a minimum System charge may be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The service agreement will be for a term of not less than three (3) years, unless mutually agreed to between the Company and the customer. The minimum charge will be based on the actual additional costs to the Company, if applicable, to serve a generation customer. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules. (C)

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this Tariff.

RIDER PGC

The Pass-through Charge and the Gas Supply Charge include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this Tariff. (C)

UNIVERSAL SERVICE PLAN AND CUSTOMER CHOICE COSTS

Rider USP costs and Rider CC costs as specified within Rider USP and Rider Customer Choice in this tariff will be reflected in the Pass-through Charge on the customer's bill. (C)

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than twenty (20) days after presentation (date of postmark). If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Third Revised Page No. 83
Columbia Gas of Pennsylvania, Inc. **Canceling Second Revised Page No. 83**

RATE RDGSS –RESIDENTIAL DISTRIBUTED GENERATION SALES SERVICE (Continued)

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the System Charge for each month of the intervening period, but not to exceed twelve (12) months and any amount due to the Company under a service agreement. (C)

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Thirty-fifth Revised Page No. 84
Columbia Gas of Pennsylvania, Inc. **Canceling Thirty-fourth Revised Page No. 84**

RATE RDGDS – RESIDENTIAL DISTRIBUTED GENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any residential customer meeting the following conditions:

1. The customer does not take service under any other rate schedule.
2. The customer or group of customers having an aggregate annual demand of at least 53,650 thms or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elect an NGS to provide natural gas supply service. The gas supply for each aggregation must enter the Company's system at a city gate(s) used by the Company to serve the customers unless otherwise permitted by Columbia. (C)
3. Available, at one location, for the total requirements of any residential customer who operates distributed generation equipment such as reciprocating engines, gas turbines, and fuel cells used for electrical power generation for the customer's own use. The Customer must demonstrate to the Company's satisfaction that qualifying gas burning electric generation equipment has been installed.
4. The Company's facilities are adequate to provide the requested service.

RATE

The customers under this rate schedule shall be subject to a System Charge, a Distribution Charge, a Revenue Normalization Adjustment and a Pass-through Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

The above distribution charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff and for the purposes of this rate schedule the term alternate fuel shall include electricity.

In addition, if the customer transfers to this rate from rate RSS-Residential Sales Service, or rate RDGSS Residential Distributed Generation Sales Service, then for a period of twelve months, the rate shall be adjusted to include the amount per thm equal to the current commodity "E" Factor which is reflected on the customer bill as the Gas Cost Adjustment. (C)

(C) Indicates Change

RATE RDGDS – RESIDENTIAL DISTRIBUTED GENERATION DISTRIBUTION SERVICE (CONTINUED)

MINIMUM CHARGE

Where the Company incurs additional costs to establish service under this rate schedule, a minimum charge may be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The service agreement will be for a term of not less than three (3) years, unless mutually agreed to between the Company and the customer. The minimum charge will be based on the actual additional costs to the Company, if applicable, to serve a generation customer. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules. (C)

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than twenty (20) days after presentation (date of postmark). If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same Customer on the same premises until the Customer pays the System Charge for each month of the intervening period, but not to exceed twelve (12) months, and any amount due to the Company under a service agreement. Restoration of service will not be denied for the nonpayment of NGS charges.

2. Where a Customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the Customer's metered usage and the total billed under the rates contained herein.

UNIVERSAL SERVICE PLAN AND CUSTOMER CHOICE COSTS

Rider USP costs and Rider CC costs as specified within Rider USP and Rider Customer Choice in this tariff will be reflected in the Pass-through Charge on a customer bill. (C)

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this tariff.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fifty-fourth Revised Page No. 86
Columbia Gas of Pennsylvania, Inc. **Canceling Fifty-third Revised Page No. 86**

RATE SGSS - SMALL GENERAL SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any commercial or industrial customer whose total throughput requirements are less than or equal to 64,400 thms annually, and who does not contract for distribution service. (C)

RATE

The customers under this rate schedule shall be subject to a System Charge, a Gas Supply Charge, a Distribution Charge and a Pass-through Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

If a customer transfers to this rate from Rate SCD-Small Commercial Distribution Service, Rate SGDS Small General Distribution Service, Rate CDS – Cogeneration Distribution Service, or Rate DGDS - Distributed Generation Distribution Service, then for a period of twelve months, the rate shall be adjusted to exclude the amount per thm equal to the current commodity "E" Factor which is reflected on the customer bill as the Gas Cost Adjustment. (C)

MINIMUM CHARGE

The minimum charge shall be the System Charge. (C)

DETERMINATION OF SYSTEM CHARGE

The System Charge will be determined based upon the Customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ending with the October billing cycle. If a Customer does not have sufficient consumption history to determine its System Charge based on twelve months, the System Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the Customer to submit estimated annual gas requirement, including sales and distribution, upon which to develop the System Charge. The Company in all cases retains the right to review and modify the Customer's estimate where necessary. A customer's System Charge will remain constant annually, subject to change as of the January billing cycle of each year. (C)

In all cases, the Company reserves the right to review the System Charge and, upon receipt of satisfactory proof, to adjust the System Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption. (C)

(C) Indicates Change

RATE SGSS - SMALL GENERAL SALES SERVICE (Continued)

STATE TAX ADJUSTMENT SURCHARGE

The State Tax Adjustment Surcharge will be applied to the non-Purchased Gas Cost portion of the charges set forth in this rate schedule.

RIDER PGC

The Pass-through Charge and Gas Supply Charge for sales service include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this Ttariff. (C)

CUSTOMER CHOICE COSTS

The Customer Choice charge pursuant to Rider CC will be reflected in the Pass-through Charge on the customer bill. (C)

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS

1. An existing Customer currently receiving service under this rate schedule or a potential Customer eligible to receive service under this rate schedule is eligible to receive special development/retention rates, if the customer meets the following conditions:

    a. The Customer agrees to enter into a three-year contract for service under this rate schedule.

    b. The Customer gives the Company a sworn affidavit stating that, absent service under these Customer Development/ Retention Provisions, the Customer would install an alternate source of energy; would construct facilities to obtain gas service from an alternative source; or would not construct facilities or operations in the Company's operating territory.

    c. If the Customer qualifies under these Customer Development/Retention Provisions, the monthly charges for service to the Customer shall be computed based upon a declining, percentage reduction in the Distribution Charge under this rate schedule. The System Charge, Gas Supply Charge, Pass-through Charge, penalties and charges of third party transporters, if any, to a Customer served under this rate schedule are not subject to reduction. The percentage reductions are as follows: (C)

First Year	35% reduction
Second Year	25% reduction
Third Year	15% reduction

(C) Indicates Change

RATE SGSS - SMALL GENERAL SALES SERVICE (Continued)

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS (Continued)

2. Except as modified by the terms of these Customer Development/Retention Provisions, all provisions of this rate schedule apply to service to the Customer.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the Customer, the Company shall be under no obligation to reconnect service to the same customer on the same premises until the customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Customers classified as "other" shall be billed under this rate schedule.

3. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein.

4. Energy usage eligibility for this rate schedule will be determined annually. In the event the Customer's annual purchases are in excess of 64,400 thms, the customer shall be transferred to Rate LGSS. (C)

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 89
Columbia Gas of Pennsylvania, Inc. **Canceling Sixth Revised Page No. 89**

RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any commercial or industrial customer meeting all of the following conditions:

1. The Customer's total annual throughput requirements, as determined under the System Charge provisions below, are less than or equal to 64,400 thms annually. (C)

2. The Customer does not take service under any other rate schedule except Rate SS – Standby Service.

3. Customer acquires its own gas and executes an application and agreement with the Company, as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

4. The customer is a member of an aggregation group pursuant to the provisions of the Rules Applicable to Distribution Service.

5. Priority One customers, as defined in the Service Limitations section of this Tariff, must buy distribution service at the Priority One distribution rate, which includes recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff. All other SGDS customers wishing to contract for Standby Service may execute a contract for service under Rate SS – Standby Service.

6. There is an annual enrollment window for accounts transferring from Rate Schedule SCD to Rate Schedule SGDS. Notice of intent to switch from Rate Schedule SCD to Rate Schedule SGDS is due January 2nd of each year to be effective April 1st of the same year.

CHARACTER OF SERVICE

Distribution Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

RATE

The customers under this rate schedule shall be subject to a System Charge, a Distribution Charge and a Pass-through Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fifth Revised Page No. 90
Columbia Gas of Pennsylvania, Inc. **Canceling Fourth Revised Page No. 90**

RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE (Continued)

DETERMINATION OF SYSTEM CHARGE

The System Charge will be determined based upon the Customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ending with the October billing cycle. If a Customer does not have sufficient consumption history to determine its System Charge based on twelve months, the System Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the Customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the System Charge. The Company in all cases retains the right to review and modify the Customer's estimate where necessary. A customer's System Charge will remain constant annually, subject to change as of the January billing cycle of each year. (C)

In all cases, the Company reserves the right to review the System Charge and, upon receipt of satisfactory proof, to adjust the System Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption. (C)

MINIMUM CHARGE

The minimum charge shall be the sum of (a) the System Charge; plus (b) purchase gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the Customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the System Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period. (C)

STATE TAX ADJUSTMENT SURCHARGE

The charges are subject to a State Tax Adjustment Surcharge as set forth in this Tariff.

RIDER PGC

The Pass-through Charge for Priority One Service includes recovery of Purchased Gas Demand Costs pursuant to the Purchased Gas Cost Rider as set forth in this Ttariff. (C)

ELECTIVE BALANCING SERVICE RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this Tariff.

CUSTOMER CHOICE COSTS

If applicable, the Customer Choice charge pursuant to Rider CC will be reflected in the Pass-through Charge on the customer bill. (C)

APPLICABLE SALES SERVICE RATE

Priority One customers desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service, plus the Priority One Service rate.

(C) Indicates Change

RATE SGDS - SMALL GENERAL DISTRIBUTION SERVICE (Continued)

CUSTOMER DEVELOPMENT/RETENTION PROVISIONS (Continued)

c. If the Customer qualifies under these Customer Development/Retention Provisions, the monthly charges for service to the Customer shall be computed based upon a declining, percentage reduction in the Distribution Charge under this rate schedule. The System Charge, Gas Supply Charge, Gas Cost Adjustment, Pass-through Charge, penalties and charges of third party transporters, if any, to a Customer served under this rate schedule are not subject to reduction. The percentage reductions are as follows: (C)

First Year	35% reduction
Second Year	25% reduction
Third Year	15% reduction

2. Except as modified by the terms of these Customer Development/Retention Provisions, all provisions of this rate schedule apply to service to the Customer.

SPECIAL PROVISIONS

1. If service is discontinued at the request of the customer, the Company shall be under no obligation to reconnect service to the same customer on the same premises until the customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein.

3. Energy usage eligibility for this rate schedule will be determined annually. In the event the Customer's total annual purchases of sales and distribution are in excess of 64,400 thms, the customer shall be transferred to Rate SDS, or Rate LDS, as applicable. (C)

4. The Company reserves the right, as a condition of service or as a condition of continuation of service under this rate schedule, to require the customer to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 93
Columbia Gas of Pennsylvania, Inc. **Canceling Sixth Revised Page No. 93**

RATE SCD - SMALL COMMERCIAL DISTRIBUTION

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial customer meeting the following conditions:

1. The customer's historic throughput is less than or equal to 64,400 thms annually. (C)

2. The customer does not take service under any other rate schedule.

3. The customer or group of customers having an aggregate annual demand of at least 53,650 thms or a minimum of 50 customers and in compliance with the aggregation provisions in the Rules Applicable to Distribution Service elect an NGS to provide natural gas commodity service. The gas supply for each aggregation must enter the Company's system at a city gate(s) used by the Company to serve the customers unless otherwise permitted by Columbia. (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service.

RATE

The customers under this rate schedule shall be subject to a System Charge, a Distribution Charge and a Pass-through Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

The Pass-through Charge includes the applicable Purchase Gas Demand Cost rate. (C)

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff. (C)

In addition, if the customer transfers to this rate from Rate SGSS-Small General Sales Service, then for a period of twelve months, the rate shall be adjusted to include the amount per thm equal to the current commodity "E" Factor which is reflected on the customer bill as the Gas Cost Adjustment. (C)

MINIMUM CHARGE

The minimum charge shall be the System Charge. (C)

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

(C) Indicates Change

RATE SCD - SMALL COMMERCIAL DISTRIBUTION (Continued)

RIDER CUSTOMER CHOICE

The Pass-through Charge reflects the Rider Customer Choice rate pursuant to Rider CC. (C)

RIDER PGC

The Pass-through Charge includes recovery of purchased gas demand costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff. (C)

TERMS OF PAYMENT

Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS

1. If service under this rate schedule is discontinued at the request of the customer, the Company shall be under no obligation to reconnect service to the same customer on the same premises until the customer pays the monthly minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Where a customer has installed a gas light(s) in lighting devices approved by the Company, and the gas used by such light(s) is unmetered, the gas consumed by such light(s) shall be assumed to be twenty-one (21) thms per month when the Btu/hr input rating for such light(s) is 2,700 or less. For each additional 1,350 Btu/hr or fraction thereof, the assumed consumption shall be increased by eleven (11) thms per month. Such assumed consumption shall be billed under the rates contained herein, or if in combination with metered usage under this rate schedule, shall be added to the customer's metered usage and the total billed under the rates contained herein.

3. The customer, at its option, may receive a separate bill from its NGS for services provided by the NGS. Otherwise, all charges for natural gas supply service to the customer will be billed by the Company. When the Company bills for the NGS, the Company will have the right to terminate service for failure to pay the NGS's Natural Gas Supply Service charges in compliance with all applicable laws and regulations regarding termination of service. (C)

4. Before participating in Choice Service, customers with arrears, who are not already subject to a payment plan, shall be required to enter into a payment plan with the Company.

5. The Company will purchase at a discount the accounts receivable from NGSs who elect to have the Company bill the NGS's Natural Gas Supply Service charges.

6. An NGS may choose the Company's consolidated billing option or issue its own bills for Gas Supply Service charges (Billing Option 1 or Billing Option 2 as described in the Rules Applicable Only to Choice Service) for all or a portion of its customers eligible for Rate SCD.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Ninth Revised Page No. 96
Columbia Gas of Pennsylvania, Inc. **Canceling Eighth Revised Page No. 96**

RATE SDS - SMALL DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer meeting all of the following conditions:

1. The Customer's annual throughput requirements, including sales and distribution service, are in excess of 64,400 thms. (C)

2. The Customer does not take service under any other rate schedule except Rate SS - Standby Service.

3. The Customer's annual throughput, as determined under the System Charge provisions below, is less than or equal to 540,000 thms. (C)

Service is available when such customer(s) acquires its own gas and executes a contract with the Company for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract. (C)

Service under this rate schedule shall not be available to a single customer who is a Priority One Customer, as defined in the Service Limitations section of this Tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

A Small Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company,

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Eighth Revised Page No. 97
Columbia Gas of Pennsylvania, Inc. **Canceling Seventh Revised Page No. 97**

RATE SDS - SMALL DISTRIBUTION SERVICE (Continued)

RATE

The customers under this rate schedule shall be subject to a System Charge and a Distribution Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

The System Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ending with the October billing cycle. If a customer does not have sufficient consumption history to determine its System Charge based on twelve months, the System Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the System Charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's System Charge will remain constant annually, subject to change as if the January billing cycle of each year. (C)

In all cases, the Company reserves the right to review the System Charge and, upon receipt of satisfactory proof, to adjust the System Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption. (C)

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff.

MINIMUM CHARGE

The minimum charge shall be the sum of (a) the System Charge; plus (b) purchased gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the System Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period. (C)

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

ELECTIVE BALANCING SERVICES RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth within this tariff.

(C) Indicates Change

RATE SDS - SMALL DISTRIBUTION SERVICE (Continued)

APPLICABLE SALES SERVICE RATE

Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service plus the Distribution Charge contained in Rate SGSS - Small General Sales Service. (C)

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service section of this Tariff. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

The Company shall give the customer 2 hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to the charges set forth in the Rules Applicable to Distribution Service. Payment of such penalty charge shall be in addition to the charges specified herein.

TERMS OF PAYMENT

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

(C) Indicates Change

RATE SDS - SMALL DISTRIBUTION SERVICE (Continued)

SPECIAL PROVISIONS APPLICABLE TO ALL SDS CUSTOMERS

1. Customers desiring to transfer to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, transportation capacity and storage capacity or any combination thereof that is required to accommodate such transfer; or (2) the Company, in its sole judgment concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.

2. In the event customer's throughput requirements, as determined annually under the System Charge provisions above, are in excess of 540,000 thms, the customer shall be transferred to Rate LDS - Large Distribution Service, effective the immediately succeeding January billing cycle. (C)

3. Customers that request to be transferred to this rate schedule prior to the end of the Customer's existing contract under another rate schedule shall be required to contract for Maximum Daily Firm Requirement under Rate SS at the level of the Customer's Maximum Daily Firm Requirement, if any, under such existing contract.

4. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Second Revised Page No. 100
Columbia Gas of Pennsylvania, Inc. **Cancelling First Revised Page No. 100**

RATE LGSS - LARGE GENERAL SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any commercial or industrial customer whose purchase requirements are in excess of 64,400 thms, and who does not contract for distribution service. (C)

Customers who take service under this rate schedule are entitled to firm retail gas service from the Company.

RATE

The customers under this rate schedule shall be subject to a System Charge, a Gas Supply Charge, a Distribution Charge, a Gas Cost Adjustment and a Pass-through Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

DETERMINATION OF SYSTEM CHARGE

The System Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution if the customer previously contracted for distribution service, measured in therms (thms), for the most recent twelve month period ending with the October billing cycle. If a customer does not have sufficient consumption history to determine its System Charge based on twelve months, the System Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements upon which to develop the System Charge. The Company, in all cases, retains the right to review and modify the customer's estimate where necessary. A customer's System Charge will remain constant annually, subject to change as of the January billing cycle of each year. (C)

In all cases, the Company reserves the right to review the customer's System Charge, and upon receipt of satisfactory proof, to adjust the System Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which result in a measurable permanent change in the customer's requirements or consumption. (C)

(C) Indicates Change

RATE LGSS - LARGE GENERAL SALES SERVICE (Continued)

MINIMUM CHARGE

The minimum charge shall be the System Charge, except that in the event of curtailment in the delivery of gas by the Company or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the System Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period. (C)

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in this Tariff.

RIDER PGC

The Pass-through Charge and Gas Supply Charge include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff. (C)

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fifth Revised Page No. 102
Columbia Gas of Pennsylvania, Inc. **Canceling Fourth Revised Page No. 102**

RATE LGSS - LARGE GENERAL SALES SERVICE (Continued)

SPECIAL PROVISIONS

1. The term of service shall be for a one (1) year period beginning November 1 of each year. Service hereunder shall be automatically renewed each year unless notice to discontinue service is given by the customer not less than sixty (60) days prior to November 1. Service commencing hereunder subsequent to November 1 of any year shall be for the remainder of the twelve-month period ended October 31 and then placed on an annual basis.

2. New customers, customers transferring to or from this rate schedule shall be permitted to take service under this Rate Schedule only if: (1) the Company can obtain any increase in its pipeline capacity with Columbia Gas Transmission Corporation under the FTS rate schedule or any successor rate schedule that is required to accommodate such transfer; or (2) the Company, in its sole judgment, concludes that no increase in the Company's pipeline capacity under Columbia Gas Transmission Corporation's FTS rate schedule or any successor rate schedule is required. The Company shall establish the date any transfer is to be effective.

3. Energy usage eligibility for this rate schedule shall be determined annually. In the event Customer's annual purchases are less than or equal to 64,400 thms, the customer shall be transferred to Rate SGSS. (C)

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE LDS - LARGE DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer meeting all of the following conditions:

1. The Customer's annual throughput requirements, as determined under the System Charge provisions below, are in excess of 540,000 thms. (C)

2. The Customer does not take service under any other rate schedule except Rate SS - Standby Service.

Service is available when such customer(s) acquires its own gas and executes a contract with the Company for a period of not less than one (1) year for Distribution Service in accordance with all terms and conditions of such contract.

Service under this rate schedule shall not be available to a single customer who is a Priority One Customer, as defined in the Service Limitations section of this tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability. (C) (C)

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

A Large Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month the Company,

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fourth Revised Page No. 104
Columbia Gas of Pennsylvania, Inc. **Canceling Third Revised Page No. 104**

RATE LDS - LARGE DISTRIBUTION SERVICE (Continued)

RATE

The customers under this rate schedule shall be subject to a System Charge, and a Distribution Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

The System Charge will be determined based upon the Customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ending with the October billing cycle. If a Customer does not have sufficient consumption history to determine its System Charge based on twelve months, the System Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the Customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the System Charge. The Company in all cases retains the right to review and modify the Customer's estimate where necessary. A customer's System Charge will remain constant annually, subject to change with the January billing cycle of each year. (C)

In all cases, the Company reserves the right to review the System Charge and, upon receipt of satisfactory proof, to adjust the System Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption. (C)

The applicable Distribution Charge for all distribution quantities shall be determined based upon the System Charge group in which the Customer is placed, as established annually above. (C)

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff. (C)

(C) Indicates Change

RATE LDS - LARGE DISTRIBUTION SERVICE (Continued)

MINIMUM CHARGE (C)

The minimum charge shall be the sum of (a) the System Charge; plus (b) purchased gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the Customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the System Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period.

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the Tariff.

ELECTIVE BALANCING SERVICES RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this Tariff.

APPLICABLE SALES SERVICE RATE

Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs as set forth in the Rules Applicable to Distribution Service plus the non-gas portion of *distribution rates contained in the first block of Rate SGS - Small General Service.*

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service of this tariff. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

The Company shall give the customer 2 hours advance notice of interruption. Customer agrees that Company shall not be liable for any loss or damage that may be sustained by the customer by reason of any interruption of service.

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available that day shall constitute unauthorized takes and shall be subject to the charges set forth in the Rules Applicable to Distribution Service. Payment of such penalty charge shall be in addition to the charges specified herein.

(C) Indicates Change

RATE LDS - LARGE DISTRIBUTION SERVICE (Continued)

TERMS OF PAYMENT

Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract governing distribution service. Bills for distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS APPLICABLE TO ALL LDS CUSTOMERS

1. Customers desiring to transfer to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, transportation capacity and storage capacity or any combination thereof that is required to accommodate such transfer; or (2) the Company, in its sole judgment concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.

2. In the event customer's throughput requirements, as determined annually under the System Charge provisions above, are less than or equal to 540,000 thms, the customer shall be transferred to Rate SDS - Small Distribution Service, effective the immediately succeeding January billing cycle. (C)

3. Customers that request to be transferred to this rate schedule prior to the end of the Customer's existing contract under another rate schedule shall be required to contract for Maximum Daily Firm Requirement under Rate SS at the level of the Customer's Maximum Daily Firm Requirement, if *any, under such existing contract.*

4. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fifth Revised Page No. 107
Columbia Gas of Pennsylvania, Inc. **Canceling Fourth Revised Page No. 107**

RATE MLSS – MAIN LINE SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available at one location, for the total requirements of a commercial or industrial customer when: (i) the customer does not take service under any other rate schedule; and (ii) the Customer meets either one of the following qualifications:

(a) the Customer has annual throughput requirements greater than 274,000 thms and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLSS Customer"); or (C)

(b) the Customer has annual throughput requirements of not less than 2,146,000 thms and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLSS Customer").

Customers who take service under this rate schedule are entitled to firm retail gas service from the Company.

RATE

Customers being served with this rate schedule shall be subject to a System Charge, a Gas Supply Charge, a Distribution Charge, a Gas Cost Adjustment and a Pass-through Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

The applicable Distribution Charge for all distribution quantities for MLSS Class II customers shall be determined based upon the System Charge group in which the Customer is placed, as established annually. (C)

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff. (C)

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 108
Columbia Gas of Pennsylvania, Inc. **Canceling Sixth Revised Page No, 108**

RATE MLSS – MAIN LINE SALES SERVICE (Continued)

DETERMINATION OF SYSTEM CHARGE

The System Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution if the customer previously contracted for distribution service, measured in therms (thms), for the most recent twelve-month period ending with the October billing cycle. If a customer does not have sufficient consumption history to determine its System Charge based on twelve months, the System Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, upon which to develop the System Charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's System Charge will remain constant annually, subject to change as of the January billing cycle of each year. (C)

In all cases, the Company reserves the right to review the System Charge and, upon receipt of satisfactory proof, to adjust the System Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption.

MINIMUM CHARGE

The minimum charge shall be the System Charge. In the event of curtailment in the delivery of gas by the Company or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the System Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period. (C)

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the tariff.

(C) Indicates Change

RATE MLSS – MAIN LINE SALES SERVICE (Continued)

RIDER PGC

The Pass-through Charge and Gas Supply Charge in this rate schedule include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff. (C)

TERMS OF PAYMENT

Bills for sales service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS APPLICABLE TO ALL MLSS CUSTOMERS

1. Customers desiring to transfer to or from this rate schedule must notify the Company in writing. Transfers to or from this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, pipeline capacity and storage capacity, or any combination thereof that is required to accommodate such change; or (2) the Company, in its sole judgment, concludes that no increase or decrease is required. The Company shall establish the date any transfer is to be effective.

2. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter and such installation shall be at the expense of the customer, excluding the cost of the meter plus all costs associated with dedicated telephone lines and telemetering equipment. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

3. Energy usage eligibility for this rate schedule shall be determined annually. In the event Customer's annual purchases are less than or equal to 274,000 thms, the customer shall be transferred to either Rate LGSS or Rate SGSS effective the immediately succeeding January billing cycle. (C)

4. New customers and customers transferring to or from this Rate Schedule shall be permitted to take service under this Rate Schedule only if: (1) the Company can obtain any increase in its pipeline capacity with Columbia Gas Transmission Corporation under the FTS rate schedule or any successor rate schedule that is required to accommodate such transfer; or (2) the Company, in its sole judgment, concludes that no increase in the Company's pipeline capacity under Columbia Gas Transmission Corporation's FTS rate schedule or any successor rate schedule is required. The Company shall establish the date any transfer is to be effective.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Tenth Revised Page No. 111
Columbia Gas of Pennsylvania, Inc. **Canceling Ninth Revised Page No. 111**

RATE MLDS – MAIN LINE DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available at one location, for the total requirements of a commercial or industrial customer when the Customer meets either one of the following qualifications:

(a) the Customer has annual throughput requirements greater than 274,000 thms and is connected directly through a dual-purpose meter to facilities of an Interstate pipeline supplier of the Company ("Class I MLDS Customer"); or (C)

(b) the Customer has annual throughput requirements of not less than 2,146,000 thms and there are two (2) miles or less of pipeline facilities of the Company connecting the Customer to facilities of an interstate pipeline supplier of the Company ("Class II MLDS Customer").

and meets all of the following conditions:

(a) Customer does not take service under any other rate schedule except Rate SS – Standby Service.

(b) Customer acquires its own gas and executes an application and agreement with the Company, as specified in the Rules Applicable to Distribution Service section of this Tariff, for a period of not less than one (1) year for distribution service in accordance with all terms and conditions of such contract.

Service under this rate schedule shall not be available to a single customer who is a Priority One Customer, as defined in the Service Limitations section of this Tariff, unless such customer also contracts for firm service under Rate SS – Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be considered firm service on the Company's system; provided, however, that it is the customer's obligation to deliver sufficient gas supplies to the mutually agreed upon receipt point in the Company's facilities.

A Main Line Distribution Service account may be returned to the applicable Sales Service rate, if for a period of at least five (5) consecutive days in one billing month, the Company:

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

(C) Indicates Change

RATE MLDS – MAIN LINE DISTRIBUTION SERVICE (Continued)

RATE

The customers under this rate schedule shall be subject to a System Charge, and a Distribution Charge. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

The applicable Distribution Charge for all distribution quantities for MLDS Class II customers shall be determined based upon the System Charge group in which the Customer is placed, as established annually. (C)

The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff. (C)

STATE TAX ADJUSTMENT SURCHARGE

The charges described in this rate schedule are subject to a State Tax Adjustment Surcharge as set forth in the Tariff.

ELECTIVE BALANCING SERVICES RIDER

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this Tariff.

DETERMINATION OF SYSTEM CHARGE

The System Charge will be determined based upon the customer's actual throughput quantities, including sales and distribution, measured in therms (thms), for the most recent twelve-month period ending with the October billing cycle. If a customer does not have sufficient consumption history to determine its System Charge based on twelve months, the System Charge will be developed by annualizing the consumption history available. In the instance where a customer has no consumption history, the Company will request the customer to submit estimated annual gas requirements, including sales and distribution, upon which to develop the System Charge. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's System Charge will remain constant annually, subject to change with the January billing cycle each year. (C)

In all cases, the Company reserves the right to review the System Charge and, upon receipt of satisfactory proof, to adjust the System Charge to reflect the installation and use of energy efficient gas burning equipment, or the implementation of energy conservation practices or measures, which results in a measurable permanent change in the customer's requirement or consumption. (C)

MINIMUM CHARGE

The minimum charge shall be the sum of (a) the System Charge; plus (b) purchased gas demand charges, if any, under Rate SS. In the event of curtailment in the delivery of gas by the Company below the Maximum Daily Firm Requirement of the Customer, if any, under Rate SS, or complete or partial suspension of operation by the customer due to strikes, fires, floods, explosions or other similar casualties, the System Charge shall be reduced in direct proportion to the ratio which the number of days of curtailed service or complete or partial suspension of operation bears to the number of days in the billing period. (C)

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 114
Columbia Gas of Pennsylvania, Inc. **Canceling Sixth Revised Page No. 114**

RATE MLDS - MAIN LINE DISTRIBUTION SERVICE (Continued)

SPECIAL PROVISIONS APPLICABLE TO ALL MLDS CUSTOMERS – Continued

3. Customers that request to be transferred to this rate schedule prior to the end of the Customer's existing contract under another rate schedule shall be required to contract for Maximum Daily Firm Requirement under Rate SS at the level of the Customer's Maximum Daily Firm Requirement, if any, under such existing contract.
4. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter and such installation shall be at the expense of the customer, excluding the cost of the meter plus all costs associated with dedicated telephone lines and telemetering equipment. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.
5. Energy usage eligibility for this rate schedule shall be determined annually. In the event Customer's annual throughput is less than or equal to 274,000 thms, the customer shall be transferred to either Rate LDS, Rate SDS or Rate SGDS effective the immediately succeeding January billing cycle. (C)

SPECIAL PROVISION APPLICABLE TO CLASS I MLDS CUSTOMERS

In the event a Class I MLS customer desires to obtain firm transportation capacity on the interstate pipeline system of Columbia Gas Transmission Corporation, as to which supplier the Company may exercise an option to convert daily firm wholesale entitlement to daily firm transportation capacity entitlement under Federal Energy Regulatory Commission (FERC) approved rate schedules pursuant to Order 500 and successor orders of that Agency, the Company may assign daily firm transportation capacity entitlement to a Class I MLS customer under the following conditions:

(a) If, in the exercise of its informed business judgment, the Company determines that it can exercise its conversion option under FERC Order 500 and/or assign such increased transportation capacity without impairing its ability to meet its public service obligation to all customers and its ability to pursue a least cost acquisition policy to obtain system supplies. The Company reserves the right to limit any such conversion and/or assignment as necessary to maintain its ability in this regard;
(b) The Class I MLS customer agrees to maintain the customer's existing contractual Maximum Daily Firm Requirement under Rate SS - Standby Service (if any) during the term of the assignment;
(c) The Class I MLS customer signs an agreement committing to pay for the firm transportation demand charges constituting the Company as its agent to purchase gas to be redelivered to the Class I MLS customer after firm transportation service has been provided using the assigned capacity;
(d) The term of this assignment shall be coextensive with the term of the agency agreement, subject to renewal with express approval of the Public Utility Commission;
(e) This provision shall be operative only so long as Columbia continues to have the option to convert daily firm wholesale entitlement to daily firm transportation capacity requirements under FERC Order 500 or any successor thereto.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of distribution service under this rate schedule.

(C) Indicates Change

RATE NCS--NEGOTIATED CONTRACT SERVICE (Continued)

DISTRIBUTION CHARGE

The Distribution Charge per thm shall be: (C)

(a) The amount for recovery of non-gas costs, which shall be determined by negotiation between the Company and the customer.

(b) Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this Tariff.

The non-gas portion of these distribution rates is subject to an escalation clause, as set forth in the customer's contract.

MINIMUM CHARGE

Customers served hereunder shall be subject to a minimum charge. Such charge will be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

TERMS OF PAYMENT

The above rate is net. Gas distributed hereunder shall be billed in accordance with the terms and conditions set forth in the customer's executed contract. Bills for gas sales service and distribution service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill, a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the unpaid portion of such bill from the due date to the date of payment.

SPECIAL PROVISIONS

1. Customers shall not be permitted to combine usage with other customers in order to meet the eligibility provisions of this Tariff.

2. The customer shall be responsible to reimburse the Company as billed for any penalty or deficiency charge, however denominated by the Company's interstate pipeline suppliers, incurred by the Company as a result of excessive daily, seasonal or annual takes by the customer.

3. The Company may require that an existing customer agree to separate piping or sub-metering, or verification that additional load is the result of plant expansion.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Sixth Revised Page No. 118
Columbia Gas of Pennsylvania, Inc. **Canceling Fifth Revised Page No. 118**

RATE NSS - NEGOTIATED SALES SERVICE (Continued)

CHARACTER OF SERVICE - Continued

2. Firm Service. Where the Company either has or can obtain firm capacity sufficient to meet the customer's firm requirements, the customer may elect firm service. The customer may elect the degree of firm service desired, both with respect to quantities and number of days of interruption. The Company will provide firm NSS service only if: (a) the Company acquires additional capacity specifically to serve the NSS customer on days when service otherwise would be interrupted, or (b) the customer elects Standby Service under Rate SS. Firm Service, other than under Rate SS, shall not be available if the Customer was served by the company under another firm sales service rate schedule during the immediately preceding 12 months, unless the customer demonstrates, to the Company's satisfaction, that the customer otherwise would no longer take firm sales service from the Company

RATES

A. SYSTEM CHARGE

Customers hereunder shall pay a System Charge. The charge will be negotiated for each customer served under this rate schedule, and will be no less than the equivalent customer charge under the otherwise applicable Transportation rate schedule and the amount shall be included in the customer's service contract. (C)

B. DISTRIBUTION AND COMMODITY CHARGES

The Customer shall elect one of the following rate options at the time it executes a contract for service under this rate schedule.

1. Energy Usage Nomination Option - Customers electing the energy usage nomination option shall pay a negotiated rate per thm, which shall be no less than the sum of the following:

a. the applicable cost of gas, as determined below; plus

b. an E-Factor charge or credit, if applicable, plus

c. a negotiated margin, inclusive of amounts necessary to provide for capacity credits as provided for in this rate.

The applicable cost of gas under the energy usage nomination option shall be determined on a monthly basis and shall equal the cost of spot purchases delivered to the city gate and scheduled to commence on the first day of each month, including transportation and retainage; provided, however, that if such scheduled spot purchases are made for both firm sales customers and NSS sales customers, the lowest cost spot purchases shall be charged to firm sales customers. If NSS purchases under the energy usage nomination option are made in excess of the quantity nominated, then the applicable cost of gas for such excess shall be the gas cost computed in accordance with the provision of the Rules Applicable to Distribution Service. If NSS nominations exceed scheduled quantities of spot purchases, the applicable cost of gas for such excess shall be determined in accordance with the No Nomination Option Provision. The applicable cost of gas shall be excluded from the Purchased Gas Cost Rider.

(C) Indicates Change

RATE NSS - NEGOTIATED SALES SERVICE (Continued)

SPECIAL PROVISIONS - Continued

6. The Company shall require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with any necessary dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The meter and associated telemetering equipment shall be the property of the Company.

7. The Company agrees to retain the actual posted Electronic Bulletin Board notices utilized to determine the aforementioned capacity credit and agrees to provide a summary of the terms of release and prices paid for such release in its annual Section 1307(f) filing.

8. The Company shall include, with its annual Section 1307(f) filing, an identification of the cost of gas acquired to provide service to customers under this rate schedule.

9. The Company agrees to provide a report with its annual Section 1307(f) filing detailing the bases for any service provided under this rate schedule to customers with annual throughput requirements less than or equal to 64,400 thms. (C)

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in this Tariff.

TERMS OF PAYMENT

The above rates are net. Bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the Customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 1/4%) per month shall accrue on the portion of the bill that is unpaid on the due date.

RULES AND REGULATIONS

Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

RATE SDSS - SUPPLIER DEFAULT SALES SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer with annual throughput requirements greater than 6,440 thms, and whose natural gas supplier has defaulted according to the NGS Default provisions of the Rules Applicable to Distribution Service section of this Tariff, and who at the time of the default was receiving General Distribution Service under Rate SGDS – Small General Distribution Service, Rate SDS – Small Distribution Service, Rate LDS – Large Distribution Service, Rate MLDS – Main Line Distribution Service, Rate CDS – Cogeneration Distribution Service or Rate GDS – Generation Distribution Service. (C)

The Company may place Customers meeting the availability requirements on Rate SDSS automatically upon the first billing cycle following the default of the customer's natural gas supplier, unless the Customer notifies the Company that it does not desire to be served under Rate SDSS.

CHARACTER OF SERVICE

The Company shall provide interruptible Natural Gas Supply Service to customers taking Rate SDSS on a best efforts basis and customers served under Rate SDSS shall be considered Sales Service customers for purposes of administering provisions of the Company's Tariff. Nevertheless, the Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption on a daily basis, and service hereunder is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

RATE

Customers served under Rate SDSS shall pay the applicable System Charge, Distribution Charge, Pass-through Charge, State Tax Adjustment Surcharge and any minimum charge under their former General Distribution Service rate schedule. Each customer served under Rate SDSS shall remain subject to the charges under the Service Option previously chosen under Rider EBS. Customers served under Rate SDSS shall not pay any charges under the Rules Applicable to Distribution Service section of the Tariff ("RADS"), nor shall they pay the Applicable Sales Service Rate contained in their former General Distribution Service rate schedule. Instead, Customers served under Rate SDSS shall pay a commodity charge which shall be the product of multiplying the rate per thm, determined as provided below, by the quantity of gas sold to the customer by the Company during the applicable billing month. (C)

DETERMINATION OF COMMODITY RATE (C)

A charge for commodity gas costs shall be determined by selecting the greater of: (1) the average of the highest "City Gate" price for deliveries for ten (10) consecutive days during the calendar month as published in Platts Gas Daily "Daily price survey" under the heading "Texas Eastern, M-3", or (2) the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any, excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month. The commodity gas cost shall be increased by a premium of 5% in order to determine the final applicable Gas Supply Charge.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Third Revised Page No. 123
Columbia Gas of Pennsylvania, Inc. **Canceling Second Revised Page No. 123**

RATE SDSS - SUPPLIER DEFAULT SALES SERVICE

CHARGE FOR UNAUTHORIZED TAKES AFTER NOTICE TO INTERRUPT

On any day when the Customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the quantity specified to be made available on that day shall constitute unauthorized takes and shall be subject to a penalty charge of $2.79590 per thm. Payment of such penalty charge shall be in addition to the charges specified in this rate schedule.

TERMS OF PAYMENT

The above rates are net. Bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation (date of postmark).

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 ¼%) per month will accrue on the portion of the bill that is unpaid on the due date.

SPECIAL PROVISIONS APPLICABLE TO ALL SDSS CUSTOMERS

1. In the event customer's throughput requirements, as determined annually under the System Charge provisions of this rate, fall below 6,440 thms, the customer shall be transferred to Rate SGSS – Small General Service Sales Service, effective the immediately succeeding January billing cycle. (C)

2. The Company reserves the right, as a condition of service under this Rate Schedule, to require any customer requesting service under this rate schedule to install and bear the costs associated with a daily demand reading meter plus all costs associated with dedicated telephone lines and telemetering equipment, and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fourth Revised Page No. 125
Columbia Gas of Pennsylvania, Inc. **Canceling Third Revised Page No. 125**

RATE CDS - COGENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any customer who qualifies as a co-generator under Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA). Customer must demonstrate to the Company's satisfaction that qualifying cogeneration gas burning equipment will be installed and only gas used for cogeneration will be billed at the rate negotiated under this rate schedule. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract. Separate metering and piping to qualifying end use equipment will be required.

Service under this rate schedule shall not be available to a customer who is a Priority 1 Customer, and is using gas to generate electricity for Essential Human Needs Use, (as defined in the Service Limitations of this tariff), unless the customer either purchases Standby Service or has an alternate fuel available to generate electricity to cover the electricity peak day requirement.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to deliver such natural gas. The Company may require 24-hour notice from customer of their desire to operate on any day and the Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

A Cogeneration Distribution Service account may be returned to the applicable Sales Service rate, if for a period of at least five (5) consecutive days in one billing month, the Company:

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

RATE

The rate charged qualifying customers in each billing month shall be the Distribution Charge and the Rider EBS rate, which shall be determined by negotiation between the customer and the Company. Such rates, which may be subject to an escalation clause, will be included in the customer's service agreement. (C)

(C) Indicates Change

RATE GDS - GENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any customer who uses gas to generate electricity for sale, either wholesale or retail; provided that such sale of electricity is subject to the regulatory jurisdiction of either the Pennsylvania Public Utility Commission or the Federal Energy Regulatory Commission. Service under this rate schedule is only available for gas distributed to serve generation requirements. Service is available when such customer acquires its own gas and executes a contract with the Company for distribution service in accordance with all terms and conditions of such contract.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to distribute such natural gas. The Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

A Generation Distribution Service account may be returned to the applicable Sales Service rate if for a period of at least five (5) consecutive days in one billing month, the Company:

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

RATE

The rate charged qualifying customers in each billing month shall be the Distribution Charge and the Rider EBS rate, which shall be determined by negotiation between the customer and the Company. Such rates, which may be subject to an escalation clause, will be included in the customer's service agreement. (C)

MINIMUM CHARGE

Customers served hereunder shall be subject to a minimum charge. Such charge will be determined individually for each customer served under this rate schedule and the amount shall be included in the customer's service agreement. The minimum charge will include the actual additional costs to the Company, if applicable, to connect a generation customer. The payment of such minimum charge does not relieve the customer from any minimum charge obligation applicable to service received by the customer under any of the Company's other rate schedules.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fifth Revised Page No. 130
Columbia Gas of Pennsylvania, Inc. **Canceling Fourth Revised Page No. 130**

RATE NGV - NATURAL GAS VEHICLE SERVICE (Continued)

RATE

Sales or Distribution service to an operator of a public fueling station, or to an owner/operator of a natural gas vehicle taking service at separately metered fueling facilities owned by the customer, shall be made pursuant to a contract for service under this rate schedule. The contract shall be for no less than a one-year period. The contract may provide for a negotiated System Charge and either a fixed commodity charge or a methodology for determining the commodity charge. The commodity charge shall take into account whether service is a firm sale, interruptible sale or distribution. (C)

CREDITS FOR RECOVERY OF PURCHASED GAS COSTS

Where service hereunder is provided as a sale, the Company shall credit to the Purchased Gas Cost Rider amounts for recovery of purchased gas costs, dependent upon whether sales are firm or interruptible. The amount of the credit shall be as set forth in the Purchased Gas Cost Rider.

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in this Tariff.

TERMS OF PAYMENT

The above rates are net. Where service is pursuant to contract, bills for gas service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the final date of payment shown on the bill, which date shall not be less than fifteen (15) days after presentation (date of postmark).

If the Customer fails to pay the full amount of any bill, a delayed payment charge of one and one-quarter percent (1 ¼%) per month shall accrue on the portion of the bill that is unpaid on the due date.

Bills for gas sold at a filing station operated by the Company shall be paid at the time of delivery.

RIDER EBS

Distribution service under this rate schedule shall be subject to the provisions of Rider EBS as set forth in this Tariff.

APPLICABLE SALES SERVICE RATE

Distribution Customers under this Rate Schedule desiring to purchase gas shall be charged an amount for recovery of purchased gas costs set forth in the Rules Applicable to Distribution Service, plus the non-gas portion of distribution rates contained in the first block of Rate SGS - Small General Service.

Provided, however, that sales service hereunder shall be considered imbalance gas as defined in the Consumption in Excess of Deliveries section in Paragraph 3 of the Rules Applicable to Distribution Service. The Company undertakes no responsibility to obtain sufficient gas supplies to avoid interruption of sales service on a daily basis, and sales service is totally interruptible on any day when the Company gives notice to the customer that gas supply is inadequate to supply the customer's requirements, except to the extent the customer nominates Maximum Daily Firm Requirement under Rate SS.

(C) Indicates Change

RATE PS - PROPANE SERVICE

APPLICABILITY

Available for service throughout the territory served under this Tariff.

AVAILABILITY

The Company may from time to time, at its sole option, provide propane service to new customers requesting natural gas service in the Company's service territory where the extension of natural gas facilities is temporarily uneconomic but is anticipated to be economic within a five (5) year period, and absent this rate schedule, the customer would not request service from the Company.

RATE

System Charge

The customers hereunder shall pay a System Charge equivalent to the System Charge under the otherwise applicable sales rate schedule. (C)

For a period not to exceed five years, or upon conversion to natural gas service (whichever is less) the Distribution Charge, Gas Supply Charge, Gas Cost Adjustment and Pass-through Charge shall be equal to the current Distribution Charge, Gas Supply Charge, Gas Cost Adjustment and Pass-through Charge, including the Purchased Gas Cost Rider set forth in this Tariff, under the otherwise applicable sales rate schedule. If the extension of natural gas facilities has not been completed within a five year period, beginning in year six, the Distribution Charge, Gas Supply Charge. Gas Cost Adjustment and Pass-through Charge shall be equal to the sum of: (1) the current Distribution Charge under the applicable sales rate schedule; plus (2) the current cost of propane supplied to the customer. The Distribution Charge may be flexed in accordance with the Flexible Rate Provisions set forth in the Rules and Regulations of this Tariff. (C)

RIDER PGC

The Pass-through Charge and the Gas Supply Charge includes recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider as set forth in this Tariff. (C)

STATE TAX ADJUSTMENT SURCHARGE

The above charges are subject to a State Tax Adjustment Surcharge as set forth in this Tariff.

RIDER CUSTOMER CHOICE (C)

The Pass-through Charge includes the Customer Choice Rider rate pursuant to Rider CC when applicable.

TERMINATION

Service under this Schedule may be terminated at any time upon not less than sixty (60) days written notice from the Company to the customer, and shall terminate automatically upon the conversion of the customer to natural gas service.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Sixth Revised Page No. 135
Columbia Gas of Pennsylvania, Inc. **Canceling Fifth Revised Page No. 135**

RATE SS - STANDBY SERVICE (Continued)

GAS SUPPLY RATE FOR PURCHASES

Quantities of gas purchased from the Company shall be charged an amount for recovery of purchased gas costs set forth in the Rules Applicable to Distribution Service plus the Distribution Charge set forth in Rate SGSS. (C)

CHARGE FOR UNAUTHORIZED TAKES

On any day when the Customer has been given notice by the Company to interrupt, pursuant to provisions contained in the Customer's Primary Rate Schedule, any quantity of gas taken in excess of the Customer's Maximum Daily Firm Requirement for that day shall constitute unauthorized takes and shall be subject to the charges set forth under the Rules Applicable to Distribution Service.

STATE TAX ADJUSTMENT SURCHARGE

The System Charge and the Distribution Charge are subject to a State Tax Adjustment Surcharge as set forth in this Tariff. (C)

TERM OF CONTRACT

Contracts for service hereunder shall be for not less than a one (1) year period. Contracts shall be automatically renewed at the end of the initial term for a one year period unless written notice to terminate is given by the Company or the customer not later than sixty days prior to expiration of the contract.

SPECIAL PROVISIONS

1. The Maximum Daily Firm Requirement of the customer will be contracted for by the Company from its supplier and no curtailments or interruptions of this gas are planned. However, in the event of emergencies, shortages of gas or force majeure causes, the Company reserves the right to curtail the Maximum Daily Firm Requirement of customer, without incurring any liability for any loss or damage that may be sustained by the customer by reason of any such interruptions. The Company will, however, adjust the applicable monthly Maximum Daily Firm Requirement charge, on a pro rata basis, for any curtailment in such Maximum Daily Firm Requirement except for instances where such curtailment is the result of failure by supplier to deliver its contractual commitment to the Company because of a gas supply shortage. Such adjustment shall be made by crediting the customer's applicable monthly bill with an amount equal to the appropriate unit monthly Daily Purchased Gas Demand charge per thm divided by the number of days in the billing month times the quantity of gas represented by the difference between the Maximum Daily Firm Requirement and the quantity of gas actually delivered on those days during the billing month when deliveries were curtailed below the Customer's Maximum Daily Firm Requirement.

2. The Company reserves the right to require any customer requesting service under this rate schedule to install, as a condition of service under this Rate Schedule, a daily demand reading meter and such installation shall be at the expense of the customer, excluding the cost of the meter. The Company also reserves the right to require installation of such a meter, at the customer's expense, as a condition of continuation of service under this Rate Schedule. The meter and associated telemetering equipment shall be the property of the Company.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 137
Columbia Gas of Pennsylvania, Inc. **Canceling Sixth Revised Page No. 137**

RATE DGDS - DISTRIBUTED GENERATION DISTRIBUTION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the distribution requirements of any commercial or industrial customer using distributed generation equipment such as reciprocating engines, gas turbines, microturbines, and fuel cells used for electrical power generation. Service is available when such customer executes a contract with the Company for a period mutually agreed to between the Company and the customer for distribution service in accordance with all terms and conditions of such contract. Provided, that the Company's facilities are adequate to provide the requested service.

Service under this rate schedule shall not be available to a single customer who is a Priority 1 Customer, as defined in the Service Limitations section of this Tariff, unless such customer also contracts for firm service under Rate SS-Standby Service at a level necessary to meet the portion of daily and seasonal requirements of the facility not covered by installed operable alternative fuel capability.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be subject to termination at the Company's discretion based on its inability to distribute such natural gas. The Company may decline to serve a qualified distribution customer if, in the Company's sole discretion, continuation or initiation of distribution service will jeopardize the supply of gas to the Company's firm customers. If service is terminated under this schedule, the Company will attempt to provide service to a customer under an otherwise applicable rate schedule. In the event of termination, the Company will notify the customer as soon as possible.

A Distributed Generation Distribution Service account may be returned to the applicable Sales Service rate if, for a period of at least five (5) consecutive days in one billing month, the Company:

(1) has not received gas supply for the account;
(2) the account's bank balance is insufficient to cover the consumption or the customer did not have access to its bank balance due to the issuance of an OFO and/or OMO; and
(3) the customer consumed gas on one or more days during such five (5) day period.

For a non-daily read account, the account may be returned to the applicable Sales Service rate at the end of a billing cycle if the above three conditions are met unless the customer furnishes proof that they did not consume gas on one or more days during such five (5) day period.

RATE (C)

The customers under this rate schedule shall be subject to a System Charge and a Distribution Charge. The Distribution Charge may be subject to an escalation clause.

If a potential customer and the Company cannot agree to terms under this rate schedule, the customer may apply to be classified as a customer under any other rate schedule for which the customer would be eligible.

ELECTIVE BALANCING SERVICES RIDER (C)

Distribution Service under this rate schedule may be subject to the provisions of Rider EBS as set forth in this Tariff.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Sixth Revised Page No. 139
Columbia Gas of Pennsylvania, Inc. **Canceling Fifth Revised Page No. 139**

RATE CAP – CUSTOMER ASSISTANCE PLAN (C)

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any residential customer at one location using natural gas as their main heating source and meeting the following requirements:

1. This rate will serve 100% of the total requirements.
2. The total household income is equal to or less than 150% of the Federal Poverty Level.
3. The customer does not take service under any other rate schedule.
4. The customer is either over sixty years old or is payment-troubled (i.e., has at least one failed payment agreement with the Company within the past 12 months, has received a termination notice from the Company within the past 12 months, has been verified as a current participant in another utility's CAP, or is unable to establish creditworthiness through the use of generally accepted credit scoring methodology).
5. The meter at the premise must serve only the customer's dwelling space.
6. The customer must agree with the terms specified in the Company's CAP Customer Agreement Form.

CAP CUSTOMER APPLICATION AND RESPONSIBILITIES

In order to gain acceptance in CAP and to maintain participation in CAP after acceptance into the Program, a customer must agree to, and comply with, the following:

1. Verify gross monthly income for all adult household members at time of application.
2. Reverify gross monthly household income annually. This requirement shall be waived in any year that the customer applies for, and receives, an Energy Assistance Grant that is posted to the Company.
3. Notify the Company's Universal Services representative of any changes in income, household size, or residence.
4. Make timely monthly CAP payments, including a $5.00 co-payment on arrears.
5. Apply for federal Low Income Heating Assistance Program (LIHEAP) benefits, and direct the payment of LIHEAP to the Company.
6. Apply for any free weatherization service, including the Company's Warm Choice Program, as well as local county weatherization programs if the customer meets eligibility requirements.
7. Release the Company from any liability associated with the customer's participation in CAP.

(C) Indicates Change

Rate CAP – CUSTOMER ASSISTANCE PLAN (Continued) (C)

8. Agree not to use any non-essential gas appliance, such as a pool heater.

9. Allow the Company to purchase gas on the customer's behalf.

10. In the case of a CAP applicant who is currently without service, and who has a balance from a prior account, make an upfront payment in satisfaction of the prior balance up to, but no more than, $150.

MONTHLY PAYMENT OPTIONS

The most affordable payment option for the eligible CAP customer shall be selected from the Options below. The monthly payment will not be less than the average payment received from the customer in the previous twelve (12) months. A minimum payment amount of twenty-five dollars ($25.00) is required.

Option #1: Percentage of Income.
0 – 110% of Poverty = 7%
110 – 150% of Poverty = 9%

Option #2: Average of last 12 months of customer payments. (Available for customers with at least six months of uninterrupted service.)

Option #3: Flat rate of 50% of budget billing (adjusted annually)

Senior CAP Option: Flat rate of 75% of budget billing for all customers over 60 years of age with no arrears or payment plan default.

In addition to the monthly payment established under either Option #1, #2, #3, or Senior CAP Option, the CAP customer is required to pay a five-dollar ($5.00) co-payment towards pre-program arrears, as well as an additional amount calculated each year based on the previous year's LIHEAP grants applied to CAP accounts.

A CAP customer's monthly payment shall not exceed the non-CAP budget payment applicable to the customer's account, exclusive of the $5.00 co-payment towards pre-program arrears. In the event that a CAP customer's monthly payment is determined to exceed the non-CAP budget payment applicable to the customer's account, the applicable information is reviewed to determine if the CAP payment should be lowered or if the customer should be removed from CAP.

SECURITY DEPOSITS

CAP customers will not be charged security deposits.

Any paid security deposits on accounts with an approved CAP application will be credited to the arrears prior to CAP enrollment.

Unpaid security deposits for customers entering into the CAP will be waived after income verification is complete.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Third Revised Page No. 141
Columbia Gas of Pennsylvania, Inc. **Canceling Second Revised Page No. 141**

RATE CAP – CUSTOMER ASSISTANCE PLAN – (Continued) (C)

REVERIFICATION

CAP Customers are required to reverify their income annually.

CAP customers 60 years and older who are also on Social Security or Disability Assistance are exempt from annual re-verification.

A customer who has been removed from CAP for failure to reverify will be re-entered into CAP immediately, once eligible proof of income is received.

DEFAULT PROVISIONS

Nonpayment of CAP During the Period April 1 through November 30

A CAP customer shall be considered to be in default after two-missed CAP payments, whether consecutive or not, and will be eligible for termination of service in compliance with the Termination of Service provisions of this tariff and all laws and regulations regarding termination of service. The termination notice will reflect all missed CAP payments.

In order to avoid termination of service, a CAP customer who has received a termination notice shall furnish a make-up payment as set forth in the termination notice prior to the scheduled termination date. The Company may, in its sole discretion, delay termination, but such delay shall not be deemed a waiver of the right to terminate service.

Nonpayment of CAP During the Period November 1 through March 31

During the period November 1 through March 31, a CAP customer will neither be removed from CAP nor receive a termination notice for failing to make monthly CAP payments.

Starting with the April 1st termination date, Columbia will issue termination notices to CAP customers who failed to pay CAP budget payments during the November to March period. The amount on the termination notice shall be for all missed CAP payments.

In order to avoid termination of service, a CAP customer who has received a termination notice shall furnish a make-up payment as set forth in the termination notice prior to the scheduled termination date. The Company may, in its sole discretion, delay termination, but such delay shall not be deemed a waiver of the right to terminate service.

Customers Requesting Removal

A customer requesting removal from CAP in writing shall be removed from CAP immediately upon the Company's receipt of such request. The customer may not reenter the CAP for one year after the time of requested removal.

(C) Indicates Change

RATE CAP – CUSTOMER ASSISTANCE PLAN – (Continued) (C)

Noncompliance with Weatherization Measures

The Company may, at its discretion, remove from CAP, or increase the monthly CAP payment for, a customer:

1. refusing a referral for weatherization services.
2. who has received weatherization services, but who has not reduced monthly consumption.

Failure to Reverify Income

The Company will issue a letter to the customer 30 days prior to the customer's CAP participation anniversary date, notifying the customer of the requirement to reverify household income in order to remain in CAP. The Company shall remove from CAP any customer failing to reverify household income within 30 days after the anniversary date and 60 days after the initial notification that reverification of income is required.

RE-INSTATEMENT PRODECURES

The Company will re-instate to CAP customers who have been removed from CAP as follows:

1. A CAP customer whose service has been terminated may be charged an up-front reconnection fee consistent with the Reconnection of Service section of this Tariff during the months of April through October.

2. The customer must pay the entire balance of missed CAP payments including the five-dollar co-pay to the pre-program arrears.

3. Any payments made by the customer after removal are deducted from the amount needed for program re-entry.

4. The pre program arrearage will be the same at the time of reinstatement as at the time of default.

5. Any charges incurred after default, which are not paid by the customer, are treated as current bill shortfall.

6. This process also applies to CAP customers who move to a new service address with no interruption of service due to termination.

ARREARAGE RETIREMENT

Customers who are current on their CAP payment plan including co-pays will receive forgiveness of their pre-program arrears in equal monthly installments over three years.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 143
Columbia Gas of Pennsylvania, Inc. **Canceling Sixth Revised Page No. 143**

RATE CAP – CUSTOMER ASSISTANCE PLAN – (Continued) (C)

CAP AGGREGATION

A CAP customer is required to agree in writing to allow Columbia to act as an agent, on their behalf to contract for the purchase of gas supplies from a licensed natural gas supplier (NGS).

At least quarterly, the Company will solicit Commission licensed NGSs to provide the CAP gas supply service at a discount in relation to the Company's applicable Purchased Gas Cost rates.

RIDER PGC (C)

The Pass-through Charge includes recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this Tariff.

In the event that no licensed NGS responds to a quarterly solicitation to provide CAP gas supply service, the Company will provide natural gas supply to the CAP program participants, and the Gas Supply Charge to be used to determine current bill shortfall will include recovery of purchased gas costs pursuant to the Purchased Gas Cost Rider of this Tariff.

TERMS OF PAYMENT

The CAP monthly payment must be paid by the due date.

Any customer found stealing gas will be charged separately from their CAP payment or billed separately for CAP prior to reconnection for the amount of the theft.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Gas of this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this rate schedule.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Twenty-first Revised Page No. 146
Columbia Gas of Pennsylvania, Inc. **Canceling Twentieth Revised Page No. 146**

RIDER USP – UNIVERSAL SERVICE PLAN

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

This Rider shall be applicable to all residential customers except customers in the Company's Customer Assistance Plan ("CAP"). (C)

CHARACTER OF RATE

This Rider has been established to recover costs related to the Company's Universal Service and Conservation Programs.

RATE

The Rider USP rate shall be included in the Pass-through Charges on the customer's bill for Rate Schedules RSS, RDS, RDGDS and RDGSS. The Rider USP shall not be billed to customers being served on Rate CAP. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

CALCULATION OF RATE

The Rider USP rate shall be calculated to recover costs for the following programs: Low Income Usage Reduction Program (LIURP); Customer Assistance Plan (CAP); and the WarmWise Audits and Rebates program. (C)

LIURP costs will be calculated based on the projected number of Level 1 income homes to be weatherized. WarmWise Audits and Rebates program costs will be calculated on the projected number of Level 2 income homes provided with an energy audit, programmable thermostat and/or rebates.

CAP costs will be calculated to include the projected CAP Shortfall (the difference between the total calculated RSS bill excluding Rider CC and Rider USP and the CAP bill) based upon the current discounts at normalized annual quantities of the then-current CAP participants, the projected CAP Shortfall for projected customer additions to CAP during the period that the USP Rider rate will be in effect at the average discount of current CAP participants at normalized annual quantities, the projected CAP customer application costs, the projected CAP pre-program arrearages to be forgiven and written off during the next 12 months, any changes, including programming changes, resulting from the CAP Plus design, and any administrative costs associated with the CAP Pilot described in the settlement agreement in Docket No. R-2010-2215623. (C)

If the Company is successful in obtaining a CAP gas supply aggregator as provided in Rate CAP-Customer Assistance Plan, then the shortfall will be adjusted to reflect the RDS rate plus the gas costs resulting from the aggregation service. (C)

The costs shall be divided by the total annual projected throughput quantities of all residential non-CAP customers as established in the Company's most recent Purchased Gas Cost proceeding to determine the rate per thm for this Rider.

(C) Indicate Change

RIDER USP – UNIVERSAL SERVICE PLAN – Continued

QUARTERLY ADJUSTMENT

Each quarter, and at any time that the Company makes a change in base rates or Purchased Gas Cost rates affecting residential customers, the Company shall recalculate the Rider USP rate pursuant to the calculation described above to reflect the Company's current data for the components used in the USP rate calculation. The Company shall file the updated rate with the Commission to be effective one (1) day after filing.

ANNUAL RECONCILIATION

On or before April 1 each year, the Company shall file with the Commission data showing the reconciliation of actual revenues received under this Rider and actual recoverable costs incurred for the preceding twelve months ended December. The resulting over/undercollection (plus interest calculated at 6% annually) will be reflected in the CAP quarterly rate adjustment to be effective April 1. Actual recoverable costs shall reflect actual application costs, actual LIURP costs, and actual WarmWise Audits and Rebates program costs. Actual recoverable costs shall also reflect actual shortfall costs and actual pre-program arrearages, provided that CAP participation on an average annual basis for the preceding year did not exceed 25,300 participants. In the event that CAP participation in the preceding year exceeded 25,300 on an average annual basis, actual recoverable costs shall reflect actual shortfall cost and actual pre-program arrearages for all customers up to the 25,300 participation level. For any and all CAP customers exceeding the 25,300 participation level on an average annual basis, Columbia shall offset the actual shortfall and actual pre-program arrearages by 7.5%. Except for the offset that is applied when CAP participation exceeds 25,300 on an average annual basis, actual CAP shortfall costs shall be based upon actual numbers of CAP customers, actual CAP throughput quantities, actual CAP payments received. (C)

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Ninth Revised Page No. 148
Columbia Gas of Pennsylvania, Inc. **Canceling Eighth Revised Page No. 148**

RIDER CC - CUSTOMER CHOICE

APPLICABILITY

This Rider has been established to recover costs related to providing Customer Choice to customers in Pennsylvania.

In addition to the charges provided in this Ttariff, an amount shall be added to the otherwise applicable charge for each thm of sales quantities or distribution quantities distributed by the Company to Customers receiving service under Rate Schedules RSS, RDS, RDGSS, RDGDS, SCD and PS, SGSS, SGDS, DGDS using less than or equal to 64,400 thms annually. (C)

RATE

The Rider CC rate will be included in the Pass-through Charge on the customer bill. (C)

The rate information is detailed in the Rate Summary pages of this Tariff.

Customers enrolled in the Company's Customer Assistance Plan ("CAP") shall not be billed the Rider CC. (C)

Further, the Company may reduce or eliminate the otherwise applicable charge to any Customer if it is reasonably necessary to do so to meet competition from an alternative fuel, including gas from another supplier of gas that has constructed, or could construct, facilities to deliver gas to the Customer without use of the Company's facilities. The Company will notify Customer of the applicable rate if lower than the applicable rate set forth above, four (4) days prior to the beginning of each billing month, unless the rate is the same as charged by the Company in the prior month. Such reduction or elimination of the charge shall be eliminated or reduced before any reduction is made to the other charges under this Tariff.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fourth Revised Page No. 149
Columbia Gas of Pennsylvania, Inc. **Canceling Third Revised Page No. 149**

RIDER EDS - ECONOMIC DEVELOPMENT SERVICE RIDER

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

This Rider is available to a commercial or industrial customer which receives service under Rate LGSS, Rate SDS, or Rate LDS ("Applicable Schedule") and which meets the following additional qualifications:

(a) The customer is a new customer or has not been a customer of the Company for a period of two (2) years prior to requesting service in accordance with this Rider and can document to the Company's satisfaction that additional consumption will result at customer facility;

(b) The throughput requirements of the customer are projected to be greater than 64,400 thms annually; and (C)

(c) The customer gives the Company satisfactory proof that, absent service under this Rider, the customer's facilities or operations would not be constructed in the Company's operating territory, or that, absent service under this Rider, customer would install long-term alternate fuel facilities.

CHARACTER OF SERVICE

This Rider provides for reduced charges for new gas loads related to economic development projects within the Company's service area. Service pursuant to this Rider will commence upon approval by the Company and will continue for a period not to exceed three (3) years.

RATE

The monthly charges for service to customers for which this Rider is applicable shall be computed based upon a declining, three-year percentage reduction in the Distribution Charge under the Applicable Schedule. The System Charge, Pass-through Charge, Gas Supply Charge, Gas Cost Adjustment, penalties and charges of third party transporters, if any, under the Applicable Schedule are not subject to reduction. The percentage reductions are as follows: (C)

First Year -	35% reduction
Second Year -	25% reduction
Third Year -	15% reduction

FLEXIBLE RATES

To the extent that the Applicable Schedule contains provisions permitting the Company to lower ("flex") applicable Distribution Charges to meet competition from an alternative fuel, nothing in this Rider shall be interpreted to prohibit the operation of such flex provisions to obtain or maintain a customer. The otherwise applicable percentage reduction set forth in this Rider shall not be applicable to that portion of a customer's rate that is flexed downward. (C)

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Sixty-seventh Revised Page No. 151
Columbia Gas of Pennsylvania, Inc. Canceling Sixty-fifth Revised Page No. 151

RIDER PGC - PURCHASED GAS COST

PROVISIONS FOR RECOVERY OF PURCHASED GAS COSTS

RIDER PGC APPLICABLE TO SALES SERVICE CUSTOMERS (C)

Rates for each thm of gas supplied to sales customers subject to this Rider under the Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules shall include $0.41581 per thm for recovery of purchased gas costs. This rate includes the commodity cost component (CC) of $0.35044 per thm, the commodity "E" Factor component (CE) of ($0.05980) per thm, the demand cost component (DC) of $0.14937 per thm, and the demand "E" Factor component of ($0.02420) per thm.

RIDER PGC APPLICABLE TO SGDS PRIORITY ONE CUSTOMERS (C)

Rates for each thm of gas distributed under the Rate SGDS rate schedules for Priority-One Service customers shall include $0.12517 per thm for recovery of Purchased Gas Demand Costs (PGDC). This rate includes the DC of $0.14937 per thm and the demand "E" Factor component of ($0.02420) per thm.

RIDER PGC CHARGED TO CHOICE DISTRIBUTION SERVICE CUSTOMERS (C)

Rates for each thm of gas distributed under Rate RDS, Rate RDGDS and Rate SCD shall include $0.09521 per thm for recovery of Purchased Gas Demand Costs. This rate includes the DC of $0.14937 per thm, the Capacity Assignment Factor (CAF) of ($0.02996) per thm and the DC "E" Factor component of ($0.02420) per thm. The CAF represents costs not assignable to Choice Distribution Service customers.

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

PRESENTATION ON CUSTOMER BILLS (C)

For sales service customers served under Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS and Rate MLSS, the Pass-through Charge includes the PGDC of $0.14937 per thm plus the demand "E" Factor of ($0.02420) per thm. The two factors total $0.12517 per thm. The Gas Supply Charge includes the PGCC of $0.35044 per thm. The Gas Cost Adjustment is the commodity "E" Factor of ($0.05980) per thm.

For General Distribution Service customers served under Priority-One Rate SGDS, the Pass-through Charge includes the PGDC of $0.01493 per thm and the demand "E" Factor component of ($0.02420) per thm, totaling $0.12517 per thm.

For Choice Distribution Service customers served under Rate RDS, Rate RDGDS or Rate SCD, the Pass-through Charge includes the PGDC of $0.14937 per thm, the CAF of ($0.02996) per thm and the demand "E" Factor component of ($0.02420) per thm, all of which total $0.09521 per thm.

QUARTERLY UPDATES

The Company's rates for recovery of purchased gas costs are also subject to quarterly adjustments under procedures set forth in the Commission's regulations at 52.Pa. Code § 53.64 (i) (5). Such updates shall reflect, in addition to the provisions of the regulation, adjustments to the projected commodity cost of purchased gas based upon more current versions of the same sources of data and using the same methods to project the commodity cost of purchased gas approved by the Commission in the Company's most recent annual proceeding for recovery of purchased gas costs under section 1307(f) of the Public Utility Code.

(C) Indicates Change (D) Indicates Decrease (I) Indicates Increase(I)

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Sixth Revised Page No. 152
Columbia Gas of Pennsylvania, Inc. **Canceling Fifth Revised Page No. 152**

RIDER PGC - PURCHASED GAS COST (Continued)

COMPUTATION OF PURCHASED GAS COMMODITY COSTS PER THM

Purchased gas commodity costs, per thm, shall be computed to the nearest one-thousandth cent (0.001¢) in accordance with the formula set forth below:

$$PGCC = [(CC - CE) \div S]$$

Purchased gas commodity costs, so computed, shall be included in rates charged to customers for gas service under the Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules for consecutive twelve month periods beginning October 1 of each year unless such period is revised by the Commission. The amount of purchased gas commodity costs, per thm, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) of the Commission's Regulations adopted pursuant thereto.

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

"PGCC" - purchased gas commodity costs determined to the nearest one-thousandth cent (0.001¢) to be included in rates for each thm of gas supplied under this Rider for the Rate RSS, Rate PRDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules.

"CC" - the estimated current commodity cost of gas, which shall be determined as follows:

1. for all types of purchased gas, the projected commodity cost for each purchase (adjusted for net current gas stored), for the projected period when rates will be in effect; plus

2. the arithmetic difference of (a) the projected book value of noncurrent gas at the beginning of the computation year minus (b) the projected book value of noncurrent gas at the end of the computation year; plus

3. any other purchased gas costs not defined as demand costs.

"CE" - experienced net overcollection or undercollection of purchased gas commodity costs.

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

Supplier refunds received that are specifically identifiable as refunds of commodity costs will be in the calculation of "CE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. The period over which such refunds will be made shall be established by the Commission.

"S" - projected thms of gas to be billed to customers subject only to Rider PGC under the commodity charges of the Rate RSS, Rate PRDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules of this tariff during the period when rates will be in effect.

(C) Indicates Change

RIDER PGC - PURCHASED GAS COST (Continued)

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER THM

For customers subject to this Rider, purchased gas demand costs, per thm, shall be computed to the nearest one-thousandth cent (0.001¢), in accordance with the formula set forth below:

$$PGDC = (DC - DE) \div S)$$

Purchased gas demand costs, so computed, shall be included in rates charged to customers for gas service, pursuant to the Rate RSS, Rate RDGSS, Rate RDS, Rate RDGDS, Rate SGSS, Rate SCD, Rate LGSS, Rate PS and Rate MLSS rate schedules, and Priority One SGDS Customers receiving distribution service, for consecutive twelve-month periods beginning October 1 of each year unless such period is revised by the Commission. The amount of purchased gas demand costs, per thm, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) of the Commission's regulations adopted pursuant thereto. (C)

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

"PGDC" - purchased gas demand costs determined to the nearest one-thousandth cent (0.001¢) to be included in rates for each thm of gas supplied under the Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, and Rate MLSS rate schedules of the tariff.

"DC" - the estimated current demand cost of gas, which shall be determined as follows:

1. for all types of purchased gas, the projected total demand charges from any interstate pipeline company or any source of gas supply purchased by the Company for the projected period when rates will be in effect; plus
2. the projected firm transportation reservation or standby service charges of any interstate or intrastate pipeline or supplier, excluding charges for transportation acquired for the purpose of providing the Full Balancing Service under Rider EBS – Option 1; plus
3. the projected charges for storage capacity of any interstate or intrastate pipeline supplier, excluding charges for storage capacity acquired for the purpose of providing the Full Balancing Service under Rider EBS – Option 1.

From the sum of items 1, 2 and 3 the following amount shall be deducted:

a. the projected Maximum Daily Firm Requirement to be billed to all customers under Rate SS during the projected period times the rate per thm under the Maximum Daily Firm Requirement charge of Rate SS;
b. the projected intra-month balancing service costs to be billed to customers electing Rider EBS - Option 2.

"DE" - experienced net overcollection or undercollection of purchased gas demand costs.

Such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-undercollection calculation reflected in rates. "DE" shall be $0 prior to October 1, 1996.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Thirty-Eighth Revised Page No. 154
Columbia Gas of Pennsylvania, Inc. **Canceling Thirty-Sixth Revised Page No. 154**

RIDER PGC - PURCHASED GAS COST (Continued)

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER THM – Continued

Supplier refunds that are not included in "CE" will be included in the calculation of "DE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded. The period over which such refunds will be made shall be established by the Commission.

"S" - projected thms of gas to be billed to customers under the distribution charges of the Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, Rate PS and Rate MLSS rate schedules plus the projected thm of gas to be distributed to customers under Rate RDS, Rate RDGDS, Rate SCD and SGDS Priority One Distribution rate schedules of this Tariff during the period when rates will be in effect. (C)

PROVISION OF PURCHASED GAS DEMAND COST CREDIT DUE TO CUSTOMERS ELECTING CHOICE DISTRIBUTION SERVICE – CAPACITY ASSIGNMENT FACTOR (CAF) (C)

The Purchased Gas Demand Cost (PGDC) rate included in the Pass-through Charge billed to Choice Distribution Service customers served under Rate RDS, Rate RDGDS or Rate SCD shall be $0.09521 per thm. Such rate shall be equal to the PGDC component of $0.12517 per thm as calculated above, less the CAF of $0.02996 per thm. The CAF shall be equal to the projected annual cost of assigned Firm Capacity less estimated annual storage commodity costs (storage injection, withdrawal, shrinkage and commodity transportation cost) with the net divided by the estimated, normalized annual usage of customers electing Choice Distribution Service. The CAF of $0.02996 per thm representing costs not assignable to CHOICE customers shall be included in the Price-to-Compare.

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS

Commodity E-factor

In computing the experienced over/under collection of purchased gas commodity costs for a period defined by the Commission, the following procedure shall be used:

(a) All experienced purchased gas commodity costs actually incurred by the Company to service customers pursuant to all rate schedules of this Tariff.

Experienced purchased gas commodity costs shall include, but not be limited to, the following:

(1) the cost of propane to provide service under Rate PS,

(2) payments to suppliers to accept assignment of capacity on interstate pipelines other than Columbia Gas Transmission Corporation to the extent permitted under the Rules Applicable to Distribution Service,

(3) costs paid for employing futures, options and other risk management tools, including but not limited to, supplier related costs associated with the fixed price contracts or financial contracts utilized by the Company to lessen the impact of price volatility for PGC customers, and

(4) the index price of gas purchased from distribution customers under the provisions of the Deliveries in Excess of Consumption section of Paragraph 3 of the Rules Applicable to Distribution Service.

(C) Indicates Change

RIDER PGC - PURCHASED GAS COST (Continued)

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS - Continued

(b) The following amount shall be included as revenues recovered for gas commodity costs:

(1) *an amount determined by multiplying commodity sales quantities subject only to Rider PGC billed* under the Rate RSS, Rate SGSS, Rate LGSS, Rate PS and Rate MLSS rate schedules, for the applicable over/undercollection period, times the PGCC component excluding the commodity E Factor; plus (C)

(2) an amount determined by multiplying commodity sales quantities billed under Rate SGDS, Rate SDS, Rate LDS, Rate MLDS, and Rate SDSS rate schedules, times the index price of gas defined in the Consumption in Excess of Deliveries section of the Rules Applicable to Distribution Service. (C)

Demand "E" Factor

In computing the experienced over/undercollection of purchased gas demand costs for a period defined by the Commission, the following procedure shall be used:

(a) All experienced purchased gas demand costs actually incurred by the Company to service customers pursuant to all rate schedules of this tariff, excluding the cost of capacity acquired for the purpose of providing Full Balancing Service under Option 1 of the Elective Balancing Services Rider. *Capacity acquired to provide Full Balancing Service under EBS Option 1 will include* sufficient storage capacity for the aggregate of the maximum banks provided under this option, and sufficient storage withdrawal and transportation capacity to provide the firm balancing entitlements.

(b) The following amount shall be included as revenues recovered for gas demand costs:

(1) an amount determined by multiplying Distribution quantities billed under this Rider for the Rate RSS, Rate CAP, Rate RDS, Rate RDGSS, Rate RDGDS, Rate SCD, Rate SGSS, Priority One Rate SGDS, Rate LGSS and MLSS rate schedules, for the applicable over/undercollection period, times the PGDC component excluding the demand E Factor; plus (C)

(2) the amounts billed under Rate SS; plus

(3) the amounts billed distribution service customers under Rider EBS - Option 2; plus

(C) Indicates Change

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Tariff Gas – Pa. P.U.C. No. 9
Eleventh Revised Page No. 156
Columbia Gas of Pennsylvania, Inc. **Canceling Tenth Revised Page No. 156**

RIDER PGC - PURCHASED GAS COST (Continued)

DETERMINATION OF OVER/UNDERCOLLECTION OF GAS COSTS - Continued

Demand E-Factor – Continued

(4) credits received for capacity assigned pursuant to the Rules Applicable to Distribution Service; plus (C)

Interest on over/under collection of gas costs shall be computed monthly at the appropriate rate provided for in Section 1307(f)(5) of the Public Utility Code from the month that the over or undercollection occurs to the effective month such over or undercollection is refunded.

ADJUSTMENT OF "E" FACTOR AMOUNTS

Each 1307(f) rate shall also provide for refund or recovery of amounts necessary to adjust for over or underrecoveries of "E" Factor amounts included in prior 1307(f) rates. In computing the amount to be included for over or undercollection of "E" Factor amounts, the amount recovered for "E" Factor amounts under the prior 1307(f) rate shall be determined by multiplying the applicable Distribution quantities billed under the Rate CAP, Rate RSS, Rate RDGSS, Rate SGSS, Rate LGSS, Rate MLSS, Rate RDS, Rate RDGDS, Priority One Rate SGDS, and Rate SCD rate schedules during the applicable 1307(f) period times the portion of the PGCC and the PGDC component that provides for recovery of "E" Factor amounts. (C)

SUPPLIER REFUNDS APPLICABLE TO RATE SS CUSTOMERS

Any supplier refunds received from Columbia Gas Transmission Corporation, which are specifically identified as refunds of Contract Demand charges made after March 31, 1992, shall be refunded pro rata to customers taking service during the applicable prior period(s) under Rate SS. All refunds shall include interest added at the annual rate of six percent (6%) calculated from the month received to the month the refund is made. Refunds shall be paid once each year, as soon as practicable following October 30 of each year, and shall include all applicable supplier refunds received by the Company during the preceding twelve-month period ended October 30.

SHARING OF OFF-SYSTEM SALES REVENUE

Following is the definition of gas cost for off-system sales program.

(1) For sales in which a specific purchase is not made, the cost of gas will be defined as the daily average city gate commodity cost of the gas supplies purchased by the Company and flowing on the first of the month (WACCOG). For sales made upstream of the Company's city gate, the cost of transportation, including retainage, from the point of sale to the city gate will be subtracted from the WACCOG. This amount will be further adjusted to include applicable taxes, other than income taxes, and other costs.

(2) For incremental sales in which a specific purchase is made, the cost of gas will be defined as the purchase price plus transportation costs, including retainage, taxes and other costs that have or will be incurred.

(C) Indicates Change

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Tariff Gas – Pa. P.U.C. No. 9
Twelveth Revised Page No. 160
Columbia Gas of Pennsylvania, Inc. **Canceling Eleventh Revised Page No. 160**

RIDER GPC – GAS PROCUREMENT CHARGE

APPLICABILITY (C)

Throughout the territory served under this Tariff.

This Rider shall be applicable to residential customers taking service under Rate Schedules RSS, RDGSS, and commercial or industrial customers taking service under Rate Schedules SGSS, LGSS and MLSS. The Rider will also be applicable to customers taking service on Rate Schedule CAP if an NGS is not currently providing natural gas to the CAP aggregation.

CHARACTER OF RATE

The Rider GPC was established in compliance with the Pennsylvania Public Utility Commission's Revised Final Rulemaking in Docket No. L-2008-2069114 and is addressed in the PA Code Title 52, Chapter 62, §62.223.

The Gas Procurement Charge is a volumetric charge included in the Gas Supply Charge that reflects the Company's natural gas procurement costs.

The Rider identifies and removes the natural gas procurement costs from base rates and recovers the costs through the Gas Supply Charge on a revenue neutral basis.

RATE

The Rider GPC is a component of the Price-to-Compare and appears in the Gas Supply Charge Summary and the Price to Compare Summary pages of this Tariff.

The Rider GPC is not subject to reconciliation and will only be recalculated in a base rate case.

CALCULATION OF RATE

The Rider GPC is calculated as follows:

(GPLB + GPLS) / FSSQ = GPC per thm

where:

GPLB is the Gas Procurement Labor and Benefits costs including the management, contracting, scheduling, administrative and other costs that's are directly associated with the natural gas procurement function and excluding transportation and storage.

GPLS is the Gas Procurement Legal Support cost for contracted legal counsel including costs incurred for the legal services provided in 1307 (f) cases.

FSSQ is the Forecasted rate year Sales Service Quantities.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Seventh Revised Page No. 161
Columbia Gas of Pennsylvania, Inc. **Canceling Sixth Revised Page No. 161**

RIDER MFC – MERCHANT FUNCTION CHARGE (C)

APPLICABILITY

This Rider shall be applicable to residential customers taking service under Rate Schedules RSS, RDGSS, or CAP (unless an NGS is serving the CAP aggregation) and commercial or industrial customers taking service under Rate Schedule SGSS.

CHARACTER OF RATE

This Rider was established in compliance with the Pennsylvania Public Utility Commission's Revised Final Rulemaking Order dated June 23, 2011 in Docket No. L-2008-2069114 and is addressed in the PA Code Title 52, Chapter 62, §62.223.

The Merchant Function Charge reflects the cost of uncollectibles associated with natural gas costs billed to applicable customers by the Company.

RATE

The MFC is a component of the Price-to-Compare calculation as described in the Definitions section of this tariff. The uncollectible expense ratio of 1.458% determined in the most recent base rate case is used in the calculation of the rate.

The current MFC rate may be found in the Rate Summary pages of this Ttariff.

CALCULATION OF RATE

The Rider MFC rate is calculated as follows:

MFC = PGCC x the uncollectible expense ratio

where:

PGCC is the current Purchased Gas Commodity Cost as detailed in the Purchased Gas Cost Rider of this tariff.

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fifth Revised Page No. 162
Columbia Gas of Pennsylvania, Inc. **Canceling Fourth Revised Page No. 162**

RIDER RNA – REVENUE NORMALIZATION ADJUSTMENT (C)

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILTY

The RNA shall apply to non-Cap residential customers under Rate Schedules RSS, RDS, RDGSS and RDGDS.

DEFINITIONS

Period One is October 1st through March 31st.
Period Two is April 1st through September 30th.
RNA is the Revenue Normalization Adjustment for non-CAP residential customers for the applicable period.
BRPC is the Benchmark Revenue Per Customer for non-CAP residential customers for the applicable period.
ARPC is the Actual Revenue Per Customer for non-CAP residential customers for the applicable period.
ACUS is the Actual number of non-CAP residential Customers for the applicable period. ACUS will be computed using a six month average.
FT is the Forecast Therms for residential customers for the six month period that the RNA will be applied.

REVENUE NORMALIZATION ADJUSTMENT CALCULATION

The RNA is computed for two separate six month periods. At the conclusion of Period One, the RNA will be calculated to be applied to customers' bills beginning with the next Period One. At the conclusion of Period Two, the RNA will be calculated to be applied to customers' bills beginning with the next Period Two.

Period One: $$RNA^1 = \frac{[ACUS^1 x (BRPC^1 - ARPC^1)]}{FT^1}$$

Period Two: $$RNA^2 = \frac{[ACUS^2 x (BRPC^2 - ARPC2)]}{FT^2}$$

The first RNA Period One to be billed to customers will begin October 1, 2014 and will be calculated based upon the six month period beginning October 1, 2013.

BENCHMARK REVENUE PER RESIDENTIAL CUSTOMER

Benchmark Revenue Per Customer shall be computed by multiplying the effective base rates by the Fully Forecasted Rate Year billing determinants, divided by the number of residential customers for the applicable six month period. New Benchmark Base Revenues will be established with each rate case filing.

(C) Indicates Change

RIDER RNA – REVENUE NORMALIZATION ADJUSTMENT (Continued) (C)

CURRENT EFFECTIVE BENCHMARK REVENUE PER CUSTOMER

The current effective Benchmark Base Revenue Per Customer established with the filing of Rate Case Docket No. R-2012-2321748.

Customer Class Group	Period One	Period Two
Non-CAP Residential	$XXX.XX	$XXX.XX

FILING REQUIREMENTS

The Company will provide the calculation of the RNA along with the revised RNA Rate one month prior to the effective date of the RNA.

(C) Indicates Change

RIDER EBS – ELECTIVE BALANCING SERVICES

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

This Rider has been established to provide balancing service options for General Distribution Service (GDS) customers in Pennsylvania.

In addition to the charges provided in the customer's rate schedule, an amount may be added to the otherwise applicable charge for each thm of distribution quantities distributed by the Company to a customer receiving service under Rate Schedules SGDS, SDS, LDS, and MLDS, or successor rate schedules, for EBS service as provided below. Rider EBS contains two options for balancing service as described below. (C)

SERVICE OPTIONS:

Option 1: FULL BALANCING SERVICE

Full Balancing Service provides the Customer Proxy with the opportunity to: (1) maintain a bank from month to month on the Company's system; (2) access banked gas on a firm basis pursuant to the Seasonal Flow Order, Operational Flow Order, and Matching Flow Order sections in Paragraph 3 of the Rules Applicable to Distribution Service ("RADS") on any day, including days in which an SFO, OFO, or OMO restricts GDS under-deliveries, up to five percent (5%) of the customer's then current Maximum Daily Quantity ("MDQ"), and, to the extent made available by the Company on a best efforts basis, additional interruptible access to the Customer Proxy's bank and (3) to add to the bank on any day, including days in which an SFO, OFO, or OMO restricts GDS over-deliveries. Deliveries to the Company on days in which an SFO, OFO or OMO restricts over-deliveries shall not exceed one hundred two and one-half percent (102.5%) of the maximum prescribed SFO, OFO, or OMO Level unless authorized by the Company.

Option 1: BANK TOLERANCE

The cumulative balance of excess deliveries ("positive bank"), at the end of any billing month, shall not exceed the following specified Bank Tolerance Percentages:

1. For any customer with annual consumption greater than 540,000 thms --- 5% of the customer's then current annual quantities. (C)

2. For any customer with annual consumption less than or equal to 540,000 thms --- 10% of the customer's then current annual quantities as specified for the billing months of November through September, and 5% of the customer's then current annual quantity for the October billing month. (C)

(C) Indicates Change

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Fifth Revised Page No. 174
Columbia Gas of Pennsylvania, Inc. **Canceling Fourth Revised Page No. 174**

PILOT RIDER NAS - NEW AREA SERVICE (C)

APPLICABILITY

Throughout the Company's service territory for any residential customer seeking natural gas distribution service or commercial and industrial customers so long as the intent of the service is primarily residential customer service.

AVAILABILITY

The Company may make Pilot Rider NAS available to any residential, commercial or industrial applicant who would be required to provide a deposit under Rule No. 8 – Extensions Rule of the Company's tariff for an extension of the Company's distribution facilities.

Pilot Rider NAS will close for new participation on June 30, 2017 unless an extension is approved by the Commission.

CHARACTER OF RATE

This Pilot Rider NAS has been established to provide customers with an alternative to paying the deposit required by Rule No. 8 - Extensions of the Company's tariff when an extension of the Company's distribution facilities is not economically feasible based on the anticipated gas requirements. Pilot Rider NAS may be used on a stand-alone basis, or in conjunction with a deposit, in order to eliminate or reduce the amount of the deposit required under Rule No. 8 - Extensions of the Company's tariff. The Pilot Rider NAS will be a flat charge per bill. The Pilot Rider NAS charge shall be calculated separately for each distribution extension project and the charge shall be based on the cost of that particular distribution extension project. The Pilot Rider NAS charge shall be calculated as described below for each customer served from that particular distribution extension project. In any year Columbia will not place an amount greater than $1,000,000 into this rate rider.

RATE

This rate rider shall be calculated based on the applicant(s) ("Deposit Amount") and spread over a period of 20 years.

CALCULATION OF RATE

Pilot Rider NAS will use the Company's current practice to determine the economically unjustified portion of a distribution facility extension project as described in Rule No. 8 - Extensions of the Company's tariff. The Deposit Amount shall be assessed to the applicant using the following calculations:

Residential Distribution Service

When, pursuant to Rule No. 8 - Extensions of the Company's tariff, an applicant is required to provide a refundable cash deposit to the Company equal to the difference between the minimum capital investment required to serve the applicant(s)'s gas requirements and the amount of capital that the Company can justify investing in the project based on the anticipated gas requirements of the applicant(s), the Company shall have the option of allowing the applicant(s) to pay the Deposit Amount over a period of 20 years ("New Area Service Charge"). The 20 year period shall start with the first bill after the first meter is set. The New Area Service Charge shall appear as a monthly charge on the customer's bill and shall be equal to 1/240 of the difference between the minimum capital investment required to serve the applicant(s)'s gas requirements and the amount of capital that the Company can justify investing in the project, plus

(C) Indicates Change

PILOT RIDER NAS - NEW AREA SERVICE (Continued) (C)

CALCULATION OF RATE (Continued)

Residential Distribution Service (Continued)

interest equal to the fixed cost of capital as approved in the most recent rate case. The New Area Service Charge shall be assessed to all customers taking residential natural gas distribution service from the distribution facility extension at any time during the 20 year period.

The maximum New Area Service Charge per month per each residential customer shall be no more than $25 per month.

In the event that multiple residential service applicants shall be served through the extension of the Company's distribution facilities, each applicant will be assessed an equal portion of the New Area Service Charge.

The customer shall retain the right to pay the remaining balance of the New Area Service Charge at any point in time during the 20 year payback period.

Commercial and Industrial Distribution Service

When, pursuant to Rule No. 8 - Extensions of the Company's tariff, the customer is required to pay a refundable deposit in the amount that the net present value is below zero, the Company shall have the option of allowing the applicant(s) to pay the Deposit Amount over a period of 20 years ("New Area Service Charge"). The 20 year period shall start with the first bill after the first meter is set. The New Area Service Charge shall be appear as a monthly charge on the customer's bill and shall be equal to 1/240 of the net present value that is below zero plus interest equal to the fixed cost of capital as approved in the most recent rate case. The New Area Service Charge shall be assessed to all customers taking commercial or industrial distribution service from the distribution facility extension at any time during the 20 year period.

In the event that multiple commercial and industrial applicants shall be served through the extension of the Company's distribution facilities, each applicant will be assessed a prorated portion of the New Area Service Charge as determined by the projected usage of each customer.

The customer shall retain the right to pay the remaining balance of the New Area Service Charge at any point in time during the 20 year payback period.

In the event multiple rate classes of applicants shall be served through the extension of the Company's distribution facilities, each class will be assessed its prorated portion of the New Area Service Charge first, then each applicant within each class will be assessed its share as described in this Rider.

PERIODIC ADJUSTMENTS

The Company shall retain the right to adjust customers' deposit in the event that additional meters are added to or removed from the distribution facility extension. These adjustments shall include altering the New Area Service monthly charge assessed to customers and/or decreasing or increasing the 20 year payback period.

(C) Indicates Change

PILOT RIDER NAS - NEW AREA SERVICE (Continued) (C)

ADDITIONAL CREDITS

The Company shall retain the right to apply credits, at its sole discretion, to the New Area Service Charge thereby reducing the total amount owed by the Customer during the 20 year period.

TERMS OF PAYMENT

If the customer fails to pay the full amount of any bill a delayed payment penalty charge of one and one-quarter percent (1 1/4%) per month will accrue on the portion of the bill that is unpaid on the due date. The delayed payment penalty charge will not count as money paid towards the Deposit Amount due for any reconciliation period.

RECONCILIATION

At the conclusion of the 20-year period, the Company shall retain the right to extend the Rider NSA for a period of time necessary to collect any outstanding amount. The customer(s) will continue to be assessed the same monthly rate.

(C) Indicates Change

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FOR FUTURE USE

Supplement No. 190 to
Tariff Gas – Pa. P.U.C. No. 9
Sixth Revised Page No. 193
Columbia Gas of Pennsylvania, Inc. **Canceling Fifth Revised Page No. 193**

2.13 RETROACTIVE PERIOD ADJUSTMENTS

When the Company becomes aware of an overstatement or understatement of consumption or nominations on a customer's account for a previous period, the Company will adjust the customer's and/or the Aggregation Agent's account using the rates that were in effect for the month being adjusted.

2.14 NGS DEFAULT (C)

If the NGS breaches any Material Obligation it owes to the Company under its tariff, other than in instances of slamming, and fails to cure said breach within five business days after written notice from the Company, the Company shall have the right to prohibit the NGS from adding additional customers or to disqualify the NGS from operating on the Company's system entirely. Bankruptcy of the NGS is deemed to be an incident of default. In the event of an uncured breach, the Company may offset any and all amounts owed to it by the NGS against any and all amounts owed by the Company to the NGS, including without limitation, charges for imbalance gas sold by the Company, out of period adjustments to the NGS's account, amounts owed to the NGS for bank balances, and amounts owed to the Company for SFO, OFO, or OMO charges, etc. In the event a Choice NGS defaults and the Company is required to provide service to the NGS' customers at the rate which was contracted between the NGS and its customers (Section 2207 (K) of the Natural Gas Choice and Competition Act), the Company may also use any bank balance owed to the NGS to offset any incremental costs incurred by the Company in serving that NGS's customers. The Company reserves its rights to draw upon any bond or financial security instrument that may be required under the NGS Creditworthiness section in Paragraph 2 of the RADS and to pursue any and all damages it may incur as a result of a breach by the NGS.

2.15 NONLIABILTY OF COMPANY

The Company shall not be liable, under any circumstance or in any respect, to a Customer, to a producer of gas or to any other person or entity for damages arising either directly or indirectly from interruption, curtailment or termination of distribution service.

2.16 SPECIAL SERVICES (C)

Any special services, facilities, instrumentalities or non-standard methodologies which may be rendered or furnished by the Company for an NGS at its request or at the direction of a governmental authority, and not provided for in the Company's Rules Applicable to Distribution Service shall be paid for by the NGS for whom such services, facilities, instrumentalities or non-standard methodologies are furnished, and such costs shall be in addition to the charges provided for in the Rules Applicable to Distribution Service or in addition to any deposit required in the Creditworthiness section of the Rules Applicable to Distribution Service of this tariff.

(C) Indicates Change

3.11.2 For Customer Proxies electing Rider EBS-Option 1 or Rider EBS-Option 2, the index price for such imbalance gas shall be determined by selecting the greater of: (1) the average of the highest City Gate price for deliveries to Columbia Gas for ten (10) consecutive days during the calendar month as published in Platts Gas Daily "Daily price survey" under the heading "Texas Eastern, M-3" or (2) the highest commodity cost of purchases by the Company during the calendar month, including the delivered cost of purchases at the city gate, if any excluding any purchases under fixed price commodity contracts for which the price was determined more than thirty days before the beginning of the calendar month.

3.11.3 After the index price of gas is determined pursuant to this Paragraph, it shall then be adjusted by the percentages shown in the following table to reflect the degree to which consumption exceeds deliveries. The Company shall calculate the Customer Proxy's bill for imbalance gas by determining the quantity of imbalance gas sold to the Customer Proxy in each of the four tiers of the table, multiplying the quantity sold in each tier by the corresponding factor shown in the table, and adding that amount to any other applicable charges in the customer's rate schedule or RADS.

Ratio of Under-Deliveries to Consumption	Adjustment to Index Price
0.00% - 5.00%	105%
5.01% - 10.00%	110%
10.01% - 15.00%	120%
15.01% and over	130%

During an SFO, the foregoing table shall be replaced by the table in the Seasonal Flow Order section in Paragraph 3 of the RADS.

3.11.4 The Customer Proxy also shall be subject to any applicable penalty under the Operational Flow Order or Operational Matching Order sections of Paragraph 3 of these RADS in the event that such purchases occur during the existence of an OFO or OMO condition.

3.11.5 The Customer Proxy has no right to make purchases pursuant to this provision, and all such sales are considered interruptible sales except to the extent that the Customer has contracted for Standby Service.

3.11.6 The purchase of imbalance gas pursuant to this Paragraph shall not relieve the Customer Proxy of any applicable penalty resulting from the use of those quantities.

(C) Indicates Change

3.13 LIMITATION WHERE A CUSTOMER PROXY HAS A POSITIVE BANK

3.13.1 The drawdown of a positive bank is not a firm Distribution service, except as provided in Rider EBS-Option 1. Customer Proxies electing Rider EBS-Option 1 shall have firm access to positive banks as specified in Rider EBS-Option 1. For Customer Proxies electing Rider EBS-Option 2, the existence of a positive intra-month bank shall not prevent limitation of service to a Customer Proxy pursuant to the Limitations on Distribution Service section in Paragraph 2 of these Rules Applicable to Distribution Service, and drawdowns of positive banks may be prohibited whenever, in the Company's sole judgment, such prohibition is necessary to ensure that sufficient gas supplies are available to meet the daily or seasonal requirements of firm sales service Customers, or the balancing requirements of Choice Service Customers.

3.14 FLOW ORDER MANAGEMENT SERVICE

3.14.1 The Flow Order Management Service shall be available to Customers using more than 540,000 thms per year served under Rate LDS – Large Distribution Service and Rate MLS – Main Line Service that are not otherwise in an aggregation group. The service will allow the Large Volume GDS Customers located in the same Pipeline Scheduling Point either to group together themselves, or to nominate an NGS agent which shall group the customers together. Upon formation of such group, each member's compliance with a flow order shall be determined based upon the sum of the scheduled deliveries and the daily requirements of the group. (C)

3.14.2 During an SFO, OFO or OMO, if the group, as a whole, has scheduled adequate deliveries to comply with the SFO, OFO or OMO, then no penalties shall be assessed to any member of the group, regardless of whether that particular member complied with the SFO, OFO or OMO.

3.14.3 During an SFO, OFO or OMO, if the group, as a whole, has not scheduled adequate deliveries to comply with the SFO, OFO or OMO, then a penalty shall be calculated based upon the group's overall non-compliance with the SFO, OFO or OMO. The total penalty shall be divided by the number of members in the group, and that amount shall be billed to each member.

3.14.4 The Flow Order Management Service shall be made available for a fee of $.00093 per thm. A signed agreement must be completed prior to August 15th of the year in which the Flow Order Management Service is to commence. Customers must subscribe to the Flow Order Management Service for an entire year, beginning in November.

3.15 GENERAL DISTRIBUTION AGGREGATION SERVICE

This service is for any NGS that has been elected to serve as an Aggregation Agent by a General Distribution Customer, to be primarily responsible for delivering natural gas to the Company's City Gate on behalf of the Customer. The Aggregation Agent will be responsible, on an aggregate basis, for scheduling and nominating gas, for banking and balancing, receiving notices on behalf of the Customer and for all other activities associated with the provision of the Natural Gas Supply Services.

(C) Indicates Change

4.13 COMPANY BILLING OF NGS NATURAL GAS SUPPLY SERVICES - continued

4.13.4 Voluntary Purchase of Receivables Program

4.13.4.1 An NGS that elects Billing Option 2 for its customer accounts shall be required to sell all its accounts receivable to the Company as specified in this Purchase of Receivables ("POR") program paragraph. The NGS shall be required to execute an Accounts Receivable Purchase Agreement with the Company to implement the POR program.

4.13.4.2 An NGS must elect Billing Option 2 for their residential customer accounts and shall sell all of its residential customer accounts receivable to the Company.

4.13.4.3 An NGS participating in the POR program by electing Billing Option 2 is required to accept a new customer for enrollment without regard to the credit-related issues or payment history.

4.13.4.4 An NGS participating in the POR program by electing Billing Option 2 shall not request a security deposit from a customer.

4.13.4.5 The Company will purchase the NGS receivables at a fixed reduced base discount rate which is based on the Company's experienced uncollectible accounts expense ratio established in the Company's then most recent base rate proceeding. (C)

4.13.4.6 The Company will purchase only receivables associated with the NGS's Natural Gas Supply Services charges and no other products or services that may be provided by NGSs. The Natural Gas Supply Services charges eligible under the POR program shall not include any charges associated with the following: termination fees, energy efficiency service or equipment, a non-recurring charge billed by an NGS for calling the NGS call center or negotiating a payment plan, security deposits charged by an NGS, other equipment or services provided by an NGS such as heating equipment repairs or maintenance policies or any charges associated with carbon based attributes, including value added green products like carbon attributes.

4.13.4.7 The Company will have the right to terminate a customer's service for failure to pay the NGS's Natural Gas Supply Services charges portion of the bill. Such termination of service will comply with all applicable laws and regulations regarding termination of service.

4.13.4.8 The Company may require full payment of any balance outstanding for the NGS's Natural Gas Supply Services charges before reconnecting service that has been terminated for nonpayment. When requiring full payment, the Company will comply with all applicable laws and regulations regarding reconnection of service.

4.13.4.9 The Company, at its discretion, may decide to terminate the Purchase of Receivables program. The Company will provide at least three (3) months advance notice to any NGS participating in the POR program and all parties to Docket No. P-2009-2099333.

(C) Indicates Change

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 I. VALUATION
A. ALL UTILITIES

1. Provide a corporate history (include the dates of original incorporation, subsequent mergers and/or acquisitions). Indicate all counties and cities and other governmental subdivisions to which service is provided (including service areas outside the state), and the total population in the area served.

Response:

Columbia Gas of Pennsylvania, Inc. is a wholly-owned subsidiary of Columbia Energy Group, which is a subsidiary of NiSource Inc. Until the merger with NiSource in 2000, Columbia Gas of Pennsylvania, Inc. was a wholly-owned subsidiary of Columbia Gas System, Inc., a Public Utility Holding Company, organized under the laws of the state of Delaware on September 30, 1926.

NiSource, organized as an Indiana holding company in 1987 under the name of NIPSCO Industries, Inc., changed its name to NiSource Inc. on April 14, 1999. On November 1, 2000, NiSource acquired Columbia. In connection with the acquisition, NiSource became a Delaware corporation registered under the Public Utility Holding Company Act of 1935. Effective February 8, 2006, the Public Utility Holding Company Act of 1935 was repealed. NiSource is now a holding company under the Public Utility Holding Company Act of 2005.

Columbia Gas of Pennsylvania, Inc. was incorporated under the laws of Pennsylvania on June 23, 1960 and presently serves approximately 415,000 customers in the Commonwealth. The charter territory served by respondent includes cities, boroughs and townships in the counties of Allegheny, Beaver, Fayette, Greene and Washington and portions of the counties of Adams, Armstrong, Bedford, Butler, Centre, Chester, Clarion, Clearfield, Elk, Franklin, Fulton, Indiana, Jefferson, Lawrence, McKean, Mercer, Somerset, Venango, Warren, Westmoreland and York.

On May 31, 1967, as a result of Commission approval at A. 92870, Columbia acquired all the property and rights of Central Pennsylvania Gas Company which provides service in the Boroughs of Bellefonte and State College, and Townships of Spring, Potter, Benner, College, Burnside, Snow Shoe, Boggs, Ferguson, Patton, Harris and Union all in Centre County.

On August 29, 1967. as a result of Commission approval at A. 95038, Columbia acquired all the property and rights of York County Gas Company, which provided service in the Borough of McSherrystown and in the township of Conewago, both situated in Adams County, and in the boroughs, cities and townships situated in York County.

For all counties and cities and other governmental subdivisions to which service is provided see Pages 3 through 6, herein. Columbia does not provide service outside the State of Pennsylvania.

For the total population in the area served, see Pages 7 through 16, herein.

DESCRIPTION OF TERRITORY

ADAMS COUNTY

Abbottstown
Arendtsville
Aspers
Bendersville
Berwick Township
Biglerville
Butler Township
Caledonia
Cashtown
Conewago Township*
Cumberland Township
East Berlin
Fairfield
Fayetteville
Franklin Township
Freedom Township
Germany Township
Gettysburg
Hamilton Township
Hamiltonban Township
Hemptom
Littlestown
McSherrystown*
Menallen Township
Mt. Joy Township
Mt. Pleasant Township
New Oxford
Oxford Township
Reading Township
Strabane Township
Table Rock
Two Taverns
Tyrone Township
Union Township

ALLEGHENY COUNTY

The Company is certified to serve in all cities, boroughs and townships in Allegheny County.

ARMSTRONG COUNTY

Distant
Hovey Township
Madison Township
Mahoning Township
McWilliams
New Salem
Oakland
Oak Ridge
Parker city
Perry Township
Red Bank Township
South Bethlehem

BEAVER COUNTY

The Company is certified in serve in all cities, boroughs and townships in Beaver County.

BEDFORD COUNTY

Cumberland Valley Township
Londonderry Township
Mann Township
Southampton Township
State Line

BUTLER COUNTY

Adams Township
Allegheny Township
Annandale
Annisville
Brady Township
Bruin
Center Township
CherryTownship
Clay Township
Concord Township
Cranberry Township

BUTLER COUNTY (Continued)

Criders Corners
Deegan
Eau Claire
Fairview
Fairview Township
Fallowfield Township
Forestville
Franklin Township
Harrisville
Karns City **
Marion Township
Mercer Township
Muddy Creek Township
North Washington
Parker Township
Slippery Rock Township
Valencia
Valencia Township
Washington Township
West Liberty
Wick
Worth Township

CENTRE COUNTY ***

Bellefonte
Benner Township
Boggs Township
Burnside Township
College Township
Ferguson Township
Patton Township
Patter Township
Snow Shoe Township
Spring Township
State College
Union Township

* Territory formerly served under Tariff Gas-Pa. P.U.C. No. 7.
** Limited to industrial service to Pennsylvania Refining Company.
*** Territory formerly served under Tariff Gas-Pa. P.U.C. No. 6.

DESCRIPTION OF TERRITORY (Continued)

CHESTER COUNTY

Coatesville*

CLARION COUNTY

Ashland Township
Beaver Township
Callensburg
Climax
Dutch Hill
Elk City
Elk Township
Fairmont City
Foxburg
Hawthorne
Huey
Knox
Lamartine
Lawsonham
Leatherwood
Licking Township
Madison Township
Mayport
Monroe
New Bethlehem
Perry township
Perryville
Porter Township
Red Bank Township
Richland Township
Rimersburg
Salem
Salem Township
Shippenville
St. Petersburg
Toby Township
Turkey City
Turnip Hole
Wentlings
West Freedom
West Monterey

CLEARFIELD COUNTY

Burnside Township
Jordon Township**
Union Township

ELK COUNTY

Highland Township
Nansen
Russell city

FAYETTE COUNTY

The Company is certified to serve in all cities, boroughs and townships in Fayette County.

FRANKLIN COUNTY

Antrim Township
Caledonia
Greencastle
Greene Township
Guilford Township
Mercersburg
Mont Alto
Montgomery Township
Nunnery
Peters Township
Quincy
Quincy Township
Shady Grove
Washington Township
Waynesboro

FULTON COUNTY

Bethel Township
Thompson Township
Union Township

GREENE COUNTY

The Company is certified to serve in all cities, boroughs and townships in Greene County, with the exception of Monongahela Township, where the Company is authorized to serve customers located within the industrial park owned by Indiana County Industrial Development Authority and Indiana County Industrial Development Corporation.

INDIANA COUNTY

Center Township***
Cheryhill Township**
Clymer
White Township***

JEFFERSON COUNTY

Beaver Township
Clover Township
Heath Township
Iowa
Knox Township
Pine Creek Township
Polk Township
Ringgold Township
Rose Township
Summerville
Union Township
Warsaw Township
Winslow Township

* Limited to industrial service to Lukens Steel Company and Subsidiaries.
** Limited to industrial service to Hirman Swank's Sons.
*** Limited to service to customers located within the industrial park owned by Indiana County Industrial Development Authority and Indiana County Development Corporation.

DESCRIPTION OF TERRITORY (Continued)

LAWRENCE COUNTY

Bessemer
Big Beaver Township
Chewton
Ellport
Ellwood City
Energy
Harlansburg
Hickory Township
Joyce
Little Beaver Township
Mt. Jackson
Meshannock Township
New Castle
North Beaver Township
Perry Township
Princeton
Scott Township
Shenango Township
Slippery Rock Township
South New Castle
Taylor Township
Union Township
Wampum
Wayne Township
Wurtemburg

McKEAN COUNTY

Bradford
Bradford Township
Custer City
Dallas City
Degolia
Derrick City
Foster Brook
Foster Township
Lafayette Township
Lewis Run
Mt. Alton
Tune

MERCER COUNTY

Liberty Township
North Liberty

SOMERSET COUNTY

Addison Township
Berlin
Brothers Valley Township
Elk Lick Township
Greenville Township
Meyersdale
Salisbury
Somerset
Somerset Township
Southampton Township
Summit Township

VENANGO COUNTY

Clintonville
Clinton Township
Dotter
Emlenton
Freedom
Irwin Township
Mariasville
Nickleville
Pittsville
Richland Township
Rockland Township
Scrubgrass Township

WARREN COUNTY

Conewango Township
Glade Township
Mead Township
Pleasant Township
Russell
Shefield township
Starbrick
Warren

WASHINGTON COUNTY

The Company is certified to serve in all cities, boroughs and townships in Washington County.

WESTMORELAND COUNTY

Alverton
Ardara
Buzzardtown
Cereal
Circleville
Coal Hollow
Collinsburg
Cowansburg
East Huntingdon Township
Eldora
Fellsburg
Fells Chapel
Foxtone
Grapeville
Gratztown
Hahntown
Hempfield Township
Herminie
Irwin
Jeannette
Lowber
Madison
Marchland
Monessen
Mt. Pleasant
Mt. Pleasant Township
North Huntington Township
Penglyn
Penn
Penn Township
Rilton
Rostrover Township
Ruffsdale
Rural (Scottdale)
Scottdale
Sewickley Township
Shafton
Smithton
South Huntingdon Township
Stewartsville
Straw Pump
Sutersville
Tarr
Unity Township
West Newton
Youngwood

DESCRIPTION OF TERRITORY (Continued)

YORK COUNTY *

Carroll Township
Codorus Township**
Conewago Township
Dallastown
Dillsburg
Dover
Dover Township
East Hopewell Township
East Manchester Township
East Prospect
Fawn Township
Glen Rock
Hallam
Hallam Township
Hanover
Hopewell Township
Jackson Township
Jacobus
Jefferson
Loganville
Lower Chancefore Township
Lower Windsor Township
Manchester
Manchester Township
Manheim Township
Mount Wolf
Newberry Township
New Freedom
North Codorus Township
North York
Paradise Township
Penn Township
Railroad
Red Lion
Seven Valleys
Shrewsburg
Shrewsburg Township
Springettsbury Township
Springfield Township
Spring Garden Township
Spring Grove
Stewartstown

YORK COUNTY (Continued)

Warrington Township
Washington Township
Wellsville
West Manchester Township
West Manheim Township
West York
Windsor
Windsor Township
Wrightsville
Yoe
York
Yorkana
York Haven
York New Salem
York Township

* Territory formerly served under Tariff Gas – Pa. P.U.C. No. 7 with the exception of Codorus and Manheim Townships and portions of East Manchester, Hallam, Manchester and Penn Townships.

** Limited to industrial service to Aircraft-Marine Products, Inc.

COLUMBIA GAS OF PENNSYLVANIA, INC.

Population by County and County Subdivision

County/Subdivision	Population
ADAMS COUNTY	**101,407**
Abbottstown borough	1011
Arendtsville borough	952
Bendersville borough	641
Berwick township	2389
Biglerville borough	1200
Butler township (includes Table Rock)	2567
Caledonia	N/A
Conewago township	7085
Cumberland township	6162
East Berlin borough	1521
Fairfield borough	507
Fayetteville	N/A
Franklin township (includes Cashtown)	4877
Freedom township	831
Germany township	2700
Gettysburg borough	7620
Hamilton township	2530
Hamiltonban township	2372
Hemptom	N/A
Littlestown borough	4434
McSherrystown borough	3038
Menallen township (includes Aspers)	3515
Mount Joy township (includes Two Taverns)	3670
Mount Pleasant township	4693
New Oxford borough	1783
Oxford township	5517
Reading township	5780
Straban township	4928
Tyrone township	2298
Union township	3148
ALLEGHENY COUNTY	**1,223,348**
Aleppo township	1,916
Aspinwall borough	2,801
Avalon borough	4,705
Baldwin borough	19,767
Baldwin township	1,992
Bell Acres borough	1,388
Bellevue borough	8,370
Ben Avon borough	1,781
Ben Avon Heights borough	371
Bethel Park borough	32,313
Blawnox borough	1,432
Brackenridge borough	3,260
Braddock borough	2,159
Braddock Hills borough	1,880
Bradfordwoods borough	1,171
Brentwood borough	9,643
Bridgeville borough	5,148
Carnegie borough	7,972
Castle Shannon borough	8,316
Chalfant borough	800
Cheswick borough	1,746
Churchill borough	3,011
Clairton city	6,796
Collier township	7,080
Coraopolis borough	5,677
Crafton borough	5,951
Crescent township	2,640
Dormont borough	8,593

Dravosburg borough	1,792
Duquesne city	5,565
East Deer township	1,500
East McKeesport borough	2,126
East Pittsburgh borough	1,822
Edgewood borough	3,118
Edgeworth borough	1,680
Elizabeth borough	1,493
Elizabeth township	13,271
Emsworth borough	2,449
Etna borough	3,451
Fawn township	2,376
Findlay township	5,060
Forest Hills borough	6,518
Forward township	3,376
Fox Chapel borough	5,388
Franklin Park borough	13,470
Frazer township	1,157
Glassport borough	4,483
Glenfield borough	205
Green Tree borough	4,432
Hampton township	18,363
Harmar township	2,921
Harrison township	10,461
Haysville borough	70
Heidelberg borough	1,244
Homestead borough	3,165
Indiana township	7,253
Ingram borough	3,330
Jefferson Hills borough	10,619
Kennedy township	7,672
Kilbuck township	697
Leet township	1,634
Leetsdale borough	1,218
Liberty borough	2,551
Lincoln borough	1,072
McCandless township	28,457
McDonald	383
McKeesport city	19,731
McKees Rocks borough	6,104
Marshall township	6,815
Millvale borough	3,744
Moon township	24,185
Mount Lebanon township	33,137
Mount Oliver borough	3,403
Munhall borough	11,406
Municipality of Monroeville borough	28,386
Neville township	1,084
North Braddock borough	4,857
North Fayette township	13,934
North Versailles township	10,229
Oakdale borough	1,459
Oakmont borough	6,303
O'Hara township	8,407
Ohio township	4,757
Osborne borough	N/A
Penn Hills township	42,329
Pennsbury Village borough	661
Pine township	11,497
Pitcairn borough	3,294
Pittsburgh city	305,704
Pleasant Hills borough	8,268
Plum borough	27,126

Port Vue borough	3,798
Rankin borough	2,122
Reserve township	3,333
Richland township	11,100
Robinson township	13,354
Ross township	31,105
Rosslyn Farms borough	427
Scott township	17,024
Sewickley borough	3,827
Sewickley Heights borough	810
Sewickley Hills borough	639
Shaler township	28,757
Sharpsburg borough	3,446
South Fayette township	14,416
South Park township	13,416
South Versailles township	351
Springdale borough	3,405
Springdale township	1,636
Stowe township	6,362
Swissvale borough	8,983
Tarentum borough	4,530
Thornburg borough	455
Trafford	61
Turtle Creek borough	5,349
Upper St. Clair township	19,229
Verona borough	2,474
Versailles borough	1,515
Wall borough	580
West Deer township	11,771
West Elizabeth borough	518
West Homestead borough	1,929
West Mifflin borough	20,313
West View borough	6,771
Whitaker borough	1,271
Whitehall borough	13,944
White Oak borough	7,862
Wilkins township	6,357
Wilkinsburg borough	15,930
Wilmerding borough	2,190
ARMSTRONG COUNTY	**68,941**
Hovey township, Armstrong County	97
Madison township, Armstrong County	820
Mahoning township, Armstrong County (includes Distant, McWilliams and Oakland)	1,425
Parker city, Armstrong County	840
Perry township, Armstrong County	352
Redbank township, Armstrong County (includes New Salem and Oak Ridge)	1,064
South Bethlehem borough, Armstrong County	481
BEAVER COUNTY	**170,539**
Aliquippa city	9,438
Ambridge borough	7,050
Baden borough	4,135
Beaver borough	4,531
Beaver Falls city	8,987
Big Beaver borough	1,970
Bridgewater borough	704
Brighton township	8,227
Center township	11,795
Chippewa township	7,620
Conway borough	2,176
Darlington borough	254

Darlington township	1,962
Daugherty township	3,187
East Rochester borough	567
Eastvale borough	225
Economy borough	8,970
Ellwood City	632
Fallston borough	266
Frankfort Springs borough	130
Franklin township	4,052
Freedom borough	1,569
Georgetown borough	174
Glasgow borough	60
Greene township	2,356
Hanover township	3,690
Harmony township	3,197
Homewood borough	109
Hookstown borough	147
Hopewell township	12,593
Independence township	2,503
Industry borough	1,835
Koppel borough	762
Marion township	913
Midland borough	2,635
Monaca borough	5,737
New Brighton borough	6,025
New Galilee borough	379
New Sewickley township	7,360
North Sewickley township	5,488
Ohioville borough	3,533
Patterson township	3,029
Patterson Heights borough	636
Potter township	548
Pulaski township	1,500
Raccoon township	3,064
Rochester borough	3,657
Rochester township	2,802
Shippingport borough	214
South Beaver township	2,717
South Heights borough	475
Vanport township	1,321
West Mayfield borough	1,239
White township	1,394
BEDFORD COUNTY	**49,762**
Cumberland Valley township	1,597
Londonderry township (includes State Line)	1,856
Mann township	500
Southampton township	976
BUTLER COUNTY	**183,862**
Adams township	11,652
Allegheny township	641
Brady township	1,310
Bruin borough	524
Center township	7,898
Cherry township	1,106
Clay township	2,703
Concord township	1,505
Cranberry township (includes Criders Corners)	28,098
Deegan borough	N/A
Eau Claire borough	316
Fairview borough	198
Fairview township	2,080
Fallowfield Township	N/A
Franklin township	2,620
Harrisville borough	897
Karns City borough	209
Marion township (includes Annandale)	1,239
Mercer township (includes Forestville)	1,100

Muddy Creek township	2,254
Parker township	632
Slippery Rock township (includes Wick)	5,614
Valencia borough	551
Valencia township	868
Washington township (includes Annisville and North Washington)	1,300
West Liberty borough	343
Worth township	1,416
CENTRE COUNTY	**153,990**
Bellefonte borough	6,187
Benner township	6,188
Boggs township	2,985
Burnside township	439
College township	9,521
Ferguson township	17,690
Patton township	15,311
Patter township	N/A
Snow Shoe township	1,746
Spring township	7,470
State College borough	42,034
Union township	1,383
CHESTER COUNTY	**498,886**
Coatesville city	13,100
CLARION COUNTY	**39,988**
Ashland township	1,114
Beaver township (includes Wentlings)	1,761
Callensburg borough	207
Climax borough	N/A
Elk township (includes Elk City)	1,490
Foxburg borough	183
Hawthorn borough	494
Knox borough	1,146
Knox township	1,036
Leatherwood borough	N/A
Licking township (includes Turnip Hole)	536
Madison township (includes Lawsonham)	1,207
Monroe borough	N/A
New Bethlehem borough	989
Perry township (includes Dutch Hill, Perrysville, West Freedom, West Monterey)	947
Porter township	1,348
Redbank township (includes Fairmont City, Mayport)	1,370
Richland township (includes Turkey City)	494
Rimersburg borough	951
Salem township (includes Lamartine, Salem)	881
Shippenville borough	480
St. Petersburg borough	N/A
Toby township (includes Huey)	991
CLEARFIELD COUNTY	**81,642**
Burnside township	1,076
Jordan township	461
Union township	892
ELK COUNTY	**31,946**
Highland township (includes Nansen, Russell City)	492
FAYETTE COUNTY	**136,606**
Belle Vernon borough	1,093
Brownsville borough	2,331
Brownsville township	683
Bullskin township	6,966
Connellsville city	7,637
Connellsville township	2,391
Dawson borough	367

Dunbar borough	1,042
Dunbar township	7,126
Everson borough	793
Fairchance borough	1,975
Fayette City borough	596
Franklin township	2,528
Georges township	6,612
German township	5,097
Henry Clay township	2,066
Jefferson township	2,015
Lower Tyrone township	1,123
Luzerne township	5,965
Markleysburg borough	284
Masontown borough	3,450
Menallen township	4,205
Newell borough	541
Nicholson township	1,805
North Union township	12,728
Ohiopyle borough	59
Perry township	2,552
Perryopolis borough	1,784
Point Marion borough	1,159
Redstone township	5,566
Saltlick township	3,461
Seven Springs (partial)	15
Smithfield borough	875
South Connellsville borough	1,970
South Union township	10,681
Springfield township	3,043
Springhill township	2,907
Stewart township	731
Uniontown city	10,372
Upper Tyrone township	2,059
Vanderbilt borough	476
Washington township	3,902
Wharton township	3,575
FRANKLIN COUNTY	**149,618**
Antrim township (includes Shady Grove)	14,893
Caledonia borough	N/A
Greencastle borough	3,996
Greene township	16,700
Guilford township	14,531
Mercersburg borough	1,561
Mont Alto borough	1,705
Montgomery township	6,116
Nunnery borough	N/A
Peters township	4,430
Quincy township (includes Quincy)	5,541
Washington township	14,009
Waynesboro borough	10,568
FULTON COUNTY	**14,845**
Bethel township	1,508
Thompson township	1,098
Union township	706
GREENE COUNTY	**38,686**
Aleppo township	502
Carmichaels borough	483
Center township	1,267
Clarksville borough	230
Cumberland township	6,623
Dunkard township	2,372
Franklin township	7,280
Freeport township	310
Gilmore township	260
Gray township	219
Greene township	445

Greensboro borough	260
Jackson township	487
Jefferson borough	270
Jefferson township	2,352
Monongahela township	1,572
Morgan township	2,587
Morris township	818
Perry township	1,521
Rices Landing borough	463
Richhill township	896
Springhill township	349
Washington township	1,098
Wayne township	1,197
Waynesburg borough	4,176
Whiteley township	649
INDIANA COUNTY	**88,880**
Center township	4764
Cherryhill township	2765
Clymer borough	1357
White township	15821
JEFFERSON COUNTY	**45,200**
Beaver township	498
Clover township	448
Heath township	124
Iowa borough	N/A
Knox township	1,042
Pine Creek township	1,352
Polk township	265
Ringgold township	741
Rose township	1,255
Summerville borough	528
Union township	855
Warsaw township	1,424
Winslow township	2,622
LAWRENCE COUNTY	**91,108**
Bessemer borough	1,111
Big Beaver borough	N/A
Ellport borough	1,180
Ellwood city (Partial)	7,289
Hickory township	2,470
Little Beaver township	1,411
Neshannock township	9,609
New Castle city	23,273
North Beaver township (includes Mt. Jackson)	4,121
Perry township	1,938
Scott township (includes Harlansburg)	2,347
Shenango township (includes Energy, Joyce)	7,479
Slippery Rock township (includes Princeton)	3,283
South New Castle borough	709
Taylor township	1,052
Union township	5,190
Wampum borough	717
Wayne township (includes Chewton)	2,606
Wurtemburg borough	N/A
McKEAN COUNTY	**43,450**
Bradford city	8,770
Bradford township (includes Custer City, Degolia, Derrick City)	4,805
Foster township (includes Dallas City, Foster Brook)	4,316
Lafayette township (includes Mt. Alton)	2,350
Lewis Run borough	617
Tune borough	N/A
MERCER COUNTY	**116,638**
Liberty township (includes North Liberty)	1,414
SOMERSET COUNTY	**77,742**

Addison township	974
Berlin borough	2,104
Brothersvalley township	2,398
Elk Lick township	2,241
Greenville township	668
Meyersdale borough	2,184
Salisbury borough	727
Somerset borough	6,277
Somerset township	12,122
Southampton township	630
Summit township	2,271
VENANGO COUNTY	**54,984**
Clintonville borough	508
Clinton township	854
Dotter borough	N/A
Emlenton borough	617
Irwin township	1,391
Richland township (includes Mariasville, Nickleville)	777
Rockland township (includes Freedom, Pittsville)	1,456
Scrubgrass township	751
WARREN COUNTY	**41,815**
Conewango township (includes Starbrick)	3,594
Glade township	2,308
Mead township	1,386
Pleasant township	2,444
Russell borough	N/A
Sheffield township	2,121
Warren city	9,710
WASHINGTON COUNTY	**207,820**
Allenport borough	537
Amwell township	3,751
Beallsville borough	466
Bentleyville borough	2,581
Blaine township	690
Buffalo township	2,069
Burgettstown borough	1,388
California borough	6,795
Canonsburg borough	8,992
Canton township	8,375
Carroll township	5,640
Cecil township	11,271
Centerville borough	3,263
Charleroi borough	4,120
Chartiers township	7,818
Claysville borough	829
Coal Center borough	139
Cokeburg borough	630
Cross Creek township	1,556
Deemston borough	722
Donegal township	2,465
Donora borough	4,781
Dunlevy borough	381
East Bethlehem township	2,354
East Finley township	1,392
East Washington borough	2,234
Elco borough	323
Ellsworth borough	1,027
Fallowfield township	4,321
Finleyville borough	461
Green Hills borough	29
Hanover township	2,673
Hopewell township	957
Houston borough	1,296
Independence township	1,557
Jefferson township	1,162
Long Branch borough	447
McDonald borough (partial)	1,766

Marianna borough	494
Midway borough	913
Monongahela city	4,300
Morris township	1,105
Mount Pleasant township	3,515
New Eagle borough	2,184
North Bethlehem township	1,631
North Charleroi borough	1,313
North Franklin township	4,583
North Strabane township	13,408
Nottingham township	3,036
Peters township	21,213
Robinson township	2,193
Roscoe borough	812
Smith township	4,476
Somerset township	2,684
South Franklin township	3,310
South Strabane township	9,346
Speers borough	1,154
Stockdale borough	502
Twilight borough	233
Union township	5,700
Washington city	13,663
West Alexander borough	N/A
West Bethlehem township	1,460
West Brownsville borough	992
West Finley township	878
West Middletown borough	139
West Pike Run township	1,587
WESTMORELAND COUNTY	**365,169**
Buzzardtown borough	N/A
Cereal borough	N/A
Coal Hollow borough	N/A
East Huntingdon township (includes Alverton, Ruffsdale, Tarr)	7,963
Eldora borough	N/A
Fells Chapel borough	N/A
Hempfield township (includes Foxtone, Grapeville)	43,241
Irwin borough (includes Penglyn)	3,973
Jeannette city	9,654
Madison borough	397
Marchland borough	N/A
Manor borough	3,239
Monessen city	7,720
Mount Pleasant borough	4,454
Mount Pleasant township	10,911
North Huntingdon township (includes Ardara, Circleville, Hahntown, Shafton, Straw Pump)	30,609
Penn borough	475
Penn township	20,005
Rostraver township (includes Collinsburg, Fellsburg)	11,363
Rural (Scottdale)	N/A
Scottdale borough	4,384
Sewickley township (includes Cowansburg, Gratztown, Herminie, Lowber, Rilton)	5,996
Smithton borough	399
South Huntingdon township	5,796
Stewartsville borough	N/A
Sutersville borough	605
Unity township	22,607
West Newton borough	2,633
Youngwood borough	3,050
YORK COUNTY	**434,972**
Carroll township	5,939
Codorus township	3,796
Conewago township	7,510
Dallastown borough	4,049

Dillsburg borough	2,563
Dover borough	2,007
Dover township	21,078
East Hopewell township	2,416
East Manchester township	7,264
East Prospect borough	905
Fawn township	3,099
Glen Rock borough	2,025
Hallam borough	2,673
Hallam township	N/A
Hanover borough	15,289
Hopewell township	5,435
Jackson township	7,494
Jacobus borough	1,841
Jefferson borough	733
Loganville borough	1,240
Lower Chanceford township	3,028
Lower Windsor township	7,382
Manchester borough	2,763
Manchester township	18,161
Manheim township	3,380
Mount Wolf borough	1,393
Newberry township	15,285
New Freedom borough	4,464
North Codorus township	8,905
North York borough	1,914
Paradise township	3,766
Penn township	15,612
Railroad borough	278
Red Lion borough	6,373
Seven Valleys borough	517
Shrewsbury borough	3,823
Shrewsbury township	6,447
Springettsbury township	26,668
Springfield township	5,152
Spring Garden township	12,578
Spring Grove borough	2,167
Stewartstown borough	2,089
Warrington township	4,532
Washington township	2,673
Wellsville borough	242
West Manchester township	18,894
West Manheim township	7,744
West York borough	4,617
Windsor borough	1,319
Windsor township	17,504
Wrightsville borough	2,310
Yoe borough	1,018
York city	43,718
York township	27,793
Yorkana borough	229
York Haven borough	709
York New Salem	N/A

Source: US Census Bureau, Population Estimates Program - 2010 Census

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 I. VALUATION
C. GAS UTILITIES

2. Provide an overall system map, including and labeling all measuring and regulating stations, storage facilities, production facilities, transmission and distribution mains, by size, and all interconnections with other utilities and pipelines.

Response:

See Exhibit No. 15 for the overall system map of Columbia Gas of Pennsylvania, Inc. The gas system facilities are shown in further detail on approximately 4,800 operating maps on file in the Engineering Department of the Company. Any party to the proceeding who requires access to these detailed maps will be afforded the opportunity, subject to an appropriate protective agreement.

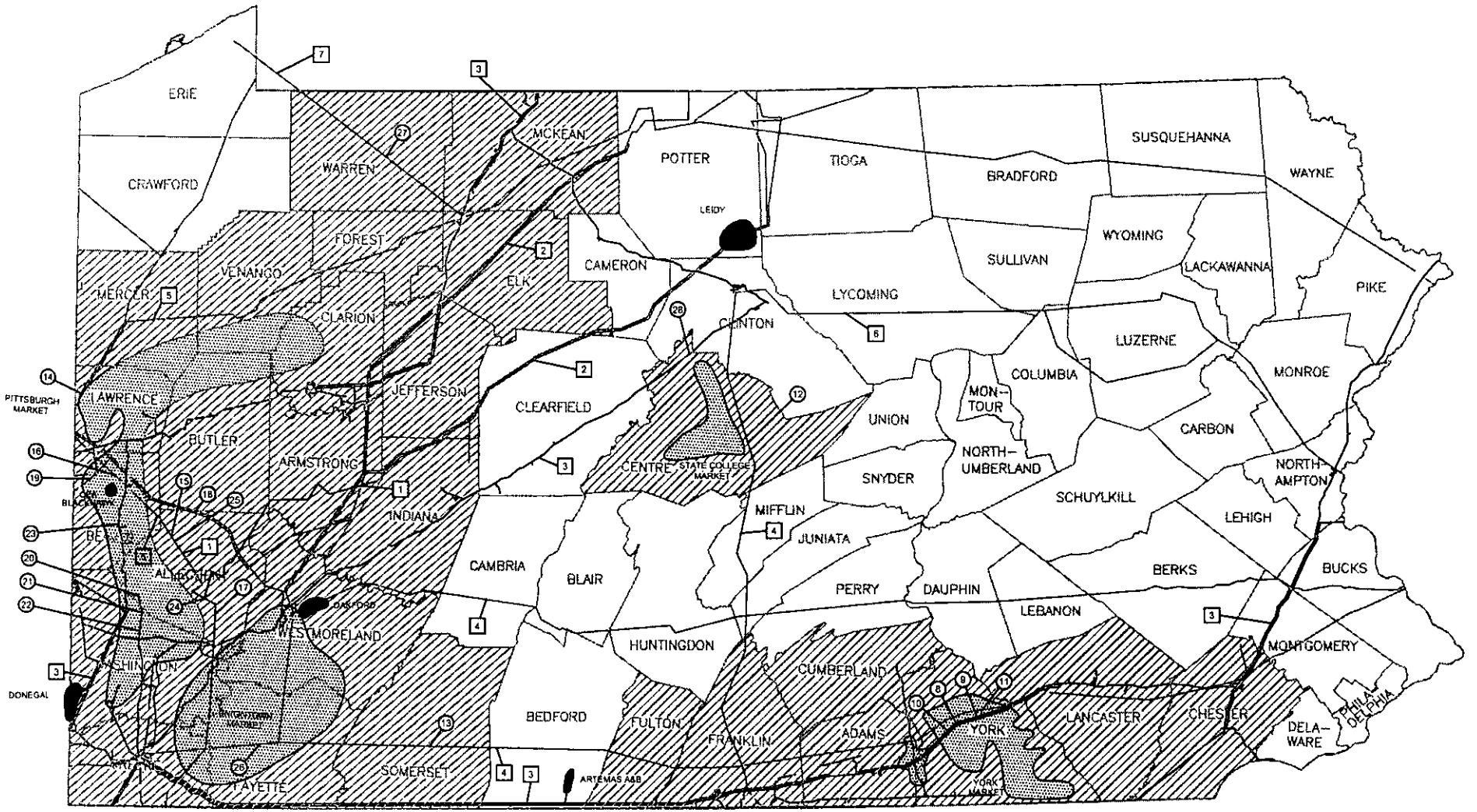
COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 IV. RATE STRUCTURE
B. GAS UTILITIES

8. Supply a map showing the Gas System Facilities and Gas Service Areas. The map should include transmission lines, distribution lines, other companies' lines interconnecting with the interconnecting points clearly designated, major compressor stations, gas storage areas and gas storage lines. The normal direction of gas flow within the transmission system should be indicated by arrows. Separate service areas within the system should be clearly designated.

Response:

For overall system map, see Exhibit No. 15.

COLUMBIA GAS OF PENNSYLVANIA, INC.
GAS SYSTEM FACILITIES AND SERVICE AREAS



TRANSMISSION PIPELINES

1. Equitrans Gas Transmission (EQ)
2. Dominion Transmission (DTI)
3. Columbia Gas Transmission (TCO)
4. Texas Eastern Transmission (TET)
5. Tennessee Gas Pipeline (TGP)
6. Transcontinental Gas Pipeline (TRANSCO)
7. National Fuel Gas Supply (NFG)

MAJOR INTERCONNECTS SERVING PA

8. (TCO) North York
9. (TCO) Emigsville
10. (TCO) Admire
11. (TET) Emigsville
12. (TET) Pleasant Gap
13. (TET) Rockwood
14. (TGP) New Castle
15. (TGP) Bradford Woods
16. (TGP) Koppel
17. (EQ) Jefferson
18. (DTI) Warrendale
19. (DTI) Darlington
20. (TCO) McCandless
21. (TCO) Cecil Greentree
22. (TCO) Tannehill
23. (TCO) Ambridge
24. (EQ) Groveton
25. (EQ) Bradford Woods
26. (TET) Uniontown
27. (NFG) Warren
28. (TCO) Snowshoe

LEGEND

- CPA Service Areas
- CPA Major Markets
- Storage Fields

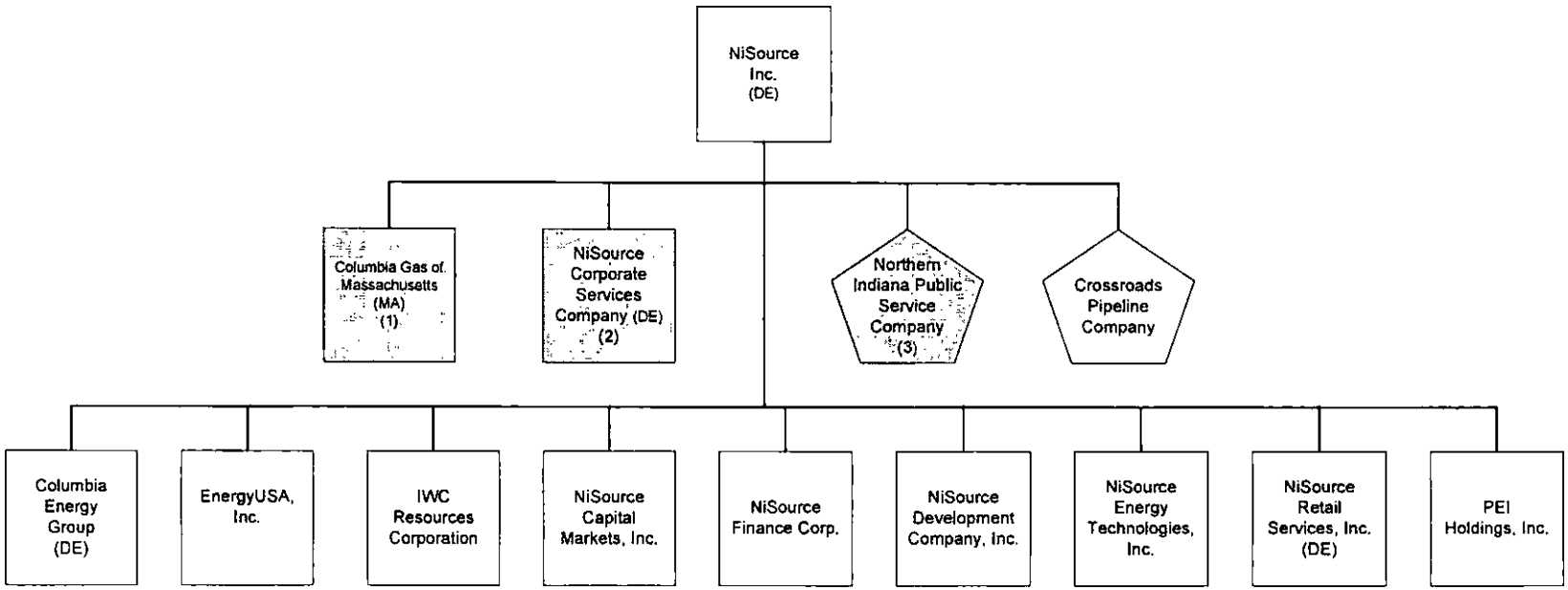
Exhibit 15

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

24. Attach chart explaining Company's relationship to its affiliates (System Structure).

Response: See pages 2 through 9.

Complete NiSource Inc. Corporate Structure and Direct Subsidiaries as of August 13, 2012



Shaded boxes represent Marketing and Energy Affiliates, as those terms are defined by the Federal Energy Regulatory Commission. Pentagonal shaped boxes represent Transmission Providers. Each subsidiary is 100% owned, unless a smaller percentage is indicated. All entities are organized in Indiana unless otherwise noted.

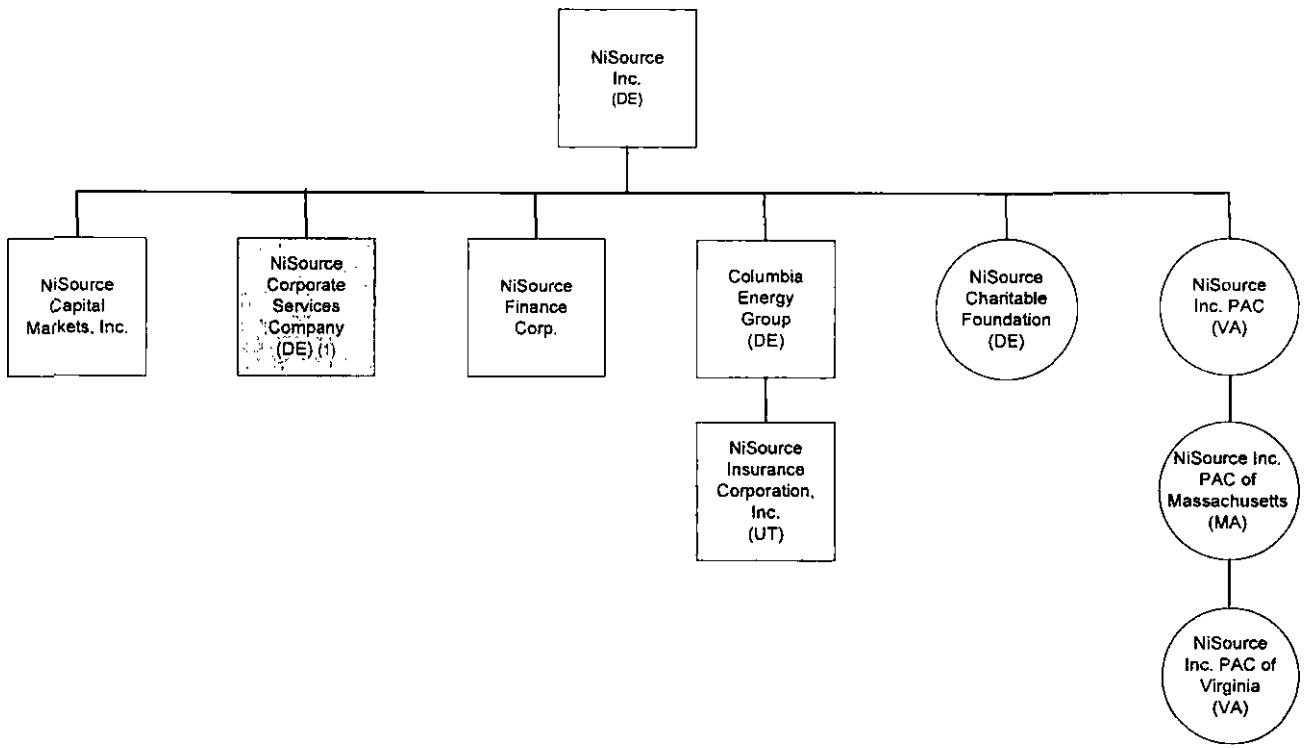
(1) Bay State Gas Company d/b/a Columbia Gas of Massachusetts

(2) Energy Supply Services (ESS), a division of NiSource Corporate Service Company, is treated as a Marketing and Energy Affiliate.

Since NiSource is a registered holding company, certain support services are provided on a company-wide basis by a corporate service company; NiSource Corporate Services Company (NCSC). NCSC provides the following services to NiSource Transmission Providers, Marketing and Energy Affiliates, and other direct or indirect subsidiaries of NiSource Inc.: (a) accounting and budget; (b) human resources; (c) information technology; (d) legal; (e) tax; (f) corporate communications; (g) insurance procurement; (h) risk management; (i) corporate credit; (j) investor relations; (k) real estate services; (l) internal audit; and (j) supply chain non-energy procurement.

(3) Northern Indiana Public Service Company (NIPSCO) is a combined electric and gas utility. Within NIPSCO are: an electric public utility Transmission Provider, a retail electric service provider, a gas local distribution (LDC) provider, and employees engaged in wholesale power trading. The gas LDC and employees engaged in wholesale power trading are treated as Marketing and Energy Affiliates.

Corporate Center Subsidiaries
as of August 13, 2012

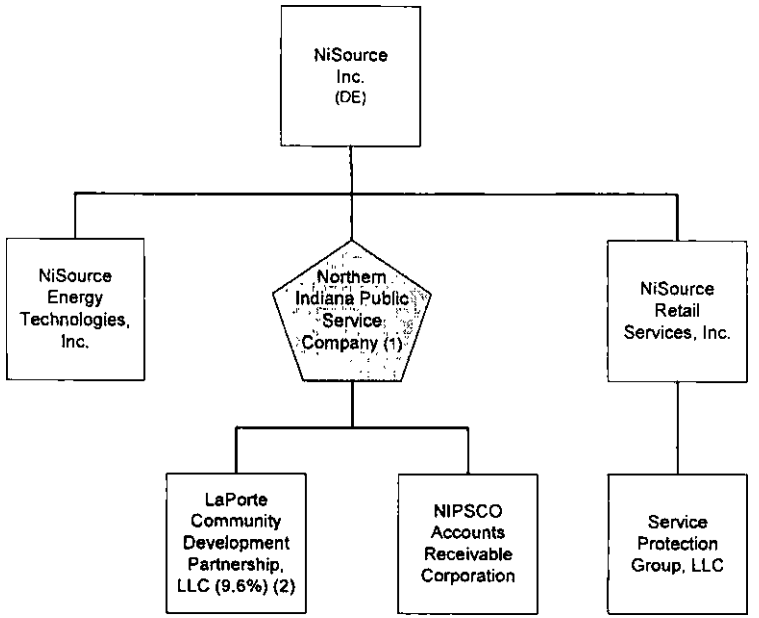


Shaded boxes represent Marketing and Energy Affiliates, as those terms are defined by the Federal Energy Regulatory Commission. Pentagonal shaped boxes represent Transmission Providers. Each subsidiary is 100% owned, unless a smaller percentage is indicated. Circles represent not-for-profits. All entities are organized in Indiana unless otherwise noted.

(1) Energy Supply Services (ESS), a division of NiSource Corporate Service Company, is treated as a Marketing and Energy Affiliate.

Since NiSource is a registered holding company, certain support services are provided on a company-wide basis by a single corporate service company, NiSource Corporate Services Company (NCSC). NCSC provides the following services to NiSource Transmission Providers, Marketing and Energy Affiliates, and other direct or indirect subsidiaries of NiSource Inc.: (a) accounting and budget; (b) human resources; (c) information technology; (d) legal; (e) tax; (f) corporate communications; (g) insurance procurement; (h) risk management; (i) corporate credit; (j) investor relations; (k) real estate services; (l) internal audit; and (j) supply chain non-energy procurement.

NIPSCO Subsidiaries
(with Additional Other Products and Services Subsidiaries)
as of August 13, 2012

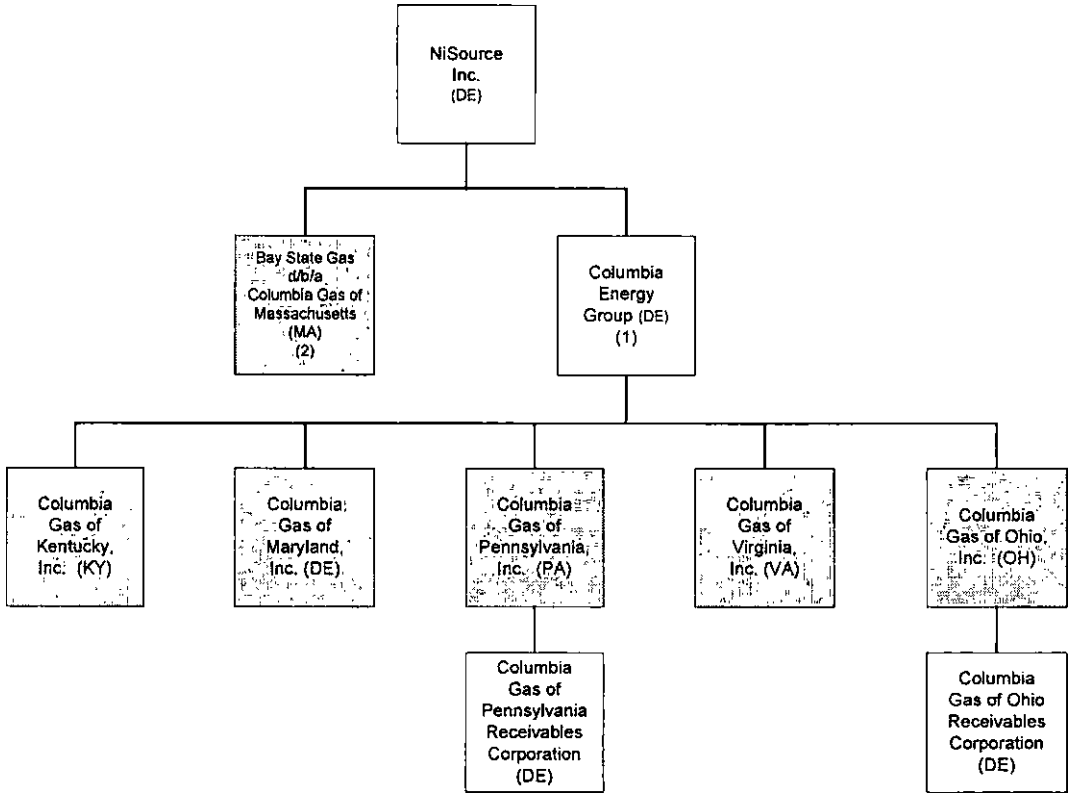


Shaded boxes represent Marketing and Energy Affiliates, as those terms are defined by the Federal Energy Regulatory Commission. Pentagonal shaped boxes represent Transmission Providers. Each subsidiary is 100% owned, unless a smaller percentage is indicated. All entities are organized in Indiana unless otherwise noted.

(1) Northern Indiana Public Service Company (NIPSCO) is a combined electric and gas utility. Within NIPSCO are: an electric public utility Transmission Provider, a retail electric service provider, a gas local distribution (LDC) provider, and employees engaged in wholesale power trading. The gas LDC and employees engaged in wholesale power trading are treated as Marketing and Energy Affiliates.

(2) Investment in community development entity.

NiSource Gas Distribution Subsidiaries (with Additional Other Products and Services Subsidiaries) as of August 13, 2012

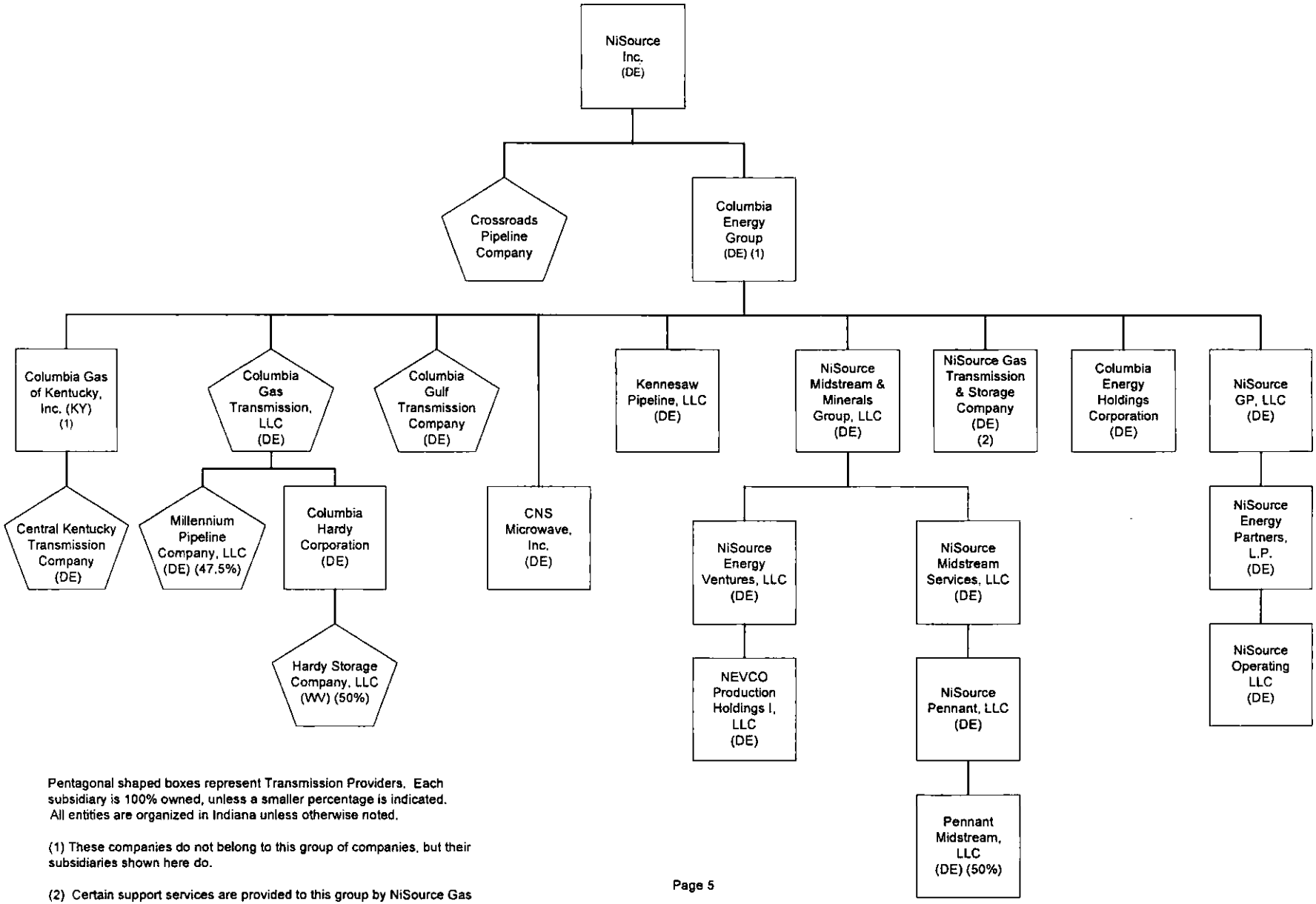


Shaded boxes represent Marketing and Energy Affiliates, as those terms are defined by the Federal Energy Regulatory Commission. Each subsidiary is 100% owned, unless a smaller percentage is indicated. All entities are organized in Indiana unless otherwise noted.

(1) This company does not belong to this group of companies, but the subsidiaries shown here do.

(2) Bay State Gas Company d/b/a Columbia Gas of Massachusetts

Gas Transmission and Storage Subsidiaries (with Additional Other Products and Services Subsidiaries) as of August 13, 2012

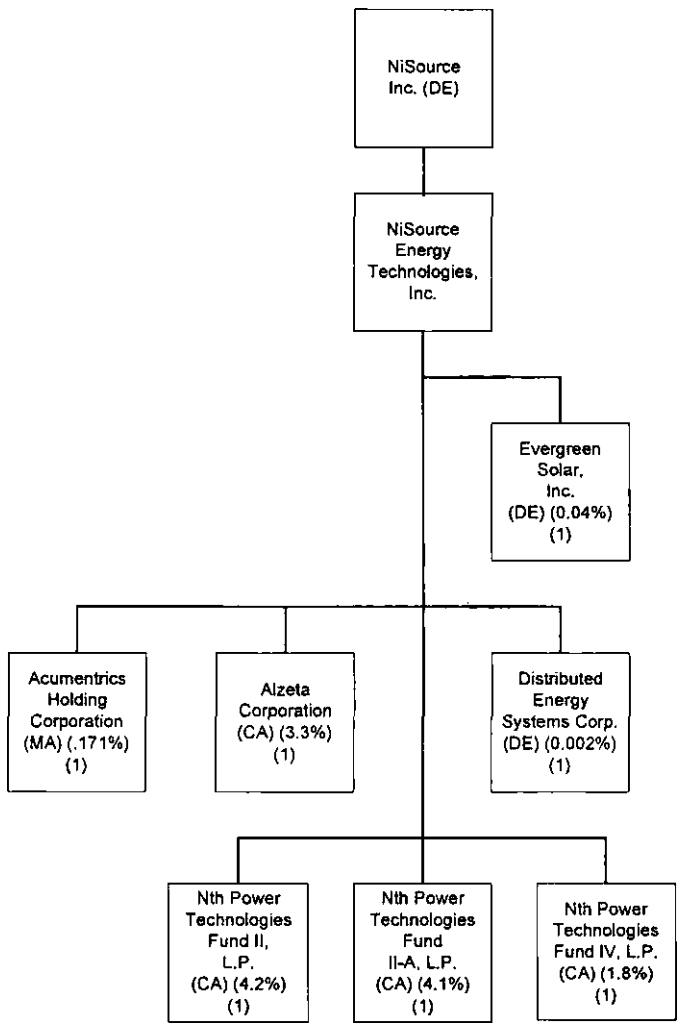


Pentagonal shaped boxes represent Transmission Providers. Each subsidiary is 100% owned, unless a smaller percentage is indicated. All entities are organized in Indiana unless otherwise noted.

(1) These companies do not belong to this group of companies, but their subsidiaries shown here do.

(2) Certain support services are provided to this group by NiSource Gas Transmission & Storage Company.

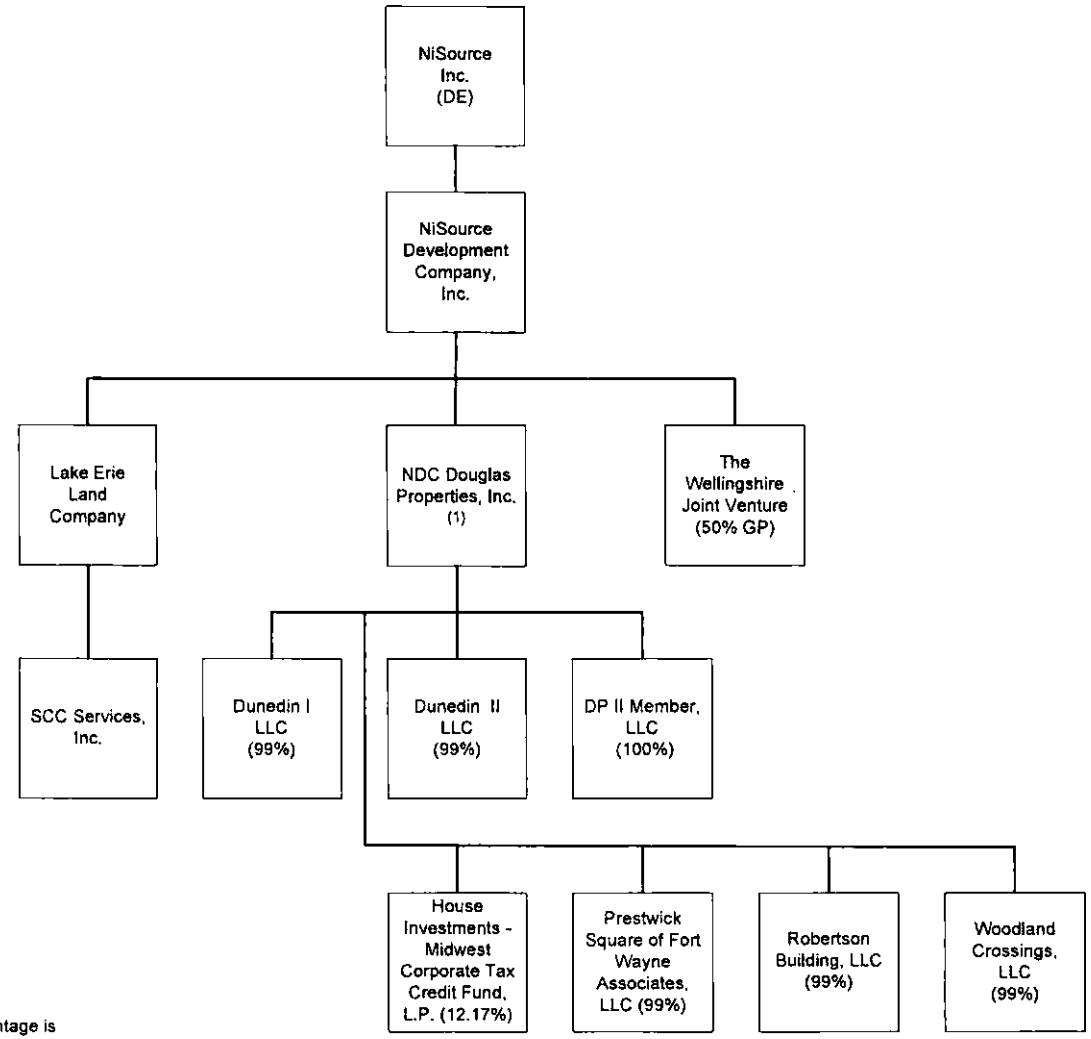
Certain Other Products and Services Subsidiaries and Investments as of August 13, 2012



Each subsidiary is 100% owned, unless a smaller percentage is indicated. All entities are organized in Indiana unless otherwise noted.

(1) These entities are investments in energy technologies.

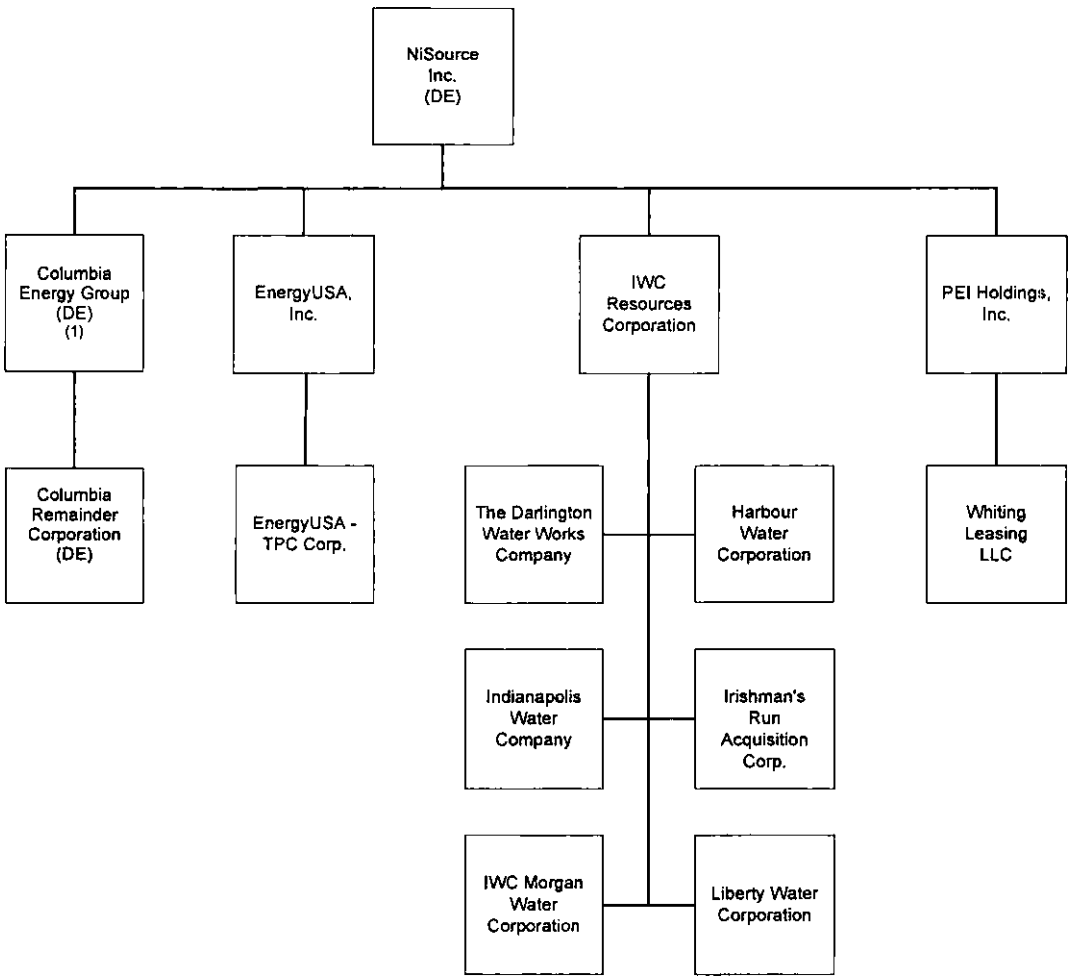
Certain Other Products and Services Subsidiaries and Investments as of August 13, 2012



Each subsidiary is 100% owned, unless a smaller percentage is indicated. All entities are organized in Indiana unless otherwise noted.

(1) NDC Douglas Properties, Inc. is not the General Partner or the managing member of any of its investments.

Certain Other Products and Services Subsidiaries as of August 13, 2012



Each subsidiary is 100% owned, unless a smaller percentage is indicated. All entities are organized in Indiana unless otherwise noted.

(1) These companies do not belong to this group of companies, but their subsidiaries shown here do.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53-53 III. BALANCE SHEET AND OPERATING STATEMENT
E. GAS UTILITIES

7. Provide details of respondent's attempts to recover uncollectible and delinquent accounts

ACTIVE DELINQUENT RESIDENTIAL COLLECTIONS

Residential collection activity in Pennsylvania is governed by Title 52 Pennsylvania Code Chapter 56, Chapter 14, and other guidelines and/or directives issued by the Bureau of Consumer Services.

Since gas service is supplied in advance of payment, rules and regulations (filed with or issued by the PA Public Utility Commission) specify that failure to pay is sufficient cause to discontinue service.

1. The net amount billed becomes due for all residential accounts no less than twenty (20) days after the mailing of the monthly bill. Industrial, commercial and public authority accounts are due no less than fifteen (15) days after the mailing of the monthly bill.

2. Approximately thirty-four (34) days following the mailing of the monthly bill, residential accounts considered "past due" are mailed a 10 day termination notice.

   Criteria for Issuing Residential Notices:

   Ultra High Risk – Arrears greater than $100
   High Risk – Arrears greater than $100
   Medium Risk – Arrears greater than $150

3. The termination notice is a paper form with a cash re-entry document attached to the top. The termination notice states that service will be terminated in not less than (10) days from the date of mailing unless one of the following occurs:

   (a) A payment is received;

(b) Customer calls in a receipt number as paid to company's call center which is also accepted through company's automated IVRU system;
(c) A satisfactory payment arrangement is made;
(d) A billing dispute is filed with Columbia Gas of Pennsylvania, Inc. or informal complaint is filed with the Pennsylvania Public Utility Commission;
(e) A medical emergency exists.

4. The Company must review with the customer certain items prior to discussing payment agreements.

When a customer contacts the Company before termination, the Company first explains:

56.97(a)(1) The reasons for the proposed termination.

56.97(a)(2) All available methods for avoiding a termination, including:

(a) Tendering payment in full or otherwise eliminating the grounds for termination.
(b) Entering a payment arrangement.

56.97(a)(6) The medical emergency procedures.

After explaining the above, the Company may negotiate a payment arrangement. If the Company and the customer are successful in negotiating an agreement, then 56.97(a)(3)(4)and (5) would be provided when appropriate.

NOTE: If the customer experiences a change in income as defined by Chapter 14, the company will negotiate a new payment plan.

56.97(a)(3) The right of the ratepayer to file a dispute with the utility and, thereafter, an informal complaint with the Commission.

56.97(a)(4) The procedures for resolving disputes and informal complaints, including the address and telephone number of the Commission.

56.97(a)(5) The duty of the ratepayer to pay a portion of a bill which he does not honestly dispute.

If we are unable to negotiate a payment agreement, it is necessary to comply with the provisions of 56.152, the utility company report (dispute report).

5. For those customers who have not taken steps to avoid termination, the Company, approximately seven (7) days after mailing of the 10 day termination notice "shall attempt to contact the customer or occupant, either in person or by telephone, to provide notice of the proposed termination at least three days prior to the scheduled termination. Phone contact shall be deemed complete upon attempted calls on two separate days to the residence between the hours of 8 a.m. and 9 p.m. if the calls were made at various times each day, those times being daytime before 5 p.m. and evening after 5 p.m. and at least 2 hours apart. If contact is attempted in person by home visit only one attempt is required, as prescribed by Title 52 Chapter 56.93.

6. On the proposed termination date the service technician will either: (1) accept payment of arrears or payment of the catch-up amount of the defaulted payment plan by having the customer make electronic payment, thereby leaving the gas service on; or (2) determine that a medical emergency exists, thereby leaving the gas service on; or (3) obtain a valid receipt from the customer, thereby leaving the gas service on; or (4) terminate service and post a post-termination notice detailing the reason for the termination and the steps required to have service restored. "During the months of December through March, unless personal contact has been made with the customer or responsible adult by personally visiting the customer's residence, the public utility shall, within 48 hours of the scheduled date of termination, post a notice of the proposed termination at the service location," as prescribed by Title 52 Chapters 56.94, 56.95, and 56.96. NOTE: In cases related to victims under Protection From Abuse Orders Columbia will follow Title 52 Chapter 56 Subchapters L-V.

7. For Winter Termination, Title 52 Chapter 56.100 (b) restricts service terminations for customers with household incomes at or below 250% of the Federal Poverty Level. Eligible accounts fitting this income level are reviewed daily by Columbia's Compliance Department to ensure full conformity with Title 52 56.100.

8. On September 7, 2012, the Bureau of Consumer Services sent a letter to utility Company Executives which requested a survey of those premises where heat related service gas has not been restored. A copy of the letter is part of the Attachment A. Columbia recently kicked off its dormant

account survey and will provide the response to the BCS before the December deadline, as prescribed by Title 52 Chapter 56 (h) and (i).

9. On November 21, 2011, the Commissioners sent a letter to company executives urging companies to support the Commission's "Prepare Now" campaign. A copy of the letter is contained in Attachment B along with a copy of Columbia's response which explains the programs Columbia provides to its most vulnerable customers.

FINAL BILL/INACTIVE COLLECTIONS

1. The inactive collections process begins with the issuing of a final bill. The final bill is due approximately twenty-three (23) days from issuance. One day after the due date, a past due notice is sent. If there is no payment or the customer does not enter into a final bill payment plan, the account will be moved to the Early Out process approximately forty-two (42) days from final bill issue. The Early Out vendor will send a letter and make up to eight phone calls over the next thirty (30) days, attempting to get payment. If the Early Out vendor is unsuccessful, the account will be sent to a primary collection agency at approximately day 76.

2. The primary collection agency will complete skip-tracing steps, issue collection letters and notices, make phone contact attempts, and may file suit against debtors. Debtor accounts are also credit reported by the collection agency. At the end of nine months, accounts are returned, and referred to secondary collection agencies.

3. The secondary collection agency will complete skip-tracing steps, issue collection letters and notices, make phone contact attempts, and may file suit against debtors. Debtor accounts are also credit reported.

4. In addition to collection agency activity, Columbia Gas of Pennsylvania utilizes two processes to identify accounts that have unpaid final bills. During the connect process, CPA's customer information system will highlight outstanding final bills that may exist in the new applicant's name. Reports are also worked that display bad debt finals that have matching active accounts. When these final bills are identified, they may be transferred to the matching active account.

UNCOLLECTIBLE ACCOUNTS

Unpaid finals are written off to bad debt expense approximately 80-105 days following final bill. Final bill collection activity could continue for years following write-off as described above.

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

IN REPLY PLEASE
REFER TO OUR FILE

September 7, 2012

Dear Utility Company Executive:

In accordance with 52 PA Code Section 56.100(h) and Section 56.100(i), all utilities subject to this Chapter are required to survey those premises where heat-related service, including any landlord-ratepayer accounts, has been terminated during the year. The regulations require utilities to, within 90 days *prior* to December 1, survey and attempt to make post-termination personal contact with the occupant or a responsible adult at the premises and in good faith attempt to reach an agreement regarding payment of any arrearages and restoration of service. In order to ensure that personal contact is made prior to December 1, the Bureau of Consumer Services (BCS) strongly recommends that your company begin to survey your off accounts no later than October 15, 2012.

Of particular concern to the Bureau are those residential service accounts where service has not been restored. Accordingly, I am requesting that you report to the Bureau the status of utility service at residential properties where company records indicate that service was terminated on or after January 1, 2012 and has not been reconnected.

When you report the results of your surveys, please use the attached Form A to report the status of accounts terminated in 2012. The report should reflect the status of relevant accounts as of December 1, 2012 and be returned to BCS no later than the close of business on December 15, 2012.

The primary goal of the survey is to afford customers who were terminated and who are still residing at the affected properties the opportunity to have service reconnected. To accomplish this goal, we suggest that you make four attempts to contact the ratepayer or a responsible adult occupant at properties where service was terminated in 2012.

The four contact attempts should be a combination of telephone calls and letters to the customer and personal visits to the property. Employees should make attempts to establish contact on different days of the week and at different times of the day (including evening hours). If you have been unsuccessful in contacting consumers in the first three attempts, we are requesting that you make the fourth contact a personal visit to the property. We are also concerned about the categorization of accounts as vacant. Please carefully document the specific reasons you determine properties as vacant. Natural gas utilities should check for usage on electric meters to help determine if a property is vacant.

We strongly encourage referring consumers to available low-income assistance programs and leaving special information packets at properties whose service is off. The packets should contain information about contacting the utility company, applications for energy assistance, and information about any other special assistance programs – especially CAP.

Thank you for your continued cooperation with this important health and safety matter. I have assigned responsibility for the 2012 Cold Weather Survey to Lisa Jenkins. Please contact her at lisjenkins@pa.gov or (717) 783-6688 if you have any questions regarding this year's survey.

Warm Regards,

Alexis Bechtel, Director
Bureau of Consumer Services

Attachment

Form A

2012 Cold Weather Survey
The Pennsylvania Public Utility Commission
Bureau of Consumer Services

1. _____Number of heat-related residential properties terminated between 1/1/12 and 11/30/12.

2. _____Number of heat-related residential properties to be surveyed. (Those that your records show as not reconnected).

Survey Results

Place each of the properties from Item #2 above into ***one*** of the following categories:

A. _____Number of vacant premises (reasonably sure).

B. _____ Number of accounts where contact was made and service was reconnected with a payment/settlement agreement, or where service was connected in a new name.

C. _____ Number of accounts where unauthorized use was discovered. No payment agreement established, service will remain on (with or without contact).

D. _____ Number of accounts where no contact was made and premises appear to be occupied.

- ____ (i) Number of these accounts identified as non low income customers or income is unknown.
- ____ (ii) Number of these accounts identified as low income customers (Do not include CAP customers, report CAP customers in (iii) below).
- ____ (iii) Number of these accounts identified as CAP customers who defaulted on their agreement.

Form A, Page 2

E. _____ Number of heat-related premises that are occupied and the regulated utility service has not been reconnected.

_____ (i) Number of these accounts identified as non low income customers or income is unknown.

_____ (ii) Number of these accounts identified as low income customers (Do not include CAP customers, report CAP customers in (iii) below).

_____ (iii) Number of these accounts identified as CAP customers who defaulted on their agreement.

_____ (iv) Number of these accounts who are using an alternative heating source. Identify the heating source below.

Heating with:

1. _____ kerosene heater
2. _____ electric space heater
3. _____ wood/coal stove or furnace
4. _____ fireplace
5. _____ kitchen stove/oven
6. _____ oil-filled space heater
7. _____ other (specify) _____

_____ _____

Company Name Company Contact Person and Phone No.

_____

E-mail Address



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

November 3, 2011

To: Utility CEO

Winter months and winter heating bills are quickly approaching. As a result of the nation's economic status, many families are finding themselves in difficult financial positions and struggling as they face the routine costs of winter energy bills.

As part of our 2011 "Prepare Now" campaign, we are urging consumers on limited or fixed incomes who need assistance to "Call Now." We want people who need help to call their utility about programs to help heat their homes or pay their energy bills such as Customer Assistance Programs (CAPs) and Low Income Usage Reduction Programs (LIURP) and budget billing. As part of this campaign, utilities should also educate customers about ways to reduce their energy usage.

Unfortunately, many utility consumers who need help are still unaware of the programs available to help them restore or maintain utility service. Just as we at the PUC will be reminding consumers who call us about the availability of such programs, we urge all utilities to increase their outreach efforts to make sure that all customers receive information about any program for which they may be eligible.

As we again work to raise consumer awareness through "Prepare Now" the Commission will focus on increasing consumer awareness of winter heating costs; exploring ways to reduce energy usage; educating consumers about the availability of low-income programs and budget billing; and increasing awareness for safe home heating.

We are hoping that the "Prepare Now" campaign – in its ninth year – will continue to help more customers prepare for high heating bills associated with cold winter weather.

Low-income households also may be eligible for grants under the federal Low Income Home Energy Assistance Program (LIHEAP). We actively support LIHEAP and are taking an active role in ensuring the viability of this program as a companion to the utility-based programs.

Also, utilities have more flexibility under the law to make allowances for customers, many of whom find they are asking for help for the first time in these difficult financial times.

In addition to providing information and referrals, we ask that you consider the following actions as we head into the winter heating season:

1.) Redoubling efforts to link consumers to programs that are available to help them restore and maintain service such as CAP, LIHEAP and utility or local hardship funds.

2.) Referring low-income customers to CAP when they call to make payment arrangements. We expect the company to do everything possible to get these customers into CAP, especially if it is a termination-related problem.

3.) Giving consideration to significantly increasing corporate donations to utility Hardship Funds and increasing corporate donations to other local programs that assist consumers who need help paying their utility bills. In addition, review company procedures to ensure that automatic payments and on-line payments allow for customer contributions to Hardship Funds.

4.) Restoring service to low-income customers upon enrollment into the company's Customer Assistance Program (CAP) for the first time.

5.) Limiting the number of terminations of confirmed low-income customers by scaling back the company's termination program as the cold weather approaches. We ask for all utilities to review their termination and reconnection procedures to allow customers, who may appear to be making a good faith effort to pay their bills to keep utility service whenever possible.

6.) Waiving or reducing security deposits, reconnection fees and late payment charges if they are a barrier to restoration of service or establishing a payment arrangement. Utilities have more discretion in waiving these fees than does the Commission. If a security deposit or reconnection fee is necessary, consider adding it to the customer's bill instead of making it a condition of providing service.

7.) Accepting any combination of LIHEAP grant, crisis grant, and Hardship Fund grant as sufficient funds to turn on or reconnect service for low-income customers. If a customer payment is also necessary, we encourage you to be as lenient as possible.

8.) Exercising more leniency in establishing payment arrangement plans for all customers. Again, utilities have more discretion in making payment arrangements than does the PUC. We ask for more responsiveness to the needs of all customers.

9.) Providing information about home heating safety and working to get customers who have been "red tagged" the assistance or information needed to help in obtaining repairs to furnaces or heating systems. Low-income customers may be referred to the LIHEAP crisis program for emergency repairs.

10.) Continue to promote the use of budget billing programs and third-party notification forms.

11.) Providing information to customers on how they can reduce their heating costs through conservation including information on weatherization programs available as well as cost-effective steps they can do themselves.

We ask that you join us in trying to help all Pennsylvania citizens learn how to "Prepare Now" for the higher energy costs that accompany winter's chill and our efforts to encourage customers to "Call Now" to learn more about programs that will help them restore and maintain service. We want customers to know their rights when it comes to utility shut-offs and to feel comfortable working with utilities and the PUC in order to restore and maintain service.

We ask that you inform the Commission of any of the above suggested actions your company implements in order to assist in the "Prepare Now" campaign by Nov. 30, 2011. Also, feel free to offer any suggestions you may have that would improve our efforts. Send your comments to Grace McGovern in the Bureau of Consumer Services at gmcgovern@pa.gov. Thank you for your cooperation.

Sincerely,

Robert F. Powelson
Chairman

John F. Coleman Jr.
Vice Chairman

Wayne E. Gardner
Commissioner

James H. Cawley
Commissioner

Pamela A. Witmer
Commissioner

Columbia Gas of Pennsylvania
A NiSource Company

M. Carol Fox
President

Southpointe Industrial Park
121 Champion Way, Ste. 100
Canonsburg, PA 15317
724.416.6331
Fax: 724.416.6383
mcfox@nisource.com

November 21, 2011

Chairman Robert F. Powelson
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
3rd Floor, Room N-304
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission's "Prepare Now" Campaign

Dear Chairman Powelson:

Columbia Gas of Pennsylvania, Inc. ("Columbia") applauds the Commission's continuous efforts to promote beneficial customer outreach programs through its "Prepare Now" campaign. Through this letter, I am providing a response to the Joint Commissioners' letter asking that we inform the Commission of the actions that Columbia plans to take to assist in the "Prepare Now" campaign.

Although natural gas prices continue to remain low, many customers continue to face financial challenges as they approach the winter heating season. Columbia offers a myriad of programs to assist all customers - including those whose incomes are slightly above the Universal Service Program income guidelines - and who are therefore ineligible for assistance benefits. As described below, Columbia addresses this concern through programs targeted to this and other customer populations.

Without question, Columbia embraces its responsibility to reach out to all of its customers and help connect them with the tools and resources they need to stay safe and warm in their homes during the winter heating season. Columbia's various customer assistance programs are outlined below.

Employee Outreach Connection

Columbia sees the value of preparing its employees to be ambassadors for customer programs in the communities it serves. Prior to each heating season, all employees who interact with

customers on a regular basis receive updated information on assistance programs to bridge customers to the help they need.

To expediently assist customers with getting the help they need, Columbia has a specialized group of employees at its call center available to handle all Universal Service inquiries and to refer customers to multiple programs including the Low Income Usage Reduction Program, Customer Assistance Program and Low Income Home Energy Assistance Program ("LIHEAP"). To provide easy access to this specialized call group, Columbia created and advertises a separate toll-free number for the Universal Service programs.

Community Outreach

A critical step in connecting with customers is to reach out to the communities in which they live. Columbia is proud to partner with many community-based organizations across Pennsylvania that help deliver assistance programs to its customers. Columbia's Universal Service employees frequently serve as representatives at numerous community outreach events, providing both general information and specific program referral information. Most recently Columbia conducted three regional community outreach workshops to inform social service agencies and legislative offices of Columbia's customer assistance programs. All three workshops were well-attended.

LIHEAP and "Partners for Warmth"

Columbia continues to dedicate resources to promote the LIHEAP program. For more than 20 years, the three western Pennsylvania natural gas companies have been collaborating together to promote LIHEAP, most recently through their "Partners for Warmth" campaign. "Partners for Warmth" kicked off the 2011-12 LIHEAP program through an advertising campaign and a press conference that featured former Pittsburgh Steeler and LIHEAP spokesperson Franco Harris. Columbia appreciates the Commission's support and would like to thank PUC Vice Chairman John Coleman Jr. for his participation at this event.

Columbia also operates a LIHEAP hotline to help customers complete their LIHEAP applications. Additional outreach activities include bill inserts, community events and news releases distributed throughout the heating season.

To ensure that Columbia's contact center representatives are referring all eligible customers to LIHEAP, Columbia conducts an internal awareness campaign that includes a kick-off breakfast reminding representatives of the program guidelines and promotional activities encouraging appropriate referrals. In addition, as a continual reminder of the need to refer eligible customers, representatives are given a LIHEAP tee shirt and are encouraged to wear it throughout the heating season.

Hardship Funds

Columbia recognizes the need for appropriate funding for the Hardship Funds and continues to support fundraising activities. Again this year, Columbia co-sponsored the Dollar Energy Fund's annual "Warmathon," which is designed to encourage the public to donate to the Hardship Funds. Economic conditions continue to make it difficult for our customers to contribute despite the growing need for additional funds. Columbia recognizes this challenge and continues to look for creative ways to help fund this important program. For example, Columbia has once again partnered with the Trans-Siberian Orchestra through which it contributes a portion of its ticket proceeds to the Dollar Energy Fund. Columbia directly matches those contributions. In addition, Columbia applies the Tennessee Pipeline Settlement Refund to its Hardship Funds. Columbia recognizes the growing need for this funding and appreciates the Commission's support for this program.

Security Deposit Assistance Program (Is there a cap on this program? YES.)

In an attempt to assist customers who are without natural gas service, Columbia will again offer its Security Deposit Assistance Program to customers who are not eligible for Universal Service programs due to their income level. The Program is funded annually at $50,000. Columbia will pay the security deposits for those customers between 151% and 250% of the Federal Poverty Level so they can obtain or re-establish gas service.

As in the past, Columbia will limit the combined reconnection fee and security deposit amount to $150 and also incorporate any available energy assistance grants in order to reduce up-front monies being requested by the company. When a customer or applicant is identified as low-income, the customer will be referred to Columbia's Customer Assistance Program ("CAP"). If accepted, all security deposits and reconnection fees will be waived. As in previous years, Columbia will continue to accept available energy assistance grants to offset missed CAP payments in order to restore service for those customers removed from the CAP.

Cold Weather Survey

Columbia continues to focus its efforts to reach customers without service as part of the 2011 Cold Weather Survey. Columbia's outreach activities include phone calls, certified letters and field visits intended to advise customers of available programs to assist in getting their service reconnected. In addition, Columbia employs customer outreach coordinators who will contact social service agencies throughout the winter to facilitate service restoration for all customers. Although still in the process of completing this year's survey, Columbia is pleased to report that as of November 14, 2011, there are *fewer* customers without gas service than there were last year at this time. Since the implementation of the Responsible Utility Customer Protection Act in December 2004, Columbia has experienced a steady increase in the percentage of customers restoring their natural gas service.

Budget Billing and Payment Options

Columbia is committed to keeping gas service connected and bill payment easy for all of its customers by encouraging the use of the budget billing program, affordable payment plans and referrals to Columbia's network of customer programs. For its more vulnerable and senior customers, Columbia recommends the use of the third-party notice to provide that extra layer of protection in avoiding termination of service.

Emergency Repair Program

Columbia also provides an "Emergency Repair Program," which offers financial assistance to eligible homeowners for the repair of gas lines and heating equipment. After some difficulty, Columbia was able to convince the parties in its 2010 rate case that increased funding was required for this program. Columbia is now pleased to report that the Emergency Repair Program is funded at $500,000 each year. Unfortunately, even with that funding level, many eligible customers cannot receive benefits from the program because the program is fully subscribed early in the year. Columbia continues to see the growing need and appreciates the Commission's support to continue to fund this vital program.

Efficient Delivery of Customer Programs

Columbia looks for ways to coordinate the referral and intake processes for all assistance programs in order to leverage the value of multiple benefits. This one-stop-shop approach helps address all customer concerns with one phone call. Likewise, Columbia looks for ways to coordinate programs with other utilities in order to provide customer convenience and reach ultimate program efficiencies. An example of this cooperation is the "Joint Utility Usage Management Program" ("JUUMP"). Under JUUMP, Columbia and Allegheny Power combine their resources to address both gas and electric weatherization needs for eligible customers simultaneously.

Low Income Usage Reduction Program ("LIURP")

Columbia has a long and successful history providing weatherization programs to low-income customers. For more than two decades, Columbia has been paying the costs to insulate customers' homes and install high-efficiency furnaces to help customers reduce their consumption and lower their bills. Columbia weatherizes about 480 homes each year through its LIURP, and Columbia's LIURP customers have seen average annual reductions in gas consumption of 25%. In Columbia's most recent base rate case, Columbia agreed to increase the funding of its LIURP from $3,000,000 to $4,000,000 annually. This means Columbia will be able to weatherize an additional 200 low-income customer homes every year.

Energy Efficiency Education and Assessments

Columbia offers to all customers educational materials to help them improve energy efficiency and manage their gas bills. Upon request and at no charge, Columbia will send customers information on no-cost or low-cost weatherization actions, materials and resources.

In addition, Columbia issues "Cold Weather Minute" press releases to promote energy efficient messages. The "Cold Weather Minute" messages are also posted on the Columbia Web site as additional resources. Samples of the Cold Weather Minute press releases are attached.

Throughout the winter months Columbia will also be promoting energy efficiency through two radio sponsorships: the 2011-2012 StormCenter on NewsRadio 1020 KDKA and the Cumulus Media "Christmas on Us" campaign. Beginning in November, commercials will air across Columbia's service areas, providing customers with tips on ways they can save energy and heat their home safely this winter. These commercials will also direct customers to the Columbia Web site for more energy-saving tips.

For those customers with incomes between 151% and 250% of the Federal Poverty Level, Columbia provides an Income Qualified Energy Efficiency Program ("IQEEP") to help them use energy more efficiently. Columbia provides eligible customers with a free energy audit performed by a "Building Performance Institute" ("BPI")-certified auditor. The BPI auditor will make recommendations for an energy efficiency plan, and Columbia will provide financial incentives such as up-front rebates for measures that the customer chooses to implement. Columbia is in the process of conducting 22,000 outbound calls and distributing 55,000 direct mail postcards to potentially eligible customers to inform them of the program's benefits.

Beyond the existing efforts to communicate information about the IQEEP program, Columbia is partnering with community outreach projects to increase awareness, help promote the increased program benefits for eligible customers and in some cases leverage additional funding for customers. As an example, Columbia is partnering with the Fayette County Commissioners as part of their Better Building Initiative to combine resources, outreach and funding that will help Fayette County customers receive additional energy efficiency benefits. Fayette County is one of 22 counties in the nation that received American Recovery and Reinvestment Act ("ARRA") funding to implement this energy efficiency program. In addition, this month Columbia will be hosting an open house so media can witness first-hand the benefits and potential savings resulting from an IQEEP audit.

Once again, Columbia is pleased to join the Commission in this important outreach opportunity and is proud to offer its portfolio of assistance programs and outreach initiatives to assist customers this winter.

Should you have any questions, or need additional information, do not hesitate to give me a call at 724-416-6331.

Sincerely,

M. Carol Fox
President

Enclosures

cc: Vice Chairman John F. Coleman Jr. (w/encls.)
Commissioner Wayne E. Gardner (w/encls.)
Commissioner James H. Cawley (w/encls.)
Commissioner Pamela A. Witmer (w/encls.)
Grace McGovern, Bureau of Consumer Services (w/encls.) (also via E-mail)

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 I. VALUATION
C. GAS UTILITIES

1. Provide, with respect to the scope of operations of the utility, a description of all property, including an explanation of the system's operation, and all plans for any significant future expansion, modification or other alteration of facilities.

This description should include, but not be limited to the following:

a. If respondent has various gas services areas, indicate if they are integrated, such that the gas supply is available to all customers.

Response: Columbia Gas of Pennsylvania, Inc. (CPA) is a natural gas distribution company serving approximately 415,000 customers in four separate geographic areas within the State of Pennsylvania. CPA serves these four geographic areas with natural gas supplies received from six separate interstate pipeline systems through over 300 individual points of receipt. While the majority of the individual distribution systems behind each point of receipt are not physically interconnected, all system supply purchases are integrated for billing purposes and available to all sales customers on an "as needed basis" absent any pipeline facility limitations.

b. Provide all pertinent data regarding company policy related to the addition of new consumers in the company's service area.

Response: All pertinent data regarding the company policy related to the addition of new customers may be found in the company's approved tariff currently on file with the Pennsylvania Public Utility Commission. CPA, through a very deliberate process, is attaching those new loads to its system for which the economics prove favorable. CPA does not anticipate any difficulty in acquisition of new supplies to serve new customers. However, contingent upon the geographic location of desired service, the need for upgrading present facilities or service lines must be carefully evaluated and considered. Specifically, the policy for evaluating such loads are described in Section 8. Extension, for Rules And Regulations Governing The Distribution And Sale of Gas. Please refer to Exhibit No. 14, Schedule No.2, for copy of Columbia's current tariff. Columbia is proposing to implement a pilot rider that would provide additional options for applicants who are seeking an extension of Columbia's facilities, as discussed in Columbia witness Evans' testimony (Columbia Statement No. 19).

c. Explain how respondent obtains its gas supply, as follows:

(i) Explain how respondent stores or manufactures gas; if applicable.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 I. VALUATION
C. GAS UTILITIES

Response: The Company does not manufacture gas. The Company stores natural in one on-system underground storage field and through contracted storage services provided by three interstate pipeline companies. Generally, gas is purchased, delivered and injected in storage during the summer and withdrawn during the following winter to meet weather affected increases in customer demand.

(II) State whether the company has peak shaving facilities.

Response: The Company has no peak shaving facilities. The company utilizes its on system and contracted storage services to meet weather related increases in customer demand.

(III) Provide details of coal-gasification programs, if any.

Response: The Company has no coal-gasification programs.

(iv) Describe the potential for emergency purchases of gas.

Response: CPA has under contract sufficient peak day and seasonal supplies to meet the needs of its firm customers under those design peak day and design winter season conditions having a limited probability of occurrence. As a result, absent conditions beyond design or a disruption in firm supply, CPA does not foresee any need to purchase emergency gas. Nonetheless, if CPA should require emergency gas supplies, CPA will request excess deliveries from Columbia Gas Transmission, LLC (TCO) under TCO's FERC approved Firm Storage Service (FSS) Rate Schedule, will also actively search for available supplies to purchase in the marketplace and, if needed, seek additional supplies from those distribution companies participating in the Mid-Atlantic Contingency Planning Group. In the extreme case where neither excess FSS deliveries nor additional gas supplies are available, the demand of CPA's firm customers may be satisfied by reducing the consumption of lower priority customers as described in Section 2.3 of CPA's tariff.

(v) Provide the amount of gas in MCF supplied by various suppliers in the test year (include a copy of all contracts).

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 I. VALUATION
C. GAS UTILITIES

Response: Please see Exhibit No. 10, Schedule 7 for the Mcf of gas supplied by various suppliers in the test year.

Attachment A provides a list of the Base Contracts that were utilized by Columbia for the purchase of natural gas supplies during the Historical test year. A sample of a Base Contract is included in this response as Attachment B.

Natural gas purchases made during this time period include those for system supply on a spot basis (one month or less) and term basis (longer than one month), purchases made to be sold as incremental supply pursuant to Columbia's off-system sales program, and purchases that were to be sold under Columbia's NSS program. The types of purchases that were made under each Base Contract during the Historical test year are indicated in Attachment A.

The Base Contract provides the general terms and conditions for the purchase and sale of natural gas. Whenever a transaction is agreed to, the parties enter into a specific transaction confirmation setting forth the agreed upon terms of the deal (volume, price, term, location, etc.). The transaction confirmation is in a format like that which is attached as Exhibit A in the Base Contract. There are numerous confidential transactions confirmations, samples of which can be made available upon request at Columbia's offices located in Columbus, Ohio, subject to the execution of a confidentiality agreement.

Local gas purchase contracts have been excluded from this response due to the large number of contracts and their relatively small purchase volumes. Please see Attachment C for a sample contract.

(vi) Provide the amount of gas in MCF supplied from company-owned wells during the test year.

Response: The Company has no company-owned gas wells.

d. Provide plans for future gas supply, as follows:

(I) Supply details of anticipated gas supply from respondent's near-term development of gas wells, if any.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 I. VALUATION
C. GAS UTILITIES

Response: The Company has no plans to develop company-owned gas wells.

(ii) Provide gas supply agreements and well development ventures and identify the parties thereto.

Response: The Company has entered into certain transaction confirmations for gas supply needed in future periods. Please see the response to Question c. (v) above related to the review of transaction confirmations. The company has no well development ventures.

e. Indicate any anticipated curtailments and explain the reasons for the curtailments.

Response: The Company does not anticipate any curtailments. While not a curtailment, should the Company have inadequate supplies to meet total customer demand, it may reduce the interruptible portion of its banking and balancing service to General Distribution Service (GDS) customers resulting in the need for GDS customers to either increase supplies delivered to the Company or to reduce their consumption in line with their delivered supplies. These banking and balancing services may also be reduced should the Company receive more supplies than it is able to accept through a combination of customer demand and storage injection. Under this scenario the Company would ask GDS customers to reduce their deliveries to the Company.

f. Provide current data on any Federal Power Commission action or programs that may affect, or tend to affect, the natural gas supply to the gas utility.

Response: **FERC Activities**

Columbia takes an active role in proceedings that have the potential to impact natural gas supply and its cost of delivery, whether these proceedings are pipeline specific or industry-wide. In compliance with Section 53.64 (C) (4) of the Commission's regulations, Columbia reviewed its participation in proceedings before the Federal Energy Regulatory Commission (FERC) in its annual 1307(f) filing earlier this year.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 I. VALUATION
C. GAS UTILITIES

In 2010, both Tennessee Gas Pipeline Company and Columbia Gulf Transmission Company filed Section 4 rate cases that had the potential to impact Columbia. The FERC approved settlements in both of these cases in 2011, thus avoiding costly litigation and resulting in rates that FERC deemed just and reasonable. Recently in 2012, FERC was presented with a settlement for approval in a Section 4 rate case involving National Fuel Gas Supply Corporation.

FERC Programs

FERC is active in several areas of interstate natural gas transmission that could potentially have indirect impact on Columbia. In such instances, Columbia's participates at the FERC through the industry trade group, the American Gas Association (AGA).

Reservation Charge Credits

In 2010, several trade groups, including the AGA, filed a petition requesting FERC to enforce its policies on pipeline credits during outages. When FERC issued an Order denying relief to the gas pipelines, the Interstate Natural Gas Association filed for relief and rehearing of the Order. In the end FERC stood by its earlier decision, denied request for rehearing, requiring interstate pipelines to include these credits in their tariffs.

Integration of Variable Energy Services

In 2010, FERC issued a Notice of Inquiry (NOI) regarding the integration of variable energy resources into an efficient national energy grid. The scope of the NOI included natural gas transmission, gas distribution, distributive generation, and combined heat and power systems. Columbia supported the AGA in urging the FERC to widen the scope to include the swings in natural gas consumption due to large generation loads entering and exiting the natural gas infrastructure.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 I. VALUATION
C. GAS UTILITIES

Bidding by Affiliates in Open Seasons for Pipeline Capacity

In 2011 FERC proposed through a Notice Of Proposed Rulemaking (NOPR), to prohibit multiple affiliates of the same entity from bidding in an open season for pipeline capacity in which the pipeline may allocate capacity on a *pro rata* basis.

Columbia, through the AGA asked that in its efforts to prevent market manipulation, FERC should not constrain legitimate behavior. AGA urged FERC to clarify its proposal to promote competition and tailor the remedy so as not to stifle participation. In its Final Rule, the FERC concurred, prohibiting such allocation unless each affiliate has an independent business reason for submitting a bid.

Discounted Adjustments for Negotiated Rate Agreements

As a part of its rate case in 2010, Tennessee Gas Pipeline Company (TGP) applied discounted rates to negotiated rate agreements in its tariff. Columbia and AGA argued that FERC should not approve TGP's proposed tariff provision in this proceeding, and should take up the matter in a separate policy review. Later in the year, FERC sided with TGP and issued an order approving Tennessee's proposed tariff.

Gas Electric Coordination

As generators seek cheaper and more abundant natural gas to fuel power plants, coordination between the two industry segments is becoming vital. The FERC, along with the AGA and the North American Energy Standards Board (NAESB), is engaged in facilitating changes acceptable to all participants. Columbia, through the AGA and NAESB, monitors and participates in these discussions to protect the interests of its customers.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 I. VALUATION
C. GAS UTILITIES

Natural Gas Sources

In recent years the production of natural gas has increased in the Marcellus and Utica shale regions, while the Gulf region is experiencing a decline. This trend is forcing interstate pipelines to evaluate and realign their resources.

As a part of this development, some interstate pipelines are evaluating and determining the appropriateness of their rate base items through regulatory processes. So far, the FERC has adhered to its policy of allowing market forces and regulatory statutes to implement this shift. In these filings, Columbia monitors and intervenes in proceedings that could impact its customers.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 III. BALANCE SHEET AND OPERATING STATEMENT
E. GAS UTILITIES

28. Provide a statement explaining the details of firm gas purchase (long-term) contracts with affiliated and nonaffiliated utilities, including determination of costs, terms of contract, and other pertinent information.

Response: Columbia Gas of Pennsylvania, Inc. does not have any firm gas purchase (long-term) contracts with affiliated or non-affiliated utilities.

COLUMBIA GAS OF PENNSYLVANIA, INC.
UNDERLYING BASE CONTRACTS FOR GAS PURCHASED
FROM JUNE 2011 THROUGH MAY 2012

COUNTERPARTY	CONTRACT NUMBER	AGREEMENT DATE	EFFECTIVE DATE	UTILIZED FOR THE FOLLOWING ACTIVITIES
ASSOCIATED ENERGY SERVICES, DIV OF SPARK	URS 01A	08/01/03	08/01/03	Spot
BG ENERGY MERCHANTS, LLC	BGLS01A	08/01/05	08/01/05	Spot
BP ENERGY COMPANY	BPEN01A	01/01/06	01/01/06	Spot
CAPITOL ENERGY VENTURES CORP.	CAPI01A	08/01/10	08/01/10	Spot
CARGILL, INCORPORATED	CARG02A	02/15/04	02/15/04	Spot
CENTERPOINT ENERGY GAS SERVICES, INC.	CENT01A	05/15/04	05/15/04	Spot
CHEVRON NATURAL GAS	CHTE02A	05/01/05	05/01/05	Spot, Term
CIMA ENERGY, L.L.C.	CIMA01A	02/15/04	02/15/04	Spot
CITIGROUP ENERGY INC.	CITI01A	10/01/07	10/01/07	Spot, Term
CNX GAS COMPANY LLC	CNXG01A	08/01/04	08/01/04	Spot,Term
COLONIAL ENERGY, INC	COLN02A	12/01/04	12/01/04	Spot
CONCORD ENERGY LLC	CONC02A	01/15/10	01/15/10	Spot
CONOCOPHILLIPS COMPANY	CONO02A	06/01/04	06/01/04	Spot,Term
CONSTELLATION ENERGY COMMODITIES GROUP, INC.	CONS03A	05/01/04	05/01/04	Spot
CREDIT SUISSE ENERGY LLC	CRSU01A	05/01/06	05/01/06	Spot
DB ENERGY TRADING LLC	DBEN01A	07/15/07	07/15/07	Spot
DELTA ENERGY LLC	DELT01A	06/01/04	06/01/04	Spot
DOMINION FIELD SERVICES, INC.	DOMF01A	12/01/04	12/01/04	Spot
DTE ENERGY TRADING, INC.	COEN03A	08/01/04	08/01/04	Spot
EDF TRADING NORTH AMERICA, LLC	EAGL01A	12/01/03	12/01/03	Spot,Term
ENBRIDGE MARKETING (U.S.) L.P.	ENBR01A	10/01/05	10/01/05	Spot
ENERGY AMERICA, LLC	ENAM01A	02/24/12	02/24/12	Spot
ENERGY CORPORATION OF AMERICA	ENCORP01A	08/01/09	08/01/09	Spot
ENJET, LLC	ENJE01A	06/01/05	06/01/05	Spot
ENTERPRISE PRODUCTS OPERATING, LLC	ENTE01A	03/01/09	03/01/09	Spot
EQT ENERGY, LLC	EQUI02A	05/01/04	05/01/04	Spot
ESERVICES, LLC	ESERV01A	01/26/06	01/26/06	Spot
FREEPOINT COMMODITIES LLC	FREE01A	08/01/11	08/01/11	Spot
GAVILON, LLC	GAVI01A	08/01/09	08/01/09	Spot
GAZPROM MARKETING & TRADING USA, INC.	GAZP01A	08/24/09	09/23/09	Spot,Term
HESS CORPORATION	HESS02A	12/01/06	12/01/06	Spot
HESS ENERGY TRADING CO LLC	HETCO02A	11/01/10	11/01/10	Spot
IBERDROLA ENERGY SERVICES, LLC	PPME01A	03/11/03	03/11/03	Spot
INTERSTATE GAS SUPPLY, INC.	IGSI01A	08/01/98	08/01/98	Spot
J. ARON & COMPANY	NEXE01A	11/05/07	11/05/07	Spot
J.P. MORGAN VENTURES ENERGY CORPORATION	JPMO01A	11/15/07	11/15/07	Spot
LACLEDE ENERGY RESOURCES, INC.	LACL01A	06/01/09	06/01/09	Spot
LOUIS DREYFUS ENERGY SERVICES L.P.	LDES01A	07/01/04	07/01/04	Spot
MACQUARIE ENERGY LLC	COOK02A	08/01/06	08/01/06	Spot
NEXTERA ENERGY POWER MARKETING, LLC	FPLE01A	04/01/08	04/01/08	Spot,Term
NOBLE AMERICAS GAS & POWER CORP.	NOBAM01A	08/01/10	08/01/10	Spot
NORTHEAST NATURAL ENERGY LLC	NENE01A	12/15/11	12/15/11	Spot
ONEOK ENERGY SERVICES COMPANY, L.P.	ONEOK03A	10/01/04	10/01/04	Spot
PACIFIC SUMMIT ENERGY LLC	PACI01A	10/01/07	10/01/07	Spot
PEPCO ENERGY SERVICES, INC.	PEPC01A	05/01/00	05/01/00	Spot
PPL ENERGYPLUS, LLC	PPL01A	05/01/09	05/01/09	Spot
QEP ENERGY COMPANY	QEP01A	02/01/11	02/01/11	Spot
RANGE RESOURCES - APPALACHIA, LLC	RANG01A	10/01/11	10/01/11	Spot
SAMSON RESOURCES COMPANY	SAMS01A	06/01/11	06/01/11	Spot
SEQUENT ENERGY MANAGEMENT, LP	SEQU02A	10/01/03	10/01/03	Spot, Term, NSS
SNYDER BROTHERS INC.	SNYD01A	03/15/10	03/15/10	Spot
SOCIETE GENERALE ENERGY CORP.	SOCI01A	04/01/11	04/01/11	Spot
SOUTH JERSEY RESOURCES GROUP, LLC	SJER01A	11/01/08	11/01/08	Spot
STATOIL NATURAL GAS LLC	STAT01A	10/01/04	10/01/04	Spot
SUPERIOR NATURAL GAS CORPORATION	SUPE01A	09/15/04	09/15/04	Spot
TENASKA MARKETING VENTURES	TENA02A	05/01/04	05/01/04	Spot,Term
TOTAL GAS & POWER NORTH AMERICA, INC.	TOTA02A	09/01/09	09/01/09	Spot,Term
TRADEMARK MERCHANT ENERGY, LLC	KANS01A	01/22/10	01/22/10	Spot
TWIN EAGLE RESOURCE MANAGEMENT, LLC	TWIN01A	02/01/11	02/01/11	Spot
UNITED ENERGY TRADING, LLC	UNIT01A	03/15/05	03/15/05	Spot
VIRGINIA POWER ENERGY MARKETING, INC.	VPEM01A	05/01/04	05/01/04	Spot
VITOL INC.	VITO01A	07/01/04	07/01/04	Spot

COLUMBIA GAS OF PENNSYLVANIA, INC.
UNDERLYING BASE CONTRACTS FOR GAS PURCHASED
FROM JUNE 2011 THROUGH MAY 2012

COUNTERPARTY	CONTRACT NUMBER	AGREEMENT DATE	EFFECTIVE DATE	UTILIZED FOR THE FOLLOWING ACTIVITIES
WASHINGTON GAS ENERGY SERVICES, INC.	WASH01A	02/15/10	02/15/10	Spot
WASHINGTON GAS LIGHT COMPANY	WGL02A	04/01/11	04/01/11	Spot
WPX ENERGY MARKETING, LLC	WPX01A	08/22/11	08/22/11	Spot

"SPOT" DENOTES SPOT (ONE MONTH OR LESS) SYSTEM SUPPLY PURCHASES AS WELL AS PURCHASES USED FOR INCREMENTAL SALI
"TERM" DENOTES TERM (LONGER THAN ONE MONTH) SYSTEM SUPPLY PURCHASES
"NSS" DENOTES PURCHASES FOR CPA'S NSS PROGRAM

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: _____.

The parties to this Base Contract are the following:

PARTY A	*PARTY NAME*	PARTY B
COLUMBIA GAS OF PENNSYLVANIA, INC. ("NiSource LDC")		
Attn: Director, Transportation and Supplier Services 200 Civic Center Drive Columbus, Ohio 43215	*ADDRESS*	
www.NiSource.com	*BUSINESS WEBSITE*	www._____
	CONTRACT NUMBER	
008781668	*D-U-N-S® NUMBER*	
☒ US FEDERAL: 25-1100252 ☐ OTHER:	*TAX ID NUMBERS*	☐ US FEDERAL: ☐ OTHER:
Pennsylvania	*JURISDICTION OF ORGANIZATION*	
☒ Corporation ☐ LLC ☐ Limited Partnership ☐ Partnership ☐ LLP ☐ Other:	*COMPANY TYPE*	☐ Corporation ☐ LLC ☐ Limited Partnership ☐ Partnership ☐ LLP ☐ Other:
None	*GUARANTOR (IF APPLICABLE)*	

CONTACT INFORMATION

200 Civic Center Drive, Columbus, Ohio 43215 ATTN: Gas Trader TEL#: (614) 460-6460/6943 FAX#: (614) 460-6442 EMAIL: traders@nisource.com	• *COMMERCIAL*	ATTN: TEL#: FAX#: EMAIL:
200 Civic Center Drive, Columbus, Ohio 43215 ATTN: Director, Transportation and Supplier Services TEL#: (614) 460-4996 FAX#: (614) 460-6442 EMAIL: procure@nisource.com	• *SCHEDULING*	ATTN: TEL#: FAX#: EMAIL:
200 Civic Center Drive, Columbus, Ohio 43215 ATTN: Director, Transportation and Supplier Services TEL#: (614) 460-4996 FAX#: (614) 460-6442 EMAIL: jheckathorn@nisource.com	• *CONTRACT AND LEGAL NOTICES*	ATTN: TEL#: FAX#: EMAIL:
200 Civic Center Drive, Columbus, Ohio 43215 ATTN: Manager, Credit Relationship TEL#: (614) 460-4902 FAX#: (614) 460-6986 EMAIL: gasamoah@nisource.com	• *CREDIT*	ATTN: TEL#: FAX#: EMAIL:
200 Civic Center Drive, Columbus, Ohio 43215 ATTN: Gas Trader TEL#: (614) 460-6460/6943 FAX#: (614) 460-6442 EMAIL: traders@nisource.com	• *TRANSACTION CONFIRMATIONS*	ATTN: TEL#: FAX#: EMAIL:

ACCOUNTING INFORMATION

200 Civic Center Drive, Columbus, Ohio 43215 ATTN: Team Leader, Supply Purchase Services TEL#: (614) 460-6360 FAX#: (614) 460-6442 EMAIL: ColumbiaLDCgasinvoices@nisource.com	• *INVOICES* • *PAYMENTS* • *SETTLEMENTS*	ATTN: TEL#: FAX#: EMAIL:
BANK: PNC BANK, Pittsburgh, PA ABA: 043000096 ACCT: 1010935277 OTHER DETAILS: For Columbia Gas of Pennsylvania, Inc.	*WIRE TRANSFER NUMBERS (IF APPLICABLE)*	BANK: ABA: ACCT: OTHER DETAILS:
BANK: PNC BANK, Pittsburgh, PA ABA: 043000096 ACCT: 1010935277 OTHER DETAILS: For Columbia Gas of Pennsylvania, Inc.	*ACH NUMBERS (IF APPLICABLE)*	BANK: ABA: ACCT: OTHER DETAILS:
ATTN: ADDRESS:	*CHECKS (IF APPLICABLE)*	ATTN: ADDRESS:

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Base Contract for Sale and Purchase of Natural Gas

(Continued)

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select the appropriate box(es) from each section:

Section 1.2 Transaction Procedure
☒ Oral (default)
OR
☐ Written

Section 2.7 Confirm Deadline
☒ 2 Business Days after receipt (default)
OR
☐ ____ Business Days after receipt

Section 2.8 Confirming Party
☐ Seller (default)
OR
☐ Buyer
☒ NiSource LDC

Section 3.2 Performance Obligation
☒ Cover Standard (default)
OR
☐ Spot Price Standard

Note: The following Spot Price Publication applies to both of the immediately preceding.

Section 2.31 Spot Price Publication
☒ Gas Daily Midpoint (default)
OR
☐ _____

Section 6 Taxes
☒ Buyer Pays At and After Delivery Point (default)
OR
☐ Seller Pays Before and At Delivery Point

Section 7.2 Payment Date
☒ 25th Day of Month following Month of delivery (default)
OR
☐ Day of Month following Month of delivery

Section 7.2 Method of Payment
☒ Wire transfer (default) Or
☒ Automated Clearinghouse Credit (ACH)
☐ Check

Section 7.7 Netting
☐ Netting applies (default)
OR
☒ Netting does not apply

Section 10.2 Additional Events of Default
☐ No Additional Events of Default (default)
☐ Indebtedness Cross Default
☐ Party A:
☐ Party B:
☒ Transactional Cross Default
Specified Transactions:

Please see definition of Specified Transactions in the Special Provisions

Section 10.3.1 Early Termination Damages
☒ Early Termination Damages Apply (default)
OR
☐ Early Termination Damages Do Not Apply

Section 10.3.2 Other Agreement Setoffs
☒ Other Agreement Setoffs Apply (default)
☒ Bilateral (default)
☐ Triangular
OR
☐ Other Agreement Setoffs Do Not Apply

Section 15.5 Choice Of Law
Ohio

Section 15.10 Confidentiality
☒ Confidentiality applies (default)
OR
☐ Confidentiality does not apply

☒ **Special Provisions** Number of sheets attached: 3
☐ **Addendum(s):** _____

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

Columbia Gas of Pennsylvania, Inc.	*PARTY NAME*	
By:	*SIGNATURE*	By:
Michael D. Watson	*PRINTED NAME*	
Vice President	*TITLE*	

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General Terms and Conditions
Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.9.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Additional Event of Default" shall mean Transactional Cross Default or Indebtedness Cross Default, each as and if selected by the parties pursuant to the Base Contract.

2.2. "Affiliate" shall mean, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of at least 50 percent of the voting power of the entity or person.

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2.3. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

2.4. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.5. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).

2.6. "Business Day(s)" shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S.

2.7. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

2.8. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.9. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation, all of which shall form a single integrated agreement between the parties.

2.10. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.

2.11. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.

2.12. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.

2.13. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as cash, an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, guaranty, or other good and sufficient security of a continuing nature.

2.14. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.

2.15. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.

2.16. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.

2.17. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

2.18. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.

2.19. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.20. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

2.21. "Guarantor" shall mean any entity that has provided a guaranty of the obligations of a party hereunder.

2.22. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.23. "Indebtedness Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it or its Guarantor, if any, experiences a default, or similar condition or event however therein defined, under one or more agreements or instruments, individually or collectively, relating to indebtedness (such indebtedness to include any obligation whether present or future, contingent or otherwise, as principal or surety or otherwise) for the payment or repayment of borrowed money in an aggregate amount greater than the threshold specified in the Base Contract with respect to such party or its Guarantor, if any, which results in such indebtedness becoming immediately due and payable.

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2.24. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

2.25. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.

2.26. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.27. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

2.28. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

2.29. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

2.30. "Specified Transaction(s)" shall mean any other transaction or agreement between the parties for the purchase, sale or exchange of physical Gas, and any other transaction or agreement identified as a Specified Transaction under the Base Contract.

2.31. "Spot Price " as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.32. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.

2.33. "Transactional Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it shall be in default, however therein defined, under any Specified Transaction.

2.34. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.35. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s) excluding any quantity for which no replacement is available; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s) excluding any quantity for which no sale is available; and (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available for all or any portion of the Contract Quantity of Gas, then in addition to (i) or (ii) above, as applicable, the sole and exclusive remedy of the performing party with respect to the Gas not replaced or sold shall be an amount equal to any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the quantity of such Gas not replaced or sold. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

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Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as Indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

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7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed without undue delay. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 15.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury (including death) or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury (including death) or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. The parties agree that the delivery of and the transfer of title to all Gas under this Contract shall take place within the Customs Territory of the United States (as defined in general note 2 of the Harmonized Tariff Schedule of the United States 19 U.S.C. §1202, General Notes, page 3); provided, however, that in the event Seller took title to the Gas outside the Customs Territory of the United States, Seller represents and warrants that it is the importer of record for all Gas entered and delivered into the United States, and shall be responsible for entry and entry summary filings as well as the payment of duties, taxes and fees, if any, and all applicable record keeping requirements.

8.5. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payment instructions, and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder shall be in writing and may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is

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not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

9.4. The party receiving a commercially acceptable Notice of change in payment instructions or other payment information shall not be obligated to implement such change until ten Business Days after receipt of such Notice.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y or its Guarantor, if applicable), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to X, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or guaranty. Y hereby grants to X a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Y to X pursuant to this Section 10.1. Upon the return by X to Y of such Adequate Assurance of Performance, the security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its Guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 *within 48 hours but at least one Business Day of a written request by the other party; (viii) not have paid any amount due the other* party hereunder on or before the second Business Day following written Notice that such payment is due; or ix) be the affected party with respect to any Additional Event of Default; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is legally permissible, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a

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transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

Bilateral Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff any Net Settlement Amount against (i) any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; and (ii) any amount(s) (including any excess cash margin or excess cash collateral) owed or held by the party that is entitled to the Net Settlement Amount under any other agreement or arrangement between the parties.

Triangular Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option, and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff (i) any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; (ii) any Net Settlement Amount against any amount(s) (including any excess cash margin or excess cash collateral) owed by or to a party under any other agreement or arrangement between the parties; (iii) any Net Settlement Amount owed to the Non-Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Non-Defaulting Party or its Affiliates to the Defaulting Party under any other agreement or arrangement; (iv) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party to the Non-Defaulting Party or its Affiliates under any other agreement or arrangement; and/or (v) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party or its Affiliates to the Non-Defaulting Party under any other agreement or arrangement.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of the Net Settlement Amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount as well as any setoffs applied against such amount pursuant to Section 10.3.2, shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount as adjusted by setoffs, shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

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10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price; or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Contract; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6, Section 10, Section 13, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

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SECTION 14. MARKET DISRUPTION

If a Market Disruption Event has occurred then the parties shall negotiate in good faith to agree on a replacement price for the Floating Price (or on a method for determining a replacement price for the Floating Price) for the affected Day, and if the parties have not so agreed on or before the second Business Day following the affected Day then the replacement price for the Floating Price shall be determined within the next two following Business Days with each party obtaining, in good faith and from non-affiliated market participants in the relevant market, two quotes for prices of Gas for the affected Day of a similar quality and quantity in the geographical location closest in proximity to the Delivery Point and averaging the four quotes. If either party fails to provide two quotes then the average of the other party's two quotes shall determine the replacement price for the Floating Price. "Floating Price" means the price or a factor of the price agreed to in the transaction as being based upon a specified index. "Market Disruption Event" means, with respect to an index specified for a transaction, any of the following events: (a) the failure of the index to announce or publish information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) both parties agree that a material change in the formula for or the method of determining the Floating Price has occurred. For the purposes of the calculation of a replacement price for the Floating Price, all numbers shall be rounded to three decimal places. If the fourth decimal number is five or greater, then the third decimal number shall be increased by one and if the fourth decimal number is less than five, then the third decimal number shall remain unchanged.

SECTION 15. MISCELLANEOUS

15.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

15.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

15.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

15.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

15.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

15.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

15.7. There is no third party beneficiary to this Contract.

15.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

15.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

15.10. Unless the parties have elected on the Base Contract not to make this Section 15.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract , (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to comply with a regulatory agency's reporting requirements including but not limited to gas cost recovery proceedings; or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure,

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and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

15.11. The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties

15.12. Any original executed Base Contract, Transaction Confirmation or other related document may be digitally copied, photocopied, or stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the Transaction Confirmation, if introduced as evidence in automated facsimile form, the recording, if introduced as evidence in its original form, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the recording, the Transaction Confirmation, or the Imaged Agreement on the basis that such were not originated or maintained in documentary form. However, nothing herein shall be construed as a waiver of any other objection to the admissibility of such evidence.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**

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TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

Letterhead/Logo	Date: _____, ____ Transaction Confirmation #: _____

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:	**BUYER:**
_____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	_____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____

Contract Price: $_____/MMBtu or _____

Delivery Period: Begin: _____, ____ End: _____, ____

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity):	**Firm (Variable Quantity):**	**Interruptible:**
_____ MMBtus/day ☐ EFP	_____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of ☐ Buyer or ☐ Seller	Up to _____ MMBtus/day

Delivery Point(s): _____
(If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions:

Seller: _____	Buyer: _____
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

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Special Provisions ("Special Provisions") attached to and forming a part of that certain Base Contract for Sale and Purchase of Natural Gas (September 5, 2006 Standard 6.3.1) dated _____ (the "Base Contract") by and between: Columbia Gas of Pennsylvania, Inc. ("NiSource LDC") and _____ ("Counterparty").

Capitalized terms used in these Special Provisions shall have the meanings ascribed to them in the Base Contract. Section references in these Special Provisions refer to a Section of the General Terms and Conditions of the Base Contract, unless stated otherwise. In the event of a conflict among the terms of the Base Contract or the General Terms and Conditions and these Special Provisions, the terms of these Special Provisions shall govern in priority.

SECTION 1. PURPOSE AND PROCEDURES

The following language shall be added after Section 1.1 as Section 1.1.1:

"Purchase and sale transactions pursuant to the terms of this Contract may include exchanges in which the performance obligations of each Party include both receiving and delivering gas as specified in the effectuating Transaction Confirmation. *For purposes of an Exchange transaction, when a party is receiving gas, it is the Buyer and when a Party is delivering Gas, it is* the Seller under the terms of this Contract. For purposes of Sections 2.10, 2.27, 7 and other provisions related to payment obligations under this Contract, the party owing money pursuant to the terms of the Transaction Confirmation is the Buyer and the party that is owed money pursuant to the terms of the Transaction Confirmation is the Seller."

Section 1.4 shall be amended as follows:

Delete the 3rd sentence and replace with the following language:

"When the parties have selected the Oral Transaction procedure in Section 1.2 of the Base Contract, (i) each party consents to the recordings of its representatives' telephone conversations with respect to the Base Contract or any transaction without further notice; (ii) the parties agree and recognize that in some instances purchases and sales may be facilitated through brokers; (iii) the parties agree that all recordings between themselves, third parties and brokers may be introduced into evidence and used to prove a contract between the parties and the authority of the broker to effectuate the transaction.

FURTHER, WHEN THE PARTIES HAVE SELECTED THE ORAL TRANSACTION PROCEDURE IN SECTION 1.2 OF THE BASE CONTRACT, BOTH PARTIES WAIVE OBJECTIONS BASED ON THE STATUTE OF FRAUDS, THE PAROL EVIDENCE RULE, OR SIMILAR EVIDENTIARY RULES, TO THE INTRODUCTION OF THE RECORDED CONVERSATIONS INTO EVIDENCE TO PROVE A CONTRACT OR THE AUTHORITY OF ITS REPRESENTATIVES (ACTUAL OR APPARENT) TO ENTER INTO THE BINDING TRANSACTIONS CONTEMPLATED HEREIN."

SECTION 2. DEFINITIONS

Section 2.2 shall be amended by adding the following sentence at the end thereof:

"For the purposes of this Contract, NiSource LDC shall not have any affiliates."

Section 2.13 shall be amended by deleting the phrase "a security interest in an asset," and adding the following at the end of the paragraph: "The issuer of any such security and/or the guarantor must be acceptable to the other party acting in a reasonable manner in evaluating such issuer and/or guarantor."

Section 2.30 *shall be deleted in its entirety and the following substituted in lieu thereof:*

"2.30 "Specified Transaction" shall mean (a) any transaction, other than transactions entered into under this Base Contract (including an agreement with respect thereto) now existing or hereafter entered into between the parties to this Base Contract, which shall include, but not be limited to, a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, cap transaction, floor transaction, collar transaction, weather derivative, capacity release, aggregation service, gathering service, transportation service, park and loan or other services or transactions provided pursuant to a regulated tariff, an agreement for the purchase, sale or transfer of any Commodity or any other commodity trading transaction, or any similar transaction (including any option with respect to any of these transactions), (b) any combination of these

transactions, or (c) any other financial arrangement not specified in (a) or (b) above. For this purpose, the term "Commodity" means any tangible or intangible commodity of any type or description (including, without limitation, natural gas, natural gas liquids, and byproducts thereof). "

SECTION 3. PERFORMANCE OBLIGATION

The following Section shall be added as Section 3.5:

"In addition, for so long as non-performance is continuing, the Performing Party may, upon one (1) Business Day notice, suspend its performance under any or all transactions between the parties for the purchase and sale of Gas."

SECTION 9. NOTICES:

Section 9.4 shall be amended by adding the phrase "in compliance with the receiving party's requirements" between the words "information" and "shall" in the first line of the sentence.

SECTION 10. FINANCIAL RESPONSIBILITY:

Section 10.1 shall be amended by 1) deleting the phrase "a security interest in an asset" in the second sentence, 2) deleting the sentences "Y hereby grants to X a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Y to X pursuant to Section 10.1. Upon the return by X to Y of such Adequate Assurance of Performance, the security interest and lien granted hereunder on the Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party." and 3) adding the following at the end of the paragraph: "The issuer of any security and/or the guarantor must be acceptable to the other party acting in a reasonable manner in evaluating such issuer and/or guarantor."

Section 10.2 is amended by the addition of items (x) and (xi) in the following manner: Delete the word "or" prior to item (ix) and add, between the ";" at the end of item (ix) and prior to the word "then", the words "(x) be in default under any Specified Transaction between the parties; (xi) consolidate or amalgamate with, or merge with or into, or transfer all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such party under this Base Contract to which it or its predecessor was a party by operation of law or the resulting, surviving or transferee entity is materially weaker from a credit perspective as determined by the other party acting in good faith and in a commercially reasonable manner"

SECTION 12. TERM

Section 12 is amended by deleting the second sentence and replacing it with the following: "The rights of either party pursuant to: (i) Section 7.6, (ii) Section 10, (iii) Section 13, (iv) Section 15.10, (v) Section 15.13, (vi) Section 15.16, (vii) the obligations to make payment hereunder, and (viii) the obligation of either party to indemnify the other pursuant hereto, shall survive the termination of the Base Contract or any transaction."

SECTION 15. MISCELLANEOUS:

Section 15.6 is amended by adding the following language at the end of the Section:

"NiSource LDC is an equal employment opportunity employer and is a federal contractor. Consequently, the parties agree that, to the extent applicable, they will comply with Executive Order 11246, the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended, and Section 503 of the Rehabilitation Act of 1973, as amended, and also agree that these laws are incorporated herein by reference. Each Party also agrees to comply with the provisions of Executive Order 13201 Compliance (29 CFR Part 470), relating to the notice of employee rights concerning payment of union dues."

Section 15.10 is hereby amended by the deletion of item (v) in the first sentence and the substitution of the following therefore:

"(v) to the extent such information may be aggregated with other information pertaining to purchases and sales of Gas without reference to any counterparty and furnished to such third party for the sole purpose of calculating a published index."

The following Sections shall be added:

15.13 EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION, CLAIM OR PROCEEDING RELATING TO THIS CONTRACT.

15.14 Each party agrees that the provisions of this Base Contract supersede and replace in their entirety any requirements of law relating to adequate assurance of future performance, including without limitation Article 2 of the Uniform Commercial Code, as enacted in the State specified under Section 15.5. This notwithstanding, the parties acknowledge that this Base Contract and the Special Provisions document the terms of a contract for the sale of goods and that the applicable provisions of Article II of the Uniform Commercial Code (the "UCC") shall apply to the Transactions set forth herein.

15.15 Each party represents that the creditworthiness of the other party is a material consideration in entering into this Base Contract; and (i) it has entered into this Base Contract and shall enter into each transaction in reliance upon its own judgment or that of its investment advisors or other fiduciaries, (ii) the other party does not and will not hold out itself as advising, or any of the other party's employees or agents as having the authority to advise it as to whether or not it should enter into any transaction or as to any subsequent actions relating thereto or on any other commercial matter concerned with any transaction, (iii) the other party shall not be acting as a fiduciary with respect to it and shall not have any responsibility or liability whatsoever in respect of any advice or information of this nature given or not given, or views expressed or not expressed, by the other party or any of the other party's employees or agents to it or any such fiduciary, whether or not such advice or information is given or such views are expressed at the request of it or any such fiduciary, and (iv) the other party shall not have any responsibility to govern or monitor the conduct of it or any such fiduciary.

15.16. Dispute Resolution Procedures

Step Negotiations: The parties shall attempt in good faith to resolve all Controversies promptly by negotiation, as follows. Any party may give the other party written notice of any Controversy not resolved in the normal course of business. Executives of both parties at levels at least one level above the personnel who have previously been involved in the Controversy (the "Executives") shall meet at a mutually acceptable time and place within ten days after delivery of such notice, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Controversy. If the matter has not been resolved within thirty days from the referral of the Controversy to Executives, or if no meeting of Executives has taken place within fifteen days after such referral, then either party may pursue any remedies available in equity or at law. If an Executive intends to be accompanied at a meeting by an attorney, the other Executive shall be given at least three working days notice of such intention and may also be accompanied by an attorney. All negotiations pursuant to this paragraph are confidential and shall be treated as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence.

IN WITNESS WHEREOF, the parties hereto have executed these Special Provisions to the Base Contract in duplicate, as of the date of the Base Contract.

COLUMBIA GAS OF PENNSYLVANIA, INC. _____

By: _____
Name:
Title:

By: _____
Name:
Title:

LOCAL GAS CONTRACT

THIS LOCAL GAS CONTRACT ("Agreement"), is made and entered into as of this _____ day of _____ 201__, by and between Columbia Gas of Pennsylvania, Inc. ("Columbia"), a Pennsylvania corporation with offices located at 200 Civic Center Drive, Columbus, Ohio 43215, and _____ ("Supplier"), a(n) _____ corporation with offices located at _____.

WITNESSETH:

WHEREAS, Supplier wishes to deliver locally produced natural gas ("Gas") through one or more existing or newly constructed gas measurement stations ("Station"), directly into one or more of Columbia's local market areas ("Local Markets"); and

WHEREAS, Supplier will deliver said Gas either for purchase by Columbia, or for redelivery by Columbia on behalf of one or more third parties; and

WHEREAS, the Supplier projects that the Gas quantities to be delivered through any one Station are less than 1,000 Mcf per day; and

WHEREAS, Columbia is willing to accept the receipt of said Gas from Supplier at the Station(s) in accordance with the terms and conditions hereinafter set forth, for purposes of either purchasing the Gas or for redelivering the Gas to one or more third parties pursuant to Columbia's gas transportation services.

NOW, THEREFORE, in consideration of the promises, covenants and agreements herein set forth, the parties mutually agree as follows:

ARTICLE I - DEFINITIONS

1.1 "Absorption Capability" shall mean the ability of a Local Market to receive Supplier's gas deliveries, given the physical constraints of the specific location that may include, but are not limited to: gas pressure; pipeline diameter; customer demand; and other Gas supplies serving the same Local Market.

1.2 "Billing Cycle" shall mean the interval between the times when Columbia, or other third party, reads and changes the chart on the meter(s) at the Station(s) identified in Attachment A, attached hereto and incorporated by reference herein. The Billing Cycle shall be identified by reference to the calendar Month in which the meter(s) are read and the chart(s) removed.

1.3 "British Thermal Unit" or "Btu" shall mean the amount of heat required to raise the temperature of one pound of pure water from 59° Fahrenheit to 60° Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute ("psia").

1.4 "Cubic Foot" shall mean that quantity of Gas that occupies one cubic foot of volume at a pressure of 14.73 psia and a temperature of sixty degrees (60°) Fahrenheit.

1.5 "Gas" shall mean any mixture of hydrocarbons, or of hydrocarbons and non-combustible gases, in a gaseous state consisting essentially of methane, which conforms with Article IV herein.

1.6 "Mcf" shall mean one thousand (1,000) cubic feet.

1.7 "MMBtu", "Dekatherm", or "Dth" shall mean one million British Thermal Units.

1.8 "Month" shall mean the period beginning with the first day of the calendar month and ending with the beginning of the first day of the next calendar month.

1.9 "Total Heating Value" shall mean the gross heating value on a dry basis, which is the number of British Thermal Units produced by the complete combustion of one Cubic Foot of Gas, with combustion air at the same temperature and pressure as the Gas, the products of combustion being cooled to the initial temperature of the Gas and air, and the water formed by combustion condensed to the liquid state.

1.10 "Utilization Factor" shall mean that number obtained by dividing the Total Heating Value of Gas by the square root of the specific gravity of Gas.

ARTICLE II - DELIVERIES

2.1 The Station(s) listed on Attachment A shall accommodate deliveries of Gas into one or more Local Markets on Columbia's distribution system, subject to the following restrictions. Supplier is not obligated to deliver Gas to the Station and Columbia is not obligated to receive Gas from the Station except on an interruptible basis. Furthermore, Columbia is not obligated to accept volumes available for delivery from Supplier when such available volumes are in excess of the Absorption Capability of the Local Market served by such Station, to be determined in Columbia's sole discretion.

2.2 Supplier is responsible for delivering Gas at pressures sufficient to enter Columbia's distribution system against that distribution system's operating pressure.

2.3 Columbia has established Maximum Allowable Operating Pressures ("MAOP") on its distribution systems, which shall not be exceeded under any circumstances. Columbia reserves the right to shut off any Station where Gas deliveries by Supplier or actions taken by Supplier have caused pressures to exceed the applicable MAOP. Further, Supplier agrees to indemnify and hold Columbia harmless and shall pay for any and all claims, damages, losses and expenses, including, but not limited to, attorneys' fees, damages to Columbia's property, third party property, or bodily injury, including death, to any person, which results from any action or omissions to act by Supplier that causes Columbia to exceed its MAOP. If exceeding the MAOP results in a fine imposed by the state or federal regulatory commission or other governmental agencies, Supplier shall reimburse Columbia for the amount of the fines. At Supplier's expense, Columbia may perform a supplemental leakage survey in its sole discretion to determine if any damages were caused to Columbia's facilities as a result of Supplier exceeding the MAOP on Columbia's system. If after thirty (30) days from its occurrence, Supplier does not present a written resolution designed to prevent a reoccurrence of the actions that caused the pressures to exceed the MAOP, or if the proposed resolution is unacceptable to Columbia in its sole discretion, Columbia may terminate this Agreement in regard to that Station.

2.4 If deliveries of Supplier's Gas at a Station average less than five (5) Mcf per day during any continuous twelve-month period, Columbia, in its sole discretion, may terminate this Agreement in regard to that Station after giving Supplier thirty (30) days written notice of such termination.

ARTICLE III – MEASUREMENT

3.1 The unit of measure for Gas delivered at the Station(s) shall be one (1) Mcf.

3.2 Should Supplier challenge the accuracy of the measuring devices used, Columbia shall test the meter. Columbia shall invite a representative of Supplier to be present at the test. If the measuring equipment is found to be in error by more than two percent (2%), then the previously computed deliveries shall be adjusted by Columbia to zero error. Such adjustment shall be made for a period not to exceed thirty (30) days prior to the date of challenge by

Supplier. If the measuring equipment is found to be in error, but the resultant error is less than two percent (2%), then previous deliveries shall be considered accurate. All equipment shall, in any case, be adjusted at the time of testing to record correctly. The Supplier shall pay Columbia for the costs of such testing and repairing of the meter.

3.3 If any measuring equipment is out of service for test or repair, or is inoperable for any reason, Gas deliveries through the applicable Station shall be estimated by Columbia using all available information to determine the volume of unmeasured Gas deliveries during the affected period.

3.4 Columbia shall keep the meter charts on file for two (2) years after the date of Gas delivery, during which time they will be made available for inspection upon written request from Supplier.

ARTICLE IV – QUALITY

4.1 All Gas delivered by Supplier shall meet the specific quality standards set forth in this Agreement and shall be commercially free from oil, water, air, salt, dust, gum, gum-forming constituents, harmful or noxious vapors, or other solid or liquid matter which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters and other equipment of Columbia or of Columbia's customers. Columbia shall not be obligated to accept Gas which Columbia believes may adversely affect the standard of public utility service offered by Columbia, including any Gas which Columbia believes may adversely affect the operation of the gas-using equipment or processes of Columbia's customers.

4.2 Supplier agrees to indemnify and hold Columbia harmless from any suits, actions, debts, accounts, damages, costs, losses and expenses, including but not limited to, attorneys' fees and expenses, arising from damage to Columbia's equipment or facilities or arising from damage to the facilities, products, or equipment of Columbia's customers, or personal injury, including death, caused as a result of Gas delivered to Columbia at any Station which fails to meet the quality specifications set out in this Agreement. Such indemnification and hold harmless provisions, as set forth in this Article, shall extend to any personal or property damage to any third party, including any customers of Columbia.

4.3 The Gas delivered shall not contain in excess of:

(a) One (1) percent by volume of oxygen.
(b) Seven (7) pounds of water per million Cubic Feet of Gas.
(c) Four (4) percent by volume of nitrogen.
(d) Two (2) percent by volume of carbon dioxide.
(e) Five (5) percent by volume of nitrogen and carbon dioxide combined.
(f) Twenty-five one-hundredths (0.25) grains of hydrogen sulfide per one hundred (100) Cubic Feet of Gas.
(g) Twenty (20) grains of total sulfur per one hundred (100) Cubic Feet of Gas.

4.4 The Gas delivered shall have a Total Heating Value of not less than 967 Btu per Cubic Foot.

4.5 The Gas delivered shall have a Utilization Factor of one-thousand three-hundred (1,300), plus or minus six percent (6%).

4.6 To assure that the Gas delivered by Supplier to a Station conforms to the specifications set out in this Article, the Gas may be analyzed at any Station listed in this Agreement, from time to time, as Columbia deems necessary. Such analysis will be performed by Columbia and the results provided to Supplier. Supplier shall pay Columbia the cost of all such analysis.

4.7 If any Gas delivered hereunder fails to meet the quality specifications set forth herein, Columbia may, at any time, shut in the affected Station until Supplier brings the Gas into conformity with such quality specifications. If Supplier does not bring the Gas into conformity with the quality specifications set forth herein, then Columbia may

terminate this Agreement in regard to that Station after giving Supplier thirty (30) days written notice of such termination.

4.8 Prior to connecting any Station to any of Columbia's facilities, the Supplier shall provide Columbia with documentation that demonstrates to Columbia's satisfaction that the piping system that will be used to deliver Gas to Columbia is free of PCB contamination. After a Station is built and delivery of Gas begins, any liquids encountered in the Station may be collected and sampled for PCB contamination by Columbia. If PCB contamination is found, Columbia may immediately shut in the Station and may terminate this Agreement in regard to that Station after giving Supplier thirty (30) days written notice of such termination.

ARTICLE V - FACILITIES

5.1 Supplier shall own or agrees to acquire all Stations listed on Attachment A. For any Station built and included in this Agreement, Supplier agrees to supply all required materials and build such Station at Supplier's expense. As an express condition precedent to any obligation of Columbia to perform pursuant to this Agreement for a Station, the construction of the Station and all materials used in the construction of the Station shall meet specifications that Columbia shall provide. The Station shall include, but shall not be limited to, an inlet block valve for producer field lines, steel inlet piping insulator, inlet piping, inlet drip/separator, with relief valve, overpressure protection regulation, regulator setting, check valve, measurement setting, outlet block valve, control lines, gauge lines, pressure/temperature gauges, inlet/outlet pressure recording gauges, meter and daily recording gauge, and if necessary, heating and odorizing equipment. Supplier shall also provide the Station site, fencing and/or any necessary protective structure.

5.2 Prior to Columbia providing Supplier with specifications for a Station, Supplier shall provide Columbia with the expected volume and pressure condition of the Gas to be delivered through the Station. This shall include, but not be limited to, the daily Gas flow volume and the maximum operating pressure of the Gas to be delivered to the Station. Further, during the term of this Agreement, Supplier shall notify Columbia in advance of any planned increases in said maximum operating pressure.

5.3 In conjunction with the building of a Station, Columbia will install an extension to its distribution main beginning at the outlet block valve of the Station and ending at a tap into Columbia's existing distribution main. Columbia shall be responsible for the design, procurement of materials, and construction of said distribution main extension including the connection of that extended main to the Station. All costs associated with the extension of Columbia's distribution main, the connection of that main to Columbia's pipeline system and the connection to the Station at the outlet block valve shall be the responsibility of the Supplier. Columbia shall estimate the costs of the project prior to the work being performed by Columbia and Supplier shall pay Columbia the full work order cost estimate for Columbia's work involved in connecting the Station to Columbia's distribution system. If the actual cost of the connection by Columbia exceeds the work order estimate, Supplier agrees to pay Columbia the additional cost within thirty (30) days of billing. If the actual cost of the connection is less than the work order estimate, Columbia will reimburse Supplier the amount of payment by Supplier that was in excess of the actual cost within thirty (30) days of the actual cost determination. Data supporting the actual cost of the connection will be made available from Columbia to Supplier upon request. Supplier shall be responsible for obtaining all necessary permits, rights of way, or easements to permit the construction of Columbia's distribution main extension and its tie-in to the Station. The width of right-of-way shall be consistent with Columbia's policy requirements, which shall be provided to Supplier by Columbia.

5.4 For any Station built and attached to Columbia's system prior to the effective date of this Agreement, Columbia may require Supplier to make modifications, or take over ownership of said Station, or otherwise change the status of the Station to bring it into compliance with Columbia's specifications for newly constructed Stations.

5.5 Where it is necessary, and if both parties mutually agree, Columbia will construct additions, replacements or betterment of its distribution system in order to accommodate the Gas to be delivered by Supplier to Columbia

pursuant to this Agreement. Supplier agrees to pay Columbia the full work order cost estimate for such modifications to Columbia's distribution system prior to the modifications being made. If the actual cost of the modifications by Columbia exceeds the work order estimate, Supplier agrees to pay Columbia the additional cost within thirty (30) days of billing. If the actual cost of the modifications is less than the work order estimate, Columbia will reimburse Supplier the amount of payment by Supplier that was in excess of the actual cost within thirty (30) days of the actual cost determination. Data supporting the actual cost of the modification will be made available by Columbia to Supplier upon request. All such modified distribution facilities shall be owned by Columbia.

5.6 Upon mutual written agreement of the parties, Supplier will construct additions, replacements or betterment of its Station(s) at Supplier's expense in order to accommodate changes in the volumes of Gas to be delivered to Columbia pursuant to this Agreement. Supplier shall install such additions, replacements or betterment at Supplier's expense, including all materials, according to Columbia specifications. Supplier shall own all such Station facilities.

5.7 Supplier shall notify Columbia of any existing equipment used to compress gas prior to the gas being delivered to Columbia and of any Supplier plans for installing any such equipment in the future, prior to the equipment installation. Any such equipment to be installed, or that is already in operation on Supplier's system upstream of a Station, must meet specifications to be provided by Columbia. If such equipment does not meet Columbia's specifications, Columbia may shut in the Station and terminate this Agreement in regard to that Station after giving Supplier thirty (30) days written notice of such termination.

5.8 Supplier shall assume all responsibility, including any related expenses, for providing general Station and Station Site maintenance, including, but not limited, to such things as:

a) Lawn cutting, weed control, and painting.
b) Resolving all problems related to the Station site such as land slippage, which could create safety problems at the Station.
c) Disposing of and analyzing liquids such as oil water, sludge, or other contaminants from the Station's filter and or drip.
d) Correcting and removing any environmental contamination resulting from maintenance, accidents, spills, or use.
e) Obtaining and installing replacement parts or equipment needed to provide for the safe and continuous operation of the Station.
f) Repairing damage to the Station that results from wear and tear, vandalism, accidents, acts of God, or poor gas quality, including any related environmental cleanup.
g) Disposing of and analyzing liquids such as oil, water, sludge, or other contaminants from the Station and, if caused by Gas from the Station, from Columbia's pipeline facilities downstream of the Station.

5.9 Columbia shall assume all responsibility, including any related costs, for:

a) Regulator inspections, pressure checks, and adjustments.
b) Meter reading, including the replacement and reading of charts, gauge calibration, and meter inspections.
c) Maintenance of station piping from Station outlet block valve to Columbia's system, including cathodic protection, leakage surveys, and requests to locate the line.

5.10 As stated in Article 5.8, general Station maintenance is the responsibility of the Supplier. However, if Columbia finds it necessary to perform any maintenance work on the Station, other than that work described in Article 5.9, herein, Supplier shall reimburse Columbia for all costs incurred by Columbia in the performance of such maintenance.

5.11 If in Columbia's sole discretion, Columbia determines that Supplier is not maintaining a Station or Station site in a safe and reliable manner, Columbia may take action, including but not limited to shutting in the Station or disconnecting said Station from Columbia's distribution system, as it deems necessary to assure safe operations on its system. Following notification by Columbia to Supplier of the existence of a maintenance problem, Supplier shall have ninety (90) days to correct and make any necessary repairs to assure safe and reliable operation of the

Station. If after ninety (90) days the maintenance deficiency has not been corrected, Columbia may terminate this Agreement in regard to that Station.

5.12 Supplier shall obtain for Columbia all easements, licenses, and rights of way, on a form acceptable to Columbia, necessary to affect ingress and egress from the measurement Stations herein contemplated and there shall be no restrictions on Columbia's ingress and egress to those measurement Stations. Furthermore, said easements, licenses, and rights of way will run with the land and will be binding upon, and inure to the benefit of the parties hereto, affected landowners, their heirs, successors and assigns.

5.13 Supplier shall install signs of adequate size at each Station stating Supplier's name, phone number and emergency phone number. Supplier and Columbia agree that Columbia may install a tamper-proof security device on the Station's meter and regulator settings, accessible only by Columbia personnel for the purpose of reading and testing the meter, maintenance, inspection, and making pressure adjustments.

ARTICLE VI - NOMINATIONS FOR GAS TRANSPORTED BY COLUMBIA

6.1 Stations through which Gas delivered by Supplier is to be transported by Columbia to one or more third parties pursuant to Columbia's gas transportation services will be designated as such on Attachment A in the Station Information table by the word "Yes" in the row titled, "Gas to be Transported by Columbia". For these Stations, Columbia will provide Supplier with a forecast of the deliveries that will occur at said Station in the following month. This forecast shall be based on the most recent actual deliveries adjusted for the accumulated prior imbalance between forecasted and actual deliveries. Columbia may, at its sole discretion, modify the delivery forecast based on additional information provided by Supplier prior to Columbia's nomination deadline for the upcoming month. Based on the final delivery forecast, Columbia will provide Supplier with a daily volume to nominate ("Total Volume to Nominate"). On each day during the month, the sum of nominations for all third parties taking receipt of Gas at the Station must equal the Total Volume to Nominate.

6.2 If, on any day, the sum of all nominations for delivery to third parties is greater than the Total Volume to Nominate, nominations will be adjusted down by Columbia on a pro-rata basis so that the total confirmed nomination for the day equals the Total Volume to Nominate. If on any day, the sum of all nominations for delivery to third parties is less than the Total Volume to Nominate, Columbia may shut in the Station and reduce the Total Volume to Nominate to zero to prevent unsold Gas from entering its distribution system.

ARTICLE VII – SALE OF GAS TO COLUMBIA

7.1 Stations through which Gas delivered by Supplier is to be purchased by Columbia will be designated as such on Attachment A in the Station Information table by the word "Yes" in the row titled, "Gas to be Sold To Columbia". For each Mcf of Gas delivered through such Station(s), Columbia shall pay Supplier the price set forth on Attachment A.

7.2 For Gas purchased by Columbia pursuant to this Agreement, Title to the Gas shall pass from Supplier to Columbia at the Station's outlet block valve.

7.3 For Gas purchased by Columbia pursuant to this Agreement, Supplier shall pay or cause to be paid, all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to or at its delivery at the Station(s). Columbia shall pay or cause to be paid, all Taxes on or with respect to the Gas after its delivery at the Station(s). If a party is required to remit or pay Taxes, which are the other party's responsibility hereunder, such party shall promptly reimburse the other party for such Taxes. If Columbia is entitled to an exemption of such Gas from any such Taxes or charges, Columbia shall furnish Supplier any necessary exemption or resale certificate covering the Gas delivered hereunder at the Station(s).

7.4 Neither the price to be paid by Columbia for Gas nor any other provision of this Agreement shall be affected by an increase or decrease in the rate or amount of any tax or the repeal of an existing tax imposed on either party, by the enactment of a new tax, or by the subsequent application hereto of any existing tax.

ARTICLE VIII - BILLING, PAYMENTS, AND AUDITS

8.1 Payments owed to Columbia by Supplier pursuant to this Agreement for reimbursement of Columbia's costs shall be due ten days following the date of the invoice from Columbia. Supplier should mail such payments to Columbia pursuant to instructions in the invoice. If Supplier fails to make timely payment, Columbia may; 1) net such receivables against payments owed Supplier from Columbia for the purchase of Supplier's gas by Columbia at one or more of the Stations, or 2) shut off said Station to stop deliveries of Gas to Columbia. If, after an additional thirty (30) days from the date the Station is shut off, payment has not been made, Columbia may terminate this Agreement in regard to said Station and seek reimbursement of any past due payments.

8.2 For gas purchased by Columbia from Supplier pursuant to this Agreement, a check payable to the order of the Supplier shall be issued by Columbia on or about the twenty-fifth (25th) day of each month as payment for all Gas sold and delivered by Supplier in the preceding Billing Cycle based on Columbia's measurement of quantities delivered. The check shall be mailed to the Supplier at the address listed on Attachment A. If, at any time, more than one person, party, or entity shall claim or become entitled to payment for the amounts due hereunder, Columbia may withhold such payment, without interest, until Supplier furnishes Columbia with the necessary documentation, properly executed and acknowledged by all necessary parties, designating an agent to receive such payment or until such time as the controversy is satisfactorily resolved. In no event will Columbia issue, or be required to issue, more than one (1) monthly check in payment of the amounts due hereunder.

8.3 Each party shall have the right, upon reasonable notice and at reasonable times, to examine the books and records of the other party to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, computation or other documentation made under the Agreement. Errors in a party's favor shall be rectified in full within 30 days of notice and substantiation of such inaccuracy. Any such audit and any claim based upon errors must be made within two years of the date of such statement or any revision thereof. Following such two-year period, a billing statement shall be deemed final.

8.4 The receipt of any invoice, statement or information concerning a transaction or the act of payment or partial payment shall not constitute accord and satisfaction, waiver, release, full payment, satisfaction, laches, estoppel or other defense to a claim by or against the Supplier or Columbia for the true and actual amount accurately due and payable for the full period of two years in arrears.

ARTICLE IX – TERM

9.1 The initial term of this Agreement shall commence on the date this Agreement is made and entered into and shall remain in effect for a primary term of one (1) year, such that the term shall include twelve consecutive billing cycles, ending at the completion of the twelfth Billing Cycle. This Agreement will automatically renew each year thereafter for additional terms of one (1) year each unless either party submits written notice of termination to the other party at least ninety (90) days prior to the expiration of the initial or any renewal term. Notwithstanding anything to the contrary, in the event Supplier fails to perform as required hereunder for any reason, Columbia may terminate this Agreement upon thirty (30) days written notice to Supplier.

ARTICLE X - DISCONNECTION OF STATIONS

10.1 If this Agreement is terminated or if any Stations are removed from this Agreement for any reason, then Columbia may shut off or disconnect the applicable Station from Columbia's distribution facilities and Supplier will

reimburse Columbia for any and all costs incurred by Columbia related to that disconnection. Once the Station is disconnected, Supplier may remove its Station equipment. Alternatively, if both parties agree, Supplier may abandon the Station equipment and relinquish ownership and all rights to such equipment to Columbia, at no cost to Columbia.

ARTICLE XI - ENVIRONMENTAL

11.1 Supplier hereby warrants that any real property or land involved in the transaction which is the subject of this Agreement: 1) contains no physical or other defects which would interfere with Columbia's intended use of the property; 2) have not been used in violation of any federal, state or local law pertaining to the environment; and 3) contains no substances which could cause or threaten to cause impairment to human health or the environment. Further, Columbia in no way assumes any responsibility for any existing liabilities associated with the real property or land except for those liabilities directly and solely created by Columbia. Supplier agrees to defend, indemnify and hold harmless Columbia from any environmental claims and/or liabilities currently existing or that may be asserted or discovered in the future, except those directly and solely attributable to actions of Columbia. Supplier shall provide Columbia with documentation and evidence supporting the clearance of the property intended for use herein from environmental contamination including, but not limited to, any Phase 1 or other environmental study reports.

ARTICLE XII – WARRANTY OF TITLE

12.1 Supplier warrants that it will have good and merchantable title to all Gas prior to its delivery by it to Columbia, free and clear of all liens, encumbrances, and claims.

12.2 Supplier agrees to indemnify Columbia and save it harmless from all suits, actions debts, accounts, damages, costs, losses, liabilities and expenses, including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before the Gas is delivered to Columbia.

12.3 Notwithstanding the other provisions of this Article VIII, as between Supplier and Columbia, Supplier will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Supplier to meet the quality requirements of Article IV.

ARTICLE XIII – INDEMNIFICATION: DEFENSE OF PERSONAL INJURY OR PROPERTY DAMAGE CLAIMS

13.1 Supplier shall further indemnify and hold Columbia harmless from and against any and all loss, damage, and liability and from any and all claims for damages on account of or by reason of bodily injury, including death, which may be sustained or claimed to be sustained by any person, including the employees of Supplier and of any subcontractor of Supplier, and from and against any and all damages to property, including loss of use, and including property of Columbia, caused by or arising out of or claimed to have been caused by or to have arisen out of an act or omission of Supplier or its agents, employees or subcontractors in connection with the performance of this Agreement, or caused by or arising out of or claimed to have been caused by or to have arisen out of the concurrent negligence of Columbia, its agents and employees, in connection with the performance of this Agreement, whether or not insured against; provided, however, that the foregoing indemnification will not cover loss, damage or liability arising from the sole negligence or willful misconduct of Columbia, its agents and employees; and Supplier shall at its own cost and expense defend any claim, suit, action or proceeding, whether groundless or not, which may be commenced against Columbia by reason thereof or in connection therewith, and Supplier shall pay any and all judgments which may be recovered in any such action, claim proceeding, or suit, and defray any and all expenses, including costs and attorneys' fees, which may be incurred in or by reason of such actions, claims, proceedings, or suits.

13.2 To the extent permitted by law, Supplier waives the benefit for itself and all subcontractors, insofar as the indemnification of Columbia is concerned, of the provisions of any applicable Workers' Compensation law limiting the tort or other liability of any employer on account of injuries to the employer's employees.

13.3 Notwithstanding the foregoing, Columbia shall be entitled, if it so elects, to representation by attorneys of its own selection, including attorneys employed by Columbia, and shall be the sole judge of the acceptability of any compromise or settlement of any claims or actions against Columbia.

13.4 The obligation of Supplier to indemnify Columbia hereunder shall survive the termination or cancellation of this Agreement.

ARTICLE XIV – FORCE MAJEURE

14.1 Except with regard to a party's obligation to make payments due under the Agreement, neither party shall be liable to the other for a failure to perform its obligations hereunder, if such failure was caused by Force Majeure. As used herein, the term "Force Majeure" shall mean an unforeseen occurrence or event beyond the control of the party claiming excuse, which partially or entirely prevents that party's performance of its obligations, except the obligation to make payments due under any transaction.

14.2 The party whose performance is prevented by Force Majeure must provide notice to the other party. Initial notice may be given orally; however, written notification with particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make/accept sales and deliveries of Gas to the extent and for the duration of Force Majeure and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

14.3 Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe, weather-related events such as hurricanes or freezing or failure of wells or lines of pipe which affects an entire geographic region; (ii) acts of others such as strikes, lockouts, or other industrial disturbances, riots, sabotage, insurrections or wars; (iii) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction; and (iv) any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the affected party. Supplier and Columbia shall make reasonable efforts to avoid Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

14.4 Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected from any or all of the following circumstances: (i) the sole or contributory negligence of the party claiming excuse; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; (iii) economic hardship. As soon as possible after the Force Majeure event shall have been remedied, the party claiming suspension shall likewise give notice to the effect that the same has been remedied and that such party has resumed, or is then in a position to resume, the performance of such covenants or obligations.

14.5 Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the party experiencing such disturbance.

ARTICLE XV - GOVERNMENTAL REGULATION

15.1 This Agreement and all provisions herein will be subject to all present and future applicable and valid statutes, rules, orders and regulations of any Federal, State, or local governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Agreement or any provisions thereof.

15.2 Neither party will be held in default for failure to perform under this Agreement, if such failure is due to compliance with such rules, regulations, laws, orders or directives of any State, Federal or other governmental regulatory authority.

ARTICLE XVI – MISCELLANEOUS

16.1 Except for assignment to a wholly owned subsidiary, a parent or an affiliate of the parties, this Agreement shall not be subject to assignment without the written consent of the other party, which may not be unreasonably withheld.

16.2 This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns.

16.3 Any notices, except those relating to billing, required or permitted to be given hereunder may be sent by facsimile, a nationally recognized overnight courier service, first class mail, or hand delivered, and shall be sent to the parties as identified on Attachment A.

16.4 If there are conflicts between the terms and conditions of this Agreement and Columbia's applicable tariff, the tariff shall prevail.

16.5 If any provisions of the Agreement are found invalid or unenforceable, such invalidity or unenforceability shall not invalidate or render unenforceable the entire Agreement, but rather the entire Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions.

16.6 The failure of either party to strictly enforce any term, right or condition of this Agreement shall not be construed as a waiver of such term, right, or condition.

16.7 This Agreement constitutes the entire agreement between the parties hereto; no other oral or written agreements are contemplated or shall be enforceable as this Agreement reflects the final and complete expression of intent, as it exists between the parties. This Agreement shall supersede and cancel all previous agreements, understandings or representations, whether oral or written, relating to the subject of this Agreement. Any amendment to this Agreement must be in writing and signed by an authorized representative of each party.

16.8 It is not the intention of the parties in entering into this Agreement to create, nor shall this Agreement be construed as creating any partnership, joint venture or agency relationship between the parties hereto.

16.9 The laws of the State of Pennsylvania, including compliance with all regulatory requirements, shall govern this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date hereinabove first mentioned.

COLUMBIA GAS OF PENNSYLVANIA, INC.	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

Attachment A

Gas Measuring Station(s) for Local Gas Contract between Columbia Gas of Pennsylvania, Inc. and _____ dated _____.

Station Information:

Station Number				
PSID Number				
Station Name				
Premise Number				
System Number				
Pipeline Description				
Columbia Map Number				
Location Description (i.e. Street)				
Local Market Name (i.e. Municipality)				
Township				
County				
Gas to be Transported by Columbia				
Gas to be Sold to Columbia				

Price of Gas to be purchased by Columbia:

Each Mcf of Gas sold to Columbia shall be multiplied by a Dth Conversion factor of 1.040. The unit price to be paid by Columbia shall be the Index price per Dth of spot gas delivered to Columbia Gas Transmission, LLC, Appalachia, as reported in the first publication each Month of Inside F.E.R.C. Gas Market Report, plus $0.20.

Mail Checks Payable to Supplier to:

_____
_____
_____
Attention: _____
Phone: _____

Send Contract Notifications to:

Columbia:
Columbia Gas of Pennsylvania, Inc.
200 Civic Center Drive
P. O. Box 117
Columbus, OH 43215
Attention: Manager, Gas Contracts & Scheduling
Facsimile: 614-460-6442

Supplier:
_____
_____
_____
_____
Attention: _____
Facsimile: _____
Telephone: _____