

COLUMBIA GAS OF MARYLAND, INC.

**501 Technology Drive
Canonsburg, PA**

Rates, Rules and Regulations for Furnishing

GAS SERVICE

IN

THE TERRITORY AS DESCRIBED HEREIN

**Filed with
THE PUBLIC SERVICE COMMISSION OF MARYLAND**

ISSUED BY: T. J. MURPHY, PRESIDENT
501 TECHNOLOGY DRIVE
CANONSBURG, PENNSYLVANIA 15317

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COMMUNITIES SERVED BY THIS TARIFF

Allegany County
Barton
Barton District No. 9
Cumberland
Decatur District No. 23
East Lonaconing District No. 15
Eckhart District No. 24
Ellerslie District No. 20
Flintstone District No. 3
Frostburg
Frostburg District No. 11
Frostburg District No. 12
Frostburg District No. 26
Frostburg District No. 28
Gilmore District No. 27
Gross District No. 21
LaVale District No. 29
Lonaconing
Lonaconing District No. 10
Luke
McCoole
Midland
Midland District No. 18
Mt. Savage District No. 13
North Branch District No. 16
Ocean District No. 18
Orleans District No. 1
Perkin District No. 25
Rawlings
Rawlings District No. 7
River District No. 6
Shaft District No. 19
Westernport
Westernport District No. 8
Wills Creek District No. 5
Zihlman District No. 30

Garrett County
Bloomington
Deer Park
Deer Park District No. 10
East Oakland District No. 7
Grantsville
Grantsville District No. 3
Hutton
Kitzmillersville
Kitzmillersville District No. 13
Loch Lynn Heights
Mt. Lake Park
Mt. Lake Park District No. 16
Oakland
Ryans Glade District No. 8
West Oakland District No. 14

Washington County
Funkstown
Hagerstown
Hancock District No. 5
Halfway
Williamsport

RATES AVAILABLE UNDER THIS TARIFF

Rate AFDS – Alternate Fuel Displacement Service

This Rate Schedule is available to any commercial or industrial customer who is currently purchasing natural gas under the GS or IS Rate Schedule, provided:

- (a) The capacity of the Company's facilities and the available gas supply are sufficient to provide the quantities requested by the customer;
- (b) Customer has submitted an initial affidavit to the Company, which provides the following information:
 - 1. Name and address at which service under this rate schedule will be received;
 - 2. Customer has installed operable capability for long-term use of an alternate fuel and has made available to the Company the option of on-site inspection of the alternate fuel facilities;
 - 3. Customer's verification that gas purchased under this rate schedule will be utilized to reduce or eliminate alternate fuel requirements, that such purchase would not be made in the absence of this rate schedule and that such gas will not replace gas requirements which would otherwise be purchased under the Company's applicable rate schedule;
- (c) Customer submits a monthly affidavit to the Company on or before the fifth (5th) day of the current billing period providing the following information:
 - 1. Prior billing period usage of displacement service unless separately metered; and
 - 2. Projected price of the applicable alternate fuel and estimated usage for current billing period.

Rate GS – General Service

Available, at one location, for the total requirements of any commercial or industrial customer.

Rate IS – Interruptible Service

Available to any Industrial or Commercial customer using gas for any purpose when: (1) the Company's facilities and gas supply are adequate or can be economically provided to supply the customer's requirements, (2) such service will not unduly jeopardize the general character of existing interruptible service, and (3) the customer does not take service under any other rate schedule, except where, in the sole judgement of the Company, separate metering of interruptible gas under this schedule is practicable.

RATES AVAILABLE UNDER THIS TARIFF (continued)

Rate RS – Residential Service

Available, at one location, for the total requirements of any residential customer.

Rate RTS – Residential Transportation Service

This service is available to any residential customer group or customer with an aggregated annual demand of at least 5,000 Mcf, who has elected a marketer or supplier of natural gas to provide the total requirements of the customer group or customer for a period of no less than one year, provided that service can be rendered within the limits of the Company's operating conditions and facilities.

Rate SS – Standby Service

Available to any qualified customer, receiving service under Rate TS - Transportation Service or Rate IS - Interruptible Service who executes a contract with the Company for a period of not less than one (1) year for standby service.

Rate STS – Small Transportation Service

Available to any commercial or industrial account whose transportation requirements are less than 2,000 Mcf annually, provided that service can be rendered within the limits of the Company's operating conditions and facilities.

Rate TS – Transportation Service

Available to any commercial or industrial customer whose transportation requirements under separately billed account(s) are at least 2,000 Mcf annually; however, transportation service shall not be available to a commercial or industrial customer who provides residential-type service such as master-metered apartment buildings unless such customer agrees to contract for an appropriate level of standby service under Rate Schedule SS of this Tariff for peak day demand, that is not protected by installed and operable alternate fuel facilities, which will enable the customer to continue to provide human needs services. Service is available when such customer acquires its own gas and executes a contract with the Company for a period of not less than one (1) year for delivery service in accordance with all terms and conditions of such contract.

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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 Maryland, Inc. to its customers in Maryland is on file with the Public Service Commission of Maryland. This tariff is posted and open for inspection at the offices of the Company. The tariff is supplementary to the "Regulations Governing Service Supplied by Gas Corporations" of the Commission.

1.2 Revisions

This Tariff may be revised, amended, supplemented and otherwise changed from time to time in accordance with the Public Service Commission Law of Maryland, 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, or to their successors and assigns, lawfully receiving gas service from the Company under the rates set forth herein, and the receipt of gas service 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 services, whether written, oral or implied, made by the Company, and govern all classes of service where applicable. Subject to the approval of the Commission, the Company shall have the right to interpret and determine the applicability of such Rules and Regulations.

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.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

1. The Gas Tariff (continued)

1.6 Definitions

The following definitions shall apply to this tariff, unless otherwise clearly indicated:

- 1.6.1 **Account** - 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.
- 1.6.2 **Aggregation** - The process of combining customers for the purpose of administering, scheduling and nominating gas supplies as defined by the Aggregation provisions of the Transportation Service Rules of this tariff.
- 1.6.3 **Aggregation Agent** - A Marketer which serves as an agent for transportation service customers served under Rate Schedules RTS, STS, or TS in Aggregation Nomination Groups or for Choice Transportation Service customers in Choice Aggregation Nomination Groups.
- 1.6.4 **Aggregation Nomination Group** - A group of customers organized pursuant to the requirements of the Aggregation provisions of the Transportation Service Rules of this tariff.
- 1.6.5 **Basic Services** - Services which are necessary for the physical delivery of natural gas to a retail customer, consisting of natural gas distribution services and natural gas supply services.
- 1.6.6 **Bcf** - One billion (1,000,000,000) cubic feet of gas.
- 1.6.7 **Billing Cycle** - The regularly occurring period, of approximately thirty-one (31) days, in which a customer is billed for gas service. A Billing Cycle need not coincide with calendar month.
- 1.6.8 **Ccf** - A measure of gas usage. Ccf shall mean one hundred (100) cubic feet of gas with the unit of volume utilized for measurement purposes based upon one (1) cubic foot of gas at a pressure of fourteen and seventy-three (14.73) pounds per square inch absolute with corrections for super compressibility and at a temperature of sixty (60) degrees Fahrenheit.
- 1.6.9 **City Gate** - The point where interstate pipelines deliver gas into the Company's facilities.
- 1.6.10 **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, private schools, churches, religious and charitable institutions, governmental agencies, or the like.
- 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.
- 1.6.11 **Customer Proxy** - Generally, 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 1, 2, and 3 of the "Shipper" definition, and the Supplier in circumstances described by paragraph 4 of the "Shipper" definition.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

1. The Gas Tariff (continued)

1.6 Definitions (continued)

- 1.6.12 **Delivery Point** – The location at which the Company shall first receive the gas supply from a Marketer or Shipper.
- 1.6.13 **Distribution Pipeline** – Any company pipeline other than a Transmission Pipeline or Company service line.
- 1.6.14 **Distribution Service** (also referred to as Transportation Service) - Service provided by the Company in which the customer purchases its gas supplies from an entity other than the Company and the Company distributes those gas supplies to the customer.
- 1.6.15 **FERC** - The Federal Energy Regulatory Commission.
- 1.6.16 **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.
- 1.6.17 **FTS** - 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.
- 1.6.18 **Gas** - The gas commodity that is distributed by the Company.
- 1.6.19 **Human Needs** – Service provided to customers whose facilities are used for residential dwellings on either a permanent or temporary basis (such as, but not limited to apartment buildings, correctional institutions, dormitories, hospitals, nursing homes, hotels and motels). In a curtailment situation those Human Needs customers whose requirements can be met by installed alternate fuel facilities will be required to utilize such facilities prior to requiring Human Needs customers without alternate fuel facilities to curtail.
- 1.6.20 **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 customers include but are not limited to 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, and petrochemical operations in which the gas is the raw material.

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.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

1. The Gas Tariff (continued)

1.6 Definitions (continued)

- 1.6.21 **ITS** - Interruptible transportation service provided by an interstate pipeline, in which natural gas is transported on an interruptible basis.
- 1.6.22 **Local Market Area** - 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).
- 1.6.23 **Marketer** – (also known as Supplier) Third party supplier of natural gas other than the utility that is licensed to provide gas in Maryland.
- 1.6.24 **Material Obligation** - Any obligation of the Marketer or Shipper under these Transportation Service Rules, which if not fulfilled by the Marketer or Shipper, 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.
- 1.6.25 **Mcf** - One thousand (1000) cubic feet of gas. This is a measure of gas usage. Specifically, "Mcf" shall mean one thousand (1000) cubic feet of gas with the unit of volume utilized for measurement purposes based upon one (1) cubic foot of gas at a pressure of fourteen and seventy-three (14.73) pounds per square inch absolute with corrections for super compressibility and at a temperature of sixty (60) degrees Fahrenheit.
- 1.6.26 **MMcf** - One million (1,000,000) cubic feet of gas.
- 1.6.27 **Month** - Calendar month.
- 1.6.28 **Primary FTS** - With regard to Columbia Gas Transmission Corporation capacity, shall mean FTS which has a designated primary delivery point located in the same Upstream 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.
- 1.6.29 **Reliability** - Comprises adequacy and security.
- 1.6.30 **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. Included in this group are tenants billed by the Company for natural gas consumption or use by other tenants at the same premise when the lease states that the tenants are responsible for their own utility bills. 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.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

1. The Gas Tariff (continued)

- 1.6.31 **Sales Service** – Service provided by the Company in which the customer purchases its gas supplies from the Company and the Company delivers the gas supplies to the customer.
- 1.6.32 **Security** - Designing, maintaining and operating a system so that it can safely handle extreme conditions, as well as emergencies.
- 1.6.33 **Shipper** – The entity nominating gas service for distribution. Specifically, “Shipper” is defined as:
- 1.) a Small Transportation Service (“STS”) customer or a Transportation Service (“TS”) customer that nominates gas for distribution; or
 - 2.) a Marketer that nominates the STS or TS customer’s gas for distribution, but which has not been appointed in writing as the customer’s agent by the customer; or
 - 3.) a Marketer that nominates the STS or TS Customer’s gas for distribution which the Marketer is acting as the STS or TS customer’s duly authorized agent for the purpose of purchasing gas; or
 - 4.) a Marketer that nominates the STS or TS customer’s gas for distribution, which Marketer is acting as the STS or TS customer’s duly authorized aggregation agent for the purpose of purchasing gas.
- 1.6.34 **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 hoop stress of twenty percent (20%) 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 ninety percent (90%) of its gas operating revenues from the transportation of gas for others and classifies at least ninety percent (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 provision set forth in the Termination of Service from Transmission Pipe Lines provision of this tariff, the Company reserves the right to remove, relocate or abandon its Transmission Pipelines.
- 1.6.35 **Upstream Pipeline Scheduling Point or “UPSP”** – (1) the single delivery point or set of geographically-related delivery points grouped by Columbia Gas Transmission Corporation (“TCO”) for purposes of scheduling gas supplies for delivery by TCO, as listed on its Master List of Interconnections; or (2) single delivery point or set of geographically-related delivery points grouped by the Company for delivery through other interstate pipelines interconnected with the Company.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

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

The Company's transmission pipelines, from which gas may be supplied to its customers along the route thereof, are not intended and cannot be maintained solely for the service to such customers. The Company may refuse to render service from such pipe lines 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 pipe lines, the service would be of short duration, hazardous or inadequate. See Section 19.2.

2.3 Limitation Provisions - Daily Requirements

Columbia may curtail or temporarily discontinue gas service in the following order, without incurring, thereby, any liability for any subsequent loss 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, Columbia will determine the curtailment or discontinuance required of customers within a classification, including whether curtailment is to be made only in portions of Columbia's service territory. The following priority listing identifies the order of interruption for transportation as well as sales services.

"Non-flowing transportation" as used in the first order of interruption below is defined as the failure of customer owned supplies to reach the facilities of Columbia.

"Flowing transportation" as used in the second order of interruption below is defined as customer owned supplies which have reached the facilities of Columbia.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

2. Service Limitations (continued)

2.3 Limitation Provisions - Daily Requirements (continued)

First: Non-flowing service to customers under Rate TS - Transportation Service, Rate IS - Interruptible Service, and Rate AFDS - Alternate Fuel Displacement Service.

Second: Flowing service to customers under Rate TS - Transportation Service, Rate IS - Interruptible Service, and Rate AFDS - Alternative Fuel Displacement Service.

Third: Sales service to customers whose principal use of gas is for industrial manufacturing purposes under Rate GS - General Service and Rate STS - Small Transportation Service. This category also includes Standby Service for industrial manufacturing purposes.

Fourth: Sales service to customers whose principal use of gas is for commercial establishments under Rate GS - General Service and Rate STS - Small Transportation Service. This category also includes Standby Service for commercial establishments.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

2. Service Limitations (continued)

2.4 Priorities of Service

The Company may curtail or discontinue service in whole or in part, of monthly, seasonal or annual volumes in accordance with the following Priorities, commencing with the highest numbered Priority and proceeding in descending order, without incurring thereby any liability for any subsequent loss or damage which the customer may sustain by reason of such curtailment or discontinuance, in order to conserve the supply of gas for existing domestic uses and uses deemed to be necessary for the protection of public health and safety and to avoid undue hardship.

Priority 1: Residential loads and "Human Needs" as defined in the Definitions provisions of this tariff. In a curtailment situation those Human Needs customers whose requirements can be met by installed alternate fuel facilities will be required to utilize such facilities prior to requiring Human Needs customers without alternate fuel facilities to curtail.

Priority 2: Remaining commercial loads not previously curtailed in Priority 4.

Priority 3: Remaining industrial loads not previously curtailed in Priorities 4 and 5.

Priority 4: After one hundred percent (100%) curtailment of all loads in Priority 5, all commercial and industrial loads of 1,000 Mcf and larger in any month shall be curtailed on a pro rata basis, except that curtailment of commercial loads shall not exceed forty percent (40%) during the winter period November through March and fifteen percent (15%) during the remaining months.

Priority 5: Prior to curtailment of loads in Priority 4, all industrial loads of 1,000 Mcf and larger in any month having alternate fuel capability shall be curtailed on a pro rata basis except where the Commission has granted an extension of time. For the purposes of this Priority, 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.

Provided, however, the above curtailment provisions shall not limit or restrict the Company from curtailing and interrupting daily deliveries as provided for under Rate Schedules or other provisions of this Tariff.

2.5 Penalty Provisions

Failure to comply with a curtailment or discontinuance request issued by the Company will result in a penalty of One Hundred Dollars (\$100) per Mcf applied to all use of curtailed gas.

2.6 Restoration and Transfer of Gas Service

Restoration and transfer of gas service shall be made in accordance with guidelines established by the Company and filed with the Commission, which guidelines may be modified from time to time as circumstances may warrant.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

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RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

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RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

3. Application for Service

3.1 Application

Application for gas service may be made by telephoning the Company office or its authorized agent, by letter, or through application via the Internet.

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, is required to furnish such service.
- (f) When it is necessary to conserve the supply of gas (see Rules 2.2 and 2.3).
- (g) Customer's failure to provide a deposit to insure payment of bills, where requested by the Company under the provisions of Rule 6.2.
- (h) Customer's failure to make such payment as may be required under Section 8 as a condition of extension of supply facilities.

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 Public Service Commission of Maryland, the Laws of the State of Maryland, and the Laws of the United States of America.

3.4 Unauthorized Use

The use of service obtained from the Company without authority may be terminated by the Company without notice. 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

4. Customer's Installation

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

With regard to new installations, and before the customer installs the house line, the customer shall request the Company to specify where it shall install its meter. The Company shall specify the location at which it will install its meter, and the customer shall be required to install its house line so that the house line terminates at the point where the Company specifies that the meter will be installed. 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 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, volumes and other pertinent factors. In certain buildings the Company may require that an approved meter room be provided.

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 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.

The customer or owner of building shall provide and at all times maintain free of expense to this Company proper space for this Company's meters. Likewise, the customer is warned not to permit materials or any character to be piled up or heaped around this meter location. The customer shall reimburse this Company for the loss of, or any damage to its meters and meter connections, or other property of the Company while located on the customer's premises, arising out of or caused by customer's negligence, carelessness, or that of his servants, agents, employees, members of his household, or any person upon his premises under or by authority of his consent or sufferance.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

4. Customer's Installation (continued)

4.5 Meter Connections

The Company will own, furnish and maintain the meter and meter connection required to measure the gas supplied to customer, and will supply gas only through a meter furnished and owned by it. The Company must be notified when customer desires to have meter installed, changed or removed.

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 Company will install the service line to the point of connection designated by the Company, subject to the Service Connection provisions of these Rules and Regulations. After installing and testing the service line, the Company shall plug and seal the outlet side of the meter, turn off the valve located on the outlet side of the meter, and introduce gas service to the meter. (See the Testing and Inspecting Customer's Service provisions of these Rules and Regulations.)

4.8 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.

4.9 House Piping

Prior to the installation of house piping by the customer in new or altered premises, the customer should inquire with the appropriate local authority to determine the requirements, sizes of pipe, quality and other specifications. Customer's installation shall be installed at the customer's expense and should be maintained by customer in a thoroughly safe and efficient manner.

4.10 Maintenance of Lines

The Company will maintain, at its expense, the service line to the point of connection designated by the Company. (See Rule 8.1) All house lines shall be kept and maintained in good condition by the customer or owner. When leaky or hazardous conditions of the house lines are found, repairs shall be made promptly by the customer or owner.

4.11 Interference with Facilities

Without prior written notice to the Company, the customer shall not open, tamper or interfere with, in any manner, his house piping, the Company's service line or any regulator or regulators or safety appliances installed in connection with service to him, irrespective of ownership thereof.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

4. Customer's Installation (cont'd.)

4.12 Responsibility of Customer

This Company's ownership and responsibility terminates at the meter outlet. Customer is warned of the risk of damage to property and the possibility of fire or personal injury resulting from improper house piping and manner of attachment or use and maintenance of gas appliances, fixtures, and apparatus, and is advised to permit no one except experienced and capable fitters to install or to make any change, alteration, addition or repair to any part of customer's installation. This Company will not be liable for any injury or damage caused by reason of defects in any portion thereof.

4.13 Regulators and Safety Appliances

In rural areas, where gas service is obtained from a high pressure line, the customer shall furnish 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, and shall supply a satisfactory covering or coverings for said equipment. The said regulator or regulators are to be installed at the customer's expense and at the point of connection between the customer's service line and the high pressure line. The customer may be required to also furnish a safety device satisfactory to the Company, which is to be connected on the outlet side of the meter, so adjusted as to operate and relieve any pressure on the customer's line deemed by the Company to be unsafe or too high for satisfactory service. The total installation is to be made in accordance with Company specifications. The Company at the customer's request will assist in the selection and procurement of suitable equipment and the installation and maintenance thereof will be performed at the customer's expense.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

5. Testing and Inspecting Customer's Service

5.1 Inspection Requirement

If local authorities require an inspection of customer's piping, the customer shall be responsible for contacting the appropriate local authority to arrange for such inspection. Upon passing the local authority's inspection, the customer or his authorized representative shall be permitted to unplug and unseal the outlet of the meter, connect it to the customer's piping, and turn on the valve located at the outlet side of the meter. **5.2 Pressure Test of Customer Piping**

Before permitting the use of gas at any location, all customer piping and any alterations, additions or renewals thereof shall be tested for tightness and leaks in accordance with Part 4 of the American National Standard "National Fuel Gas Code", ANSI Z223.1 (1999). Before any system of gas piping is finally put in service, it shall be tested for tightness and certified by the appropriate local authority that the test has been made.

5.3 Company's Right to Inspect

The Company shall have the right, but not the obligation to inspect or test any installation before service is introduced or at any later time, and reserves the right to reject any piping or appliances not in accordance with the Part 4 of the American National Standard "National Fuel Gas Code", ANSI Z223.1 (1999); but 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.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

5. Testing and Inspecting Customer's Service (cont'd.)

5.4 Unsatisfactory Test or Inspection

In the case of a leak, or other unsatisfactory condition of the house piping, resulting in the disapproval thereof by the Company or the appropriate local authority, correction shall be made of such condition at the owner's expense, and the line shall thereupon be inspected again in accord with the provisions of this Section 5.

5.5 Responsibility for Material or Workmanship

With regard to the customer's service, 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. The Company has adopted these Rules and Regulations for the protection, adequacy and safety of service to its customers, and may refuse to turn gas on to any premises where the gas piping does not conform to the Rules and Regulations.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

6. Credit

6.1 Prior Debts

Service will not be furnished to a former customer until amounts due for gas service at a previous location have been satisfied.

6.2 Deposits

Deposits may be required from customers taking service for a period of less than thirty days, in an amount equal to the estimated gross bill for such temporary period. Deposits may be required from all other customers, provided that in no instance may deposits be required in excess of the estimated gross bill for any single billing period plus one month (the maximum period not to exceed sixty days), with a minimum of \$5.00. Any customer having secured the return of a deposit, shall not be required to make a new deposit unless the service has been discontinued and the customer's credit standing impaired through failure to comply with tariff provisions.

6.3 Payments of Deposits

When a deposit of less than \$25.00 is required from a customer, such amount is due and payable at the Company office before the commencement of service. When a deposit amounts to \$25.00 or more, the customer may, after arrangements have been made with the Company, pay such deposit in installments over a period of six weeks.

6.4 Return of Deposit

Deposits secured from a domestic customer or residential subscriber shall be returned to the depositor when undisputed bills covering a period of twelve (12) consecutive months have been paid. The payment of any undisputed bill, shall be payment of the bill with or without discount or penalty, within thirty days following the period for which the bill was rendered, or payment within thirty 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 days thereafter.

6.5 Interest on Deposits

The Company will pay interest on all cash deposits at the interest rates prescribed from time to time by the Maryland Public Service Commission. Upon deposits held for more than a year, Company will pay to the customer, at the end of each calendar year, the interest accrued thereon.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

7. Point of Delivery of Gas to Customers

7.1 Point of Delivery

The point of delivery shall be at the outlet side of the meter connection. In all cases where the customer is purchasing its gas supplies from the Company, title to the gas shall pass to the customer at the outlet side of the meter connection. In cases where the customer purchases its own gas supply, the customer warrants that it will purchase gas only from marketers, suppliers or brokers licensed by the Maryland Public Service Commission, and title to the gas shall pass directly from the marketer, supplier or broker to the customer.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

8. Extensions

8.1 Service Connections

The Company will install at its expense, the service line from its main to the meter location. However, where a service pipe longer than fifty (50) feet in length, measured from the curb line if established, otherwise from an equivalent line is required, the customer may be required to pay for the entire cost of such excess length over fifty (50) feet on a cost basis.

8.2 Obligation to Extend

Where an extension of gas main is required to reach a customer applying for service, the applicant will be required to provide a contribution to the Company equal to the excess, if any, of the minimum capital investment required to serve the applicant's gas requirements over the capital investment that is economically justified by the net revenues from the applicant's anticipated gas requirements. Minimum capital investment is the capital expenditure required to serve only the gas requirements requested by the particular applicant(s).

The amount of capital investment that is economically justified shall be the net present value of the net revenues from the applicant's anticipated gas requirements during a Minimum Time Period. Net revenues shall be determined by excluding gas cost recoveries, incremental O&M expenses, and specifically identifiable taxes. The Minimum Time Period shall be three (3) years for industrial customer applicants and five (5) years for residential and commercial applicants.

Additionally, a deposit may be required from commercial and industrial applicants, at the Company's sole discretion, if the Company is not certain that the applicant's actual usage reaches or exceeds the anticipated gas requirements for the entire Minimum Time Period. The total amount required from any applicant, including any additional deposit, shall be no more than the minimum capital investment to serve the applicant.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

8. Extensions (cont'd.)

8.3 Special Extensions

Where the business in prospect does not warrant the expenditure required to serve it, the Company will determine, from the circumstances of each case, what guarantees of revenue, or what financing, shall be required of the applicant.

8.4 Extension Refund

The Company may provide, in a written agreement with the applicant, for refunds of all, or part, of the monies advanced by an applicant in connection with an extension. Refunds to the applicant shall extend over a term of years upon such basis or conditions as may be mutually agreeable to the Company and the applicant, and specified in the written agreement.

8.5 Ownership and Maintenance

The Company shall own, maintain and renew, when necessary, its main extension, service line between its main and the outlet side of meter connections.

8.6 Interference with Facilities

The Company's main, service line, service cock and curb box shall not be opened, tampered or interfered with at any time.

8.7 Restoration of Property

In the event that the Company is required to undertake any excavation on a customer's property in connection with the installation, repair, maintenance or replacement of a service line, the Company shall make reasonable efforts to restore the property substantially to its condition prior to such excavation.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

9. Rights-of-Way

9.1 Term and Rentals

When, to serve a customer, it is necessary to extend the Company's facilities over the property of another, the customer shall accept service for such term as is provided in the permit or agreement covering the location and maintenance of such facilities, as the customer may be required to reimburse the Company for any and all special, or rental, charges that may be made for such rights by said permit or agreement.

9.2 Procurement by Customer

Customers applying for the construction of an extension may be required to secure to, and for, the Company, all necessary and convenient rights-of-way and to pay the costs incident thereto.

9.3 Delays

Applications for service from an extension 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 right-of-way.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

10. Introduction of Service

10.1 Customer to Specify Time When Service is Connected

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.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

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 or negligence of the Customer or his agent, the customer shall pay the costs of repairs and replacements.

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. If the customer fails to meet a scheduled appointment without providing at least one hour's prior notice of cancellation, the Company may charge for one hour of service time. If the Company fails to meet a scheduled appointment without providing at least one hour's prior notice of cancellation, the Company may credit the customer's account with a credit equal to one hour of service time.

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 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 to read the meter. 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;

OR

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

11. Company Equipment on Customer's Premises (continued)

11.5 Access to Premises (continued)

To install, either a mechanical remote meter-reading device or a radio-based remote reading device for the purpose of monitoring and/or billing customer volumes.

If the Customer does not select one of the above options within sixty (60) days notice from the Company, the Company reserves the right in its sole discretion to implement one of the above options. If the customer refuses to allow the Company to implement one of the above two options, it will be grounds for termination.

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 pre-determine, 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 transportation service or in evaluating proposals of third party suppliers.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

13. Service Continuity

13.1 Company Liability

The Company does not guarantee continuous uninterrupted gas service and, except as provided herein, shall not be liable for any change in or interruption of service. The Company shall not be liable to Customers, their directors, officers, employees, agents, or contractors, for any loss, cost, damage, expense, or any other liability (all of which shall be considered "Damages") regardless of whether such Damages are considered direct, indirect, incidental, special, consequential, exemplary or punitive Damages or to arise in contract or in tort, or any other cause of action, except as caused by the gross negligence or willful misconduct of the Company and only to the extent caused by the Company.

The Company shall not be liable for any act or omission of any entity furnishing the Company or the Company's Customers goods, services, equipment or other products to be delivered through the Company's facilities or to be used in conjunction with goods, services, equipment of other products furnished by the Company. The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.

13.2 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.

13.3 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 restraints 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 within 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.

Such causes or contingencies affecting the performance hereunder by either Company or Customer, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall causes or contingencies affecting such performance relieve either party from its obligations to make payments of amounts then due hereunder in respect of gas theretofore delivered.

13.4 DISCLAIMER OF WARRANTY

THE COMPANY MAKES NO WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

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 defect in house lines or fixtures or other hazardous conditions of service, it shall not be turned on again until such defect or other hazardous conditions have been repaired and made safe either by a competent plumber or gas-fitter.

14.2 Adjustment for Wastage of Gas

Whenever wastage of gas occurs due to inadequacies in customer's facilities and without the knowledge of the customer, the Company shall investigate the causes of such wastage and determine the adjustment, if any, to be made to the customer, the amount of such adjustment to depend upon such items as the degree to which the customer exercised reasonable care in the installation and maintenance of the facilities, the lapse of time between the discovery of wastage by the customer and notification to the Company, and the lapse of time between the discovery of wastage by the customer and the repair of the customer's facilities to eliminate the wastage.

14.3 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.

14.4 Service of Customer Appliances

All appliances, including space heating appliances, are to be maintained at the customer's expense.

14.5 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.

14.6 Liability for Damages

The Company shall not be liable for any injury to persons or damage to property arising or accruing in any manner whatsoever from this use of gas.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

15. Measurement

15.1 Measurement of Gas

Except as herein otherwise provided, the measurement of gas service shall be by meters furnished and installed by the Company. The Company will furnish each customer with a meter of such size and type as the Company may determine will adequately service the customer's service requirements, and may from time to time, change or alter the equipment to provide for accurate measurement. To determine measured volumes, 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, after proper authorization by the Commission and by written agreement with the customer, commence service and render bills temporarily on the basis of estimated gas consumption.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

15. Measurement (continued)

15.3 Meter Reading Intervals

Bills will be rendered and be payable once each month. The Company may read any meter once each month, but may also read meters of domestic and commercial customers once each two months. As to any customer whose meter is read once each two (2) months, the consumption for the first month of each bi-monthly 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 bi-monthly meter reading period shall be determined by subtracting the first month's estimated consumption from the total actual consumption for the bi-monthly period as shown by the meter. The bill for each month shall be the result of applying to the consumption, determined as foresaid, 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 bi-monthly meter reading period, and if such card is received by the Company within two (2) 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 Estimated Usage

The Company shall estimate usage (1) for one month of each meter reading period where scheduled meter readings are on a bi-monthly 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 the Non-Payment Shut-Off provisions of this tariff. 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 five consecutive months, and the customer's service, thereafter, is subject to discontinuance. (See Rule 18.2)

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

15. Measurement (continued)

15.5 Heating Value

The minimum average monthly total heating value of gas delivered hereunder shall not be less than 1,000 Btu per cubic foot. Such total heating value shall be determined by standard approved methods of testing or by a recording calorimeter(s) periodically checked by approved methods for accuracy.

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, or by the use of temperature sending elements used in conjunction with electronic measuring devices. The Company created the table of temperatures by measuring actual flowing gas temperatures on a daily basis for a period of several years, and created a temperature compensation adjustment factor based upon the actual flowing temperatures.

15.7 Measuring Equipment

Unless otherwise agreed upon, the Company will own, install, maintain and operate measuring equipment equipped with displacement or flow meters as approved by the Maryland Public Service Commission to determine the volumes of gas delivered. The gas delivered shall be measured in accordance with the latest approved methods in the industry generally. Orifice meters shall be installed and operated, and gas volumes 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. 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, clearing, 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. 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 volume of gas delivered.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

15.8 Measurement Correction

The volume of gas delivered shall be adjusted to compensate for pressure, flowing temperature, and deviations from Boyle's Law. In instances where the actual absolute atmospheric pressure is not recorded at the meter, the average absolute atmospheric pressure (barometric pressure) shall be assumed to be 14.4 lbs. per square inch, irrespective of actual elevation or location of the delivery point above sea level or variations in actual barometric pressure from time to time. In instances where the actual absolute atmospheric pressure is recorded at the meter, the actual absolute atmospheric pressure shall be used to calculate volume. In instances where the actual temperature is not recorded at the meter, the temperature of the gas flowing through the meter shall be corrected by a factor derived from an arithmetic average of the temperature obtained from established tables of monthly average temperatures. In instances where the actual temperature is recorded at the meter, the actual temperature shall be used to calculate volume. The gas shall be measured in accordance with generally accepted methods in use in the industry and recommended by the Gas Measurement Committee of the Natural Gas Department of the American Gas Association, applied in a practical manner.

16. Meter Tests

16.1 Meter Tests

The Company, at its expense, will make periodic tests and inspections of its meters, pursuant to the Code of Maryland Regulations, Title 20, Subtitle 55 governing Service Supplied by Gas Companies.

16.2 Fast Meters

If, upon the test of any meter, the meter is found to have an average error of more than 2% fast, the Company shall refund to the customer the overcharge, however, in no event will refund be made if the adjustment is for less than \$1.00. The total amount of overcharge shall be determined as follows:

- (a) If the time at which the error first developed or occurred can be definitely fixed, the amount of overcharge is to be based thereon and credited in full.
- (b) If the time at which the error first developed or occurred cannot be definitely fixed, it shall be assumed that the over-registration has existed for a period of three years or a period equal to one-half of the time since the meter was last tested, whichever is less ("Assumed Period"). The Company will then determine the amount of overcharge based on the corrected meter reading for the Assumed Period.

16.3 Slow Meters

Whenever a meter in service is tested and found to have under-registered, or is slow, more than 2%, the Company may bill the customer one-half of the unbilled error for a period of twelve months, unless the meter has been tested within the twelve month's period, in which event the Company may bill the customer one-half the unbilled error for the period since the meter was last tested. If the amount of under-registration is less than Five-Dollars (\$5.00), the Company will not adjust the bill.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

16. Meter Tests (con'd.)

16.4 Non-registering Meters

Whenever a meter is found to be stopped, the Company may estimate, and bill the customer, as provided under Rule 15.5 of these Rules and Regulations, except in the case of tampering, theft, or unauthorized use, the estimate shall cover a period of not more than six (6) months.

16.5 Request Tests

Upon request by a customer and at no charge the utility shall make a test of the accuracy of registration of the meter serving him, provided that such tests need not be made more frequently than once in eighteen (18) months.

1. The customer, or his representative may be present when his meter is tested.
2. A report of the results of the test shall be made to the customer within a reasonable time after the completion of the test, and a record of the report, together with a complete record of each test, shall be kept on file at the office of the utility.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

17. Payment Terms

17.1 Billing Period

Bills for gas service to all customers will be rendered monthly for service furnished during the preceding meter reading period at the rates set forth from time to time in the Company's then effective tariff on file with the Public Service Commission of Maryland.

17.2 Payment Period

Bills are due and payable upon presentation, and payment may be made by the customer at the office of one of its collection agents. The due date of payment shall not be a Saturday, Sunday or holiday, and shall be within fifteen (15) days after date of presentation, except on bills rendered to churches, state, federal and municipal customers, or any department or institution thereof, for which thirty (30) days shall be allowed. After the due date of payment, the customer will receive written notice setting forth the date service will be discontinued unless payment is received by the Company prior to that date, which date shall not be less than five (5) days from the date of mailing such notice. 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 Payment by Mail

Any remittance received by mail at any office of the Company bearing U.S. Post Office stamp date corresponding with or previous to the due date of payment shown on the bill will be accepted by the Company as compliance with the terms of payment.

17.4 Disputed Bills

In the event of a dispute between the customer and the Company regarding 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. 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, except that whenever a customer has been billed incorrectly, as a result of incorrect reading of meters, incorrect application of rate schedule, or other similar reason, any undercharge billed to the customer covering the period preceding the three months prior to the discovery of the error shall be subject to service denial for non-payment only after authorization by the Public Service Commission of Maryland. 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.

17.5 Dishonored Check

If the Company receives a negotiable instrument from an applicant or a customer as payment of any bill, charge or deposit due, and if such instrument is subsequently dishonored or is uncollectible for any reason, the Company shall charge the applicant or customer a charge of twenty dollars (\$20.00).

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

18. Disconnection by the Company

18.1 Non-Payment Shut-Off

The Company may disconnect its service on due notice and remove its equipment in case of non-payment of bill at the present or former location. (See the Payment Period provisions of this tariff.)

18.2 Shut-Off for Cause

The Company may disconnect on reasonable notice if entry to its meter or meters is refused, or if access thereto is obstructed or hazardous, or for other violation of these Rules and Regulations.

18.3 Safety Shut-Off

The Company may disconnect without notice if the customer's installation has become hazardous or defective.

18.4 Defective Equipment Shut-Off

The Company may disconnect without notice if the customer's equipment or use thereof might injuriously affect the equipment of the Company, or the Company's service to other customers.

18.5 Shut-Off for Other Causes

The Company may disconnect without notice for abuse, fraud, or tampering with the connections, meters or other equipment of the Company or for any physical harm, or any threat of physical harm to Company personnel or property.

18.6 Reconnection Charge

Whenever a customer's gas shall be turned off or his meter disconnected by reason of non-compliance with these Rules and Regulations or the Rules, Regulations or Orders of the Public Service Commission of Maryland, or whenever a customer seeks to resume service at the same address where the customer discontinued service within the prior twelve (12) month period, the customer shall be subject to a reconnection charge at the Company's established hourly rate of forty-eight dollars (\$48.00) per visit before the gas will be turned on again.

18.7 Non-Compliance by Company

Failure on the part of the Company to enforce any of its rights at any time shall not be deemed a waiver of any of its rights.

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19. Termination of Service

19.1 Termination by Company

The Company's obligation to service a particular premise shall, at the option of the Company cease and terminate (1) in case the property served is vacated or a change of occupancy occurs, (2) in case of an assignment of the act of bankruptcy of the customer, (3) in case of the illegal use of gas or (4) in case of any physical harm or any threat of physical harm to Company personnel or property.

19.2 Termination of Service from Transmission Pipe Lines

The Company may, in its discretion, remove, relocate or abandon transmission pipe lines 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 pipe lines 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.

19.3 Termination by Customer

A customer who intends to vacate the premises, discontinue the use of gas, or terminate his liability to pay for gas delivered to the premises, shall give at least twenty-four (24) hours 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 such notice is not given the customer shall be liable for service taken during the twenty-four (24) hour period following the Company's receipt of the customer's notice. The customer shall be liable for gas used in accordance with the procedure stated in the Final Bill provisions of this tariff.

19.4 Final Bill

The customer is liable for service taken after notice to terminate his service until the meter is read or final estimated consumption is determined, or gas is shut off, or service is placed in the name of the successor customer, whichever occurs first. When the disconnect and reconnect orders are executed on different days, an actual meter reading shall be performed. Final estimated consumption shall be based on the customer's average daily usage for non-heat usage and average usage per degree day for heating usage and the number of days in the final billing period. The non-heat usage factor and the degree days usage factor will be calculated based on the customer's previous twelve (12) months' consumption history and be maintained on each individual account on a permanent basis. Final readings will not be computed when these factors cannot be calculated on the account or when a customer specifically requests that the meter be read. The Company reserves the right to estimate any customer's final meter reading in the case where access to the meter is not provided within a reasonable time. The final bill for service is due and payable immediately.

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20. Special Provision - Weather Normalization Adjustment

20.1 Weather Normalization Adjustment

The volumes of gas sales to Residential and Commercial customers under Rate Schedules RS, RTS, PS, STS and GS, for the heating season November through March (billed December 1 through April 30) shall be increased or decreased monthly by an amount hereinafter described as the Weather Normalization Adjustment (WNA), which shall be calculated as follows:

- (a) Normal heating degree days shall be computed annually using the same methodology established in the Company's most recent Rate Case and used to determine the adjusted sales volumes and revenue requirements.
- (b) Monthly sales volumes above or below usage associated with normal degree days shall be adjusted in the month of billing by multiplying the degree day variance from normal by the quotient of the actual Mcf used less the average Base Load, divided by the actual degree days, in the form:

$$\text{WNA} = (\text{Actual Mcf} - \text{Base Load Mcf}) / \text{Actual Degree Days} \times (\text{Normal Degree Days} - \text{Actual Degree Days})$$

- (a) The Purchased Gas Adjustment shall be applied to actual (or non-adjusted) sales volumes.

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21. Transportation Service Rules ("TSR")

21.1 This paragraph applies to all Transportation Service on the Company's system regardless of whether the Customer is acting as its own Shipper or whether the Customer has contracted with a Marketer to provide this service

21.2 Marketer Criteria

- A) A Marketer may be required to provide financial information in order for the Company to establish the Marketer's credit limit. A non-refundable fee may be charged to offset the cost of determining the Marketer's creditworthiness.
- B) The Marketer must sign a service agreement and provide written notification to the Company of the identity of the customer on whose behalf the Marketer is acting.
- C) In those instances where an Marketer is providing Natural Gas Supply Services pursuant to these Transportation Service Rules, 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 Shipper's provision of Natural Gas Supply Services to that Customer. Nevertheless, the Company reserves the right to require a bond or other financial security if the Marketer fails to demonstrate creditworthiness or desires to avoid credit evaluation. In such instances, it may submit a deposit or letter of credit equal to two times the peak month's bill for each customer on whose behalf the Marketer is acting.

21.3 Requirements for Transportation Service

- A) Electronic Communications. All transportation customers or their agents must be connected with the Company's electronic bulletin board to accommodate electronic communication.
- B) Application Process
 - 1. All Customers must complete an application in the form prescribed by the Company prior to taking service under these Transportation Service Rules ("Transportation Service Application and Agreement"). The Transportation Service 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 redeliver gas to the Customer's facilities; and (3) Customer's maximum daily transportation volume and annual transportation volumes. The Transportation Service Application and Agreement shall also include: the name, address and telephone number to which all notices are to be delivered, an email 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 volumes are subject to adjustment by the Company no more than one time each year, to reflect the Customer's actual maximum daily and annual volumes 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 transportation volumes, for customers that are asphalt plants, power generators or grain dryers, those customers shall also provide their maximum daily transportation volume which is expected to occur in January.

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2. The benefits and obligations of the service agreement shall begin when the Company first receives gas on the customer's behalf. However, no agreement for service may be assigned or transferred without the written consent of or approval of the Company, which shall not unreasonably be withheld.
 3. 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 Transportation Service Application and Agreement and agree either to supply service or to deny service. If the Company refuses to provide transportation service under the requested rate schedule, the Company shall provide detailed support for its decision.
- C) Transportation customers, without daily measurement, must agree to the Company's estimate of takes and pay all charges assessed by the Company. The customer may opt to install daily metering if it does not want to be subject to the Company's estimates. The Company reserves the right, as a condition of service, to require any customer requesting service under Rate TS - Transportation Service, to install a daily demand reading meter. The Company also reserves the right to require installation of such a meter as a condition of continuation of service under Rate TS - Transportation Service.

Transportation customers with daily metering, under Rate STS - Small Transportation Service or Rate TS - Transportation Service, are required to pay for all costs of daily metering including the cost of telemetering equipment, installation, and a telephone line to the meter. Certain customers may be required to have a dedicated phone line. Customers with daily metering will pay all charges assessed by the Company as a result of the customer taking more volumes than authorized by the Company. The meter and associated telemetering equipment shall be the property of the Company.

21.4 ORDER OF GAS THROUGH THE METER

- A) Gas through the customer's meter during each billing month shall be considered to have come from the following sources, in a sequential manner:
1. First through - gas supplies which have reached the facilities of the Company on behalf of the customer, including customer-owned supplies; next through,
 2. Prior months bank balance, if any, under Rider EBS, Option 1; next through,
 3. Firm sales, if any contracted by the customer from the Company; next through,
 4. Consumption in Excess of Deliveries provided by the Company as defined in the Transportation Service Rules of this tariff.

21.5 SYSTEM INTEGRITY MEASURES AND PROCEDURES

- A) Operational Alert (OA). An 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 four (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.

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- B) 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, the Company's internet-based website, 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.
- C) Seasonal Flow Orders (SFOs). As detailed below in the Seasonal Flow Orders provision of this tariff, the Company shall have the authority to issue SFOs whenever the Company believes that the seasonal supplies of Sales Service or Choice Transportation Service 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 Distribution Service customers' estimated requirements to prevent shortages of seasonal supplies on the Company's system.
- D) 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 Transportation Service 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 PGA and/or Choice Transportation Service customers, or to acquire additional capacity or gas supply to serve Distribution Service customers (with the exception of volumes 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 Proxies, but this action shall not be a precondition for the Company to issue an OFO or OMO applicable to all Distribution Service customers or Customer Proxies. Where operationally feasible, the Company will endeavor to issue OFOs/OMOs by Upstream Pipeline Scheduling Point.

21.6 SEASONAL FLOW ORDERS (SFOs)

- A) An SFO is a demand for specific actions on the part of Shippers that are serving RTS, STS or TS customers.
- B) An SFO will be issued, to the extent possible, with a minimum of two business days notice to the affected parties.
- C) The Company will have the authority to direct Customer Proxies to direct their Shippers to adjust daily scheduled volumes 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.
- 1) For Customers without daily measuring devices, the SFO Level will be determined by the Company based upon the Company's projection of usage by distribution service 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 volumes which are: 1) scheduled and delivered on that day to the Company in the same

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Upstream 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 volumes that may be made available by the Company at its sole discretion including volumes delivered in accordance with the applicable rate schedule and Tariff requirements.

- 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 volumes 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 volumes: (1) scheduled and delivered on that day to the Company in the same Upstream 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 volumes that may be made available to the Shipper by the Company at its sole discretion including volumes delivered in accordance with the applicable rate schedule and Tariff requirements.
- D) 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 within this Seasonal Flow Orders provision. When a difference between the daily SFO Level and actual daily volumes available to meet the SFO Level exists, the following charges will be assessed on the difference:
- 1) If a Shipper under-delivers during an SFO that restricts under-deliveries, the charge to the Customer Proxy for under-deliveries shall be calculated using the gas supply index identified in the Volume Banking and Balancing provisions of these Transportation Service Rules. The "Adjustment to Index Price" shall be the adjustment shown in the following table:

| Ratio of Under-Deliveries to Consumption | Adjustment to Index Price |
|--|---------------------------|
| 0% - 10.00% | 125% |
| 10.01% and over | 150% |

- 2) If a Shipper over-delivers during an SFO that restricts over-deliveries, the charge to the Customer Proxy for over-deliveries shall be calculated using the gas supply index identified in the Volume Banking and Balancing provisions of these Transportation Service Rules; 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% | 75% |
| 10.01% and over | 50% |

- 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.

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21.7 Operational Flow Orders (OFOs)

- A) 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.
- B) 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 the Company's internet-based website. 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 Maryland P.S.C.
- C) The Company will have the authority to direct Customer Proxies to direct their Shippers to adjust daily volumes 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 volume. Should expected conditions be different than peak design day conditions, the Daily OFO Level may be greater or less than the then current maximum daily volume. In order to determine compliance with the OFO the Shipper may use gas volumes which are: 1) scheduled and delivered on that day to the Company in the same Upstream Pipeline Scheduling Point in which the Shipper's customer facilities are located; 2) contracted for under Rate SS – Standby Service; 3) available pursuant to the Rider EBS-Option 1; or 4) additional volumes that may be made available to the Shipper by the Company at its sole discretion including volumes delivered in accordance with the applicable rate schedule and Tariff requirements.
- D) When a difference between the Daily OFO Level and actual daily OFO compliance volumes to the Company exists, the following charges will be assessed to the Customer Proxy:
 - 1. Thirty Dollars (\$30.00) per Mcf on the difference except however, the Thirty Dollars (\$30.00) 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,
 - 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.

21.8 Operational Matching Orders (OMOs)

- A) An OMO is a demand for specific actions on the part of Shippers that are serving Distribution Service customers with daily measuring devices. All customers with daily measuring devices, except as specified in the Operational Matching Order provisions of these Transportation Service Rules, are subject to the Company's issuance of OMOs.

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- B) 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 the Company's internet-based website. 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 Maryland P.S.C.
- C) The Company shall have the authority to direct Customer Proxies to adjust customer's daily consumption volumes 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 volumes which are: 1) scheduled and delivered on that day to the Company in the same Upstream 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 volumes that may be made available to the Shipper by the Company at its sole discretion including volumes delivered in accordance with the applicable rate schedule and Tariff requirements.
- D) When a difference exists between the Daily OMO Level and actual daily OMO compliance volumes, the following charges will be assessed to the Customer Proxy:
 - 1) Thirty Dollars (\$30.00) per Mcf on the difference, except however, the Thirty Dollars (\$30.00) 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
 - 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.

21.9 Limitations on Nominations

A Shipper shall not submit a daily gas supply nomination in excess of one hundred twenty percent (120%) of the customer's maximum daily volume except with the Company's prior permission. The Company may reject a nomination to the extent it exceeds one hundred twenty percent (120%) of a customer's maximum daily quantity and confirm it at a level equal to the one hundred twenty percent (120%) limit if the Shipper did not receive the Company's prior permission to exceed the limit.

21.10 Limitations Upon Excess Deliveries

The Company reserves the right to limit its receipt of deliveries which are in excess of a customer's known or estimated daily 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 Company shall specify, electronically, the level of the limitation applicable 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 who's Shipper fails to comply with the Company's limitation under this paragraph.

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21.11 Volume Banking and Balancing - For Transportation Customers Not Electing Rider Choice Transportation Service

A. Consumption in Excess of Deliveries

1. If, in any billing month, the customer's consumption, plus retainage on the distribution system is greater than the sum of: (a) the volume 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, banked gas volumes as permitted under EBS-Option 1, plus (c) imbalance trading performed during that month, then such use shall be considered imbalance gas sold by the Company to the Customer Proxy.
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 for ten (10) consecutive days during the calendar month as published in Platt's 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.
3. For Customer Proxies electing Rider EBS-Option 3, the index price of imbalance gas shall be the mid-point price as published in Platt's Gas Daily "Daily Price Survey" for the day under the heading Texas Eastern M-3.
4. After the index price of gas is determined pursuant to the Volume Banking and Balancing provisions above, 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 volumes of imbalance gas sold to the Customer Proxy in each of the four tiers of the table, multiplying the volumes 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 the Transportation Service Rules.

| Ratio of Under-Deliveries to Consumption | Adjustment to Index Price |
|---|----------------------------------|
| 0.00% - 5.00% | 105% |
| 5.01% - 10.00% | 115% |
| 10.01% - 15.00% | 125% |
| 15.01% and over | 150% |

During an SFO, the table in the Seasonal Flow Order provisions of these Transportation Service Rules shall replace the foregoing table.

5. The Customer Proxy also shall be subject to any applicable penalty under the Operational Matching Order or Operational Flow Order provisions of these Transportation Service Rules in the event that such purchases occur during the existence of an OFO or OMO condition.
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.

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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 volumes.

B) Deliveries in Excess of Consumption

1. If, in any billing month, the customer's consumption, plus retainage on the distribution system is less than the sum of: (a) the volume 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) imbalance trading performed for the month, then such deliveries shall be considered imbalance gas purchased by the Company from the Customer Proxy.
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 for ten (10) consecutive days during the calendar month as published in Platt's 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.
3. For Customer Proxies electing Rider EBS-Option 3, the index price of imbalance gas shall be the mid-point price as published in Platt's Gas Daily "Daily Price Survey" for the day under the heading Texas Eastern M-3.
4. After the index price of gas is determined pursuant to the Volume Banking and Balancing provisions of these Transportation Service Rules, it shall then be adjusted by the percentages shown in the 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 volumes of imbalance gas purchased from the Customer Proxy in each of the four tiers of the table, multiplying the volumes purchased in each tier by the corresponding factor shown in the table.

| Ratio of Over-Deliveries to Consumption | Adjustment to Index Price |
|--|----------------------------------|
| 0.00% - 5.00% | 90% |
| 5.01% - 10.00% | 85% |
| 10.01% - 15.00% | 75% |
| 15.01% and over | 50% |

During an SFO, the table in the Seasonal Flow Order provisions of these Transportation Service Rules shall replace the foregoing table.

5. The Customer Proxy also shall be subject to any applicable penalty under the Operational Matching Order or Operational Flow Order provisions of the Transportation Service Rules in the event that such sale occurs during the existence of an OFO or OMO condition.
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 volumes.

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21.12 Interruption

- A) Service may be interrupted when firm sales and firm transportation services are threatened.
- B) During a gas emergency in any Local Market Area, the Company may request that any transportation customers in such Local Market Area allow the Company to use their customer-owned gas to supply higher priority end-usages. Should the customer refuse to allow the use of its gas during emergencies and the ability of the Company to serve essential Human Needs is threatened, the Company may restrict delivery of customer-owned gas and utilize the gas to serve essential Human Needs when significant relief would be provided by the use of such gas, until such time as the supply threat to essential Human Needs has been resolved. When it is necessary for the Company to restrict delivery of customer-owned gas, the Company will limit the customer's consumption to an authorized quantity. If the customer's actual consumption of gas exceeds the authorized quantity, the customer will be subject to charges for unauthorized gas use pursuant to the Operational Flow Order and Operational Matching Order provisions of these Rules and Regulations. The Company shall notify the Commission that it has restricted transportation gas deliveries under this provision without the customer's agreement.

In the event of interruption of transportation service, pursuant to the above, and during such period of interruption, the customer or the customer's agent, may be required to sell to the Company all or a portion of the customer's supply of gas at the higher of (1) the customer's cost of gas at the point of delivery to the Company or (2) the Company's average weighted commodity cost of purchased gas per Mcf, as determined based upon the Company's current Purchased Gas Adjustment rate. The cost at which the customer acquired the gas will be determined from the customer's contract with the Supplier. The customer will be required to furnish a copy of the contract to the Company upon request.

- C) The existence of a positive bank shall not prevent interruption of service to a transportation customer and draw-downs 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 and firm transportation service customers.

21.13 Aggregation

- A) This service is for any Marketer that has been elected to serve as an Aggregation Agent by a Transportation 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 provisions of these Rules and Regulations.
- B) Conditions:
 - 1) 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 Upstream 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 customers purchasing their gas from a Marketer.

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- 2) 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) Aggregation Nomination Groups may include customers taking service under Rate Schedule TS.
- 4) 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.
- 5) 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 Transportation 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 Operational Flow Orders provision. 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.
- 6) 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 TS.
- 7) The Aggregation Agent's transportation quantities shall be determined from the Company's "Monthly Summary Billing Report." The "Monthly Summary Billing Report" reflects customer's actual billed distribution volumes as reported to the Aggregation Agent, as generated within the Company's revenue reporting system.

C) Aggregation Service Under Rider EBS

- 1) The Aggregation Agent will be allowed to aggregate all participating individual customer's volumes and any applicable bank tolerances for the purposes of administering Rider EBS.
- 2) Should a customer, either by itself or through its Aggregation Agent terminate its Transportation Aggregation Service, or its Transportation 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 Transportation Aggregation Service or their Transportation Service, and the Aggregation Agent has no other Aggregation Nomination Group to transfer the volume bank, then the bank may be purchased by the Company at a price determined in accordance with the Volume Banking and Balancing provisions of this tariff.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

- 3) At the close of each business month, an accounting will be made comparing the total volumes 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.
- 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 volume bank from the previous month, the Aggregation Agent shall be charged an amount for recovery of purchased gas costs as set forth in Paragraph 21.11(B) of these Transportation Service Rules plus the non-gas portion of commodity rates contained in the first block of Rate GS.
- 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 21.11(A) of these Transportation Service Rules.

D) Customer Accountability

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

E) 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 volumetric 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.

21.14 Charges By Other Transporters

- A) If furnishing service, pursuant to the customer's applicable transportation rate schedule, required the Company to use a transportation 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 by the Company.
- B) The customer also shall reimburse the Company for penalties assessed to the Company under the applicable rate schedule of a third party transporter as a result of daily excess consumption, daily excess tenders, excess monthly imbalances, banking imbalances or other factors set forth in such rate schedules.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

21.15 Terms of Payment

- A) Gas delivered shall be billed in accordance with the terms and conditions set forth in the customer's executed service agreement governing transportation service. Bills for transportation 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).
- B) If the customer, or customer's agent, fails to pay the full amount of any bill which is Two Thousand Dollars (\$2,000.00) or more, a delayed payment charge of one and one-quarter percent (1 ¼%) per month shall accrue on the unpaid portion of such bill from the due date to the date of payment, up to a maximum of five percent (5%).

21.16 Retainage

The Company may retain a reasonable allowance of the total volume of gas delivered into its systems for the customer's account for gas which is lost or unaccounted for in its operations. The percentage retained is as follows:

- A) Customers served by excess pressure measuring stations -- 1%
- B) All other customers - The system average lost and unaccounted for volumes as calculated based upon the twelve month period ended August 31 of each calendar year.

21.17 Quality of Gas

Gas delivered through an interstate pipeline to the Company, by or on behalf of the customer, shall conform to the interstate pipeline's FERC approved gas quality standards. Gas not delivered through an interstate pipeline must be of a certain quality as determined by the Company. The Company and the customer, or its agent shall agree to the volume, pressure, point and time of delivery, in advance.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

22. Reconnection of Service

If service is discontinued at the request of the customer, the Company will not resume service to the customer at the same premises within twelve (12) months, unless it shall first receive payment of the applicable minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

23. Unmetered Gas Lights

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 un-metered, 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 input 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.

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FOR FUTURE USE**

RATE RS - RESIDENTIAL SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any residential customer.

CHARACTER OF SERVICE

Residential customers who take service under this rate schedule are entitled to firm retail gas service from the Company.

RATE

| | |
|----------------------|-------------------|
| Customer Charge: | \$10.29 per month |
| Distribution Charge: | \$ 2.8272 per Mcf |

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 due date of payment shown on the bill, which date shall be not less than twenty (20) days after presentation.

MINIMUM MONTHLY CHARGE

The minimum charge shall be the customer charge and the Meter Reading Cost Adjustment.

SPECIAL PROVISIONS

If service is discontinued at the request of the customer, the Company will not resume service to such customer at the same premises within twelve (12) months, unless it shall first receive payment of the applicable minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

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 input 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.

RATE RS - RESIDENTIAL SERVICE (continued)

VOLUMETRIC FRANCHISE TAX RIDER

The volumes of gas sold to customers under this rate schedule are subject to adjustment for Volumetric Franchise Tax set forth in this tariff.

PURCHASED GAS ADJUSTMENT CLAUSE

The above rates are subject to the Purchased Gas Adjustment Clause of this tariff.

WEATHER NORMALIZATION ADJUSTMENT PROVISION

The volumes of gas sales under this rate schedule are subject to adjustment for weather as set forth in the Weather Normalization Adjustment provisions of the Rules and Regulations of this Tariff.

ENERGY EFFICIENCY RIDER

Service provided under this rate schedule shall be subject to the Energy Efficiency Rider, as set forth in this tariff.

COMPETITIVE TRANSITION CHARGE

The volumes of gas delivered under this Rate Schedule are subject to adjustment for the Competitive Transition Charge set forth in this tariff.

RULES AND REGULATIONS

The Rules and Regulations set forth in this Tariff shall govern, where applicable, the supply of gas service under this Rate Schedule.

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FOR FUTURE USE**

RATE GS - GENERAL SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available, at one location, for the total requirements of any commercial or industrial customer.

CHARACTER OF SERVICE

Industrial and commercial customers who take service under this rate schedule are entitled to firm retail gas service from the Company.

RATE

Customer Charge:

| | |
|--|--------------------|
| Annual consumption less than 2000 Mcf | \$ 26.00 per Month |
| Annual consumption equal to or greater than 2000 Mcf | \$ 70.00 per Month |

Distribution Charge:

| | |
|--|-------------------|
| Annual consumption less than 2000 Mcf | \$ 2.7187 per Mcf |
| Annual consumption equal to or greater than 2000 Mcf | \$ 2.6747 per Mcf |

The rate billed to the customer will be determined based upon the customer's actual throughput volumes, including sales and distribution, measured in thousand cubic feet (Mcf), for the most recent twelve-month period ended with the customer's October billing cycle. If a customer does not have sufficient consumption history to determine its rate based on twelve (12) months, the rate 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 rate. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's rate will remain constant annually, subject to change effective with the January billing cycle each year.

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 due date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation.

If the customer fails to pay the full amount of any bill which is Two Thousand Dollars (\$2,000.00) or more, a delayed payment penalty charge of one and one-quarter percent (1¼ %) per month will accrue on the unpaid portion of such bill from the due date to the date of payment but not to exceed five percent (5%).

MINIMUM MONTHLY CHARGE

The minimum charge shall be the customer charge and the Meter Reading Cost Adjustment.

RATE GS - GENERAL SERVICE (cont'd.)

MINIMUM MONTHLY CHARGE

1. For commercial customers the minimum charge shall be the customer charge.
2. For industrial customers the minimum 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 minimum 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 provided, however, that the minimum charge will not be reduced whenever curtailment by the Company is the result of failure by supplier to deliver its contractual commitment to the Company because of the gas supply shortage.

SPECIAL PROVISIONS:

1. Applicable to other than industrial customers:

If service is discontinued at the request of the customer, the Company will not resume service to such customer at the same premises within twelve (12) months, unless it shall first receive payment of the applicable minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

2. Applicable to industrial customers:

The terms of service for industrial customers shall be for a one-year period beginning November 1 of each year. Service hereunder shall be automatically renewed each year unless notice of discontinued service is given by the customers 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 contract year and then placed on an annual basis.

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 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 input 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.

RATE GS - GENERAL SERVICE (continued)

VOLUMETRIC FRANCHISE TAX RIDER

The volumes of gas sold to customers under this rate schedule are subject to adjustment for Volumetric Franchise Tax set forth in this tariff.

PURCHASED GAS ADJUSTMENT CLAUSE

The above rates are subject to the Purchased Gas Adjustment Clause of this Tariff.

WEATHER NORMALIZATION ADJUSTMENT PROVISION

The volumes of gas sales sold to Commercial customers under this rate schedule are subject to adjustment for weather as set forth in the Weather Normalization Adjustment provisions of the Rules and Regulations of this Tariff.

ENERGY EFFICIENCY RIDER

Service provided under this rate schedule shall be subject to the Energy Efficiency Rider, as set forth in this tariff.

COMPETITIVE TRANSITION CHARGE

The volumes of gas sold to customers under this rate schedule are subject to adjustment for the Competitive Transition Charge set forth in this tariff.

RULES AND REGULATIONS

The Rules and Regulations set forth in this Tariff shall govern where applicable, the supply of gas service under this Service Classification.

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FOR FUTURE USE**

RATE IS - INTERRUPTIBLE SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any Industrial or Commercial customer using gas for any purpose when: (1) the Company's facilities and gas supply are adequate or can be economically provided to supply the customer's requirements, (2) such service will not unduly jeopardize the general character of existing interruptible service, (3) the customer does not take service under any other rate schedule, except where, in the sole judgement of the Company, separate metering of interruptible gas under this schedule is practicable. Interruptible service shall not be available to a commercial customer who provides residential-type service such as master-metered apartment buildings unless such customer agrees to contract for an appropriate level of standby service under Rate Schedule SS of the tariff for peak day demand, that is not protected by installed and operable alternate fuel facilities, which will enable the customer to continue to provide Human Needs services.

CHARACTER OF SERVICE

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.

The Company shall give the customer as much advance notice of interruption as is feasible in the sole judgement of the Company. 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.

RATE

Customer Charge:

| | |
|--|--------------------|
| Annual consumption less than 2000 Mcf | \$ 26.00 per month |
| Annual consumption equal to or greater than 2000 Mcf | \$ 70.00 per month |

Distribution Charge:

| | |
|----------------------|-------------------|
| All volumes consumed | \$ 1.3475 per Mcf |
|----------------------|-------------------|

The rate billed to the customer will be determined based upon the customer's actual throughput volumes, including sales and distribution, measured in thousand cubic feet (Mcf), for the most recent twelve-month period ended with the customer's October billing cycle. If a customer does not have sufficient consumption history to determine its rate based on twelve months, the rate 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 rate. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's rate will remain constant annually, subject to change effective with the January billing cycle each year.

RATE IS - INTERRUPTIBLE SERVICE (continued)

MINIMUM MONTHLY CHARGE

1. For commercial and industrial customers the minimum charge shall be the sum of (a) the purchased gas demand charge, if any, under Rate SS; plus (b) the customer charge; plus (c) the Meter Reading Cost Adjustment.

In case of (1) complete suspension of operations at customer's premises for a period of not less than seven (7) consecutive days in any billing month due to causes not within customer's control or (2) customer being subject to the minimum monthly charge due to the extent of service interruption by the Company, customer shall be billed and pay an amount calculated by billing the volume of gas actually consumed during such billing month at the then currently effective rate.

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 due date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation.

If the customer fails to pay the full amount of any bill which is Two Thousand Dollars (\$2,000.00) or more, a delayed payment penalty charge of one and one-quarter percent (1¼ %) per month will accrue on the unpaid portion of such bill from the due date to the date of payment but not to exceed five percent (5%).

PAYMENT FOR UNAUTHORIZED TAKES

On any day when the customer has been given notice by the Company to interrupt, any quantity of gas taken in excess of the customer's authorized volume by the Company, including the level of daily purchased gas demand under Rate SS shall constitute unauthorized takes and shall be subject to payment for unauthorized takes of One Hundred Dollars (\$100.00) per Mcf. Payment of such penalty charge shall be in addition to the charges specified in this rate schedule.

RATE IS - INTERRUPTIBLE SERVICE (continued)

SPECIAL PROVISIONS

1. Customers desiring to transfer to this rate schedule must notify the Company not later than January 2 preceding November 1 of that year. Customers taking service under another firm rate schedule can only transfer to this rate schedule as of November 1 of any year. Transfers to this rate schedule will be allowed only if: (1) the Company can obtain any increase or decrease in its gas supplies, transportation capacity, storage capacity, upstream pipeline capacity, or any combination thereof; or (2) the Company, in its sole judgement, concludes that no increase or decrease in its gas supplies, transportation capacity, storage capacity, upstream pipeline capacity, or any combination thereof is required.

2. In the event customer's natural gas requirements become such that it would be advantageous for the customer to purchase said natural gas under one of the Company's other applicable rate schedules, the customer may request to transfer to said other rate schedule, as of November 1 of any year during the term of this agreement, or at the end of the existing contract, by giving written notice to the Company on or before January 2 of such year. The Company will grant such request if: (1) the Company can obtain any increase or decrease in its contract demand under the Company's firm gas supply contracts that is required to accommodate such change; or (2) the Company, in its sole judgement, concludes that no increase or decrease in the Company's contract demand under the Company's firm gas supply contracts is required.

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.

VOLUMETRIC FRANCHISE TAX RIDER

The volumes of gas sold to customers under this rate schedule are subject to adjustment for the Volumetric Franchise Tax set forth in this tariff.

PURCHASED GAS ADJUSTMENT CLAUSE

The above rates are subject to the Purchased Gas Adjustment Clause of this Tariff.

RULES AND REGULATIONS

The Rules and Regulations set forth in this Tariff shall govern, where applicable, the supply of gas service under this Service Classification.

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FOR FUTURE USE**

RATE SS - STANDBY SERVICE

AVAILABILITY

Available to any qualified customer, receiving service under Rate TS - Transportation Service or Rate IS - Interruptible Service who executes a contract with the Company for a period of not less than one (1) year for Standby Service.

CHARACTER OF SERVICE

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 a Maximum Daily Firm Requirement which best meets the degree of system supply risk which the customer is willing to assume. Customers that satisfy the "Availability" provisions of this rate schedule are entitled to purchase retail gas from the Company only to the extent the customer has elected to nominate a daily volume of gas as standby service under Rate SS.

NOMINATION OF STANDBY SERVICE VOLUMES

Nomination of Maximum Daily Firm Requirement

The Maximum Daily Firm Requirement shall be the maximum daily volume of gas that the customer proposes to reserve for purchases from the Company. The Maximum Daily Firm Requirement shall be the volume of gas specified by the customer in the customer's contract. The Company retains the right to refuse the requested MDFR if the Company determines, in its sole discretion, that it does not have adequate gas supplies or transportation capacity to provide the service over the life of the contract.

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 (30) 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, storage capacity, upstream pipeline capacity, or any combination thereof; or (2) the Company concludes, in its sole judgement, that the Company can accommodate the requested change without changes in the Company's gas supplies, transportation capacity, storage capacity, upstream pipeline capacity, or any combination thereof. 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.

RATE SS - STANDBY SERVICE (continued)

RATE

I. Maximum Daily Firm Requirement

The rate per Mcf of Maximum Daily Firm Requirement shall be determined as follows:

The total firm demand charges paid by the Company under the Company's firm gas supply contracts that is the basis for the computation of the current cost of purchased gas under the Purchased Gas Adjustment Clause of this Tariff shall be divided by the total firm demand volumes of the Company expressed in Mcf, that is the basis for the computation of the current cost of purchased gas under the Purchased Gas Cost Clause of this Tariff; this amount shall be multiplied by a factor to provide for recovery of The Public Service Commission and Office of People's Counsel assessment fees.

Each time there is a change in the provision for recovery of purchased gas costs pursuant to the Purchased Gas Adjustment Clause of this Tariff, a recomputation shall be made of the rate per Mcf of Maximum Daily Firm Requirement.

II. Commodity and Distribution Rate for Purchases

Volumes of gas purchased from the Company shall be charged an amount for recovery of purchased gas costs as set forth in the Consumption in Excess of Deliveries of the Volume Banking and Balancing provisions of this tariff plus the non-gas portion of rates set forth in Rate IS.

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 two periods unless written notice to terminate is given by the Company or the customer not later than sixty (60) days prior to expiration of the contract.

SPECIAL PROVISIONS

1. The Maximum Daily Firm Requirement of the customer will be incorporated in the Company's portfolio of firm gas supplies/capacity 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 the 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 of such Maximum Daily Firm Requirement except for instances where such curtailment is the result of failure by supplier to deliver the customer's contractual commitment to the Company because of a gas supply shortage. Such adjustment shall be made by crediting the Customer Proxy's applicable monthly bill with an amount equal to the appropriate unit monthly Daily Purchased Gas Demand charge per Mcf divided by the number of days in the billing month times the volumes of gas represented by the difference between the Maximum Daily Firm Requirement and the volumes of gas actually delivered on those days during the billing month when deliveries were curtailed below the customer's Maximum Daily Firm Requirement.

2. All revenues received under this rate schedule shall be used as a credit adjustment to the Purchased Gas Adjustment Clause of this Tariff.

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 option and with the prior authorization of the Public Service Commission, provide propane service to a location or locations in the Company's service territory pending the extension of natural gas facilities to serve the location or locations. This service will not be provided to a location for a period of more than eighteen (18) months, unless extended by the Commission.

RATE

Customer Charge: The customers hereunder shall pay a customer charge equivalent to the customer charge under the otherwise applicable sales rate schedule.

Distribution Charge: The distribution charge shall be equal to the sum of (1) the current distribution charge under the otherwise applicable sales rate schedule of this Tariff, excluding the base cost of purchased gas, plus (2) the current cost of propane supplied to the customer.

TERMS OF PAYMENT

Bills for propane service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the due date of payment shown on the bill, which dates shall be not less than twenty (20) days after presentation for Residential customers and not less than fifteen (15) days after presentation for Commercial and Industrial customers.

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 a customer to natural gas service.

PURCHASED GAS ADJUSTMENT CLAUSE

Rates under this Schedule shall not be subject to the Purchased Gas Adjustment Clause of this Tariff.

WEATHER NORMALIZATION ADJUSTMENT PROVISION

The volumes of gas sales under this rate schedule are subject to adjustment for weather as set forth in the Weather Normalization provisions of the Rules and Regulations of this Tariff.

VOLUMETRIC FRANCHISE TAX

The volumes of gas sold to customers under this rate schedule are subject to adjustment for the Volumetric Franchise Tax set forth in this tariff.

RULES AND REGULATIONS

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FOR FUTURE USE**

RATE AFDS - ALTERNATE FUEL DISPLACEMENT SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

This Rate Schedule is available to any commercial or industrial customer who is currently purchasing natural gas under the GS or IS Rate Schedule, provided:

(a) The capacity of the Company's facilities and the available gas supply are sufficient to provide the quantities requested by the customer;

(b) Customer has submitted an initial affidavit to the Company, which provides the following information:

1. Name and address at which service under this rate schedule will be received;
2. Customer has installed operable capability for long-term use of an alternate fuel and has made available to the Company the option of on-site inspection of the alternate fuel facilities;
3. Customer's verification that gas purchased under this rate schedule will be utilized to reduce or eliminate alternate fuel requirements, that such purchase would not be made in the absence of this rate schedule and that such gas will not replace gas requirements which would otherwise be purchased under the Company's applicable rate schedule;

(c) Customer submits a monthly affidavit to the Company on or before the fifth day of the current billing period providing the following information:

1. Prior billing period usage of displacement service unless separately metered; and
2. Projected price of the applicable alternate fuel and estimated usage for current billing period.

RATE AFDS - ALTERNATE FUEL DISPLACEMENT SERVICE (continued)

CHARACTER OF SERVICE

The maximum daily volume available for delivery pursuant to this rate schedule shall not exceed the customer's installed non-peaking alternate fuel capability and shall be within the limits imposed by the curtailment and daily interruption provisions governing the otherwise applicable GS or IS Rate Schedule. Such alternate fuel capability shall include, but not be limited to propane, number two (#2) fuel oil, number four (#4) fuel oil, and number six (#6) fuel oil.

RATE

There shall be a separate monthly rate for each type of alternate fuel and each such monthly rate per Mcf shall not exceed the sum of the applicable rate (exclusive of Purchased Gas Adjustment over or under collections) under the GS or IS Rate Schedule, plus the Public Service Commission Fee and Office of People's Counsel Fee, nor shall the rate be less than the sum of the current Interruptible Commodity Cost of Gas plus ten (10¢) cents, plus the aforementioned Fee factors.

Prior to establishing the applicable rate for any month, the Company will review pricing information contained in the customer's monthly affidavit. In addition, the Company will inquire through existing independent sources about current local pricing of alternate fuel, and will utilize one or more of the following publications to assist in determining the monthly rate:

- (1) Platt's Oil Gram
- (2) Energy User News
- (3) Oil Daily
- (4) Platt's Bunkerwire

The Company will provide the Maryland Public Service Commission with written notification of the AFDS rates five (5) days before the beginning of the billing month in which the gas is to be made available for sale.

MINIMUM MONTHLY CHARGE

The minimum monthly bill provision of the applicable GS or IS Rate Schedule remains in full force and effect. However, volumes delivered under this Rate Schedule shall be combined with volumes delivered under the GS or IS Rate Schedules for minimum bill calculation purposes.

PAYMENT FOR UNAUTHORIZED TAKES

On any day when the customer has been given notice by the Company to interrupt any quantity of gas taken in excess of the customer's authorized volume by the Company, including the level of daily purchased gas demand under Rate SS shall constitute unauthorized takes and shall be subject to payment for unauthorized takes of One Hundred Dollars (\$100.00) per Mcf. Payment of such charge shall be in addition to the charges specified in this rate schedule.

RATE AFDS - ALTERNATE FUEL DISPLACEMENT SERVICE (continued)

VOLUMETRIC FRANCHISE TAX RIDER

The volumes of gas sold to customers under this rate schedule are subject to adjustment for Volumetric Franchise Tax set forth in this tariff.

SPECIAL PROVISIONS

1. Gas delivered hereunder, except for oil burner pilot usage, shall not be used interchangeably with gas supplied under any other schedule, and shall be separately metered; provided, however, that if both firm and Alternate Fuel Displacement Service are made to a customer at one location; and if separate metering of the Alternate Fuel Displacement Service portion of such deliveries is not practicable, monthly firm and Alternate Displacement Service deliveries shall be determined by customer's monthly affidavit as required in part (c) of the Availability section.
2. In all cases where continuous operation of the customer's facilities is necessary, the customer shall provide and maintain stand-by equipment, including fuel supply for operation thereof, in satisfactory operating condition and of sufficient capacity to permit full interruption of the interruptible gas supply.
3. Meter readings shall be made monthly.
4. The term of the agreement for service under this rate schedule shall be for a minimum of one (1) year and shall be automatically renewed each year unless written notice to terminate is given by the customer or the Company not less than sixty (60) days prior to the expiration date of the contract.
5. The Company reserves the right to reduce the quantities of gas requested by the customer to the extent the Company determines that the quantities of gas requested by the customer are invalid or inaccurate.

RULES AND REGULATIONS

The Rules and Regulations set forth in this Tariff, which are not inconsistent with the provisions of this rate schedule, shall govern, where applicable, the supply of gas service under this Service Classification.

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FOR FUTURE USE**

RATE RTS - RESIDENTIAL TRANSPORTATION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY OF THE PROGRAM

This service is available to any residential customer group or customer with an aggregated annual demand of at least 5,000 Mcf, who has elected a marketer or supplier of natural gas to provide the total requirements of the customer group or customer for a period of no less than one (1) year, provided that service can be rendered within the limits of Columbia's operating conditions and facilities.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be firm transportation service, with no planned interruption.

RIDER CHOICE TRANSPORTATION SERVICE (RCTS)

The RCTS rider is available to any customer or group of customers served under Rate RTS.

| | | | |
|-------------|----------------------|-----------|-----------|
| RATE | Customer Charge: | \$ 10.29 | per month |
| | Distribution Charge: | \$ 2.8272 | per Mcf |

MINIMUM MONTHLY CHARGE

The minimum charge shall be the customer charge plus the Meter Reading Cost Adjustment.

VOLUMETRIC FRANCHISE TAX RIDER

The volumes of gas sold to customers under this rate schedule are subject to adjustment for Volumetric Franchise Tax set forth in this tariff.

RATE RTS - RESIDENTIAL TRANSPORTATION SERVICE (continued)

PURCHASED GAS ADJUSTMENT CLAUSE

Charges for all gas consumed will include the Purchased Gas Demand Component included in the quarterly Purchased Gas Adjustment Clause as set forth in this tariff. For customers who choose an assignee participating in the Choice Transportation Service, the Purchased Gas Demand Component will be billed to the Assignee.

In addition, if the customer transfers to this rate from Rate RS-Residential Service and the customer chooses an assignee participating in the Rider Choice Transportation Service, then for a period of twelve (12) months, the rate shall be adjusted to include the amount per Mcf equal to the commodity and demand ACA factors included in the monthly purchased gas adjustment clause as set forth in this tariff, plus the associated Office of People's Counsel assessment fees.

WEATHER NORMALIZATION ADJUSTMENT PROVISION

The volumes of gas sales under this rate schedule are subject to adjustment for weather as set forth in the Weather Normalization Adjustment provisions of the Rules and Regulations of this Tariff.

ENERGY EFFICIENCY RIDER

Volumes transported under this rate schedule shall be subject to the Energy Efficiency Rider, as set forth in this Tariff.

COMPETITIVE TRANSITION SURCHARGE

The volumes of gas delivered under this Rate Schedule are subject to adjustment for the Competitive Transition Charge as set forth in this tariff.

RATE FOR IMBALANCE GAS

Non-Choice customers under this Rate Schedule desiring to purchase gas shall be charged the applicable rates for imbalance gas as specified in the Transportation Service Rules contained in this tariff, plus the non-gas portion of the applicable distribution rate.

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 due date of payment shown on the bill, which date shall be not less than twenty (20) days after presentation.

RATE RTS - RESIDENTIAL TRANSPORTATION SERVICE (continued)

SPECIAL PROVISIONS

If service is discontinued at the request of the customer, the Company will not resume service to such customer at the same premises within twelve (12) months, unless it shall first receive payment of the applicable minimum charge for each month of the intervening period, but not to exceed twelve (12) months.

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 input 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.

PROPANE

Customers will also be billed their portion of propane and other variable costs associated with the operation of the peak shaving facility. Billing will occur subsequent to the month following the operation of the propane facility and will be allocated to the customer on a pro rata basis based on the ratio of the customer's monthly usage to Columbia's firm customer throughput.

RULES AND REGULATIONS

The Rules and Regulations governing the Distribution and Sales of Gas, including the Transportation Service Rules 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.

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FOR FUTURE USE**

RATE STS - SMALL TRANSPORTATION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial account whose transportation requirements are less than 2,000 Mcf annually, provided that service can be rendered within the limits of the Company's operating conditions and facilities.

CHARACTER OF SERVICE

Service furnished pursuant to this rate schedule shall be firm service, with no planned interruption.

RIDER CHOICE TRANSPORTATION SERVICE (RCTS)

The RCTS is available to any customer or group of customers served under Rate STS.

RATE

Customer Charge per account per month, regardless of gas consumed - \$ 26.00

An account shall not be billed a customer charge under this rate schedule if it is billed a customer charge under another rate schedule of Columbia.

Distribution Charge for all gas consumed \$2.7187 per Mcf

PURCHASED GAS ADJUSTMENT CLAUSE

Charges for all gas consumed will include the Purchased Gas Demand Component included in the monthly purchased gas adjustment clause as set forth in this tariff.

In addition, if the customer transfers to this rate from Rate GS-General Service and the customer chooses an assignee participating in the Choice Transportation Service Rider, then for a period of twelve (12) months, the rate shall be adjusted to include the amount per Mcf equal to the commodity and demand ACA factors included in the monthly purchased gas adjustment clause as set forth in the monthly purchased gas adjustment clause of this tariff, plus the associated Office of People's Counsel assessment fees.

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 due date of payment shown on the bill, which dates shall be not less than fifteen (15) days after presentation.

If the customer fails to pay the full amount of any bill which is Two Thousand Dollars (\$2,000.00) or more, a delayed payment penalty charge of one and one-quarter percent (1¼%) per month will accrue on the unpaid portion of such bill from the due date to the date of payment but not to exceed five percent (5%).

RATE STS - SMALL TRANSPORTATION SERVICE (continued)

ENERGY EFFICIENCY RIDER

Volumes transported under this rate schedule shall be subject to the Energy Efficiency Rider, as set forth in this Tariff.

VOLUMETRIC FRANCHISE TAX RIDER

The volumes of gas sold to customers under this rate schedule are subject to adjustment for Volumetric Franchise Tax set forth in this tariff.

RIDER ELECTIVE BALANCING SERVICE (EBS)

Non-Choice transportation service under this rate schedule shall be subject to the provisions of Rider Elective Balancing Service as set forth in this tariff.

RIDER COMPETITIVE TRANSITION CHARGE (CTC)

The volumes of gas delivered under this Rate Schedule are subject to adjustment for the Competitive Transition Charge.

WEATHER NORMALIZATION ADJUSTMENT PROVISION

The volumes of gas transported under this rate schedule are subject to the adjustment for weather as set forth in the Weather Normalization Adjustment provisions of the Rules and Regulations of this Tariff.

APPLICABLE SALES SERVICE RATE

Non-Choice distribution customers under this Rate Schedule purchasing gas from the Company shall be charged an amount for recovery of purchased gas costs as set forth in the Volume Banking and Balancing provisions of this tariff, plus the non-gas portion of the applicable distribution rates.

PROPANE

Customers will also be billed their portion of propane and other variable costs associated with the operation of the peak shaving facility. Billing will occur subsequent to the month following the operation of the propane facility and will be allocated to the customer on a pro rata basis based on the ratio of the customer's monthly usage to Columbia's firm customer throughput.

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.

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RATE TS - TRANSPORTATION SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

Available to any commercial or industrial customer whose transportation requirements under separately billed account(s) are at least 2,000 Mcf annually; however, transportation service shall not be available to a commercial or industrial customer who provides residential-type service such as master-metered apartment buildings unless such customer agrees to contract for an appropriate level of Standby Service under Rate Schedule SS of this Tariff for peak day demand, that is not protected by installed and operable alternate fuel facilities, which will enable the customer to continue to provide human needs services. Service is available when such customer acquires its own gas and executes a contract with the Company for a period of not less than one (1) year for delivery service in accordance with all terms and conditions of such contract.

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.

RATE

A. Customer Charge:

| | |
|---|---------------------|
| Annual consumption less than or equal to 50,000 Mcf | \$ 70.00 per month |
| Annual consumption greater than 50,000 Mcf | \$ 225.00 per month |

B. Distribution Charge:

| | |
|---|------------------|
| Annual consumption less than or equal to 50,000 Mcf | \$1.1410 per Mcf |
| Annual consumption greater than 50,000 Mcf | \$1.0308 per Mcf |

The rate billed to the customer will be determined based upon the customer's actual throughput volumes, including sales and distribution, measured in thousand cubic feet (Mcf), for the most recent twelve-month period ended with the customer's October billing cycle. If a customer does not have sufficient consumption history to determine its rate based on twelve (12) months, the rate 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 rate. The Company in all cases retains the right to review and modify the customer's estimate where necessary. A customer's rate will remain constant annually, subject to change effective with the January billing cycle each year.

RATE TS - TRANSPORTATION SERVICE (continued)

FLEXIBLE DELIVERY CHARGE

Components of a customer's rate may be lowered in any month when customer submits a sworn affidavit as described below. Rate components eligible for a downward adjustment include the distribution charge and the EBS rate.

The affidavit must be submitted to the Company ten (10) days prior to the beginning of each billing month. When the alternate fuel capability is a bypass to an interstate pipeline or switching to another natural gas distribution company, the affidavit must only be submitted at the time of the flex agreement negotiation. 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 volumes of natural gas used in each billing period pursuant to the affidavit. The Company will notify the customer of the applicable charge, if lower than the applicable charge, that the Company determines is required to meet the delivered price of energy identified in the affidavit four (4) days prior to the beginning of each billing month.

The Company will only lower its distribution charge or EBS rate under this rate schedule as a last resort, and only to the extent it is necessary to meet the demonstrated competitive energy price.

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 volumes of natural gas transported by Columbia which would be displaced by operation of the alternate fuel capability;
- c. The burner tip cost in Mcf equivalent of the customer's alternate fuel; and
- d. If the customer has an agreement with a supplier 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 Columbia for redelivery to the customer, and that the customer has the right to cease purchases under the agreement. Upon request by the Company, the customer agrees to submit a true copy of the currently effective agreement or agreements between the customer and Supplier(s) for purchase of natural gas volumes delivered to the Company's city gate for redelivery to the customer. If the customer does not have an outstanding contract with a Supplier, the customer must verify that the customer is unable to purchase gas at a price, including cost of delivery by the Company, that is equal to the cost of alternative fuel.

RATE TS - TRANSPORTATION SERVICE (continued)

TERMS OF PAYMENT

The rates contained in Rate TS are net. Bills for service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the due date of payment shown on the bill, which date shall be not be less than fifteen (15) days after presentation.

If the customer fails to pay the full amount of any bill which is Two Thousand Dollars (\$2,000.00) or more, a delayed payment penalty charge of one and one-quarter percent (1¼%) per month will accrue on the unpaid portion of such bill from the due date to the date of payment but not to exceed five percent (5%).

VOLUMETRIC FRANCHISE TAX RIDER

The volumes of gas sold to customers under this rate schedule are subject to adjustment for the Volumetric Franchise Tax set forth in this tariff.

RIDER ELECTIVE BALANCING SERVICE (EBS)

Transportation service under this rate schedule shall be subject to the provisions of Rider elective Balancing Service as set forth in this tariff.

APPLICABLE SALES SERVICE RATE

Customers under this Rate Schedule purchasing gas from the Company shall be charged an amount for recovery of purchased gas costs as set forth in the Volume Banking and Balancing provisions of this tariff, plus the non-gas portion of the applicable distribution rate.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Natural 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.

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RIDER EDS - ECONOMIC DEVELOPMENT SERVICE

APPLICABILITY

Throughout the territory served under this Tariff.

AVAILABILITY

This Rider is available to a commercial or industrial customer who would receive service under Rate GS, IS or TS ("Applicable Schedule") and who 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;
- (b) The throughput requirements of the customer are projected to be not less than 10,000 Mcf annually;
- (c) The customer's facility is non-retail and has a minimum of ten (10) full-time employees; and
- (d) The customer gives the Company satisfactory proof that utilization of this rate is an important factor in their location decision, or that, absent service under this rate schedule, 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 declining, three-year percentage reduction in the non-gas demand, if any, distribution rates under the Applicable Schedule and EBS rates if applicable. 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 - 15% reduction

Second Year - 10% reduction

Third Year - 5% reduction

TERMS OF PAYMENT

The rates for Rider EDS are net. Bills for service will be rendered monthly and are due and payable upon presentation. All bills shall be paid on or before the due date of payment shown on the bill, which date shall be not less than fifteen (15) days after presentation.

If the customer fails to pay the full amount of any bill which is Two Thousand Dollars (\$2,000.00) or more, a delayed payment penalty charge of one and one-quarter percent (1¼ %) per month will accrue on the unpaid portion of such bill from the due date to the date of payment but not to exceed five percent (5%).

RIDER EDS - ECONOMIC DEVELOPMENT SERVICE (continued)

FLEXIBLE RATES

To the extent that the Applicable Schedule contains provisions permitting the Company to lower ("flex") applicable charges to meet competition from an alternate 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.

NO BUYERS GROUPS PERMITTED

Customers shall not be permitted to form buyers groups in order to meet the eligibility provisions of this Rider.

RULES AND REGULATIONS

The Rules and Regulations Governing the Distribution and Sale of Natural 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.

ENERGY EFFICIENCY RIDER

PROVISION FOR ADJUSTMENT

This provision shall be applicable to Rate Schedules RS - Residential Service, Rate RTS - Residential Transportation Service, Rate STS - Small Transportation Service and Rate GS - General Service. Base rates of applicable customer bills shall include a rider for the recovery of Energy Efficiency (EE) costs resulting from its Integrated Resource Planning (IRP) efforts. The rider shall be effective commencing with the first billing cycle in February, 2009.

RATE

Rate per Mcf: \$.0412

COMPUTATION

The current surcharge rate will be effective through the end of January, 2010. The current surcharge rate includes actual and estimated program costs through December, 2009, less actual and estimated recoveries.

Surcharge rates will be calculated annually thereafter by dividing the balance of the IRP deferred account plus projected program costs for the succeeding twelve month period, by projected sales volumes for Rate Schedules RS, RTS, STS and GS.

Annual surcharge rates will be calculated subject to reconciliation to adjust for:

- (1) the under- or over-recovery of program costs compared to program recoveries accumulated in the IRP deferred account, and
- (2) any deferred IRP amounts not collected resulting from the suspension of the rider in accordance with the special provision section of this tariff and accumulated in the IRP deferred account.

The estimated program costs will include the following:

- (1) certain initial developmental costs such as the Company's pro-rate share of fees paid to provide consulting expertise to PSC Staff and People's Counsel, the Company's consultant, computer software and other non re-occurring program costs;
- (2) certain cost of developing, designing, implementing, and monitoring the IRP plan including, but not limited to, incremental company labor and labor-related expenses, data collection and analysis, legal fees and Commission approved pilot program costs;
- (3) the impact of the tax effects of timing differences, plus or minus, between book and tax treatment of program expenses, revenues, rate base, and customer surcharge collections; and
- (4) recovery or crediting of carrying costs, determined monthly based on the Company's current authorized rate of return on rate base, and compounded quarterly, on the unrecovered balance of the deferred account.
- (5) lost margins resulting from the monthly non-gas revenues not billed because of lost sales from approved conservation programs. Lost sales are estimated from program impact evaluations, if available, or other program estimates, and are not reflected in the test year level used in the Company's most recent base rate proceeding. Lost margins will be included in the surcharge on a prospective basis based on estimated monthly participation levels. Reconciliation of lost margins is based upon actual program participation.

The result of which shall be multiplied by a factor to reflect the Maryland gross receipts tax and the Public Service Commission and Office of People's Counsel assessment fees.

ENERGY EFFICIENCY RIDER (cont'd.)

SPECIAL PROVISIONS

The application of the energy efficiency rider will be subject to an earnings review. In the event that the Company's return on rate base, computed on a Commission ordered basis, adjusted for estimated IRP costs, and reported in the quarterly report filed with the Commission is equal to or below the rate of return authorized by the Commission in the Company's most recent rate case, this rider shall remain in effect. If, however, the reported rate of return on rate base exceeds the rate of return authorized in the Company's most recent rate case, this rider shall be suspended, effective with the first billing month following the filing of such quarterly report. Such suspension shall continue until the filing of a quarterly report indicating that the Company's earned return on the rate base, calculated and reported in the manner described above, is equal to or below the rate of return authorized by the PSC in the Company's most recent rate case, in which case the rider shall be reinstated in the first billing month following the filing of such a quarterly report.

In the event that the rider is suspended, all program costs shall be deferred in the IRP deferral account and accrue interest on the unrecovered portion, as described in the computation section of this tariff, at a rate equal to the rate of return authorized by the PSC in the Company's most recent rate case.

FILING WITH THE PUBLIC SERVICE COMMISSION

Costs to be recovered through the surcharge will be subject to the Commission's review as to reasonableness and prudence.

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RIDER CHOICE TRANSPORTATION SERVICE

AVAILABILITY

This schedule is available to any customer or group of customers served under Rate STS -Small Transportation Service, or under Rate RTS – Residential Transportation Service, or its supplier when:

1. A customer or group of customers (hereinafter referred to as a "customer group") with an aggregate annual demand of at least 5,000 Mcf, elects a supplier of natural gas commodity service. Aggregation Agreements must be executed for each customer group to be served under this Rider;
2. The customer or customer group's natural gas commodity provider (hereinafter referred to as "Supplier") executes the appropriate service agreements for capacity with the interstate pipelines as required in the "Capacity Requirements" section of this Rider;
3. Columbia has sufficient upstream capacity from Columbia Transmission and Columbia Gulf, with appropriate upstream interconnections to Columbia's city gate to provide capacity assignment as requested by the Supplier according to the "Capacity Requirements" section of this Rider;
4. The existing capacity of Columbia's facilities and other physical conditions are sufficient to deliver the quantities requested by the Supplier;
5. The Supplier has acquired, or has agreed to acquire, an adequate supply of natural gas of a quality acceptable to Columbia, including allowances for any retention required by the applicable upstream transporters and for delivery service lost and unaccounted-for gas to be retained by Columbia, and has made, or has caused to be made, arrangements by which such gas supply can be transported directly to one of Columbia's city-gates with Columbia Transmission.

RIDER CHOICE TRANSPORTATION SERVICE (continued)

CAPACITY REQUIREMENTS

Firm Capacity Requirement. The Supplier shall utilize Firm Transportation Service ("FTS") capacity in its provision of services to customers. Each Supplier shall hold capacity in an amount equal to or greater than the Choice FTS Daily Capacity Requirement for each Choice Aggregation Nomination Group. The FTS capacity held by a Supplier for service to customers under this Rider shall have a primary delivery point at a city gate interconnection between Columbia Transmission and the Company in the Upstream Pipeline Scheduling Point in which its customers reside. The FTS Daily Capacity Requirement shall be equivalent to the aggregate customers' 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 lost and unaccounted for gas.

FTS Capacity Assignment. A Supplier must choose whether it wants to accept the assignment of FTS capacity from the Company or obtain its FTS capacity from another source. The Supplier shall specify its initial capacity assignment selection as part of the Supplier Choice Application process. Thereafter, each time that the Supplier desires to change its prospective capacity assignment selection for new Choice enrollees, the Supplier shall submit a copy of the Supplier Choice Application with its name and all fields under the "Capacity Assignment Selection" completed. The Supplier shall provide such completed Supplier Choice Application to the Company, via facsimile and U.S. Mail, no later than the fifteenth (15th) day of the month prior to the month in which the Supplier desires to change its prospective capacity assignment selection.

Capacity Options. The Supplier has the following three options with regard to FTS capacity:

Capacity Option 1. The Supplier accepts the assignment, on a recallable basis, at the FERC approved maximum rates, of the Company's FTS capacity quantity equal to the Choice FTS Daily Capacity Requirement for each STS and/or RTS Choice Aggregation Nomination Group. The Company shall have the option to recall such assigned capacity under the following conditions: (1) at the end of the initial release term; (2) in the event the Supplier leaves the Choice Program; or (3) in the event the Supplier fails to deliver the required volumes for their customers as directed by the Company.

The Company reserves the right to adjust capacity assignments on an as-needed basis as new customers are added by the Supplier to Choice Service; however, all capacity shall be assigned or released for one year periods. The Company shall provide written notification to the Supplier in advance of such capacity adjustment.

The Supplier agrees to make daily deliveries through the assigned capacity without regard to the loss of customers. If the Supplier selects Capacity Option 1, the Supplier must accept the assignment of either Columbia Transmission FTS capacity and Columbia Gulf FTS-1 capacity or Columbia Transmission FTS capacity only.

The assignment of Columbia Gulf FTS-1 capacity shall be equal to the assigned Columbia Transmission FTS capacity increased for applicable pipeline fuel. The Company shall release this capacity utilizing the appropriate pipeline company electronic bulletin boards and the Supplier shall execute the service agreements so generated by the pipelines prior to the end of the month to enable the Supplier to nominate gas supplies under the service agreements for the following month.

RIDER CHOICE TRANSPORTATION SERVICE (continued)

CAPACITY REQUIREMENTS (continued)

Should the Choice Aggregation Nomination Group's volume increase in subsequent months resulting in the need for additional capacity to be assigned to the Supplier, the Company shall utilize the process described above to assign the additional volumes to the Supplier with each assignment being for a one-year (1) period.

Capacity Option 2. The Supplier declines assignment of FTS capacity from the Company, and instead provides FTS capacity from some other source in a quantity equal to the Choice FTS Daily Capacity Requirement for each Choice Aggregation Nomination Group.

Capacity Option 3. The Supplier accepts assignment of some FTS capacity from the Company for a period of one (1) year, and provides some additional FTS capacity from some other source for a period of one (1) year. The total quantity of FTS capacity held by the Supplier must be at least equal to the Choice FTS Daily Capacity Requirement for each Choice Aggregation Nomination Group.

If the Supplier selects Capacity Option 3, then the Supplier must specify the total amount of the capacity associated with each Choice Aggregation Nomination Group, and the amount of firm capacity obtained from another source and held by the Supplier in the Supplier Choice Application.

The assignment of Columbia Transmission FTS capacity shall equal the Choice FTS Daily Capacity Requirement less the capacity obtained from another source and provided by the Supplier associated with each Choice Aggregation Nomination Group.

The Columbia Gulf FTS-1 capacity to be assigned shall be equal to the assigned Columbia Transmission FTS capacity increased for applicable pipeline fuel. The Company shall release this capacity utilizing the appropriate pipeline company electronic bulletin boards and the Supplier shall execute the service agreements so generated by the pipelines prior to the end of the month to enable the Supplier to nominate gas supplies under the service agreements for the following month.

Should the Choice Aggregation Nomination Group's volume increase in subsequent months resulting in the need for additional capacity to be assigned to the Supplier, the Company shall utilize the process described above to assign the additional volumes to the Supplier with each assignment being for a one-year (1) period.

RIDER CHOICE TRANSPORTATION SERVICE (continued)

RETAINED CAPACITY

The Company will retain its Columbia Transmission FSS and SST capacities in order to provide storage and daily balancing for the customer group. In addition, the Company will retain some Columbia Transmission FTS and some Columbia Gulf FTS-1 required to provide service on design peak days and to provide a portion of the daily balancing requirements. The portion of FTS retained will equal the percentage by which the Company's FTS capacity exceeds system daily average normal-weather firm demand. The Company will retain Columbia Gulf FTS-1 capacities in proportion to the Columbia Transmission FTS retained, using the proportions from the Company's capacity portfolio. As discussed in the "Rates" section below, the Supplier will pay the Company for all the costs of the capacity that the Company retains for the Supplier.

PROPANE CAPACITY PROVIDED

The Company will provide propane peaking capacity to the customer group.

OPERATIONAL REQUIREMENTS

Volumes for customers within a transportation customer group must be scheduled specifically for each Upstream Pipeline Scheduling Point and deliveries shall be scheduled to a city gate as may be directed by the Company, in its discretion.

The Supplier will be required to deliver gas supply quantities equal to the Choice FTS Daily Capacity Requirement to the Company's City Gate each day of the year unless directed otherwise through an Operational Flow Order (OFO) or an Operational Matching Order (OMO). Failure to deliver such volume will subject the Supplier to a charge of Seventy-five Dollars (\$75.00) per Mcf on the difference between the required volumes and the actual daily scheduled deliveries, plus the payment of all other charges incurred by the Company on the date that results from the customer's failure to deliver as required, including a proportionate share of any pipeline penalties incurred by the Company. The Supplier shall also be subject to the penalty provisions under the rules and regulations of OFOs and OMOs.

In the event an OFO or OMO limits deliveries to the Company pursuant to this Rider below the level of the Choice FTS Daily Capacity Requirement, the Supplier may reassign any unused FTS capacity assigned to the Supplier by the Company for the duration of the OFO/OMO event. The Supplier may be required, prior to the end of the contract year, to deliver additional volumes via interruptible Transportation Capacity equal to the volumes not delivered via FT capacity during the OFO/OMO event.

RETURN OF CAPACITY

The Company shall have the option to recall any assigned capacity under the following conditions: (1) at the end of the initial release term; (2) in the event the Supplier leaves the Choice Program; or (3) in the event the Supplier consistently fails to deliver the required volumes for their customers as directed by the Company. If the Supplier exits the Program, the Supplier's customer group will return to sales service. If the Company incurs a higher cost of gas as a result of the Supplier's customer group returning to sales service, the Supplier will pay such incremental cost.

REASSIGNMENT OF CAPACITY

Assigned capacity may be reassigned by the Supplier that is the original assignee subject to recall by the Company. The original assignee shall remain subject to all operational flow orders and recall provisions invoked by the Company. The original assignee continues to be responsible to the Company for payment of all upstream pipeline charges as specified in this RCTS provision.

RIDER CHOICE TRANSPORTATION SERVICE (continued)

CREDIT WORTHINESS

Assignees must meet the standards of credit worthiness as provided in the Marketer Criteria paragraph of the Transportation Service Rules of this Tariff.

LICENSING AND CONSUMER PROTECTION

Any Supplier providing Choice service as specified in this Rider must comply with all applicable PSC laws, orders and regulations relating to licensing and consumer protection.

CUSTOMER SIGN-UP PROCEDURE

Customers must be enrolled by the fifteenth (15th) of the month to begin participation in the program on the first of the following month. Suppliers will provide a computer listing of all their accounts via electronic means suitable to the Company. The listing shall include each customer's Company account number. The Supplier will be responsible for verifying the eligibility of each customer.

The Company will verify the listing and then provide the Supplier a normalized monthly volumetric profile for the customers in the aggregate as well as an exceptions report. In the event that a customer attempts to join more than one Customer Group, with more than one Supplier, the computer listing first received by the Company will be used to determine to which Customer Group the customer will be assigned. Duplicates received on the same day will be returned to the Supplier for resolution with the Customer.

Any incomplete submittal will be returned to the Supplier for completion.

By the twentieth (20th) of each month, Suppliers will be provided with a list of their accounts and any associated capacity to be assigned for their customer group in the following month.

To enroll a customer in Choice Transportation Service, the Supplier must be in possession of a valid contract containing all of the material terms and conditions required by the Maryland Public Service Commission. In the event that a customer claims that a change to a specified Supplier occurred without the customer's consent and requests transfer to the previous supplier, the Company shall notify the current Supplier of the claim and request verification of a valid contract. The Supplier must forward a copy of the contract verification for the account in question to the Company within two (2) business days of the notice. If the Supplier fails to provide the requested contract verification within two (2) business days, the Company shall refuse further delivery of gas from the Supplier for the account in question and immediately transfer the customer to sales service or to the previous Supplier. The Supplier failing to provide a copy of the contract verification will be charged Fifty Dollars (\$50) to cover the administrative costs of the transfer.

The Company reserves the right to request from each Supplier participating in the program a verification of any customer contract. The Supplier must forward a copy of the contract verification for those accounts requested to the Company within two business days of the notice.

RIDER CHOICE TRANSPORTATION SERVICE (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 gas service under this rate schedule.

SUPPLIER FEES

Suppliers providing Choice service shall be subject to certain fees:

- 1) Suppliers entering the Choice program will be charged a one-time Marketer Set-up fee of Three Hundred Ninety Dollars (\$390.00).
- 2) If a Supplier chooses to have the Company to perform the billing function for commodity charges, the following charges will apply:

| | |
|--|---|
| Adjustments to previously billed accounts: | \$1,000.00 processing fee per adjustment, plus; \$1.00 per account |
|--|---|
- 3) A switching fee of Seven Dollars (\$7.00) will apply when a Choice customer switches from one Supplier to another, and shall be charged to the Supplier who is adding the switching customer to their customer group.

RIDER CHOICE TRANSPORTATION SERVICE (cont'd.)

RATES

End-use customers served under Rates RTS or STS will be billed all applicable charges under that rate schedule except for the Purchased Gas Demand Component and storage-related adjustment charges included in the monthly Purchased Gas Adjustment Clause of this Tariff.

The Supplier is responsible for payment of all upstream pipeline charges associated with any assigned firm transportation service capacity, including but not limited to demand and commodity charges, shrinkage, GRI charges, cash outs, transition costs, pipeline overrun charges, penalties assessed to Columbia, actual cost adjustments and all other applicable charges. These charges will be billed directly to the Supplier by Columbia Transmission and Columbia Gulf.

Each month, the Supplier will pay Columbia for the costs of retained FSS, SST, FTS, and FTS-1 capacity, as discussed in the section "Retained Capacity". These costs include but are not limited to, demand charges, transition costs, pipeline overrun charges, penalties assessed to Columbia, actual cost adjustments and all other applicable charges. In addition, the Supplier will pay Columbia each month for one-twelfth of the assignee's expected annual storage commodity costs, based on normal weather. These storage commodity costs consist of storage injection, withdrawal, shrinkage and commodity transportation charges.

The Supplier will also be billed its portion of propane and other variable costs associated with the operation of the peak shaving facility. Billing will occur subsequent to the month following the operation of the propane facility and will be allocated to the Supplier on a pro rata basis based on the ratio of the customers' monthly usage to Columbia's firm customer throughput.

The resulting charges shall include a factor to reflect the Public Service Commission and Office of People's Counsel assessment fees.

DELIVERED VOLUMES

Volumes billed to the end-use customers during the period of this Rider shall be considered actual volumes delivered, whether the meter reading is an actual or a calculated reading.

RIDER CHOICE TRANSPORTATION SERVICE (cont'd.)

CASH-OUT PROVISION

There shall be an annual reconciliation and cash-out of the difference between the actual consumption of customer group and the Supplier's deliveries on behalf of each customer group. The reconciliation and cash-out amount shall be calculated annually following each July billing cycle. For any imbalances, the Company shall pay or bill the Supplier for differences in volumes at a rate equal to the weighted average commodity cost of gas billed by the Company during that same twelve month period ("Cash out").

If the actual consumption of the customer group is more than the Supplier's deliveries on behalf of that group, the Supplier must purchase the deficient volume 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 commodity 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.

Likewise, if the actual consumption of the customer group is less than the Supplier's deliveries on behalf of that group, the Company shall purchase the excess volume from the Supplier at the same price described above.

In the event that a Supplier's customer group decreases by 10% or more, the Company may elect to Cash Out that Supplier at such time. The purchase or sale price of the difference between the actual consumption of the customer group and the Supplier's deliveries on behalf of that customer group shall be the weighted average commodity cost of gas, as defined above.

In addition, Columbia may compare actual imbalances and design imbalances throughout the year. Columbia may require the Supplier to adjust deliveries to reduce the difference between the actual and design imbalance. However, Columbia will not require a Supplier's deliveries to exceed the Choice FTS Daily Capacity Requirement in the winter months of November through March.

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METER READING COST ADJUSTMENT

PROVISION FOR METER READING COST ADJUSTMENT

The applicable Meter Reading Cost Adjustment (MRCA) shall be applied monthly beginning July 2009 to each account under Rate Schedules GS, RS, IS, RTS, STS and TS of this Tariff.

COMPUTATION OF MONTHLY METER READING COST ADJUSTMENT

The MRCA shall be computed quarterly to the nearest cent (\$0.01) in accordance with the formula set forth below:

$$\text{MRCA} = (\text{Current Annual Expense} - \text{Base Cost}) \div \text{Annual Number of Bills}$$

1. Base Cost is the annual meter reading expense reflected in Columbia's filing in Case No. 9159, as amended on December 16, 2008.
2. Current Annual Expense is the annual meter reading expense for the twelve (12) months ending November, February, May and August for each of the respective calendar quarters beginning with the twelve months ending May 2009.
3. The annual number of bills will be based on the total customer count as of the last day of the month of the twelve month period in Item 2 above.

APPLICATION

The MRCA shall be effective commencing with the first billing cycle of the billing quarter following the computation date.

EFFECTIVE PERIOD

This tariff is effective with the approval of the Settlement Agreement in Case No. 9159 and remains in effect until either Columbia files a base rate case or a "Make Whole" filing under Section 4-207 of the Public Utility Companies Article of the Maryland Code.

PURCHASED GAS ADJUSTMENT CLAUSE

PROVISION FOR PURCHASED GAS ADJUSTMENT

The applicable Purchased Gas Adjustment (PGA) shall be applied to each 1,000 cubic feet of gas (Mcf) supplied under Rate Schedules GS, RS, IS, RTS and STS of this Tariff. Rates for gas service under Rate Schedule AFDS shall not be subject to the Purchased Gas Adjustment and quantities of gas sold under Rate Schedule AFDS shall be excluded from the cost of purchased gas and related calculations set forth herein.

COMPUTATION OF PURCHASED GAS COMMODITY COSTS PER MCF

The Purchased Gas Commodity Costs (PGCC), per Mcf, shall be computed quarterly to the nearest one-hundredth of a cent (0.01¢), in accordance with the formula set forth below:

$$PGCC = [(CC \div CS) + CE] + \text{Gas Cost Uncollectibles Charge}$$

In computing the PGCC, per Mcf, pursuant to the formula above, the following definitions shall apply:

“CC” – the estimated current commodity cost of gas, which shall be equal to the sum of the following:

1. The projected normalized purchase volumes for the twelve (12) month period beginning with the effective date of the PGA multiplied by the weighted average commodity cost of gas. (The weighted average commodity cost of gas is calculated based on the projected rates and volumes for the quarter beginning with the effective date of the PGA); plus
2. Carrying costs on prepaid gas based on the determination period average balance times the currently authorized rate of return plus an allowance for income taxes.

“CS” – total Mcf sales for the projected normalized twelve month period less Sales under Rate Schedule AFDS.

“CE” – the commodity Actual Cost Adjustment. (For computation see section entitled “Actual Cost Adjustment”).

“Gas Cost Uncollectibles Charge” – calculated to reflect the unbundling of uncollectibles related to gas costs pursuant to the terms of the approved settlement in Case No. 9159. The charge is calculated by multiplying the CC times 1.96%.

PURCHASED GAS ADJUSTMENT CLAUSE (continued)

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER MCF

The Purchased Gas Demand Costs (PGDC), per Mcf, shall be computed quarterly to the nearest one-hundredth of a cent (0.01¢), in accordance with the formula set forth below:

$$\text{PGDC} = (\text{DC} \div \text{DS}) + \text{DE} + \text{Refund Adjustment} + \text{EBS Option 2 credit}$$

In computing the PGDC, per Mcf, pursuant to the formula above, the following definitions shall apply:

“DC” – the estimated current demand cost of gas, which shall be equal to the following:

1. For the twelve (12) month period beginning with the effective date of the PGA, the contracted monthly pipeline volume determinants, excluding volume determinants acquired for the purpose of providing the Full Balancing Service under Rider EBS-Option 1, shall be multiplied by the number of months for which the volume determinants will be billed.
2. Item 1 multiplied by the applicable billing rates.

From the product of Items 1 and 2 the following amounts shall be deducted:

- a) The demand dollars billed under Rider Choice Transportation Service;
- b) The Capacity Release Incentive Plan Credits

“DS” – total Mcf sales for PGCC less IS sales plus RTS and STS, excluding volumes taken under Rider Choice Transportation Service during such twelve (12) month period.

“DE” – the demand Actual Cost Adjustment. (For computation see section entitled “Actual Cost Adjustment”)

“Refund Adjustment” – This adjustment, if applicable, will be computed based on supplier refunds received by the Company. (For computation see section herein entitled “Limited Term Adjustment for Supplier Refunds”)

“EBS Option 2 credit” – This adjustment will be computed by multiplying the previous quarter's actual volumes of customers subject to Rider EBS Option 2 times the rate per Mcf billed under Rider EBS Option 2. The product of this calculation plus any over/under collection of previous amounts will be divided by quarterly PGA projected volumes under Rate RS, Rate GS and Rider Choice Transportation Service first year customers.

The PGCC and PGDC shall be multiplied by a factor to reflect the Public Service Commission and Office of People's Counsel assessment fees.

Purchased gas, as used in the determination of the PGCC and PGDC, shall include, but not be limited to, natural gas, liquefied natural gas, synthetic gas, liquefied propane, or naphtha. In determining the current cost of gas, the Company will (1) annualize the effect of purchasing gas under new approved contracts commencing with the first computation in which the new gas supply is reflected in the aforementioned "latest available twelve (12) month period" and (2) adjust both purchase and sales volumes to reflect curtailments in supplies of purchased gas.

PURCHASED GAS ADJUSTMENT CLAUSE (continued)

APPLICATION

The PGCC and PGDC, so computed, shall be effective commencing with the first billing cycle of the billing quarter following the computation date. Gas supplied under Rates GS and RS shall be billed the PGCC and the PGDC. Gas supplied under Rate IS shall be billed the PGCC. Gas supplied under Rates RTS and STS shall be billed the PGDC.

PURCHASED GAS ADJUSTMENT CLAUSE (continued)

ACTUAL COST ADJUSTMENT

An Actual Cost Adjustment (ACA) to reflect PGCC and PGDC under or over collections shall be computed annually, based on the twelve (12) months ended October 31 each year and shall become effective for a twelve (12) month period beginning with each January Purchased Gas Adjustment Statement. All Purchased Gas Costs incurred by the Company to serve customers pursuant to all rate schedules of this tariff, should be included in the calculation of the ACA.

A. Calculation of the Commodity ACA

1. All commodity purchased gas costs and the index price of gas purchased from distribution customers under the Volume Banking and Balancing provisions of this tariff but excluding supplier refunds, and carrying costs for prepaid gas will be tabulated. Such costs include commodity purchased gas costs as recorded in Account Nos. 801, 803, 804 and 805.
2. Commodity gas costs revenues (excluding in all instances assessment fees) shall be computed by multiplying commodity sales volumes billed under Rates RS, GS, and IS for the applicable over/under collection period, times the quarterly PGCC of the PGA.
3. The previous year's net Commodity ACA over/under collection shall be included.
4. The net amount of items 1-3 shall be divided by the estimated Mcf volumes for Rate Schedules RS, GS, first year Rider Choice Transportation Service and IS during the ensuing twelve (12) months to produce a per Mcf rate to be reflected in the Company's quarterly PGA beginning each January.

B. Calculation of the Demand ACA

1. All purchased gas demand costs, excluding supplier refunds and the cost of capacity acquired for the purpose of providing Full Balancing Service under Option 1 of the Elective Balancing Services Rider, actually incurred by the Company to service customers shall be included as demand costs of purchased gas.
2. Demand gas costs revenues (excluding in all instances assessment fees) shall include:
 - a) An amount determined by multiplying tariff sales volumes billed under the Rate RS and Rate GS for the applicable over/undercollection period, times the quarterly PGDC of the PGA; plus,
 - b) Amounts billed under Rates RTS and STS and Rider Choice Transportation Service for the recovery of demand costs of purchased gas; plus
 - c) The amounts billed under Rate SS; plus,
 - d) The amounts billed to RTS, STS and TS customers under Rider EBS-Option 2; plus,
 - e) Propane costs collected from RTS and STS customers.

PURCHASED GAS ADJUSTMENT CLAUSE (continued)

Calculation of the Demand ACA (continued)

3. The previous year's net Demand ACA over/under collection shall be included.
4. The net amount of items 1-3 shall be divided by the estimated Mcf volumes for Rate Schedules RS, GS, RTS (including first year Rider Choice Transportation Service), and STS (including first year Rider Choice Transportation Service) during the ensuing twelve (12) months to produce a per Mcf rate to be reflected in the Company's quarterly PGA beginning each January.

SHARING OF CAPACITY RELEASE REVENUE

At the end of each program year January 31, capacity release credit amounts (other than those generated by administrative releases) received by the Company will be totaled. The Company will credit amounts to the PGA calculation as determined below.

1. For capacity release credit amounts up to and including One Hundred Thousand Dollars (\$100,000) per year, the PGA will be credited with 90% of the capacity release amount.
2. For capacity release credit amounts greater than One Hundred Thousand Dollars (\$100,000) per year, the PGA will be credited with eighty percent (80%) of such capacity release credit amount.

All amounts generated by administrative releases will be credited one hundred percent (100%) to gas cost. Administrative releases are defined as releases made by the Company for the sole purpose of transporting the Company's own system supply gas purchases, and therefore represent capacity that is being used by the Company and is not otherwise available for release.

PURCHASED GAS ADJUSTMENT CLAUSE (cont'd.)

SHARING OF OFF-SYSTEM SALES REVENUE

For off-system sales or exchanges of gas initially acquired by Columbia for the purpose of serving its retail customers, the Company will be permitted to retain 20% of the sales revenues over the cost of gas. For other incremental-type sales or exchanges, the Company will be permitted to retain 50% of off-system sales revenues over the cost of gas. The remaining amounts will be credited to the PGA calculation quarterly over a twelve-month period, and reconciled in subsequent PGA calculations. The cost of gas for each type of purchase is defined below.

1. For sale of gas that was initially acquired for the purpose of serving retail customers, the cost of gas will be defined as the daily average city gate commodity cost of 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 incremental costs that have or will be incurred as a result of the sale.
2. For incremental sales for which a specific purchase is made, the cost of gas will be defined as the purchase price plus incremental transportation costs, including retainage, taxes other than income taxes, and other costs that have or will be incurred as a result of the sale.

All revenue generated by operational sales will be credited 100% to gas cost. Operational sales are sales made when the Company is in an oversupplied position, as a result of warmer than normal weather or other such factors, which cause the supply position to be unmanageable without incurring additional costs.

PURCHASED GAS ADJUSTMENT CLAUSE (cont'd.)

GAS PROCUREMENT INCENTIVE PROGRAM

The gas procurement incentive program will include all spot gas purchases made during the months of April through October and spot gas purchases flowing on the first day of the month during the months of November through March. Each month the Company's actual cost will be compared to a benchmark for that month.

The benchmark will be determined by averaging the closing prices reported for the last three days of trading on NYMEX for the contract month, and then adjusting this price for the differential between the average of indices representing prices paid at the Henry Hub, and the average of indices representing prices paid at the specific delivery points where Columbia purchases the gas. If one or two of the three published indices fail to report a point of purchase then the average of the remaining publications will be used. 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 either (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 or adding, as appropriate, 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 the first of the month prices reported in "Inside FERC's Gas Market Report, Natural Gas Week and Natural Gas Intelligence".

Each month, the weighted average benchmark, as described above, will be compared to the Company's weighted average actual prices paid for spot gas purchased during the month to determine the appropriate monthly retention of savings or absorption of costs. The Company will share savings 50%/50% between customers and the Company for increments of actual gas purchases below the benchmark. The Company will share costs 50%/50% between customers and the Company for increments of actual gas purchases above the benchmark. This amount will be included in the PGA calculation quarterly, and reconciled in subsequent PGA calculations.

PURCHASED GAS ADJUSTMENT CLAUSE (continued)

LIMITED TERM ADJUSTMENT FOR SUPPLIER(S) REFUNDS

A Limited Term Adjustment for Supplier(s) Refunds shall be applicable to Rate Schedules GS, RS, IS, RTS (including Rider Choice Transportation Service) and STS (including Rider Choice Transportation Service) to the extent that the rates billed under such rate schedules reflect the related purchased gas increases.

In instances where the Company receives such refunds it shall dispose of the applicable amount, including any interest thereon, as follows:

The "amount to be refunded" shall include (1) the applicable portion of the aforementioned supplier refunds and (2) a net amount of interest at an annual rate as prescribed by the Public Service Commission and computed from the time the Company receives a supplier refund until the end of the annual period during which the bill credit will be reflected on the customer's bill. Amounts representing the difference between the "amounts to be refunded" under prior Limited Term Adjustments and the amount actually refunded under such Limited Term Adjustments will be reconciled in subsequent PGA calculations following the expiration of the refund. In order to compute the Limited Term Refund, the total "amount to be refunded", including applicable interest, will be calculated by utilizing projected sales volumes, beginning with the PGA effective date, for Rate Schedules GS, RS, IS, RTS (including Rider Choice Transportation Service) and STS (including Rider Choice Transportation Service). The total "amount to be refunded" will then be divided by the projected sales volumes. The resulting unit of reduction will be expressed to the nearest one-hundredths of a cent (0.01¢) per Mcf.

In the event that the refund has been fully passed back to the customers prior to the end of the refund period, the Limited Term Adjustment may be terminated.

FILING WITH THE PUBLIC SERVICE COMMISSION

The Purchased Gas Adjustment statement will be filed quarterly with the Public Service Commission of Maryland to be effective each year with the first billing unit in January, April, July and October. The PGA will show the following: (1) the amount of adjustment per Mcf, (2) the first date the adjustment will be applied to customer's bills, and (3) supporting computations and detail of changes.

The Company may propose an interim PGA if a change in the purchase gas cost or the receipt of a supplier refund has a significant impact on the currently effective PGA.

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BUDGET PLAN OF PAYMENT

AVAILABILITY:

This "Budget Plan of Payment" is available to any residential or commercial customer.

BUDGET PLAN:

At the request of any customer, monthly budget payments for such customers shall be made as follows:

Monthly Budget payments shall be based on an amount equivalent to 1/12 of the customer's estimated annual bill and such payments shall commence with bills rendered during the May billing cycle. A customer applying for the Plan for the first time will be accepted in any month and his payment will be determined by dividing his estimated bill for the remainder of the budget period by the number of months remaining in the budget period. Thereafter, his monthly payments will be in accord with this budget plan of payment.

The last payment under this budget plan will end with the April billing cycle. Payments due in April will be for the difference between the amount applicable to actual gas consumed during the 12-month period and the amount actually paid during the 11 months of May through March of each year.

The billing, under this budget plan of payment, is for the convenience of the customer. The monthly budget payment, which shall be based on the estimated annual bill of the customer, shall not be construed by the customer as a guarantee or assurance that the total actual charges will not exceed such estimate. The Company may, at any time, submit a revised estimate to the customer whenever, in the Company's judgment, such revision is deemed advisable.

The billing, under this budget plan of payment, is for the convenience of the customer. Bills will be rendered at the regular billing dates and will show the amount budget customers are to pay. The bill will also show the actual gas used and the amount calculated at the applicable rate contained in the Company's Tariff. In addition, such bills will show the balance of the customer's account.

If the customer's budget account is in arrears, this budget plan may be cancelled by the Company and the customer billed in accordance with the applicable Rate Schedule. In the event of such cancellation, the account balance shall then become due. In the event a customer discontinues service and has a credit balance, such balance shall be refunded.

VOLUMETRIC FRANCHISE TAX RIDER

PROVISIONS FOR ADJUSTMENT

This provision shall be applicable to Rate Schedules RS – Residential Service, Rate, Rate GS – General Service, Rate IS – Interruptible Service, Rate AFDS – Alternate Fuel Displacement Service, Rate RTS – Residential Transportation Service, Rate STS – Small Transportation Service and Rate TS – Transportation Service. Base rates of applicable customer bills shall include a rider for the recovery of volumetric franchise tax imposed by the State of Maryland.

The volumes billed to each account shall be multiplied by a rate of \$.0419 per Mcf (\$0.00402 per Therm). The product shall be added to the otherwise applicable charges. A Btu conversion factor of 1.043 was used for converting the Therm rate to a Mcf rate. This factor was based on an average of the 2005-2007 billing invoices received by Columbia Gas of Maryland from Columbia Gas Transmission Corporation.

SPECIAL PROVISIONS

An industrial customer may claim exemption from the volumetric franchise tax for gas used in a production activity in the State of Maryland.

RIDER CTC - COMPETITIVE TRANSITION CHARGE

In addition to charges provided in this tariff, a rate per Mcf shall be added to the otherwise applicable charge for each Mcf of sales volume or transportation volume delivered by the Company to Customers receiving service under Rate Schedules RS, RTS, STS and GS with annual requirements of less than 2,000 Mcf . The rate per Mcf shall be sufficient to recover pipeline capacity offered, but not taken, by marketers under the Rider Choice Transportation Service.

APPLICATION

The Competitive Transition Charge (CTC) shall be comprised of (a) a "current factor" which shall be effective during the billing months of June through May each year for customers under Rate schedule STS and GS, and November through October for customers under Rate Schedules RS and RTS, and (b) a "reconciliation factor" applicable to the previous twelve (12) month period. The reconciliation factor shall reconcile the amount of estimated unassigned capacity costs and recovery with the actual unassigned capacity costs incurred.

RATE

| | <u>Rate per Mcf</u> |
|--------|---------------------|
| STS/GS | \$0.000 |
| RS | \$0.000 |
| RTS | \$0.000 |

The initial rate, calculated to the nearest one-hundredth of a cent (0.01¢) per Mcf, shall be based upon the cost of capacity offered, but not taken by the marketers. The rate will be computed by dividing the projected unassigned capacity cost for the year by the projected annual sales and transportation volumes under Rate STS and GS for the months of June through May and Rate RS and RTS for the months of November through October. The CTC applicable to Rate RS shall be capped at three cents (3¢) per Mcf, inclusive of the reconciliation factor. If the three cent (3¢) cap is reached with regard to Rate RS, any costs which the Company is precluded from recovering from Rate RS customers because of the cap shall be recovered from Rate RTS customers. The Company reserves the right to limit a marketer's election to decline assignment of capacity, in whole or in part, if the CTC applicable to Rate RS, inclusive of the reconciliation factor, does not provide the Company with recovery of its costs incurred in offering marketers the opportunity to decline assignment of capacity. The Company's projected unassigned capacity cost will be developed using an estimate of customer participation throughout the year, recognizing ongoing enrollment. In developing rates, projected flexed transportation volumes will be excluded from the volume used to develop the charge. The result shall be multiplied by a factor to reflect the Maryland Gross Receipts Tax and the Public Service Commission and Office of People's Counsel assessment fees.

DEFINITION OF CAPACITY COST

Capacity cost shall include charges for Columbia Gas Transmission Corporation's Firm Transportation service (FTS) and Columbia Gulf Transmission Company's mainline Firm Transportation Service (FTS-1) of a Customer or Customer group who have selected a marketer, and that marketer has obtained an alternative firm pipeline capacity for such Customers as described in Capacity Requirements under Rider Choice Transportation Service.

RIDER CTC - COMPETITIVE TRANSITION CHARGE (Cont'd.)

RECONCILIATION FACTOR

A annual reconciliation for customers under Rate STS and GS shall be determined by comparing: (1) experienced unassigned capacity costs to (2) experienced recoveries for the preceding 12 month period ended May 31. A annual reconciliation for customers under Rate RS and RTS shall be determined by comparing: (1) experienced unassigned capacity costs to (2) experienced recoveries for the preceding 12 month period ended October 31. The under or over collection shall be collected from or credited to customers over a twelve month period commencing in June for customers under Rates STS and GS and November for customers under Rates RS and RTS. The reconciliation factor will be calculated, to the nearest one-hundredth of a cent (0.01¢) per Mcf, by dividing the under or over collection by the projected twelve month Mcf for the applicable rate schedules in a manner identical to that used in the collection of the surcharge. The result shall be multiplied by a factor to reflect the Public Service Commission and Office of People's Counsel assessment fees.

FILING

The calculation of the rate shall be filed with a future Purchased Gas Adjustment (PGA) filing.

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 Rate Schedules RTS-Residential Transportation Service, STS-Small Transportation Service, and TS-Transportation Service customers in Maryland.

In addition to the charges provided in the customer's rate schedule, an amount may be added to the otherwise applicable charge for each Mcf of distribution volumes distributed by the Company to a customer receiving service under Rate Schedule RTS, STS, and TS, or successor rate schedules, for EBS service as provided below. Rider EBS contains three options for balancing service as described below.

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 Operational Matching Order provisions of the Transportation Service Rules ("TSR") provisions of this tariff on any day, including days in which an SFO, OFO, or OMO restricts RTS, STS, and TS under-deliveries, up to five percent (5%) of the customer's then current maximum daily volume ("MDV"), 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 RTS, STS, and TS 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 qualifying for service under Rate Schedules RTS, STS, or TS --- five percent (5%) of the customer's then current annual volumes.

Option 1: RATES

The Company will calculate the rates for EBS-Option 1 on an annual basis. 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

RIDER EBS – ELECTIVE BALANCING SERVICES (continued)

with the Commission to take effect on April 1 of each year upon one (1) day's notice. The maximum rates for service shall be:

| | Rate per Mcf |
|------------|--------------|
| RTS/STS/TS | \$0.1000 |

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.

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

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 RTS, STS, or TS 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 internet-based website 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, the Company's internet-based website) by the Customer Proxy 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 internet-based website on September 1. If the September 1 final rate exceeds the August 1 estimated rate by more than twenty percent (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, the Company's internet-based website) no later than the fifteenth of September. The elected option shall remain in effect for the one (1) year period commencing April 1 of the following calendar year. The Customer Proxy for a new RTS, STS, or TS customer shall elect the customer's service option at the time the customer's Transportation Service Application and Agreement is executed; however, if the Customer Proxy executes the customer's Transportation 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 RTS, STS, or TS customer under Option 1 until April of the next following year, the company will serve the customer under Option 2 during the interim.

The Company'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.

RIDER EBS – ELECTIVE BALANCING SERVICES (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 volume 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 Volume Banking and Balancing provisions of this tariff.

If in any billing month under Normal Operations, the customer's consumption plus retainage on the distribution system is less than the volume of gas delivered into the Company's system on its behalf, the customer 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 TSR. 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 Volume Banking and Balancing provisions of the Transportation Service Rules of this tariff.

During SFOs/OFOs/OMOs

During periods when there is an SFO, OFO or OMO that restricts RTS, STS, or TS under-deliveries, EBS Option1 Customer Proxies will have firm daily access to banks equal to five percent (5%) of the customer's maximum daily volume. 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 MDV 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 Volume Banking and Balancing provisions, the Seasonal Flow Order provisions, the Operational Flow Order provisions and/or the Operational Matching Order provisions of this tariff 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 provisions for an SFO, or the Operational Flow Order provisions, the Operational Matching Order provisions and the Volume Banking and Balancing provisions for an OFO/OMO. At the end of any month in which there has been an SFO, OFO, or OMO that restricts RTS, STS, or TS 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 volumes 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(ies) having sufficient volumes in its (their) bank to support the access permitted by the Company.

RIDER EBS – ELECTIVE BALANCING SERVICES (continued)

During periods when there is an SFO, OFO or OMO restriction of RTS, STS, or TS 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 Volume Banking and Balancing provisions, or the Seasonal Flow Order provisions and the Customer Proxy shall be charged in accordance with the provisions for Seasonal Flow Orders, Operational Flow Orders or Operational Matching Orders included in this tariff.

Option 1: IMBALANCE TRADING SERVICES

During Normal Operations, 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 Upstream Pipeline Scheduling Point. No pre-arranged contract is required. The Customer Proxy must submit all requests for Imbalance Trading to the Company in writing (e.g. fax, e-mail, the Company's internet-based website) 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 seven cents (\$0.07) per Mcf (or Dth) for each Mcf (or Dth) transferred between the Upstream Pipeline Scheduling Point shall be charged to the Customer Proxy transferring the bank balance. A fee of seven cents (\$.07) per Mcf, with a cap of Five Hundred Dollars (\$500) per trade, for transfers within a Upstream 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 Volume Banking and Balancing provisions of this tariff.

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 located in the same Upstream 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 volumes authorized by the OFO, OMO, or SFO. No pre-arranged contract is required. The Customer Proxy must submit all requests for Imbalance Trading to the Company in writing (e.g. fax, e-mail, the Company's internet-based website) 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 seven cents (\$0.07) per Mcf, with a cap of Five Hundred Dollars (\$500) per trade, for transfers within an Upstream 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 Order, the Operational Flow Order or the Operational Matching Order provisions of this tariff as long as the imbalance trade brings the Customer Proxy into compliance with the SFO, OFO, or OMO.

The imbalance trading services set forth in this Rider do not relieve Shippers of their obligation to deliver gas to the Company in the Upstream Pipeline Scheduling Point in which they or their customers reside.

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 RTS, STS, or TS service. A Customer Proxy whose customer is terminating RTS, STS, or TS 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.

RIDER EBS – ELECTIVE BALANCING SERVICES (continued)

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 volume bank gas during the next month's billing cycle following the date of termination. However, should the Customer Proxy fail to take delivery of its entire volume bank within the next month, Company may, at its option, retain and purchase the undelivered banked volumes at ninety percent (90%) of the index rate determined pursuant to the Volume Banking and Balancing provisions of this tariff. In addition, if the Customer Proxy owes the Company any outstanding charges, the Company may retain as an offset to such outstanding charges, banked volumes that would otherwise be delivered to the Customer Proxy upon termination of non-Choice RTS, STS, or TS service. The value assigned to such retained bank volumes, which are purchased or retained, will be ninety percent (90%) of the index rate determined pursuant to the Consumption in Excess of Deliveries of the Volume Banking and Balancing provisions included in this tariff for the month in which the Customer Proxy failed to take delivery of the gas.

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 Seasonal Flow Orders, Operational Flow Orders and Operational Matching Orders provisions included in this tariff; and (3) a monthly cash-out of any volume bank existing at the end of the month.

Option 2: RATES

Rates for Intra-Month Balancing Service are as follows:

| | Rate per Mcf |
|------------|--------------|
| RTS/STS/TS | \$0.0200 |

Any amounts billed and collected pursuant to Option 2 shall be credited toward recovery of purchased gas costs pursuant to the Purchased Gas Adjustment Clause. 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 the first charge flexed 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, the Company's internet-based website). 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, the Company's internet-based website) 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.

RIDER EBS – ELECTIVE BALANCING SERVICES (continued)

Option 2: CHARACTER OF SERVICE

Normal Operations

In any billing month under Normal Operations, if the customer uses more gas than the volume 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 as specified in the Volume Banking and Balancing provisions included in this tariff.

If in any billing month, under normal operations, the customer consumes less gas than the volume 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 Volume Banking and Balancing provisions included in this tariff.

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 provisions included in this tariff. 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 provisions included in this tariff. 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 Volume Banking and Balancing provisions included in this tariff, and either the Operational Flow Order or Operational Matching Order provisions of this tariff. 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 Volume Banking and Balancing provisions of this tariff and the Customer Proxy shall be charged in accordance with either the Operational Flow Order or Operational Matching Order provisions of this tariff. 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 Operational Flow Orders or Operational Matching Orders provisions of this tariff nor shall it alter the Customer Proxy's obligation to be in balance at the end of the billing 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 terminating RTS, STS, or TS service. Upon termination of service under Option 2, the Company will calculate imbalance gas sold or purchased by the Company to or 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 volumes or over-deliveries that would otherwise be delivered to the Customer Proxy upon termination of service. The value assigned to such retained bank volumes or over-deliveries, which are purchased, will be ninety percent (90%) of the index rate determined pursuant to the Volume Banking and Balancing provisions of this tariff.

RIDER EBS – ELECTIVE BALANCING SERVICES (continued)

Option 3: CASH OUT

The Cash-Out option provides Customer Proxies with a no cost method of avoiding balancing charges by cashing-out on a daily basis. In order to elect the Cash-Out option, the customer must have installed daily measurement with telemetry consistent with the Company's specifications.

Option 3: RATES

The Cash-Out option is provided at no charge to the Customer Proxy. No banking or balancing fees shall be assessed to the Customer Proxy under Option 3.

Option 3: ELECTING SERVICE

Option 3 must be elected by the Customer Proxy in writing (e.g. fax, e-mail, the Company's internet-based website). Customer Proxies may elect to change their 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, the Company's internet-based website) 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 3: CHARACTER OF SERVICE

Normal Operations

If on any day in a billing month, under Normal Operations, if the customer uses more gas than the volume of gas, after adjustment for retainage, delivered to the Company's City Gate by the Shipper for the Customer Proxy's account during any day, such use shall be considered imbalance gas sold by the Company to the Customer Proxy under the Consumption in Excess of Deliveries of the Volume Banking and Balancing provisions of this tariff.

If on any day in any billing month, under normal operations, the customer consumes less gas than the volume 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 Deliveries in Excess of Consumption of the Volume Banking and Balancing provisions of this tariff.

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 provisions of this tariff. If the Shipper over-delivers during an SFO that restricts over-deliveries, the over-deliveries shall be considered imbalance gas purchased by the Company pursuant to the Seasonal Flow Order provisions of this tariff.

RIDER EBS – ELECTIVE BALANCING SERVICES (continued)

Option 3: CHARACTER OF SERVICE – continued

During OMO

If the Shipper under-delivers during an OMO that restricts under-deliveries, the Customer Proxy will be charged for under-deliveries in accordance with the Operational Matching Orders provisions and the Volume Banking and Balancing provisions of this tariff. If the Shipper over-delivers during an OMO that restricts over-deliveries, the over-deliveries shall be considered imbalance gas purchased by the Company from the Customer Proxy pursuant to the Volume Banking and Balancing provisions of this tariff and the Customer Proxy shall be charged in accordance with the Operational Matching Order provisions of this tariff.

Option 3: TERMINATION OF SERVICE

Customer Proxies may terminate service under Option 3 by selecting another option as described in this Rider or by terminating RTS, STS or TS service. Upon termination of service under Option 3, the Company will calculate imbalance gas sold or the price of gas to be purchased by the Company to or from the Customer Proxy as described above. However, if the Customer Proxy owes the company any outstanding charges, the Company may retain as an offset to such outstanding charges any over-deliveries. The value assigned to such over-deliveries which are purchased will be ninety percent (90%) of the index rate determined pursuant to the Volume Banking and Balancing provisions of this tariff.