
TITLE PAGE

P.S.C. MD. ORIGINAL VOL. NO. 1



**RULES AND REGULATIONS
GOVERNING THE DISTRIBUTION
AND SALE OF GAS
BY
CHESAPEAKE UTILITIES OF
MARYLAND, INC.**

(Cancels and supersedes P.S.C. Maryland No. 2,
Chesapeake Utilities Corporation, Maryland Division,
P.S.C. MD No. 1, of Sandpiper Energy, Inc. in
Worcester County, Maryland, and P.S.C. MD No. 14 of
Elkton Gas Company Effective in Cecil County: Town
of Elkton, and Election District Nos. 3, 4, and 5)

Issue Date:
Effective Date:
Authorization:

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MARYLAND, INC.**

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MISCELLANEOUS AND GENERAL INFORMATION

Company Information:

Chesapeake Utilities of Maryland, Inc. is principally engaged in the distribution and sale of natural gas. Its operations are entirely within the State of Maryland.

Tariff Applicability

The terms and conditions, rate schedules, forms of service, agreements, and other provisions of this Tariff shall apply to Gas Sales and Gas Transportation Service, as applicable rendered by the Company through its distribution systems as now constituted and as they may be enlarged or extended.

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MISCELLANEOUS AND GENERAL INFORMATION CONTINUED

1. **Filing and Posting:**

A copy of this Tariff, which is the rates, rules and regulations under which gas service will be supplied by Chesapeake Utilities of Maryland, Inc. to its Customers, is on file with the Public Service Commission of Maryland and is posted and open for inspection. The Tariff is supplementary to the "Service Supplied by Gas Companies" of that Commission.

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.

3. **Application of Tariff:**

The tariff provisions apply to any party or parties receiving gas service from the Company, or to its successors and assigns, under the rates set forth therein, and the receipt of gas shall constitute the receiver a Customer of the Company as the term is used herein.

4. **Rules and Regulations:**

The Rules and Regulations, filed as a part of this Tariff, are a part of every contract or agreements for service, 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.

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.

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LIST OF COUNTIES SERVED

CUC Maryland Service Area:

County

Caroline

Cecil

Dorchester

Somerset

Wicomico

Elkton Service Area:

County

Cecil

(Town of Elkton and
Election District Nos.
3, 4 and 5)

Sandpiper Service Area:

County

Worcester

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TECHNICAL TERMS AND ABBREVIATIONS

When used in Rules and Regulations or the rate schedules contained in this volume, the following terms shall have the meanings defined below.

Agent. A contractually authorized Marketer or Designee of Customer under these Rules and Regulations.

Aggregated Transportation Service. Transportation Service provided by Company to those Customers assigned to the applicable Customer Pool wherein the authorized Pool Manager causes Gas to be delivered to Company for transportation to the Customer Accounts.

Aggregated Transportation Service Agreement. An agreement between the Company and the authorized Pool Manager establishing terms and conditions for the management of a CI Customer Pool.

Alert Day. Any Gas Day where Company notifies, Customer, Pool Manager, or Shipper's Designee of restrictions on the deliveries of Gas within certain specified tolerances.

Alternate Fuel. Any source of energy other than Gas delivered through Company's distribution facilities.

Application for Service. A request for service made to the Company by a prospective Customer. Applications for residential service may be made by telephone or in writing. An application for any other class of service offered by the Company shall be submitted in writing on the Company's Natural Gas Service Agreement.

Atmospheric Pressure. Fourteen and seventy-three hundredths (14.73) pounds to the square inch, irrespective of actual elevation or location of the point of measurement above sea level or variations in Atmospheric Pressure from time to time.

British Thermal Unit (Btu). The quantity of heat required to raise the temperature of one pound (avoirdupois) of pure water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit at a constant pressure of 14.73 pounds per square inch.

Business Day. The weekdays Monday through Friday, exclusive of federal banking holidays and the first Day after Thanksgiving Day, and the Day prior to Christmas Day, unless notified otherwise.

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TECHNICAL TERMS AND ABBREVIATIONS - CONTINUED

CI Cycle Read Pool. That group of certain Aggregated Transportation Service Customers who have, (i) executed a Letter of Authorization with a Company approved Pool Manager to utilize Transportation Service through an aggregated Customer Pool and (ii) who have field meters that are “manually” read by the Company on a scheduled monthly cycle, approximately once per month.

CI Daily Read Pool. That group of certain Aggregated Transportation Service Customers who have (i) executed a Letter of Authorization with a Company-approved Pool Manager to utilize Transportation Service through an aggregated Customer Pool, and (ii) who have electronic measurement devices that are downloaded daily by the Company.

COMAR. Code of Maryland Regulations.

Company. Chesapeake Utilities of Maryland, Inc., that includes Chesapeake Utilities Corporation’s Maryland Division and the former Elkton Gas Company, and the former Sandpiper Energy, Inc., acting through its duly authorized officers or employees within the scope of their respective duties.

Company Delivery Point or Company Point of Delivery.

The point at the interconnection between the facilities of Company and a Customer at which the Gas leaves the outlet side of Company’s custody transfer point and enters the Customer’s installation.

Company Receipt Point. The point at the connection of the facilities of Transportation Service Provider and Company at which the Gas leaves the outlet side of Transportation Service Provider’s custody transfer point and enters the Company’s facilities.

Company’s Regulated Sales Service Pool. The group of Company Customers who purchase their Gas supply directly from the Company and pays the Company’s Gas Sales Service Rates (“GSR”) listed in this Tariff.

Commission. Public Service Commission of Maryland.

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TECHNICAL TERMS AND ABBREVIATIONS - CONTINUED

Cubic Foot of Gas. For purposes of measurement herein shall be determined as follows:

- a. When Gas is metered at the Standard Delivery Pressure, a Cubic Foot of Gas shall be defined as the specific volume of gas which, and pressure existing in the Meter, occupies one (1) cubic foot.
- b. When Gas is metered at other than the Standard Delivery Pressure, a Cubic Foot of Gas shall be defined as the volume of Gas which, at a Flowing Temperature of sixty degrees Fahrenheit (60°F.), and at an absolute pressure of 14.73 pounds per square inch, occupies one cubic foot.

CUC Maryland. The CUC Maryland Service Area excludes those Customers in the Company's Elkton and Sandpiper Service Areas.

Customer. Any person, business, or other legal entity receiving natural gas distribution service, transportation service, or other service specific in this Tariff.

Customer Installation. Customer owned facilities, located on the outlet side of the Company's Delivery Point, constructed to receive gas service from Company.

Customer Pool. The group of Customers who are collectively served by a Company-approved Pool Manager(s) in accordance with the applicable provisions of the Company's Aggregated Transportation Service program(s).

Curtailement. The suspension of gas service provided by Company to affected Customers, in accordance with the provisions of the Company's end use Curtailement plan and included in this Tariff.

Daily Capacity (release) Quantity (DCQ). The quantity, in Dekatherms, of Transportation Service Provider pipeline capacity to be released to Customer's Pool Manager and Pool Manager is required to acquire for delivery by Pool Manager to the Company on a daily basis.

Daily Delivered Capacity (release) Variance (DDCV). The quantity of capacity, if any, each Pool Manager must deliver that is in addition to the quantity of firm capacity released by the Company to Pool Manager to meet Pool Manager's Customer Pool's aggregated Daily Demand Requirement i.e., the mathematical difference between each Pool Manager's specific Customer Pool's aggregated Daily Demand Requirement and Pool Manager's aggregated Daily Capacity (release) Quantity.

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TECHNICAL TERMS AND ABBREVIATIONS - CONTINUED

Daily Demand Requirement (DDR). The total demand requirement for any given day of all Customers participating in a Customer Pool.

Dekatherm (Dkt). 1,000,000 Btu's or ten (10) Therms.

Elkton Service Area. The Elkton Service Area includes Customers located inside the Elkton city limits and those Customers acquired by the Company through the purchase of Elkton Natural Gas.

FERC. Federal Energy Regulatory Commission.

Flowing Temperature. The arithmetical average of the temperature of the gas flowing through the Meters as recorded by a recording thermometer installed at the point of measurement. Where such installation is not provided, the Flowing Temperature of the gas shall be assumed to be sixty degrees Fahrenheit (60°) F.

Gas. Natural Gas or its equivalent conforming to the standards set forth in the "Quality of Gas" section of this Tariff.

Gas Day. A period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time.

Gas Month. A period beginning 9:00 a.m. Central Clock Time on the first Day of a calendar Month and ending at 9:00 a.m. Central Clock Time on the first Day of the succeeding calendar Month.

Gas Service Facilities. The Service Line, Meter, regulator, and all appurtenances thereto necessary to convey Gas from the Company's Main to the Company's Delivery Point.

Letter of Authorization ("LOA"). An agreement executed by Customer and Customer's selected Pool Manager, which i) authorizes Company to assign Customer to its selected Pool Manager's Customer Pool, ii) affirms Customer acceptance of Company's Tariff provisions, and iii) affirms Pool Manager's acceptance of Company's Tariff provisions.

Main. The pipe and appurtenances installed in an area to convey Gas to other Mains or to gas service Facilities.

Maximum Allowable Operating Pressure (MAOP). The maximum pressure, in pounds per square inch gauge (p.s.i.g.), allowed by applicable code, regulation, or product specification, or the operation of any specific portion of Company's distribution system.

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TECHNICAL TERMS AND ABBREVIATIONS - CONTINUED

Maximum Daily Transportation Quantity (MDTQ). The maximum quantity of Gas that the Company is obligated to transport and make available for delivery to Customer or Pool Manager under any applicable Transportation Service Agreement for Transportation Service on any one Day.

Meter. Any device or instrument for measuring and indicating or recording the volume of Gas passing through it.

MMBtu. 1,000,000 Btus, deemed equivalent to one Dekatherm (Dkt).

Month. The period between any two (2) regular readings of Company's Meters at approximately thirty (30) Day intervals.

Monthly Imbalance Quantity. The operational imbalance amount for a billing period for an individual Customer or group of Customers in a Customer Pool.

Nomination. A request by a Customer, Pool Manager, or Shipper's Designee to a Transportation Service Provider and Company for receipt and delivery of a physical quantity of Gas pursuant to Transportation Service Providers' and or Company's Tariff.

Operational Flow Order. Any Gas Day where Company notifies Customer, Pool Manager, or Shipper's Designee of conditions that could threaten the safe operation or system integrity of the Transportation Service Provider and / or Company or where Customer's, Pool Manager's, or Shipper's Designee's Gas deliveries are required to be within certain specified hourly or daily Gas flow quantities.

Pool Manager. An entity, authorized in accordance with the provisions of this Commission-approved Tariff, that provides gas supply, Transportation Service Provider pipeline capacity management and other related services for those Customers receiving service under the Company's Aggregated Transportation Service program(s).

Primary Delivery Point(s). Delivery Point(s) listed in Customer's Transportation Service Agreement, or Pool Manager's Aggregated Transportation Service Agreement.

Primary Receipt Point(s). Point(s) of Receipt listed in Customer's Transportation Agreement or Pool Manager's Aggregated Transportation Service Agreement.

Receipt Point. The point at the interconnection between the facilities of the Transportation Service Provider(s) and upstream system at which the Gas enters the facilities of the Transportation Service Provider(s).

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TECHNICAL TERMS AND ABBREVIATIONS - CONTINUED

Relinquishment. The release of firm capacity right(s) pursuant to the Rules and Regulations in this Natural Gas Tariff and FERC rules.

Request for Gas Sales or Transportation Service. Company's Natural Gas Service Agreement which, when properly executed by a prospective Customer, requests Gas Service from the Company.

Retainage. A percentage of Customer's or Customer's Agent's Gas that is applied to a Nomination to adjust for Gas lost and unaccounted for within the Company's distribution system. The Retainage factor shall be determined annually and will be the five-year average.

Sandpiper Service Area. The Sandpiper Service Area includes Customers acquired by the Company through the purchase of Sandpiper Gas.

Service Line. All piping between the Main tap up to and including the first valve or fitting of the Meter or regulator setting.

Shipper. Customer or Pool Manager who has executed a Transportation Service Agreement or an Aggregated Transportation Service Agreement, and who has acquired capacity with a Transportation Service Provider.

Shipper's Designee. A contractually authorized Marketer or Agent of an Individual Transportation Service Customer under these Rules and Regulations who is appointed by Customer and approved by Company to perform the obligations of an INDTS Customer or Pool Manager on the Company's system such as invoicing and payment, nominations, monthly imbalance resolution or operator order responsibility.

Standard Delivery Pressure. Standard Delivery Pressure Gas will be 14.95 pounds per square inch gauge.

Sub-metering. The practice of installing additional metering equipment beyond the Company installed utility Meter.

Summer Peaking Customer. A Customer whose lowest DDR from November to March does not exceed ten percent (10%) of its highest DDR for the year.

Therm. A unit of heating value equivalent to one hundred thousand (100,000) British Thermal Units.

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TECHNICAL TERMS AND ABBREVIATIONS - CONTINUED

Total Heating Value. The number of British Thermal Units produced by combustion in a recording calorimeter at a constant pressure of the amount of gas which would occupy a volume of one (1) cubic foot at a temperature of sixty degrees Fahrenheit (60°F.) if saturated with water vapor, and under a pressure equal to that of thirty inches (30") of mercury at thirty-two degrees Fahrenheit (32°F.) and under standard gravitational force (acceleration 980.665 centimeters per second) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of the gas and air, and when the water formed by combustion is condensed to the liquid state.

Company will determine a monthly average heating value of natural gas to be effective as of the first Day of each Month. Said monthly average heating value will be in effect on a calendar Month basis. It will reflect the average monthly heating value of the natural gas delivered to Company during the second preceding calendar Month.

Transportation Service. The service provided by Company where Customer-owned Gas is received by Company from a Transportation Service Provider at the Company Receipt Point(s), transported through Company's distribution system, and delivered by Company at the Company's Delivery Points to Customer.

Transportation Service Agreement. The fully executed Transportation Service Agreement or Negotiated Contract Rate Agreement between Company and Customer.

Transportation Service Provider. Any interstate pipeline, intrastate pipeline, or local distribution company that transports Gas to Company's Receipt Point(s).

Transportation Service Provider Delivery Point(s). The point at the connection of the facilities of Transportation Service Provider, at which the gas leaves the outlet side of the measuring equipment of Transportation Service Provider and enters an off-system facility.

Upstream Pipeline Capacity Costs. Expenses incurred by the Company including but not limited to reservation, demand, usage, commodity, fuel, and applicable fuel charges incurred by the Company as a result of Company's contractual arrangements with Transportation Service Provider(s).

Working Day. Shall have the same meaning as Business Day, previously defined herein.

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TECHNICAL TERMS AND ABBREVIATIONS - CONTINUED

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RULES AND REGULATIONS

A. CLASSIFICATION OF CUSTOMERS, POOL MANAGERS, AND SERVICES

1. Classification of Customers:

a. Residential Customers:

Applies to Customers receiving Gas service from the Company for use in a single-family dwelling or building, or in an individual flat, apartment or condominium unit in a multiple family dwelling or building or portion thereof occupied as the home, residence or sleeping place of one or more persons. Also applies to Gas used in commonly owned facilities of condominium associations, cooperative apartments, and homeowner associations subject to the following criteria:

- i. 100% of the Gas is used exclusively for the co-owner's benefit.
- ii. None of the Gas is used in any endeavor that sells or rents a commodity or provides a service for a fee or otherwise engages in a commercial or Industrial enterprise.
- iii. Each Customer premise is separately metered and billed.
- iv. A responsible legal entity is established as the Customer to whom the Company can render its bills for said service.

b. Commercial Customers:

Applies to Customers receiving gas service from the Company engaged in selling, warehousing or distributing a commodity, product or service in some business activity or in a profession, or in some other form of economic or social activity (offices, stores, clubs, hotels, etc.).

c. Industrial Customers:

Applies to Customers receiving gas service from the Company engaged in a process which creates a product or changes raw or unfinished materials into another form of product, or which involves the extraction of a raw material from the earth (factories, mills, distilleries, machine shops, wells, refineries, plants, etc.).

d. Natural Gas Vehicle Customers:

Non-Residential Customers receiving gas service through a separate Meter for compression and delivery (through the use of equipment furnished by Customer) into motor vehicle fuel tanks or other transportation containers.

RULES AND REGULATIONS - CONTINUED

- e. Special Purpose Customers:
Customers receiving gas service from the Company that do not meet the definition for any of the above Customer Classifications.

- f. Alternate Fuel Customers:
Applies to any Commercial or Industrial Customer whose annual metered gas volume exceeds 25,000 Therms, and who has the continuing capability to utilize an Alternate Fuel which displaces natural Gas delivered by the Company. Alternate Fuel Customers shall by contract in writing provide from time to time, sufficient evidence of the Alternate Fuel price to warrant an adjustment in the Company's rate for the Rate Schedule under which the Customer receives gas service. In all cases where continuous operation of a Customer's facility is necessary, the Alternate Fuel Customers shall, continuously maintain the capability to utilize a supply of Alternate Fuel of sufficient quantity to allow the Curtailment of Gas service without adversely impacting Customer's operation.

- g. Demand Side Management Customers:
Customer with or without Alternate Fuel capabilities, whose average winter daily metered Gas Volume exceeds 1,500 Therms and 100,000 Therms annually, and who, by an NCR contract in writing, agrees to periodically curtail their gas service and discontinue operations to the benefit of other distribution system Customers, may be designated a Demand Side Management Customer. Such Customers may be deemed eligible to receive service under the Company's Negotiated Contract Rate Transportation Service or Special Contract provisions.

RULES AND REGULATIONS - CONTINUED

2. Classification of Pool Managers:

a. CI Pool Manager:

Any Company-approved Pool Manager or Shipper Designee that is authorized to deliver Gas to Company's Receipt Point(s), which is subsequently delivered by Company at the Company Delivery Point(s) to Commercial, Industrial, and/or Special Purpose Customers.

3. Classification of Services:

a. Regulated Sales Service:

Gas sales made by the Company through Company's Gas Sales Service Rates cost recovery mechanism. This service is required for all Residential Customers.

b. Transportation Service:

Transportation Service optional for Non-Residential Customers who use a minimum of 15,000 Therms annually. Transportation Services will be provided under Company's Individual or Aggregated Transportation Service Program(s), in accordance with the Rules and Regulations set forth in this Tariff. Transportation Service is not available to Customers that utilize propane.

For the purposes of meeting the 15,000 Therm threshold, Customer may aggregate consumption for accounts it holds for meters located on contiguous premises.

Transportation Service is not available for Customers that utilize propane.

Transportation service consists of the following components and associated charges: i) a transportation of the Customer-owned Gas through pipeline systems upstream of the Company including the interstate pipeline system 'of Eastern Shore Natural Gas Company ("ESNG"). Customers utilizing transportation service will be billed for delivery service and a one-time transition charge (or credit) for under (or over) collection of gas costs from prior periods, and other charges applicable for the rate schedule under which they are served.

i. Individual Transportation Service:

1. Individual Transportation Service (INDTS) is available to Customers who are served under Company's NCR rate schedule and Special Contract Customers. Individual Transportation Service Customers are required to execute a Transportation Service Agreement, or the applicable Negotiated Contract Rate Agreement with the Company.

RULES AND REGULATIONS - CONTINUED

- ii. Aggregated Transportation Service (CI Transportation Service):
Unless otherwise authorized by Company, all Non-Residential Customers who choose to utilize the Company's transportation service shall utilize a Company-approved Pool Manager to arrange for delivery of Customer-owned Gas to Company at the Company's Receipt Point(s).

- iii. Negotiated Contract Rate Service (NCR):
Transportation Service provided to Customer that has i) competitive options and or ii) agrees to allow the Company to manage Customer's demand and that has executed a NCR Service Agreement which is accepted by the Company.

- c. Special Contract Service (SCS):
Transportation Service provided to Customer, at the sole option of the Company, where the rates, terms and conditions for service may be different than those set forth in the Company's approved Tariff. All SCS Customers shall enter into a Special Contract Agreement with the Company, which is subject to the approval of the Commission.

- d. Pool Manager Services:
 - i. Shipper Administrative Service (SAS):
Administrative service provided to a Pool Manager under the SAS rate schedule, in accordance with the Rules and Regulations set forth in this Tariff. The Company shall provide the following services to Pool Managers under the SAS; i) reading of Customer's Meters, ii) provision of Customer projected monthly usage information, along with Transportation Service Provider capacity quantity to be released to Pool Manager, iii) provision of Customer usage information to Pool Manager each Month, iv) retention of Customer's historical usage information, v) Letter of Authorization review and administration, and vi) other service as the company may determine necessary to administer Gas deliveries by Pool Managers to Customers. This service is required for CI Pool Manager. Billing Adjustments and Taxes and Fees, as set forth on Sheet Nos. 7.300-7.408, may also apply.

 - ii. Balancing Service Rider:
The Company will balance normal fluctuations between Pool Manager daily Gas deliveries and their Customer's daily gas consumption requirements. This service shall be billed to the Pool Manager through a load balancing charge.

RULES AND REGULATIONS - CONTINUED

B. SERVICE REQUEST

1. Request for Service:

A prospective Customer may request Service by:

- a. Applications for service may be made by telephone or in writing to the Company
- b. Electronic request to the Company's website (www.chpkgas.com), or
- c. If required by the Company, by submission to the Company a completed Gas Service Agreement.
- d. Certain applicants may be required to execute a Letter of Authorization or a Gas Transportation Service Agreement.

2. Commencement of Service:

Completion of an application or the deposit of any sum of money by the prospective Customer shall not require Company to render Service until the expiration of such time as may be reasonably required by Company to determine if such prospective Customer has fully complied with the provisions of Company's applicable Customer Rules and Regulations and as may reasonably be required by Company to install the required facilities to render Service to such prospective Customer.

3. Withholding of Service:

Company may withhold initiation of service requested by any Customer until such Customer has paid all indebtedness for Service to the Company and such Customer has complied with all applicable Rules and Regulations.

4. 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 such service is of a character that it is likely to unfavorably affect service to other Customers.
- c. Service at a new location will be rendered only when all bills for gas service to the Customer at any other location(s) have been paid.

RULES AND REGULATIONS - CONTINUED

5. Connection and Re-Connection Charge:

For connections or reconnections, Customer shall pay to Company an approved Connection or Re-Connection Charge set forth in the "Miscellaneous Service Charges" section of this Tariff, for initiation or restoration of Service. The Company shall bill the Customer an approved Change of Account Charge for reading the Meter at a premise where there is a change of Customer occupancy.

6. Acceptance:

Acceptance of Gas service by the Customer shall constitute an agreement to accept service under these Rules, Regulations, and Rates 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.

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RULES AND REGULATIONS - CONTINUED

C. DEPOSITS AND SECURITY

1. Prior Debts:

Service will not be furnished to a Customer until amounts due for gas service at a previous or current location(s) have been satisfied.

2. Deposits:

Deposits to guarantee final bills for service may be required from any Customer or prospective Customer in accordance with currently applicable regulations of the Public Service Commission of Maryland.

A copy of the Commission's deposit rules can be found in COMAR Sections 20.30.01.02 and 20.30.01.03.

RULES AND REGULATIONS - CONTINUED

D. CUSTOMER'S INSTALLATION

1. General:

Customer's Installation shall be constructed, installed, and maintained in accordance with standard practice as determined by local codes and ordinances, these Rules and Regulations, and other applicable governmental requirements.

2. Inspection of Customer's Installation:

Where governmental inspection of a Customer's Installation is required, Company will not supply service to such installation until the necessary inspections have been made and Company has been authorized to provide service.

Company may also inspect Customer's Installation prior to rendering service, and from time to time thereafter, but assumes no responsibility whatsoever as a result of having made such inspection. Company will not render service to any Customer Installation which Company finds to be hazardous, or in noncompliance with any applicable code, ordinance, regulation, or statute.

Company will withhold or discontinue service to Customer's Gas equipment whenever it finds a hazardous condition or a condition that is in violation of a code, ordinance, regulation or statute governing the installation or use of Gas equipment or Customer's Installation, and service will be rendered or restored only when the hazardous condition or noncompliance has been corrected.

3. Changes in Customer's Installation:

A Customer shall notify Company of any change in Customer's requirements for service and receive authorization from Company prior to making any such change so that Company may be in a position to meet Customer's requirements. Customer will be liable for any damage resulting from violation of this rule.

4. Right of Way:

Customer shall make or procure satisfactory conveyance to Company, of all necessary easements and rights-of-way, including right of convenient access to Company's property, for furnishing adequate and continuous service or the retirement of Company's property upon termination of service.

5. Protection of Company's Property:

Customer shall properly protect Company's property on Customer's premises, and shall permit no one but Company's employees or agents, or persons authorized by law, to have access to Company's piping, Meters, or apparatus. In the event of any loss or damage to Company's property caused by or arising out of carelessness or misuse thereof by Customer, Customer shall pay to Company the cost of replacing such loss or repairing

RULES AND REGULATIONS - CONTINUED

Protection of Company's Property Continued

such damage. This section does not apply to Customer's check meter if one is installed.

6. Operation of Company's Facilities:

No Customer or other person shall, unless authorized by Company to do so, operate or change any of Company's Facilities.

7. Access to Premises:

The Company or its duly authorized agents shall have access at all reasonable hours to the premises of the Customer for the purpose of installing, maintaining, inspecting or removing the Company's property, reading Meters and such other purposes as are incident to rendering or terminating gas service to the Customer. In such performance the Company and its Agents shall not be liable for trespass.

Failure of Customer to provide safe access to Company facilities for Company employees or duly authorized agents may result in the discontinuance of Gas service and or the refusal by the Company to establish Gas service. Customer shall be responsible for all incremental costs incurred by the Company when service discontinuance or the establishment of gas service has been or must be accessed by the Company at the interconnection of Company's Gas main and service line.

8. Indemnity to Company:

The Customer shall indemnify, hold harmless and defend the Company from and against all liability, proceedings suits, cost or expense for loss, damage or injury to persons or property, in any manner directly or indirectly connected with or growing out of the transmission and use of Gas by the Customer at or on the Customer's side of the Company's Delivery Point.

9. 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.

RULES AND REGULATIONS - CONTINUED

10. Term and Rentals:

When, to service 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 on the land or property of others. 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.

11. Requirement:

Prior to the introduction of Gas, service line and house piping of the Customer must be tested and inspected in accordance with Company rules.

12. Application for Tests and Inspection:

Application through the Company's office for test and inspection of service lines or house piping must be made by the owner of the premises or his authorized agent, setting forth when and where the inspection is desired.

13. Inspection and Testing of Service Line or House Piping:

All service lines and house piping and any alterations, additions or renewal thereof, are to be sight inspected by a Company representative and subjected to an air or gas pressure test, before service is commenced, or in case of alterations, additions or renewals, before service is resumed to the Customer.

14. 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 cost incident thereto.

15. Delays:

Application for service from an extension to be constructed where a right-of-way and/or easement is not owned by the Company, will only be accepted subject to delays incident to obtaining a satisfactory right-of-way and/or easement.

RULES AND REGULATIONS - CONTINUED

E. SERVICE CONNECTIONS

1. Company reserves the right to designate the locations and specifications for the Main line taps, Service Lines, curb valves, Meters, regulators, and appurtenances and to determine the amount of space which must be left unobstructed for the installation and maintenance thereof.
2. Applicant may request an alteration of such a designation but, if consented to by Company, the excess cost of such revised designation over and above the cost of the original Company design shall be borne by Applicant.
3. The Service Lines, curb valves, Meters and regulators or governors will be installed and maintained by Company and shall remain the property of Company.
4. Any relocation or alteration of Company-owned facilities to furnish gas service to Customer for the convenience and benefit of the Company shall be paid for by the Company; however, any such changes occasioned or necessitated by any action of the Customer, or owner of the property if the Customer is a lessee, may be made only after prior approval of the Company, and shall be at the expense of the Customer or owner.
5. Company reserves the right to postpone to a more favorable season the extension of Mains and connection of Service Lines during seasons of the year when climatic conditions would cause abnormally high construction costs.

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RULES AND REGULATIONS - CONTINUED

F. FACILITY EXTENSIONS

1. Main and Service Line Extensions:

- a. A written application and contract will be required for each new service pipe connection to the Company's supply mains. The Company will install free of charge a combined one hundred and seventy-five feet (175) of main and or service pipe for a new single family residence ready to take service. The Company may at its discretion apply its cost benefit analysis to new residences whose main and service exceeds the footage allowances if the results are more favorable to the Customer.
- b. For builders, land developers, commercial and industrial installations, main and service line extensions in excess of those pursuant to Section (a) above will be determined by the Company using its cost benefit analysis.
- c. Where required facilities are in excess of the main and or service pipe allowance the customer shall be required to pay all or part of the cost in excess of the investment that the utility prudently can make in consideration of the probable revenue.

- i. Financial Guarantees:

The Company may require the customer to enter into a construction agreement to include financial guarantees required by the Company.

2. Permit and Right of Way Conditions:

- a. When a permit is required for street opening to install service pipe, or a charge is made for repaving, payment therefore will be made by the Company.
- b. When Customers are so located that they can be served only by facilities extending through private property, they shall pay for the construction on said private property and they shall accept service for such term as is provided in the permit or agreement covering the location and maintenance of such facilities. Customers shall assume the obligation of any special or rental charges that may be made for such rights by said permit or agreement provided the Company is unable to secure the proper easement over said private property.

RULES AND REGULATIONS - CONTINUED

3. Obligation to Extend Security for Expansion Projects:

Notwithstanding the provisions in Section C - Deposits and Security of this Tariff in lieu of the requirements below, Customer shall furnish to Company security acceptable to Company to secure the payment to Company of all costs incurred by Company for the design, engineering, permitting, construction, completion, testing, and placing in service of the expansion project which have not been recovered by Company through the distribution or transportation charges payable by Customer.

4. Distribution Facilities Extension Options:

a. Minimum Volume Commitment:

The Company may require a commitment from the Customer to take or pay for a minimum volume of Gas as deemed appropriate by the Company given the circumstances of facility cost and/or the service requirements of a particular Customer.

b. New Residential Developments:

- i. At the Company's option, the economic evaluation criteria for installing natural Gas service to a new residential development will be based on an Internal Rate of Return Model ("IRRM").
- ii. When evaluating potential multi-family housing projects, if the IRRM demonstrates that the anticipated revenues warrant an investment greater than the cost of the main extension and service connection, then the Company may, at its sole discretion, provide a contribution to the Customer to offset costs incurred for the installation of gas piping and venting in the building. The contribution provided by the Company may not exceed 50% of the net present value of savings from a project and, in any event, may not exceed the actual cost for installation of gas pipe and venting in the premise. The net present value of savings from a project is the maximum amount of investment that could be added to the cost of the project without rendering the project uneconomic. The Company has an aggregate cap on all such contributions of \$250,000 per calendar year. A project will be determined to be a multi-family project if there are at least four (4) individually metered dwelling units in one premise.
- iii. When providing a contribution to offset costs related to the installation of gas piping and venting, the Customer bears all responsibility for proper installation and maintenance of all pipe beyond the Company's meter.

RULES AND REGULATIONS - CONTINUED

5. Temporary Service:

In the case of temporary service for short-term use, Company may require Customer to pay all costs of making the service connection and removing the material after service has been discontinued, or to pay a fixed amount in advance to cover such expense; provided, however, that Customer shall be credited with reasonable salvage realized by Company when service is terminated.

6. Excess Flow Valve ("EFV"):

A Customer who qualifies pursuant to 49 CFR Section 192 and or has a service line that is two (2) inches in diameter or less and has a system minimum pressure of ten (10) pounds per square inch gauge or more may request installation of an EFV at the Customer's expense. The charge to Customer shall be the estimated installed cost for the EFV installation that exceeds the material cost of the EFV itself. The Company does not guarantee or warrant the operation of the EFV.

7. Relocation of Distribution Facilities:

When alterations or additions to structures or improvements on premises to which Company provides service necessitate the relocation of Company's distribution facilities, or when such relocation is requested by Customer for any reason, Customer may be required to reimburse Company for all or any part of the costs incurred by Company in the performance of such relocation. Payment of the amount of cost, as estimated by the Company, shall be made in advance.

8. Ownership of Property:

The Company shall own, operate, and maintain all service pipes, regulators, vents, Meters, Meter connections, valves, and other apparatus from Company Mains to the outlet side of the Meter and shall have a perpetual right of ingress and egress thereto.

RULES AND REGULATIONS - CONTINUED

G. METERING

The Company, at its expense, will make periodic tests and inspections of its meters, as required by the Regulations Governing Service Supplied by Gas Corporations of the Public Service Commission of Maryland.

1. Use of Meters and Measuring Equipment:

- a. The Company shall provide, install, and properly maintain at its own expense such Meter or Meters, recording devices and metering equipment necessary to measure the quantity of Gas used by the Customer. Customer will safeguard Company's equipment and facilities located on Customer's property and will not permit unauthorized persons to operate or alter such Company-owned or controlled equipment or facilities in any manner.
- b. The Customer, upon thirty (30) days-notice to Company, may install, maintain and operate at Customer's expense such check measuring equipment on Customer's Installation as desired provided that such equipment shall be so installed as not to interfere with the safe and efficient operation of Company's equipment. No Gas shall be Sub-metered or further distributed by Customer for purpose of resale unless approved by Company or the Commission.
- c. Company may furnish and install such regulating and/or flow control equipment and devices as it deems to be in the best interest of the Customer served, or in the best interest and/or function of the Company's distribution system in general.
- d. Only duly authorized agents of the Company or persons authorized by law shall set or remove, turn on or turn off, or in any way handle Company's Meters. Only Company's duly authorized agents shall make connections to the Company's system. Unauthorized connections to, or tampering with, the Company's Meter or metering equipment, or indications or evidence thereof, subjects the Customer to immediate discontinuance of service, prosecution under the laws of the State of Maryland, adjustment of prior bills for service furnished, and reimbursement of the Company for all expenses incurred on Customer's account.

2. Remote Telemetry Installation:

a. Sales Service Customers:

At the sole discretion of the Company, Company may install, at the Company's expense, a (non-ERT) remote reading device on all Customer's receiving sales service with annual consumption of at least one hundred thousand (100,000) Therms annually.

RULES AND REGULATIONS - CONTINUED

- b. Transportation Service Customers:
The Company shall install at Customer's expense, a remote reading device on all Customer's receiving transportation service for Customer's (except Summer Peaking Customers) whose average daily winter (December, January, or February) metered gas quantities exceeds 1,500 Therms per day.
 - c. All remote reading devices shall be owned, installed and maintained by the Company. When requested by a Customer below the annual consumption level above, and approved by the Company, a remote reading device may be installed at a cost payable by the Customer. If required, the Customer at Customer's expense, shall provide and maintain electrical power and telephone service to the remote reading device location.
 - d. A periodic verification reading shall be taken on the meter and the remote reading device.
 - e. In cases of a measurement dispute related to the remote reading device, the Company's meter may be used as the final determinant in measuring consumption.
3. Location of Meters:
- b. The Customer shall furnish a convenient, accessible, and safe place in which the Meter and/or other such facilities can be installed, operated, and maintained without charge to Company. This location, as far as practical, shall be outside the building and free of excessive temperature variations or potential causes of damage that might affect Meter operation or accuracy.
 - c. If changes in conditions on the Customer's premises adversely affect the convenience, accessibility or safety of the Meter location, the Customer shall be responsible for the cost of relocating the Meter, its appurtenances, and related piping to a location meeting the above requirements.
4. Non-registering Meters:
- a. Whenever a meter is found to be stopped, the Company may estimate the consumption and bill the Customer for the estimated gas used during the period which the meter failed to register.

RULES AND REGULATIONS - CONTINUED

5. Request Tests:

- a. Upon request by a Customer and at no charge the Company shall make a test of the accuracy of registration of the meter serving that Customer, providing that such tests need not be done more frequently than once in eighteen (18) months.

RULES AND REGULATIONS - CONTINUED

H. MEASUREMENT

1. Determination of Volume:
 - a. The volume and Total Heating Value of the Gas shall be determined as follows:

2. Base Conditions:
 - a. Low Pressure Volume – Standard delivery to the Customer is at low pressure, and for those meters not having temperature correcting devices which correct to a temperature of sixty (60) degrees Fahrenheit, a cubic foot of gas shall be that amount of gas which occupies a volume of one cubic foot at the time metered and under the conditions existing at the Customer’s meter.

 - b. Other than Low Pressure Volume - A standard cubic foot for measurement purposes shall be the volume of such cubic foot at the temperature of 60 degrees Fahrenheit and an absolute pressure of 14.73 p.s.i.a.

 - c. The Average Atmospheric Pressure shall be assumed to be fourteen and seventy-three hundredths pounds per square inch absolute (14.73 p.s.i.a.) irrespective of actual elevation or location of the point of measurement or of variations in such Atmospheric Pressure from time to time.

3. Unit of Volume:
 - a. Subject to the Technical Terms and Abbreviations of this Tariff, the Standard Delivery Pressure shall be 14.95 p.s.i.g. and the Standard Delivery Temperature shall be 60 degrees Fahrenheit.

 - b. For purposes of billing computations, a Cubic Foot of Gas shall be that quantity which, at a pressure of 14.95 p.s.i.g. and a temperature of 60 degrees Fahrenheit, occupies one cubic foot.

 - c. When deliveries are made at flowing pressures in excess of the Standard Delivery Pressure, metered volumes shall be corrected for such variation through utilization of recorded flowing pressure data, correction devices which are an integral part of the Meter installation, or by correction factors for fixed pressure deliveries.

 - d. With respect to Gas delivered at High Pressure, flowing Gas temperature shall be assumed to average 60 degrees Fahrenheit for all measurement, unless Customer and Company agree otherwise. When an assumed Flowing Temperature of 60 degrees Fahrenheit is not used, the temperature shall be determined as the arithmetic average of Flowing Temperatures as recorded by a temperature recorder, if such a recorder is utilized, or through the use of correcting indices or

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RULES AND REGULATIONS - CONTINUED

Unit of Volume Continued

temperature compensating meters, where recording or compensating devices are not installed, the temperature of the Gas shall be assumed to be the climatological 30-year average monthly temperature as established by the nearest National Oceanic and Atmospheric Administration Weather Bureau and published by the Department of Commerce.

- e. Unless determined to be otherwise by a gravity balance, the specific gravity of the flowing Natural Gas shall be assumed to be 0.6 and the specific gravity of propane shall be approximately 1.52.
- f. When sales or transportation volumes are metered at pressures of 10 p.s.i.g. (pounds per square inch gauge) and over, and where such volumes are also corrected for Flowing Temperatures other than assumed 60 degrees Fahrenheit, such volumes shall be corrected for deviations from Boyle's Law by use of the appropriate super compressibility factor.

4. Billing Unit:

- a. The sales and transportation unit of Gas shall be the Therm, being 100,000 Btu's. The number of Therms billed to Customer shall be determined by multiplying the number of Cubic Feet of Gas delivered at 14.95 p.s.i.a. and 60 degrees Fahrenheit, by the Total Heating Value of such Gas and dividing the product by 100,000.
- b. The Total Heating value of the Gas delivered to Customer shall be determined as that reported periodically by Transportation Service Provider or propane supplier, provided such value is applicable to the Gas delivered to Customer, or such value shall be determined by Company by use of a calorimeter or other instrument suitable for heating value determination. The Total Heating Value shall be corrected to and expressed as that contained in the Unit of Volume addressed on Sheet. No. 30.

5. Pressure:

- a. Where the delivery pressure supplied by the Company is higher than Standard Delivery Pressure, Company will make reasonable efforts to maintain such higher-delivery pressure. Company does not undertake to deliver Gas at a pressure higher than the Standard Delivery Pressure throughout its service areas. Prospective Industrial and large Commercial Customers who desire to utilize Gas at pressures higher than the Standard Delivery Pressure should inquire of Company to determine the pressure that Company can make available at any given location in its service territory before obtaining any equipment requiring pressures higher than the Standard Delivery Pressure.

RULES AND REGULATIONS - CONTINUED

6. 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.

7. Quality of Gas:

- a. All Gas which Customer, Pool Manager, or Shipper's Designee cause to be received by Company at Company's Receipt Point(s) for transportation and delivery by Company shall conform to the quality and heating value specifications set forth herein. In addition to any other remedies available to Company, Company shall have the right to refuse to accept at Transportation Service Provider's Delivery Point(s) any Gas which fails to conform to such quality and heating value specifications.
- b. Gas delivered to the Company's system from an interconnected pipeline or other source shall be in conformance with the quality specifications as provided for in the Terms and Conditions in the Tariff of that pipeline interconnected to the Company's distribution system.
- c. The Company shall have the right to supply stand-by or peak shaving Gas of similar characteristics when necessary.

RULES AND REGULATIONS - CONTINUED

I. ASSIGNMENT OF RATE SCHEDULES

Customers:

1. Initial Rate Schedule Assignment:

At the time of Meter activation or in the case of a new Customer at the time of signing, Company shall estimate the annual usage of Customer (based upon the connected gas consuming appliances or equipment) and shall assign Customer to the applicable rate schedule. Company shall not be required to make any refunds to Customers if actual annual usage is below the minimum usage level of the rate schedule assigned.

Subsequent to service activation, the Customer shall be given reasonable opportunity to change to another Rate Schedule however, the Company shall not be required to make refunds for any previous billing under any Rate Schedules selected by the Customer prior to the time of receipt of a written notice from the Customer requesting to change to another Rate Schedule.

2. Rate Schedule Review

Service under any rate schedule may be subject to review by the Company. If reviewed, the Company will determine the annual usage of each Premise at calendar year end and shall assign each Premise under review to the rate schedule that corresponds to the Premise's respective annual Therm usage. Premises with less than twelve months of billing history will not be re-classed into a different rate schedule. Such rate schedule assignments shall be effective with the first billing cycle in March and not more than one change in rates shall be made within any twelve-month period. The Company shall not be required to make any refunds to Customers if actual annual usage is below the minimum usage level of the rate schedule assigned. For any high load factor customers, the Company may apply a +2% variation to the 35% January to March requirement before moving the Customer out of the high load factor rate class during any rate schedule review.

Pool Managers:

1. SAS Rate Schedule:

Upon initiation of service, all CI Pool Managers shall be assigned to the SAS rate schedule.

2. Balancing Service Rider:

The Company will balance normal fluctuations between Pool Manager daily Gas deliveries and their Customer's daily gas consumption requirements. This service shall be billed to the Pool Manager through a load balancing charge.

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RULES AND REGULATIONS - CONTINUED

Balancing Service Rider Continued

The Pool Manager shall use its best efforts, including ongoing communication with Customers to balance its daily gas purchases, nominations, and deliveries with daily Customer gas consumption requirements.

RULES AND REGULATIONS - CONTINUED

J. BILLING AND COLLECTING

1. Billing:

a. Billing Periods:

Bills are due upon presentation by the Company. Each Customer's Meter will be read at regular intervals and bills will be rendered on a monthly basis. Bills will be rendered as soon as practical after determination of their amount and shall be due and payable to the Company within twenty (20) days from the date of presentation by the Company.

An initial period of less than ten (10) days is included in the following month's billing. If the period is ten (10) days or greater, a bill is rendered at the regular billing date. A final period from one (1) to forty-five (45) days shall be billed as one month.

b. Non-Receipt of Bills:

Non-receipt of bills by Customer shall not release or diminish obligation of Customer with respect to payment thereof.

c. Calculation of Bill:

- i. A Meter or Meters at each Company Delivery Point will measure Customer consumption and the Company shall apply appropriate conversion factors (including Btu factor) to determine Customer's usage and the Monthly Rates set forth in the applicable rate schedule shall be applied to determine the amount of Company's bill for service. Each bill regardless of type shall be subject to the applicable taxes and Billing Adjustments identified in this Tariff.
- ii. If a Customer receives service under more than one rate schedule, the service rendered under each rate schedule shall be separately metered and separate bills shall be calculated. If a Customer receives service under a particular rate schedule but receives delivery thereof at more than a single Company Delivery Point, the Company shall consider such deliveries as separate service and will calculate separate bills.

2. Delinquent Bills:

Bills are due when rendered and are delinquent in accordance with the rules established pursuant to this Tariff.

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RULES AND REGULATIONS - CONTINUED

3. Estimated Bills:

- a. The Company may render estimated bills when i) no meter is installed, or ii) 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 iii) 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 (iv) the Company is unable to obtain a meter reading for causes beyond its control.
- b. Estimated readings shall be based upon prior consumption at the particular location for a similar period of time and may be adjusted 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 the Customer's service to the penalties herein provided. 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 the next subsequent bill rendered the Customer, or that period of time when an actual reading can be obtained.
- c. The Company will cooperate with the Customer to schedule meter readings; however, in those instances where the Company's agent or representative is unable to gain access to the Customer's premises, during the regular scheduled working hours, to obtain a meter reading, the number of estimated readings shall be limited to three (3) consecutive months, and Customer's service thereafter is subject to discontinuance.

4. Disputed Bills:

In the event of a dispute between the Customer and the Company respecting any bill, the Company will forthwith make such investigation as may be required by the particular case and report the result thereof to the Customer. 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 the 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 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

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RULES AND REGULATIONS - CONTINUED

Disputed Bills Continued

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 these Rules and Regulations.

5. In the event of unauthorized use, the Customer may be billed with a reasonable estimate of the gas consumed.
6. In the event of a Meter error, Company shall provide the corrected Meter readings for the applicable period defined above to the Customer, Shipper's Designee, or authorized Pool Manager to facilitate correction of the gas purchase bills provided to the Customer by their supplier.
7. Budget Billing Program (Optional):
 - a. Residential Customers and Non-residential Customers served under Rate Schedule GS may elect to make budgeted monthly payments of amounts due the Company to help stabilize monthly payments. To qualify for the Budget Billing Program, a Customer must be a year-round Customer with twelve (12) Months of consecutive bills and have zero balance owing when the Customer elects to participate in the Program. The Company may waive the zero balance requirement on a not-unduly discriminatory basis.
 - b. If a Customer requests to make budgeted monthly payments, the initial budgeted monthly payment amount will be based on an average of the previous twelve (12) Months bills due the Company, including all applicable fees and taxes (excluding service charges and additional fees). The Company reserves the right to estimate increases or decreases over historical amounts in rate components (including taxes) to the account.

After the Customer's budgeted monthly payment amount has been initially established, the Company may recalculate the budgeted monthly payment from time to time. If the recalculated budgeted monthly payment varies from the budgeted monthly payment amount, then in effect, the Company may begin charging the recalculated amount on Customer's next successive bill.

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RULES AND REGULATIONS - CONTINUED

Budget Billing (Optional) Continued

- c. The Customer's budgeted monthly payment will be recalculated on each anniversary of the Customer's initial participation in the program. On such recalculation, any credit and debit deferred balance will be recalculated in the following year's budgeted monthly payment calculation.
- d. An electing Customer's participation in the budgeted payment plan will be continuous unless the Customer requests that participation in the plan be terminated or that gas service be terminated, or the Customer is delinquent in paying the budgeted payment amount and becomes subject to the collection action on the service account. At that time, the Customer's participation in the program will be terminated and the Customer shall settle their account with the Company in full. If a Customer requests to terminate participation in the program, but remains a Customer of the Company, the Customer shall pay any deferred debit balance with their next regular monthly bill, and any deferred credit balance shall be used to reduce the amount due for the next regular monthly bill.

8. Payments:

a. Payment Methods:

Bills are due upon presentation by the Company. Customers may elect to pay their bill at an authorized payment agent listed on Company's website by cash, check, money order, credit card, debit card, automatic withdrawal from a bank account, or on-line via Company's website no later than twenty (20) Days from the date of presentation by Company.

- b. Customers may elect to pay their bill at a Company Authorized Payment Agent listed on Company website.

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RULES AND REGULATIONS - CONTINUED

K. OBLIGATIONS OF COMPANY AND CUSTOMER

1. Obligations of Company:

a. Operation of Company's System:

Company shall use reasonable diligence in operating its system in order to insure a uniform and adequate delivery of Gas to meet Customers' requirements. Company is responsible for the sale of natural gas and transportation of Customer-owned Gas, as applicable, but is not responsible for providing Gas to those Customers electing to receive service pursuant to Company's transportation service programs.

b. Company's Obligation to Provide Transportation Service to Customers:

Notwithstanding all other applicable provisions of this Tariff and any Special Contract provisions to the contrary, Company shall be obligated to provide service to Customers if Customers' designated Pool Manager meets the delivery obligations as defined in this Tariff. In the event Customers' designated Pool Manager fails to meet said delivery obligations, the Company shall have no obligation to provide service to said transportation Customers.

c. Temporary Interruptions:

Company may temporarily shut off the Meter to the Customer's premises after reasonable notice for the purpose of making necessary repairs or adjustments to Company's distribution facilities, and will endeavor to make such interruptions, if required, at a time, where possible, which will cause the least inconvenience to the Customer.

d. Curtailments:

Service may be curtailed or fully interrupted without notice in case of emergency at the sole discretion of Company in accordance with the provisions of this Tariff. Company assumes no liability for any loss or damage that may be sustained by Customer by reason of any Curtailment or interruption of service rendered hereunder.

e. Information to Customers:

A copy of Company's approved Tariff is available for inspection on the Company's website.

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RULES AND REGULATIONS - CONTINUED

2. Obligations of Customers:

a. Access to Customer's Premises:

Customer shall be obligated to allow Company or its duly authorized agents to enter Customer's premises at all reasonable hours for obtaining Meter readings, for shutting off the flow of Gas when necessary or due to any Customer delinquency or infraction, for inspecting, removing, repairing, or protecting from abuse or fraud any of the property of Company installed on the premises or for all other reasons set forth in other sections of these Rules and Regulations. Access shall be granted at all times for emergency purposes. Any refusal on the part of Customer to permit Company access to premises will be cause of discontinuance of service without liability to the Company.

b. Right of Way:

The Customer shall grant or cause to be granted to Company, without cost to Company, all rights, easements, permits and/or privileges that in Company's opinion are necessary for the rendering of service.

c. Protection of Company's Property:

All property of Company installed in or upon Customer's premises in supplying service is placed there under Customer's protection. All reasonable care shall be exercised to prevent loss of, or damage to, such property and, ordinary wear and tear excepted, Customer will be held liable for any such loss of property, and/or damage thereto and shall pay to Company the cost of necessary repairs or replacements.

d. Interfering or Tampering with Company's Property:

Customer will be held responsible for broken seals, tampering or any interference with Company's Meter or Meters, or other equipment of Company installed on Customer's premises. No one except employees or authorized agents of Company will be allowed to make any repairs or adjustments to any Meter or other piece of apparatus belonging to Company except in cases of emergency.

e. Customer Request to Increase Usage:

Customer at an existing premise shall notify Company of Customer's intent to increase its current annual usage at said premise at least sixty (60) days prior to the expected increase in usage. Company shall respond to Customer's request within thirty (30) days of receipt, indicating Company's acceptance or denial of

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RULES AND REGULATIONS - CONTINUED

Customer Request to Increase Usage Continued

Customer's request and any limitations of service. Any required alteration of Company-owned facilities to furnish gas service to Customer necessitated by any action of the Customer, or owner of the property if the Customer is a lessee, may be made only after prior approval of the Company, and shall be at the expense of the Customer or owner.

f. 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 or resulting from the supply of gas.

g. Precautions to be Taken by Customer:

The responsibility for the detection of defects and leaks on the Customer's premises 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 a leak within the Customer's premises, the Customer should:

- i. Leave the home or building immediately and go upwind of the suspected leak.
- ii. Immediately call the Company's local emergency telephone number or 911 from a cellular phone outside the home or building, or from a neighboring location, to report the suspected gas leak.
- iii. Not use their home telephone, turn on or off any electrical switches, light a match or do anything that might create a spark or flame.
- iv. Not re-enter the building where the suspected leak is until emergency officials give the okay.
- v. When gas has been shut off because of a leak in the house lines or fixtures or other hazardous conditions of service, it shall not be turned on again until such leak or other hazardous conditions have been repaired and made safe either by a competent plumber or gas fitter. In the event of failure or deficiency of gas or excessive pressure, the Customer shall notify the Company and be governed by instructions or assistance received from the Company.

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RULES AND REGULATIONS - CONTINUED

h. Prudent Uses of Gas:

A Customer should always make prudent use of gas and shall take care not to waste gas. Upon notice by the Customer, the Company will investigate reports of suspected gas leakage and improper functioning of gas appliances. In the event that gas passes through the meter as a result of the Customer's negligence or malfunctioning of the Customer's piping or appliances, no credit will be issued, unless such use is a result of fault or neglect of agents of the Company.

i. Sales of Gas by Customer:

Natural Gas purchased or transported hereunder is not to be shared or sold to others except for the retail sale as a fuel to natural gas vehicles and except for the sale or transportation of compressed natural gas ("CNG"). The Customer shall not directly or indirectly sell, sublet, assign or otherwise dispose of the gas or any part thereof, unless otherwise specified in the Tariff. Purchase of gas for use by tenants located on the Customer's property, when the cost to the tenant of such gas is included in the normal rental charge for occupancy of the premises, shall not be considered as resale.

j. Service to Customer's Appliances:

The Company will not be responsible for the provision of service(s) at no charge for the adjustment of Customers' appliances.

k. 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 their installation and/or equipment with approved controlling devices.

l. Liability for Damages:

The Company shall not be liable for any injury to persons or damage to property arising or occurring in any manner whatsoever from the misuse of gas.

m. Conformance with Tariff:

Upon commencement of service, the Rules and Regulations and the applicable rate schedules of this Tariff shall be binding upon Customer and Company unless otherwise stated in a Special Contract as approved by the Commission.

RULES AND REGULATIONS - CONTINUED

3. Curtailement:

a. General:

In the event that the Company determines that there is insufficient gas supply to meet the demands of the Customers on its distribution system, the Company may, at its sole discretion, curtail service to Customers. Curtailments will be made to maintain supply to its firm sales customers in the priorities set forth below. When curtailment is necessary, sufficient gas will be available to maintain a temperature which will keep the building pipes from freezing and other plant protection use, if possible. Prior to or in conjunction with curtailment the Company may call for voluntary usage reductions on the part of all Customers.

b. Definitions:

Essential Human Needs – High Priority Customers: Includes residences, apartments, hotels, motels, dormitories, hospitals, nursing homes, police and other institutions essential to public welfare.

Plant Protection Use – High Priority: Minimum volumes of natural gas required to prevent physical harm to the plant facilities' processes or danger to plant personnel when such protection cannot be afforded through the use of an alternative fuel. Plant protection requirements include volumes necessary for the protection of such material in process as would otherwise be destroyed but does not include deliveries required to maintain production.

c. Curtailement Priorities:

Curtailement to the extent necessary as determined by the Company, up to and including complete curtailment shall be done in accordance with the following list of priorities, starting with the lowest priority, priority 6.

Priority 1: High Priority - Essential humans needs Customers.

Priority 2: All other customers other than Priority 1 Customers will be curtailed to the extent necessary as determined by the Company.

Priority 3: Firm commercial and industrial Customers using above 4,000 Therms per year.

Priority 4: Firm commercial and industrial Customers using above 15,000 Therms per year.

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RULES AND REGULATIONS - CONTINUED

Curtailment Continued

Priority 5: Firm commercial and industrial Customers using above 100,000 Therms per year.

Priority 6: All OSSS Customers.

d. Curtailment of Customer-Owned Gas:

If adequate supply to priority essential human needs customers is threatened in the Company's judgement, Customer-owned transportation gas may be curtailed in addition to system supply and in the same order of priorities. In the event that Customer-owned gas is diverted for use by essential human needs customers, the Company will reimburse the Customer by paying an amount equal to the purchase price paid by Customer for the Customer-owned gas plus the positive difference, if any, between the purchase price paid by Customer for such Customer-owned gas and the purchase price paid by Customer for Customer's alternative fuel on an equivalent basis. In the event Customer has no alternative fuel, the Company's payment to Customer is limited to the purchase price paid by Customer for the quantity of Customer-owned gas so diverted. In lieu of this provision, the Company may enter into contractual or informal arrangements with Transportation Customers or any other parties to obtain supplies to avoid such curtailments.

e. Liability:

The Company shall not be liable for any damages, loss of product, or other business losses suffered by Customers as a result of curtailed gas service. The Company shall not be liable for curtailment as a result of any action by any governmental agency with jurisdiction to regulate, allocate, or control gas supplies or the rendition of service, and regardless of any defect in such law, regulation, or order.

RULES AND REGULATIONS - CONTINUED

L. FORCE MAJEURE

1. In the event either Company, Customer, Customer's Agent or Pool Manager is unable wholly or in part by Force Majeure to carry out its obligations under this Tariff, or under a Special Contract, other than to make payments due thereunder, it is agreed that on such party giving notice and full particulars of such Force Majeure to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch.
2. The term "Force Majeure", as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, including any government-mandated quarantines associated therewith, landslides, lightning, earthquakes, fires, storms, hurricanes or evacuation orders due to hurricanes, floods, washouts, arrests and restraints of government and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, the necessity for making repairs or alterations to machinery or lines of pipe, freezing of well or lines of pipe, partial or entire failure of source of supply, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Such term shall likewise include (a) in those instances where any party is required to obtain servitudes, rights of way grants, permits, or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitude, right of way grants, permits, or licenses; and (b) in those instances where any party is required to furnish materials and supplies or to secure grants or permissions from any governmental agency to enable such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials, supplies, permits and permissions.
3. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the party having the difficulty.

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RULES AND REGULATIONS - CONTINUED

M. DISCONTINUANCE OF SERVICE

The Company's obligation to serve a particular premise shall, at the option of the Company, cease and terminate i) in case the property served is vacated or a change of occupancy occurs; ii) in case of an assignment for the benefit of creditors or iii) in case of the illegal use of Gas.

The Company reserves the right, but assumes no liability for failure to do so, to discontinue service to any Customer for cause as follows:

1. Without Notice:
 - a. If check of nonsufficient funds is used to restore service or to satisfy a disconnect notice.
 - b. For Customer's non-compliance with or violation of any State or municipal law or regulation governing gas service.
 - c. For Customer's failure or refusal of the Customer to correct any deficiencies or defects in Customer's piping or appliances which are reported to Customer by Company.
 - d. For Customer's failure or refusal to provide adequate space for the Meter and service equipment of Company.
 - e. In the event of a condition known to Company to be hazardous.
 - f. In the event of Customer's tampering with regulators, valves, Meters, or other facilities furnished and owned by Company.
 - g. Upon request by Customer, subject to any existing agreement between Customer and Company as to unexpired term of service.
2. With Notice:

After five (5) Working Days' (any day on which the Company's business office is open and the U.S. Mail is delivered) notice in writing as follows:

 - a. For Customer non-payment of bills for gas service.

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RULES AND REGULATIONS - CONTINUED

- b. When Company has reasonable evidence that Customer has been previously disconnected for nonpayment at present or other location and is receiving service for his or her own use under a different name in order to avoid past due payments to Company.
 - c. For Customer refusal or failure to make a deposit or increase a deposit, when requested, to assure payment of bills.
 - d. For violation of these Rules and Regulations which Customer refuses or neglects to correct.
 - e. For Customer's failure or refusal to provide reasonable access to Company or its agents for the purpose of reading Meters or inspection and maintenance of equipment owned by Company.
3. Waiver of Discontinuance of Gas Service:
Discontinuance of gas service shall be (temporarily) waived in specific cases provided that service is medically essential and discontinuance will endanger life or require hospitalization to sustain life. Prior to granting a medical waiver, the Customer shall be required to furnish the Company written notice from a competent physician acceptable to the Company that service is required for life support.
4. Collection in Lieu of Discontinuance of Gas Service:
A Collection in Lieu of Discontinuance Charge (applicable Section O) shall be added to the Customer's bill when payment, inclusive of said charge, is made at a billed address prior to discontinuance of gas service for non-payment of Company's regulated charges.
5. Reconnection of Service:
When service has been discontinued for any of the reasons set forth in these Rules and Regulations, Company shall not be required to restore service until the following conditions have been met by Customer:
- a. Where Service was Discontinued without Notice:
 - i. The dangerous condition shall be removed and, if the Customer had been warned of the condition a reasonable time before the discontinuance and had failed to remove the dangerous condition, a reconnection fee as indicated and as applicable in Section O of these Rules and Regulations shall be paid.

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RULES AND REGULATIONS - CONTINUED

- ii. All bills for service due to the Company by reason of fraudulent use or tampering shall be paid, a deposit to guarantee the payment of future bills shall be made, and a reconnection fee as indicated shall be paid. Whenever service is discontinued for unauthorized or fraudulent use of service, Company, before restoring service, may require the Customer to make at Customer's expense all changes in piping or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the deficiency in revenue and all costs incurred by Company resulting from such unauthorized or fraudulent use. As used herein, "costs incurred by Company" shall include but are not limited to the Company's cost to cut and cap the Customer's service line at the main, together with the cost incurred by the Company to restore service to the Customer, in the event Company, in order to discontinue service to the Customer pursuant to Section M of this tariff, has been required (after final notice to the Customer requesting payment, and the Customer's denial of access by Company to its meter for the purpose of discontinuing service) to cut and cap the Customer's service line at the main. If a Customer whose service line has been cut and capped as aforesaid thereafter requests restoration of Gas service, Company may require such Customer to pay (in addition to any other charges payable pursuant to these Rules and Regulations) all costs incurred by Company to effect the previous discontinuance of Gas service to such Customer, as well as all costs incurred by Company to restore Gas service to such Customer.

- b. Where Service was Discontinued with Notice:
 - i. Satisfactory arrangements for the payment of all bills for service then due shall be made and a reconnection fee as indicated and as applicable in Section O of these Rules and Regulations shall be paid.
 - ii. Satisfactory arrangement for the payment of all bills then due under any other names shall be made and a reconnection fee as indicated and as applicable in Section O of these Rules and Regulations shall be paid.
 - iii. A satisfactory guarantee of payment for all future bills shall be furnished and a reconnection fee as indicated and as applicable in Section O of these Rules and Regulations shall be paid.

- c. All violations of these Rules and Regulations shall be corrected and a reconnection fee as indicated and as applicable in Section O of these Rules and Regulations shall be paid.

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RULES AND REGULATIONS - CONTINUED

6. Termination of Service at the Request of Customer:

a. Change of Occupancy:

Subject to any existing agreement between Customer and Company, if Customer wishes the Gas service to be terminated, the Customer shall give notice to the Company at least five (5) days prior to the time that such termination shall become effective. Customer will be held liable both for any gas that may pass through the Meter and safe custody of the Company's property until five (5) days after such notice shall have been given, provided that the Meter and/or other movable equipment shall not have been removed within that time by the Company.

9. If the Customer desires that the initial Gas service connection or Gas service reconnection following disconnection by the Company for any reason, be completed on the same day as the request is received by the Company or outside the Company's normal business hours, such After Hours Reconnection may be performed, subject to the availability of Company personnel. The After Hours Connection or Reconnection Charge must be paid. Details of the charges are contained in Section O (Miscellaneous Customer Charges) of this Tariff.

10. Service interruptions may be avoided by paying the overdue amount prior to the past due date of the gas bill, or by paying the overdue amount plus a collection fee to the Company or an authorized agent of the Company. Details of the collection fee are contained in Section O (Miscellaneous Customer Charges) of this Tariff.

11. Removal of Company Property:

If Customer wishes Company's property to be removed, Customer shall give notice to the Company prior to the time of such requested removal. Customer shall be responsible for the cost of removal.

12. Final Bill:

The Customer is liable for service taken after notice of termination of their service until the Meter is read and Gas shut off. The final bill for service is due and payable upon presentation. Credit balances on a final bill that are five dollars (\$5.00) or more will be refunded to the Customer.

13. Termination of Customer by Pool Manager:

Any CI Pool Manager may terminate service for any reason to a Non-Residential Customer upon written notice to Company seven (7) days prior to the first day of the Month. Unless Company receives a subsequent enrollment request, said Non-Residential Customer shall be assigned to the Company's Regulated Sales Service Pool.

RULES AND REGULATIONS - CONTINUED

N. LIMITATIONS OF SUPPLY

Company reserves the right, subject to regulatory authority having jurisdiction, to limit, restrict or refuse service that will result in additions to its distribution system and/or production capacity and/or alterations in its contractual requirements of supply that may jeopardize service to existing Customers.

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RULES AND REGULATIONS - CONTINUED

O. MISCELLANEOUS SERVICE CHARGES

	<u>Rate</u>
1. <u>Service Connection Charge</u> Regularly Scheduled	\$90
2. <u>Service Reconnection Charge</u> Regularly Scheduled	\$90
3. <u>Change of Account Charge (Read Meter Only)</u> Regularly Scheduled	\$25
4. <u>Failed Trip Charge</u> – Applies when Customer fails to keep a scheduled appointment with the Company’s employee, agent, or representative	\$80
5. <u>Temporary Disconnection of Service Charge</u> Regularly Scheduled	\$50
6. <u>Field Collection Charge</u> Regularly Scheduled	\$50
7. <u>Smart Meter Opt-Out</u>	\$80
8. <u>Seasonal Reconnection Charge</u> Whenever a Customer’s gas is turned off or Customer’s meter disconnected by the Company at the Customer’s request and the account placed on inactive status, and such account is reactivated by the same Customer no less than thirty (30) days and no more than (180) days from the date of the disconnect, a Seasonal Reconnection Charge equal to the monthly Customer Charge in the Customer’s applicable Rate Schedule for each month the account was inactive, plus the Reconnection Charge provided above in, shall be paid. Such payment, along with other satisfactory arrangements for reconnection, shall be made with the Company for reconnection the following normal business day.	
9. <u>Same Day or Outside Normal Business Hours (before 8:00 a.m. and after 3:00 p.m.) Charge</u> (At Company’s sole discretion, if available.)	\$135

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RULES AND REGULATIONS - CONTINUED

10. Nonsufficient Funds Check Service Charge:

The service charge for each worthless check shall be equal to the service charge fee charged to the Company by Company's bank. Such service charge shall be added to the Customer's bill for gas service for each check dishonored by the bank upon which it is drawn. After the second returned payment, the Company reserves the right to notify the Customer that an alternate payment method will be required for future payments. Failure to pay the full amount of the bill including the Worthless Check Service Charge will result in a discontinuance of the Customer's service. The Company may discontinue service without prior notice if an invalid payment is used to restore service or satisfy a disconnect notice.

Company may waive miscellaneous service charges for cause on a not unduly discriminatory basis.

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RULES AND REGULATIONS - CONTINUED

P. WARRANTY, CONTROL, AND INDEMNIFICATION

1. Warranty:

Pool Manager warrants that it will have good and merchantable title to, all Gas delivered by Transportation Service Provider to Company for Shipper's account at Transportation Service Provider's Delivery Point(s), and that such Gas will be free and clear of all liens, encumbrances, and claims whatsoever. In the event any adverse claim in respect to said Gas is asserted, or Pool Manager breaches its warranty herein, Company shall not be required to perform its obligations to transport and deliver said Gas to Customer accounts in Pool Manager's Customer Pool or, subject to receipt of any necessary regulatory authorization, to continue service hereunder for Pool Manager until such claim has been finally determined; provided, however, that Pool Manager may receive service if i) in the case of an adverse claim, Pool Manager furnishes a bond to Company, conditioned for the protection of Company with respect to such claim, or ii) in the case of a breach of warranty, Pool Manager promptly furnishes evidence, satisfactory to Company, of Pool Manager's title to said Gas.

2. Control and Possession:

Pool Manager shall be deemed to be in control and possession of Gas prior to delivery to the Company Receipt Point(s) or Transportation Service Provider Delivery Point(s); and Company shall be deemed to be in control and possession of the Gas to be transported by it upon delivery of such Gas by Transportation Service Provider to the Delivery Point(s), and until it shall have been delivered to Company's Point(s) of Delivery. Each party, while deemed to be in control and possession of such Gas, shall be responsible for, and shall indemnify and hold the other harmless from any and all claims, actions, suits, including attorney's fees, arising out of or relating in any way to custody and control of such Gas.

3. Indemnification to Company by Customer:

The Customer shall indemnify, hold harmless, and defend the Company from and against any and all liability, proceedings, suits, cost or expense for loss, damage, or injury to persons or property, in any manner directly or indirectly connected with or growing out of the distribution and/or transportation of Gas by the Customer, as such may be defined in the CI Pool Manager Agreement.

RULES AND REGULATIONS - CONTINUED

Q. TRANSPORTATION SERVICE

1. Individual Transportation Service (INDTS):

a. Applicability:

Individual Transportation Service is available to Customers who are served under the Company's NCR Rate Schedule and Special Contract Customers. Individual Transportation Service Customers are required to execute the applicable Transportation Service Agreement, Negotiated Contract Service Agreement, or Special Contract (that has been approved by the Commission) with the Company.

b. Company-Approved Pool Manager:

Unless otherwise authorized by Company, all INDTS Customers shall utilize a Company-approved Pool Manager to arrange for delivery of Customer-owned Gas to Company's Delivery Point(s).

c. Service Agreement:

All Customers receiving Individual Transportation Service shall enter into the applicable Transportation Service Agreement with Company. Upon receipt of the Customer's executed Transportation Service Agreement, the Company shall have up to thirty (30) Days to initiate service under the Agreement, in addition to any time requirements for the physical extension or improvement to the Company's facilities required to provide such service.

d. Service Initiation:

Transportation Service may begin on the first day of the Month, provided that timely Nominations are submitted in accordance with the Company's Tariff, and such other actions as are required to cause Gas to be delivered to the Company for transportation to the Customer, are undertaken by Customer, or Customer's Agent.

e. Full Requirements:

All Customers receiving Individual Transportation Service shall transport all of their natural gas quantity requirements through Company's distribution system. Regulated Sales Service shall not be available from the Company. Gas quantities scheduled for delivery to the Company by the Customer, or Customer's Agent that are not in balance with actual metered consumption at the Company's Delivery Point shall be subject to the imbalance resolution provisions of this Tariff.

RULES AND REGULATIONS - CONTINUED

- f. SAS Rate Schedule:
Upon initiation of service, all INDTS Shippers shall be assigned to the SAS Rate Schedule.

- g. Shipper Designee:
Marketers, brokers, or other third-party suppliers of Gas that wish to act as Designees for Individual Transportation Service Customers shall be required to execute a Shipper's Designee Form with the Company. Customer's Designee shall warrant clear title for any Gas delivered into Company's system, and Customer's facilities. Designee shall be deemed to be in exclusive control and possession of Gas prior to delivery into Company's system for redelivery to Customer. Customer's Designee shall indemnify, defend, and hold harmless Company from any and all claims, suits or damage actions arising out of deliveries on behalf of a transporting Customer.

- h. Limitation of Transportation Service:
 - i. New Premise:
Company reserves the right, subject to the regulatory authority having jurisdiction, to limit or restrict usage through establishment of an MDTQ or refuse Transportation Service to a new premise that will result in additions to its distribution system that may jeopardize Transportation Service to existing Customers.

 - ii. Existing Premise:
Company may establish a MDTQ for Gas for Non-Residential Customers at an existing premise that requests an increase in annual usage, if, in the reasonable opinion of Company, establishment of an MDTQ is necessary to protect system integrity or to ensure other existing premises are not adversely affected by said Non-Residential Customer(s) request. Company shall not be obligated to transport Non-Residential Customer-owned Gas above Non-Residential Customer's MDTQ, if established, but may do so if feasible and without adverse effect to other Customers, in the reasonable opinion of Company.

RULES AND REGULATIONS - CONTINUED

2. Aggregated Transportation Services:

a. Commercial Industrial (CI) Pools:

i. Obligation to Serve:

Company is responsible for the transportation of Customers' Gas. Company is not responsible for providing Gas commodity for Customers. If Customer, or Customer's Agent, if applicable, fails to provide Gas, Company may disconnect service to Customer. In the event, the Company's authorized Pool Manager fails to cause to be delivered on any day at the assigned Company Receipt Point(s) with the Company, any portion of the quantities of Gas for transportation to the Customers in the Customer Pool, the Company may immediately seek the remedies set forth in Section R, and the applicable provisions of the CI Pool Manager Agreement(s). If such remedies result in the termination of the Pool Manager, the Company shall immediately recall all capacity released to the Pool Manager and Customers will be assigned to Company's Regulated Sales Service Pool, until such time as the Customer is enrolled in an applicable Transportation Service Program.

ii. Applicability:

Non-Residential Customers that use a minimum of 15,000 Therms, annually shall have the option of using Company's Transportation Service and shall utilize a Company-approved Pool Manager to arrange for delivery of Customer-owned Gas to Company at the Company's Receipt Point(s). For the purposes of meeting the 15,000 Therm threshold, Customer may aggregate consumption for accounts it holds for meters located on contiguous premises.

iii. Company-Approved Pool Manager:

Unless otherwise authorized by Company, Company will require Customers who elect to use Company's Transportation Service to designate a Pool Manager from a list of approved Pool Managers posted by Company on Company's website. Customers shall have the right to change Pool Managers pursuant to Section T below.

iv. New Customers:

New Customers will be assigned and remain in the Company's Regulated Sales Service Pool until the Customer selects an approved CI Pool Manager and submits a Letter of Authorization to the Pool Manager and Pool Manager enrolls Customer in Pool Manager's Customer Pool.

RULES AND REGULATIONS - CONTINUED

v. Service Initiation:

Upon receipt of Customer's Request for CI Transportation Service, the Company and Pool Manager shall make all reasonable efforts to initiate Transportation Service in accordance with Customer's requested initiation date. Upon receipt of Customer's fully executed LOA submitted to Pool Manager and electronic enrollment by Pool Manager via Company's website not later than seven (7) days prior to the end of a Month for CI Transportation Service, Transportation Service may begin on the first day of the Month following the Month in which Customer's LOA is received, Customer is enrolled, and Customer's service has been initiated.

Notwithstanding the above provisions, the Company may extend the time period for the initiation of service to accommodate the physical extension or improvement of the Company's facilities required to provide such service.

vi. SAS Rate Schedule and Balancing Service Rider:

Upon initiation of service, all CI Pool Managers shall be assigned to the SAS Rate Schedule and Balancing Service Rider.

vii. Service Limitation:

Customers served under an NCR or a Special Contract shall not be eligible to receive Aggregated Transportation Service unless otherwise approved by Company.

RULES AND REGULATIONS - CONTINUED

R. AUTHORIZED POOL MANAGERS

1. CI Pool Managers are required to execute a CI Pool Manager Agreement with the Company.
2. CI Pool Manager Minimum Requirements:
 - a. Pool Manager must be registered with the Commission.
 - b. Pool Manager must agree to comply with standards of conduct or other requirements set forth by the Commission and the state of Maryland.
 - c. Pool Manager(s) shall be a duly authorized shipper on all Company's Transportation Service Provider's interstate pipeline systems delivering to Company's Receipt Points.
 - d. Pool Manager(s) shall demonstrate their capability to meet Company's standards for creditworthiness.
 - e. Pool Manager(s) shall execute a CI Pool Manager Agreement with the Company prior to providing gas supply and transportation management services to the Customer Pool(s).
3. CI Pool Manager's Obligation to Serve:
 - a. The Pool Manager(s) shall be required to provide natural Gas sales and management services to the Company's Non-Residential Customers opting to use Company's Transportation Services during the term of the CI Pool Manager Agreement. Pool Manager may establish reasonable deposit or account security requirements prior to initiating gas service and such Customers may select another gas marketer and exit the Customer Pool at the beginning of any Month by providing the Company with a fully executed LOA.
 - b. CI Manager(s) shall commit to providing gas service on a firm and continuous basis except in situations where the Company discontinues Transportation Service to Customer. Pool Manager shall have the right to discontinue deliveries of Gas for said Customer on the date of the discontinuation of service by Company, such date to be provided to Pool Manager by Company not less than seven (7) days prior to the discontinuation of service. Pool Manager shall have unrestricted right to discontinue Gas deliveries in the event of fraudulent or unauthorized use of Gas by Customer. Pool Manager shall provide notice to Company within twenty-four

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RULES AND REGULATIONS - CONTINUED

CI Pool Manager's Obligation to Serve Continued:

(24) hours of any termination of gas deliveries. At such time as all delinquent bills and amounts due Pool Manager are paid in full by Customer, any all damages and costs related to fraudulent or unauthorized use are recovered, Pool Manager shall immediately restore delivery of Gas for the Customer and promptly notify Company of such restoration. Pool Manager shall be governed by the Company policies related to medically critical service.

4. Pool Manager's Non-performance:

- a. The Company shall establish in the CI Pool Manager Agreements such standards of performance for the Pool Manager as are reasonably required to assure reliable service to the Customer Pool(s). At a minimum, all Pool Manager(s) shall be obligated to cause sufficient quantities of Gas to be delivered to the Customer Pool each and every day such that scheduled quantities for the Customer Pool remain in reasonable balance with actual consumption. The Company shall establish appropriate penalties to be enforced should the Pool Manager fail to perform. In the event of substantial non-performance, as defined in the CI Pool Manager Agreements, the Company shall terminate the Pool Manager, and assign Pool Managers' Customers to the Company's Regulated Sales Service Pool until such time as the Customers provides the Company with a fully executed LOA.

5. Rate Impact of Aggregation:

Aggregated loads will not result in lower transportation rates for individual Customers.

RULES AND REGULATIONS - CONTINUED

S. CUSTOMER'S AGENT OR SHIPPER'S DESIGNEE

1. Designee Agreement:

Marketers, brokers, or other third-party suppliers of Gas that wish to either act as Agents for Individual Transportation Service Customers and shall be required to execute an INDTS Shipper Designee Form with the Company.

2. Indemnification:

Customer's Agent shall warrant clear title, or right to transport, any Gas delivered into Company's system, and Customer's Agent shall be deemed to be in exclusive control and possession of Gas prior to delivery into Company's system for redelivery to Customer. Customer's Agent agrees to indemnify, defend, and hold harmless Company from any and all claims, suits or damage actions arising out of deliveries on behalf of a transporting Customer. Any notice provided to a Customer's Agent or Designee shall be deemed to have been provided to the Customer and the Company shall be held harmless from any actions or inactions taken by the Agent or Designee.

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RULES AND REGULATIONS - CONTINUED

T. SELECTION OF POOL MANAGER

1. Approved Pool Manager:

Unless otherwise authorized by Company, all Non-residential Customers who chose to utilize Company's Transportation Service shall utilize a Company-approved and Commission licensed Pool Manager to arrange for delivery of Customer-owned Gas to Company at the Company's Receipt Point(s).

2. Non-Residential Customers:

a. Selection of CI Pool Manager:

i. New Non-Residential Customer Premise:

Non-Residential Customers establishing a new premise on Company's distribution system may select any approved CI Pool Manager. Non-Residential Customer and its selected CI Pool Manager shall execute a LOA. At least seven (7) days prior to the beginning of the Month for which the service change is desired, Pool Manager shall enroll Customer in Pool Manager's Customer Pool. In the event a Non-Residential Customer fails to submit a LOA to Customer's selected CI Pool Manager, Company shall assign said Non-Residential Customer to Company's Regulated Sales Service Pool.

ii. Existing Non-Residential Customer Premise:

Non-Residential Customer activating Transportation Service at an existing premise on Company's distribution system shall select any approved CI Pool Manager. Non-Residential Customer and its selected CI Pool Manager shall execute a LOA. At least seven (7) days prior to the beginning of the Month for which the service change is desired, Pool Manager shall enroll Customer in Pool Manager's Customer Pool. In the event a Customer fails to submit a LOA to Customer's selected CI Pool Manager, Company shall assign said Non-Residential Customer to Company's Regulated Sales Service Pool.

iii. Transfer of Non-Residential Customer:

Non-Residential Customers transferring Transportation Service from an existing premise to another premise shall be required to submit a new LOA to Customer's existing Pool Manager and the existing Pool Manager shall re-enroll Customer in Pool Manager's Customer Pool, no later than seven (7) Days prior to the end of the Month in order to retain Customer's selected Pool Manager at the new premise.

RULES AND REGULATIONS - CONTINUED

- iv. Non-Residential Customers Receiving Service from CI Pool Manager:
Non-Residential Customers receiving service from a CI Pool Manager may select to be assigned to Company's Regulated Sales Service. Said Non-Residential Customer shall execute a Request to Return to Regulated Sales Service Form no later than seven (7) days prior to the end of the Month. Customer who elects to return to Company's Regulated Sales Service Pool will be required to remain on Regulated Sales Service for a period of not less than twelve (12) Months.

3. Termination of Shipper Status:

- a. CI Pool Manager:
If Company terminates a CI Pool Manager, CI Pool Manager's Customers shall be assigned by Company to Company's Regulated Sales Service Pool.

4. Shipper Pricing Options by Customers:

- a. CI Pool Manager:
Non-Residential Customers selecting an approved CI Pool Manager shall establish price and other terms and conditions of service directly with the selected CI Pool Manager.

RULES AND REGULATIONS - CONTINUED

U. INITIATION OF TRANSPORTATION SERVICE

Initiation of Pool Manager Service:

Any Company-approved Pool Manager or Shipper Designee that is authorized to deliver Gas to Company's Receipt Point(s), which is subsequently delivered by Company at the Company's Delivery Point(s) under one of the Company's Transportation Service Programs will be required to meet the following provisions before service can be initiated to the Pool Manager.

1. CI Pool Manager Requirements:

- a. An entity is eligible to become a CI Pool Manager shall:
 - i. Register with the Commission.
 - ii. Agree to comply with standards of conduct or other requirements set forth by the Commission and the state of Maryland.
 - iii. Execute a CI Pool Manager Agreement;
 - iv. Establish credit sufficient to Company in accordance with these Rules and Regulations;
 - v. Agree to retain copies of fully executed Customer Letter of Authorizations and provide such LOA upon request by the Company and
 - vi. Agree to receive SAS and Balancing service.

2. Establishment of Credit:

- a. All Pool Managers shall establish credit prior to commencing deliveries of Gas and shall maintain such credit during the term hereof. The amount of credit established by each Pool Manager will be equal to the greater of \$10,000 or an amount equal to Pool Manager's highest two (2) months aggregated Daily Demand Requirement for the most recent 24-month period multiplied by the applicable Transportation Service Provider's applicable rate schedule(s). Credit will be established by one of the following methods:
 - i. Payment of a cash deposit with Company;
 - ii. Furnishing an irrevocable letter of credit from a bank;
 - iii. Furnishing a surety bond issued by an entity acceptable to the Company;
 - iv. Possessing and maintaining a Standard & Poor's Long-Term Debt Rating of A- or better, a Moody's rating of A3 or better, or a comparable rating by another nationally recognized rating organization acceptable to Company; or
 - v. Providing an acceptable parental or corporate guarantee.

If the Pool Manager seeks to establish credit pursuant to paragraph 2v above, Pool Manager shall furnish to Company Pool Manager's audited financial statements (accompanied by the opinion of and independent certified public accountants or chartered accountants of a recognized national or regional standing) for at least the two most recently completed fiscal years.

RULES AND REGULATIONS - CONTINUED

Establishment of Credit Continued

All Pool Manager deposits will be subject to an annual review by Company and will be adjusted and billed accordingly. The minimum deposit maintained by each Pool Manager will be \$10,000.

Issue Date:
Effective Date:
Authorization:

RULES AND REGULATIONS - CONTINUED

V. CAPACITY ASSIGNMENT AND RECALL

1. Intent of Capacity Release:

Company, through its Service Agreements with Transportation Service Providers, has contracted for firm capacity rights on the Transportation Service Providers' pipeline systems. Company will temporarily relinquish capacity to Customer or Pool Manager, as applicable, each Month, utilizing the methodology described below, on Eastern Shore Natural Gas' ("ESNG") system for Customers and Pool Managers' use in transporting Gas to Company's Individual Transportation Service, and CI Customer Pool(s). Company will retain enough capacity to serve Company's Regulated Sales Service Customer Pool each Month.

2. Capacity Release Methodology:

The Company shall retain, adequate quantities of capacity on Transportation Service Providers' systems to serve Company's Regulated Sales Service Customer Pool prior to the allocation of capacity to Individual Transportation Service Customers who have executed a capacity release agreement with the Company, and Pool Manager Customer Pools. The Company shall temporarily relinquish quantities of Transportation Service Provider Capacity to i) individual Customers who have executed Capacity Release Agreements with the Company and ii) CI Pool Managers each Month.

3. Daily Demand Requirement Calculation and Quantity of Capacity for Release:

Annually, after adequate capacity is allocated to Company's Regulated Sales Service Pool, Company shall determine the aggregated DCQ to be relinquished to each Aggregated Transportation Service Pool Manager using the following methodology:

a. INDTS Customers and CI Pools:

i. DDR Determination:

1. A Daily Demand Requirement ("DDR") for each Month for the following twelve (12) month period shall be calculated annually by the Company based on usage during the previous three Years, if available. Previous usage shall be adjusted for normal weather in a matter determined by the Company. The Customer will be obligated to have the DDR delivered each Day of the Month to the agreed upon Receipt Points.
2. The Company may approve adjustments to the Monthly DDRs on an ongoing basis due to changes in a Customer's Gas equipment, pattern of usage, or any other information affecting demand that is deemed reliable by the Company. To be considered, such information must be provided to the Company in

RULES AND REGULATIONS - CONTINUED

DDR Determination Continued

writing from the Customer or the Customer's Agent.

3. The Company considers DDR information to be confidential and proprietary data for the Customer. The Company will only provide usage data to the Customer or the Customer's Agent. If a Customer wishes to authorize a third party to have access to such data the Company must receive a written letter of authorization, on the Customer's official letterhead, and signed by the authority referenced as a contact under the Customer's account information.
4. The Company will not provide DDR information to multiple third parties simultaneously. If multiple parties are requesting DDR information for the same Customer, the Company will provide that data directly to the Customer or to one Agent for such Customer.

ii. Capacity Release Quantity:

The Daily Capacity Release Quantity ("DCQ") for Company's CI Pools shall be that quantity of ESNG capacity that is equal to each CI Pools' highest twelve month DDR with the exception of Summer Peaking Customers.

iii. Pool Manager Delivery Requirements:

Pool Manager shall be required each Day to deliver Gas in the quantity equal to the Pool Manager's Pool's aggregated DDR. To the extent deliveries by the Pool Manager vary from the Pool Manager's aggregated DDR, performance penalties may be imposed by the Company.

- b. Each Month, the Company shall determine the total aggregated DDR for each Customer Pool, in accordance with the methodology described herein. Adjustments to Pool Manager's aggregated DDR will occur from time to time to reflect changes as a result of the enrollment and transfer of Customers to and between Customer Pools.

RULES AND REGULATIONS - CONTINUED

- c. For each existing and new Individual Transportation Service Customer, Company will relinquish capacity based on Customer MDTQ as provided in the Capacity Release Agreement (if any) between Customer and Company. Customer must elect a MDTQ of sufficient quantity to satisfy the Customer's Monthly natural gas requirements. Company will provide Customer a twelve-Month consumption history to assist in making its initial election.
4. Scope of Capacity Release:
- a. Pool Manager Service Agreements with Transportation Service Providers:
Pool Manager shall enter into all required agreements with each Transportation Service Provider so that Pool Manager has all necessary rights to accept and acquire the relinquished capacity from Company hereunder. Capacity releases shall be made on a temporary basis, in accordance with applicable FERC rules and regulations, as they may change from time to time. Pool Manager shall have sole responsibility for complying with all provisions of such agreements and all applicable provisions of Transportation Service Providers' FERC Tariffs.
- b. Relinquishment Notices:
Each Month, Company shall provide to Transportation Service Providers the notice of capacity release required under the rules and regulations of the respective Transportation Service Provider's FERC Tariff. Such notices shall offer to relinquish, on a temporary basis, that portion of the Pool Manager's aggregated DCQ to be relinquished by Company by Customer Pool. Company shall diligently and in a time sufficient for Pool Manager to commence use of the released capacity, take all other actions required under the rules and regulations of the respective Transportation Service Provider's FERC Tariff to relinquish capacity to Pool Manager. Capacity releases will be released to Customers, Pool Managers, and Shipper's Designee(s) pursuant to Company's state-approved retail choice programs as set forth in Section A.3 of this Tariff.
- c. Acceptance of Capacity Release:
Pool Manager shall diligently and in a timely manner take all actions necessary under the rules and regulations of Transportation Service Provider's FERC Tariffs to acquire and accept the capacity relinquished by Company. Company has no obligation to relinquish capacity to Pool Manager in quantities greater than the Aggregated DCQ. If after five (5) days, Pool Manager does not acquire requisite capacity, Pool Manager may be terminated.

RULES AND REGULATIONS - CONTINUED

5. Capacity Charges:

Pool Manager shall pay the Transportation Service Provider the rate listed in Company's relinquishment notice. Such rate will be based on ESNG's maximum rate for the cost of capacity excluding releases to INDTS Customers, Customers receiving service under Rate Schedule NCR, those Customers served by the Company pursuant to a Special Contract, those Customers who utilize upstream capacity released by the Company pursuant to an asset management agreement, and capacity released by Company pursuant to a long term capacity release i.e., a period a longer than one (1) year) or the negotiated rate for the capacity relinquished by the Company. Pool Manager shall indemnify Company and hold it harmless from any and all rates and charges assessed by Transportation Service Provider to Company for the relinquished capacity.

6. Capacity Payments:

Pool Manager shall make all payments to Transportation Service Provider(s) for the relinquished capacity in accordance with Transportation Service Provider's FERC Tariffs, and by any applicable FERC rule or order. If Pool Manager fails to make such payments, Company may make such payments on behalf of Pool Manager (in a manner which preserves any rights which Pool Manager may have to dispute the nature or amount of the charges). Pool Manager shall reimburse Company for such payments inclusive of interest, at the highest interest rate allowed by law, from the date such payments are made by Company to Transportation Service Provider.

7. Recall Rights to Released Capacity:

- a. All capacity relinquished to Pool Manager by Company, may be recalled by Company from time to time to facilitate the redistribution of capacity among Pool Managers to accommodate Customer migration, or to change the rate of the release regardless of the term of a specific capacity release by Company to Pool Manager.
- b. Company shall have the right to recall temporarily or permanently a portion or all of the capacity relinquished hereunder, subject to the applicable notice requirements in Transportation Service Providers' FERC Tariffs, in the event that Pool Manager breaches its contractual obligations of payment to Transportation Service Provider for the released capacity; or (ii) Pool Manager otherwise breaches the terms and conditions of this Tariff. In the event Company temporarily recalls a portion of the relinquished capacity, Company shall re-release such capacity to Pool Manager within ten (10) Working Days after Pool Manager has provided assurance satisfactory to Company, in Company's reasonable discretion, that the cause which gave rise to Company's recall right has been removed.

RULES AND REGULATIONS - CONTINUED

- c. Capacity is required to serve Company's high priority Customers.
8. Retained Right of First Refusal:
Company shall retain the sole right to affirmatively exercise, at the time specified in the Service Agreement, Transportation Service Provider's FERC Tariffs, or any FERC rule or order, any right of first refusal mechanism (however denominated), including the option to extinguish such right, applicable to the relinquished capacity; provided, however, that Company may not exercise any such right in a manner which would impair Pool Manager's right to use the relinquished capacity during the term of any release.
9. Periodic Open Seasons:
Company may hold an open season for incremental capacity releases not less than once per year. The open season may be held from April 1st through April 15th of each calendar year or other such period that Company may elect. Primary firm capacity from the Company's interstate capacity portfolio will be made available to on-system Customers and Pool Managers on an as-available basis.

Releases by the Company will be for a period of not less than one year. Incremental quantities when aggregated with existing capacity release quantities made by Company to a Customer or Pool Manager will be not greater than the monthly historical demand quantity of the Customer or Customer Pool.

Releases requested during the applicable open season period will be awarded on a pro-rata basis and the awarded releases will be implemented not later than June 1st of the same calendar year or the first calendar Day of the month following the first full month after capacity has been awarded to the acquiring Customer or Pool Manager. Capacity awarded, if available, will be made on a not unduly discriminatory basis by the Company.

10. Capacity Acquisition:
- a. Customer Pools:
Company shall provide to Pool Managers each Month, at least four (4) Days prior to Transportation Service Provider's deadline for posting capacity releases for the first day of the following Month, (i) a list of the accounts comprising Pool Manager's Customer Pool and the associated Non-Residential Customer DDRs, (ii) the estimated total Gas requirements to meet the needs of each of Pool Manager's Customer Pools for such following Month i.e., Pool Manager's highest twelve month aggregated DDR and, (iii) the aggregated DCQ that Company proposes to relinquish to Pool Manager for each Customer Pool. Pool Manager shall confirm the accuracy of the list of accounts comprising Pool Manager's Customer Pool with Company within one (1) Business Day after delivery of the Customer list to Pool Manager. If Pool Manager fails to confirm the accuracy of said list, Company shall proceed with the release to Pool Manager based on the information provided.

RULES AND REGULATIONS - CONTINUED

b. Maximum Daily Transportation Quantity (MDTQ):

Company may establish a MDTQ for Gas for one or more Customer(s) or Pool Manager(s) if, in the reasonable opinion of the Company, it is necessary to protect system integrity or to ensure existing Customers are not adversely affected by Customer(s) and or Pool Manager(s) requiring an MDTQ. Company shall not be obligated to transport Gas above the Customer's or Pool Manager's MDTQ, if established, but may do so if feasible and without adverse effect to other Customers, in the reasonable opinion of the Company.

11. Pool Manager's Firm Delivery Requirements:

- a. Unless excused by Force Majeure, Pool Manager shall cause Transportation Service Providers to deliver on each Gas Day to Company Primary Receipt Points where Company is the Delivery Point Operator (DPO) a quantity of Gas sufficient to reliably serve the requirements of its Customer Pool and off-system Customers. Pool Manager shall have no obligation to deliver Gas to Company on behalf of Customers whose service is terminated, either upon request of the Customer or for cause. Company shall promptly notify the Pool Manager of any known change in Customer account status that will affect Gas quantity deliveries.
- b. If any act or omission of Pool Manager causes Company, as the DPO, to incur any Transportation Service Provider penalties, other expenses or liabilities of any kind, Pool Manager will indemnify and reimburse Company for all said penalties, other expenses, or liabilities. Nothing herein shall be deemed to foreclose Company from employing other remedies, including cessation of deliveries for the unauthorized usage of Gas.

12. Non-Performance Penalty:

The Company shall assess the Pool Manager a per MMBtu charge equal to the higher of \$30.00 or 200% of the highest of the Transco zone 6 Non-New York or TETCO M3 Midpoint price published in *Platts Gas Daily* for each day when delivery to Company by Pool Manager differs from Pool Manager's delivery requirements set forth in Section V as applicable above. The Company may waive this charge from time-to-time on a non-discriminatory basis.

RULES AND REGULATIONS - CONTINUED

W. NOMINATIONS AND SCHEDULING

1. Nominations and Scheduling:

All CI Daily and Cycle Read Pool Managers shall submit to the Company all Nomination and scheduling information affecting Company's Delivery Points simultaneous to any submission to Transportation Service Provider(s) via Company's nomination website. In addition, each Customer, Pool Manager, or Shipper Designee shall submit to Company each day Nominated quantities for each Individual Transportation Service Customer that is required to have and has electronic telemetering equipment installed, ("Telemetered Customer").

- a. With prior Company approval, CI Daily Read Pools will be permitted two Nomination changes within the Month. Such Nominations must be delivered to Company no later than the tenth (10th) and twentieth (20th) calendar day of the applicable Month.
- b. CI Cycle Read Pool(s) will not be permitted to change Nominations throughout the applicable Month unless otherwise approved by the Company.

2. Such Nomination shall include the following information:

- a. The Customer, Shipper's Designee or Pool Manager's account number under which service is being nominated – "Del Loc" (Delivery Location);
- b. The Company Receipt Point location including applicable POI and upstream pipeline name, package ID "Pkg ID" (Package ID), including Customer's or Pool Manager's Company account number "Dn K" (Downstream Contract), and quantity in Therms of Gas to be tendered at each Company Receipt Point "Nom Del Qty" (Pool Manager Delivery Quantity);
- c. The downstream delivery facility name, and quantity in Therms of Gas to be delivered for each Company Customer account or Pool "Dn Name" (Duns Number);
- d. A beginning and ending date for each Nomination;
- e. Ranking for allocation "Del Rank" (Delivery Rank).

Only Nominations with clearly matching identifiers will be scheduled and subsequently delivered by Company.

3. Unassigned Gas

"Unassigned Gas" shall mean any quantity of gas received at a Company Receipt Point for which there is no transportation nomination that can be readily identified by Company and assigned by Company to the appropriate Customer(s), Shipper's Designee(s), and Pool Manager(s).

Issue Date:
Effective Date:
Authorization:

RULES AND REGULATIONS - CONTINUED

Unassigned Gas Continued

Company shall post on its website the quantity, production month received on the Company's system, and the point of receipt associated with any Unassigned Gas ("Notice"). Company shall continue to post the Notice for a period of not less than one Business Day.

In order to be a valid claim for purposes hereof, a claim must:

1. Be provided to the Company in writing;
2. Identify the specific Unassigned Gas delivered;
3. Provide independent evidence of ownership of Unassigned Gas claimed; and
4. Agree to indemnify Company fully with respect to any adverse claims to ownership of the Gas or to the proceeds resulting from the sale thereof.

If a valid claim is received, such quantities will be subject to purchase by the Company at seventy-five percent (75%) of the Gas Daily index for Gas delivered at the Eastern Shore Company City Gate.

If a valid claim is not received, such quantities of Gas will be credited to the Company's Regulated Sales Service fuel clause.

Issue Date:
Effective Date:
Authorization:

RULES AND REGULATIONS – CONTINUED

X. OPERATIONAL CONTROLS

1. Operational Controls Applicability:

Operational Controls shall be applicable to all Customers, Customer Pools, Pool Managers, and Shipper Designees with the exception of Company's CI Cycle Read Pool(s).

2. Contact Persons:

Any Customer taking delivery of Gas from Company or any Pool Manager or Shipper Designees causing Gas to be delivered to Company, shall cooperate fully with Company in maintaining the integrity of its system. All Customers, Pool Managers, and Shipper's Designees shall name an appropriate contact person(s) available to receive communication from Company on operating matters at any time, on a 24-hour a day, 365-day a year basis. For all Residential Customers, the contact person shall be that individual listed in the Company's records as the applicant for service or the account holder of record. If Company is unable after reasonable efforts to contact any Customer or Customer's contact person, such Customer shall be solely responsible for any consequences arising from such failure of communication.

3. Maintaining Proper System Pressure:

In the event that Company determines in its sole discretion, reasonably exercised, that action is required to avoid an operating condition in which system pressure is not maintained, in which system pressure is maintained at an operationally unacceptably high level, and/or Transportation Service Provider has issued an operational directive under Transportation Service Provider's Tariff, Company may issue the following Operational Controls to Customers, Shipper Designees, and/or Pool Managers.

4. Operational Flow Orders (OFO) Notices:

The Company may issue an OFO notice and shall promptly notify via electronic means (electronic bulletin board, e-mail or telephone) all affected Customers, Customer's Designees and Pool Managers causing Gas to be delivered to the Company's Receipt Point(s), that such OFO has been issued.

a. Operational Flow Orders – Action Required:

Such Operational Flow Orders may require Customers, Customer's Designees and Pool Managers to undertake any of the following:

- i. Company may issue an Operational Flow Order to individual Customers, Shipper's Designees, and Pool Managers, specific geographic regions, or at one or a group of specific Company Receipt Points.
- ii. To commence or increase supply inputs by a specific quantity.
- iii. To cease or reduce supply inputs by a specified quantity.

RULES AND REGULATIONS - CONTINUED

Operational Flow Orders – Action Required Continued

- iv. To commence or increase takes of Gas from the system by a specified volume.
- v. To reduce takes of Gas from the system by specified volumes.
- vi. In the event the action(s) set forth in (a)-(e) are not operationally feasible, the Operational Flow Order may require Customers, Customer's Designees and Pool Managers, to take other such action within Customers, Customer's Designees and Pool Managers control which would tend to alleviate the operating condition to be addressed.

b. Failure to Comply with Operational Flow Orders:

If the Customers, Customer's Designees, or Pool Managers violate the terms of the OFO, the Company shall charge the responsible Customers, Customer's Designees and Pool Managers the higher of published *Platt's Gas Daily* price for Transco zone 6 or Texas Eastern Company (TETCO) zone M-3 multiplied by the absolute value of the quantity of Gas taken above the tolerance level set by the Company. Company may waive OFO penalties on a nondiscriminatory basis.

- c. Imbalances incurred on the of the Operational Flow Order shall be included in Customer or Pool Manager's monthly imbalance quantity and will be subject to monthly balancing.

5. Alert Day Notices:

The Company may issue an Alert Day notice in its sole discretion. Alert Days will be used when other operational tools are perceived to be inappropriate to resolve the operating situation and shall promptly notify via electronic means (electronic bulletin board, e-mail or telephone) all affected Customers, Customer's Designees and Pool Managers causing Gas to be delivered to the Company's Receipt Point(s), that such Alert Day notice has been issued.

a. Alert Day Notice – Action Required:

Such Alert Day Notices may require Customers, Customer's Designees, and Pool Managers to undertake any of the following:

- i. Company may issue an Alert Day to individual Customers, Customer's Designees and Pool Managers, specific geographic regions, or at one or a group of specific Company Receipt Points.
- ii. In the event the action(s) set forth above are not operationally feasible, the Alert Day notice may require Customers, Shipper's Designees, and Pool Managers, to take other such action within Customer's, Shipper's Designee's, or Pool Manager's control which would tend to alleviate the operating condition to be addressed.

RULES AND REGULATIONS - CONTINUED

Alert Day Notice – Action Required Continued

b. Failure to Comply with Alert Day Notice:

If the Customers, Customer's Designees, or Pool Managers violates the terms of the Alert Day notice, the Company shall charge the responsible Customers, Customer's Designees and Pool Managers:

- i. For an overage (measured quantities are greater than scheduled quantities) Alert Day, the higher of Transco or TETCO's FERC otherwise applicable Tariff Alert Day penalty.
- ii. For an underage (measure quantities are less than scheduled quantities) Alert Day, the lesser of Transco or TETCO's FERC otherwise applicable Tariff Alert Day penalty
- iii. Company may waive Alert Day penalties on a nondiscriminatory basis.

c. Imbalances incurred on the day of the Alert Day will not be included in Customer or Pool Manager's monthly imbalance quantity and will not be subject to monthly balancing.

6. Pipeline Balancing Charges:

As the DPO, the Company shall comply with any operational balancing tools order issued by Transportation Service Provider(s), and as applicable, the Company, shall issue penalty charges directly to the responsible Customer(s), Customer's Designees and Pool Managers(s), to the extent such charges are able to be directly assigned. The remaining balance of such charges, if any, shall be allocated to Company's Gas Sales Service Rate.

7. Disposition of Penalties:

All penalties collected by the Company related to the operational control of the system shall be allocated to Company's Gas Sales Service Rate. The Company shall not, under any circumstances, retain any of the penalties collected from Customers, Customer's Designees, or the authorized Pool Manager, nor absorb any costs related to complying with valid Transportation Service Provider Operational Tool orders.

RULES AND REGULATIONS - CONTINUED

Y. IMBALANCE RESOLUTION

The balancing of the quantity of Gas scheduled and nominated for each Customer or Customer Pool at all Company Receipt Points for which Company, or Company’s agent, is the DPO, and the actual usage by the sum of all Individual Transportation Service Customers and Customer Pools served by each Customer, Shipper Designee, or Pool Manager shall be calculated on a Monthly basis. Long or short Monthly Imbalance Quantities for each individual Customer Pool will be netted against Customer Pools administered by the same Pool Manager provided however, Customer Pools with an Imbalance Level (long or short) greater than 20% will not be eligible to be netted. The Company and Customer, Shipper’s Designee or Pool Manager shall resolve all remaining Monthly Imbalance Quantities at the end of each Month, as follows:

1. If the Monthly Imbalance Quantity is long (amount of Gas scheduled is greater than aggregated actual usage by Customer Pool(s)), the Company shall purchase from Customer or Pool Manager such Monthly Imbalance Quantity at a price per Therm (the “Unit Price”) calculated by taking: average of (i) the lowest (weeks where Friday is within the calendar Month) of the “Daily price survey” for Gas under the “Midpoint” column for “Transco zone 6 Non-New York North” and “TETCO zone M-3”, as reported in *Platt’s Gas Daily*, and the lowest of the beginning of the month index for “Transco zone 6” and “TETCO zone M-3”, as reported in *Platt’s Inside FERC Gas Market Report* for the Month in which the positive (long) Monthly Imbalance Quantity was incurred, multiplied by the applicable factor set forth below:

<u>Imbalance Level</u>	<u>Factor</u>
0% to 5%	1.00
Greater than 5% to 20%	0.90
Greater than 20%	0.80

The total amount due Customer, Shipper Designee, or Pool Manager shall be the product of the Unit Price and the positive (long) monthly imbalance.

2. If the Monthly Imbalance Quantity is short (amount of Gas scheduled is less than aggregated actual usage by Customer Pool(s)), the Company shall sell to Customer or Pool Manager such Monthly Imbalance Quantity at a price per Therm (the “Unit Price”) calculated by taking: average of (i) the highest (weeks where Friday is within the calendar Month) of the “Daily price survey” for Gas under the “Midpoint” column for “Transco zone 6 Non-New York North” and “TETCO zone M-3”, as reported in *Platt’s Gas Daily*, and the highest of the beginning of the month index for “Transco zone 6” and “TETCO zone M-3”, as reported in *Platt’s Inside FERC Gas Market Report* for the Month in which the negative (short) Monthly Imbalance Quantity was incurred, multiplied by the applicable factor set forth below:

RULES AND REGULATIONS - CONTINUED

<u>Imbalance Level</u>	<u>Factor</u>
0% to 5%	1.00
Greater than 5% to 20%	1.10
Greater than 20%	1.20

and (ii) the Eastern Shore Natural Gas Company reservation per Therm tariff rate inclusive of all applicable surcharges (as it may change from time to time) plus the ESNG s usage rate per Therm, inclusive of all applicable surcharges.

The total amount due to the Company shall be the product of the Unit Price and the (short) negative monthly imbalance.

RULES AND REGULATIONS - CONTINUED

Z. MUTUALLY BENEFICIAL TRANSACTIONS

Pool Manager and Customer recognize that Company maintains the operation and integrity of Company distribution system on a daily basis. Pool Manager and Customer also recognizes that as DPO for the Transportation Service Provider's pipeline interconnects, Company or its agent is subject to the rules and regulations of the Transportation Service Provider(s) with regard to operational flow rates, pressures, and penalties. As such, Company may need Pool Manager or Customer to vary its daily delivery from the nominated delivery quantities. On those occasions, Company may request, at its sole discretion, and Pool Manager and Customer may agree to, a change to Customer's or Pool Manager's nominated Gas supply quantities and Transportation Service Provider(s) pipeline capacity. Terms and conditions of such transactions shall be agreed upon at the time of the transaction and shall be recorded and confirmed in writing within two Business Days after the transaction.

Disposition of Net Revenues:

Net revenues shall mean the revenues received by Company for Natural Gas above the cost of Natural Gas to the Company and revenues received by Company for pipeline demand charges above the prevailing rates for like period(s) as negotiated by Transportation Service Provider Customers via the Transportation Service Provider's Relinquishment program on its Electronic Bulletin Board system. Disposition of net revenues received by Company during each Month that this service is provided shall be as follows:

Fifty percent (50%) of the net revenues shall be retained by Company. The remaining fifty percent (50%) of the net revenues shall be used to reduce Company's cost of Natural Gas recovered through the Gas Sales Service Rate.

RULES AND REGULATIONS - CONTINUED

Z. TERMINATION OF POOL MANAGER STATUS

Termination of Shipper Status:

Unless excused by Force Majeure, Company may terminate the Pool Manager's rights for the following:

1. Pool Manager fails to satisfy in full the terms and conditions of this Tariff;
2. Pool Manager voluntarily suspends the transaction of business where there is an attachment, execution, or other judicial seizure of any portion of their respective assets;
3. Pool Manager becomes insolvent or unable to pay its debts as they mature or makes an assignment for the benefit of creditors;
4. Pool Manager files, or there is filed against it, a petition to have it adjudged bankrupt or for an arrangement under any law relating to bankruptcy;
5. Pool Manager applies for or consents to the appointment of a receiver, trustee, or conservator for any portion of its properties or such appointment is made without its consent; or,
6. Pool Manager engages in slamming or other unlawful activities.

CI Pool Manager:

If Company terminates a CI Pool Manager, CI Pool Manager's Customers shall be assigned by Company to Company's Regulated Sales Service Pool.

Issue Date:

Effective Date:

Authorization:

RULES AND REGULATIONS - CONTINUED

RESERVED FOR FUTURE USE

RULES AND REGULATIONS - CONTINUED

RESERVED FOR FUTURE USE

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Issue Date:
Effective Date:
Authorization:

RATE SCHEDULES
RESIDENTIAL SERVICE - 1 – (RES-1)

Availability:

Available within the service areas of the Company.

Applicability:

Applicable to any individually metered Residential Service classification with an annual consumption of 150 Therms or less.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Monthly Rate:

The following rates for delivering gas to the Customer’s location apply to all Customers served under this rate schedule.

Customer Charge: \$10.00 per Meter per Month

CUC Maryland and Sandpiper Service Areas

Non-Fuel Energy Charge: \$0.8744 per Therm

Elkton Service Area – Existing Customers established prior to [enter appropriate date]

Non-Fuel Energy Charge: \$0.4846 per Therm

Elkton Service Area – New Customers established on or after [enter appropriate date]

Non-Fuel Energy Charge: \$0.8744 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Terms and Conditions:

Service under this rate schedule is subject to the Company’s Rules and Regulations applicable to gas service.

Issue Date:

Effective Date:

Authorization:

RESIDENTIAL SERVICE - 1 - (RES-1) - CONTINUED

Revenue Normalization:

The Delivery Service Revenue for Residential Customers is adjusted to reflect the annual average revenue requirement established in Case No. _____. The approved annual revenue requirement is translated into an equivalent normalized monthly base revenue per Residential Customer. The monthly base revenue per Customer amount has been calculated based on the percentage of revenue for each month as contained in the test period utilized in Case No. _____. These monthly revenue amounts per Customer will not change until the Company's next base rate proceeding. Any difference (either positive or negative) between the actual Delivery Service Revenue received per Customer and the revenue requirement per Customer is multiplied by the actual number of actively billed Customers for the month. The resulting amount is accrued monthly with an adjustment included in the calculation of the Gas Sales Service Rate, rate schedule "GSR". The details of this calculation are filed monthly with the Public Service Commission of Maryland.

Issue Date:
Effective Date:
Authorization:

RESIDENTIAL SERVICE - 2 – (RES-2)

Availability:

Available within the service areas of the Company.

Applicability:

Applicable to any individually metered Residential Service classification with an annual consumption of greater than 150 Therms.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Monthly Rate:

The following rates for delivering gas to the Customer’s location apply to all Customers served under this rate schedule.

Customer Charge: \$12.00

CUC Maryland and Sandpiper Service Areas

Non-Fuel Energy Charge: \$0.7603 per Therm

Elkton Service Area – Existing Customers established prior to [enter appropriate date]

Non-Fuel Energy Charge: \$0.4846 per Therm

Elkton Service Area – New Customers established on or after [enter appropriate date]

Non-Fuel Energy Charge: \$0.7603 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Terms and Conditions:

Service under this rate schedule is subject to the Company’s Rules and Regulations applicable to gas service.

Issue Date:

Effective Date:

Authorization:

RESIDENTIAL SERVICE - 2 - (RES-2) - CONTINUED

Revenue Normalization:

The Delivery Service Revenue for Residential Customers is adjusted to reflect the annual average revenue requirement established in Case No. _____. The approved annual revenue requirement is translated into an equivalent normalized monthly base revenue per Residential Customer. The monthly base revenue per Customer amount has been calculated based on the percentage of revenue for each month as contained in the test period utilized in Case No. _____. These monthly revenue amounts per Customer will not change until the Company's next base rate proceeding. Any difference (either positive or negative) between the actual Delivery Service Revenue received per Customer and the revenue requirement per Customer is multiplied by \ actual number of actively billed Customers for the month. The resulting amount is accrued Monthly with an adjustment included in the calculation of the Gas Sales Service Rate, rate schedule "GSR". The details of this calculation are filed monthly with the Public Service Commission of Maryland.

Issue Date:
Effective Date:
Authorization:

GENERAL SERVICE-1 – (GS-1)

Availability:

Available within the service areas of the Company.

Applicability:

Applicable to any Non-Residential service classification with an annual consumption of 10,000 Therms and less.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Monthly Rate:

The following rates for delivering gas to the Customer’s location apply to all Customers served under this rate schedule.

Customer Charge: \$45.00 per Meter per Month

CUC Maryland and Sandpiper Service Areas

Non-Fuel Energy Charge: \$0.3875 per Therm

Elkton Service Area Existing Customers established prior to [enter appropriate date]

Non-Fuel Energy Charge: \$0.2873 per Therm

Elkton Service Area New Customers established on or after [enter appropriate date]

Non-Fuel Energy Charge: \$0.3875 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Terms and Conditions:

1. Service under this rate schedule is subject to the Company’s Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale or transportation of CNG to third parties.

Issue Date:

Effective Date:

Authorization:

GENERAL SERVICE-1 - (GS-1) - CONTINUED

Revenue Normalization:

The Delivery Service Revenue for General Service -1 (GS-1) Customers is adjusted to reflect the annual average revenue requirement established in Case No. _____. The approved annual revenue requirement is translated into an equivalent normalized monthly base revenue per General Service (GS-1) Customer. The monthly base revenue per Customer amount has been calculated based on the percentage of revenue for each month as contained in the test period utilized in Case No. _____. These monthly revenue amounts per Customer will not change until the Company's next base rate proceeding. Any difference (either positive or negative) between the actual Delivery Service Revenue received per Customer and the revenue requirement per Customer is multiplied by the actual number of actively billed Customers for the month. The resulting amount is accrued monthly with an adjustment included in the calculation of the Gas Sales Service Rate, rate schedule "GSR". The details of this calculation are filed monthly with the Public Service Commission of Maryland.

Issue Date:
Effective Date:
Authorization:

GENERAL SERVICE-2 – (GS-2)

Availability:

Available within the service areas of the Company.

Applicability:

Applicable to any Non-Residential service classification with an annual consumption greater than 10,000 Therms and less than or equal to 50,000 Therms.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Monthly Rate:

The following rates for delivering gas to the Customer’s location apply to all Customers served under this rate schedule.

Customer Charge:	\$120.00 per Meter per Month
Non-Fuel Energy Charge:	\$0.3395 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Terms and Conditions:

1. Service under this rate schedule is subject to the Company’s Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale or transportation of CNG to third parties.

Issue Date:

Effective Date:

Authorization:

GENERAL TRANSPORTATION SERVICE-2 – (GTS-2)

Availability:

Available within the service areas of the Company.

Applicability:

Applicable to any Non-Residential service classification with an annual consumption greater than 15,000 and less than or equal to 50,000 Therms.

Character of Service:

Aggregated Transportation of Customer-purchased natural Gas from Company's City Gate(s) to Customer's service address.

Electronic Measurement Equipment:

All Customers (except Summer Peaking Customers) receiving Transportation Service, whose daily consumption of Gas exceed 1,500 Therms, shall have electronic metering equipment installed by Company at Customer's expense. Customer shall be responsible for providing electric and telephone service.

Monthly Rate

Customer Charge:	\$120.00 per Month
Transportation Charge:	\$0.3395 per Therm

Retainage:	Determined annually, five (5) year average.
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Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Issue Date:

Effective Date:

Authorization:

GENERAL TRANSPORTATION SERVICE-2 – (GTS-2) - CONTINUED

Terms and Conditions:

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale or transportation of CNG to third parties.
3. A Customer that transfers from Company's Regulated Sales Service to Transportation Service as authorized under the Company's Tariff may be required to pay a transition charge in the future to prevent the remaining Regulated Sales Service Customers from having to absorb stranded fixed gas supply costs which would otherwise be collected from the Regulated Sales Service Customers switching to Transportation Service.

Issue Date:

Effective Date:

Authorization:

GENERAL SERVICE-3 – (GS-3)

Availability:

Available within the service areas of the Company.

Applicability:

Applicable to any Non-Residential service classification with an annual consumption greater than 50,000 Therms and less than or equal to 500,000 Therms.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Electronic Measurement Equipment:

All Customers (except Summer Peaking Customers), whose annual consumption of Gas exceeds 100,000 Therms, shall have electronic metering equipment installed by Company at Customer’s expense. Customer shall be responsible for providing electric and telephone service.

Monthly Rate:

The following rates for delivering gas to the Customer’s location apply to all Customers served under this rate schedule.

Customer Charge:	\$150.00 per Meter per Month
Non-Fuel Energy Charge:	\$0.3213 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Terms and Conditions:

1. Service under this rate schedule is subject to the Company’s Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale of transportation of CNG to third parties.

Issue Date:

Effective Date:

Authorization:

GENERAL TRANSPORTATION SERVICE-3 – (GTS-3)

Availability:

Available within the service areas of the Company.

Applicability:

Applicable to any Non-Residential service classification with an annual consumption greater than 50,000 and less than or equal to 500,000 Therms.

Character of Service:

Aggregated Transportation of Customer-purchased natural Gas from Company's City Gate(s) to Customer's service address.

Electronic Measurement Equipment:

All Customers (except Summer Peaking Customers) receiving Transportation Service, whose daily consumption of Gas exceed 1,500 Therms, shall have electronic metering equipment installed by Company at Customer's expense. Customer shall be responsible for providing electric and telephone service.

Monthly Rate

Customer Charge:	\$150.00 per Month
Transportation Charge:	\$0.3213 per Therm

Retainage:	Determined annually, five (5) year average.
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Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Issue Date:

Effective Date:

Authorization:

GENERAL TRANSPORTATION SERVICE-3 – (GTS-3) - CONTINUED

Terms and Conditions:

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale or transportation of CNG to third parties.
3. A Customer that transfers from Company's Regulated Sales Service to Transportation Service as authorized under the Company's Tariff may be required to pay a transition charge in the future to prevent the remaining Regulated Sales Service Customers from having to absorb stranded fixed gas supply costs which would otherwise be collected from the Regulated Sales Service Customers switching to Transportation Service.

Issue Date:
Effective Date:
Authorization:

GENERAL SERVICE-4 – (GS-4)

Availability:

Available within the service areas of the Company.

Applicability:

Applicable to any Non-Residential service classification with an annual consumption greater than 500,000 Therms.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Electronic Measurement Equipment:

All Customers (except Summer Peaking Customers), whose annual consumption of Gas exceeds 100,000 Therms, shall have electronic metering equipment installed by Company at Customer’s expense. Customer shall be responsible for providing electric and telephone service.

Monthly Rate:

The following rates for delivering gas to the Customer’s location apply to all Customers served under this rate schedule.

Customer Charge:	\$350.00 per Meter per Month
Non-Fuel Energy Charge:	\$0.2313 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Terms and Conditions:

1. Service under this rate schedule is subject to the Company’s Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale of transportation of CNG to third parties.

Issue Date:

Effective Date:

Authorization:

GENERAL TRANSPORTATION SERVICE-4 – (GTS-4)

Availability:

Available within the service areas of the Company.

Applicability:

Applicable to any Non-Residential service classification with an annual consumption greater than 500,000 Therms.

Character of Service:

Aggregated Transportation of Customer-purchased natural Gas from Company's City Gate(s) to Customer's service address.

Electronic Measurement Equipment:

All Customers (except Summer Peaking Customers) receiving Transportation Service, whose daily consumption of Gas exceed 1,500 Therms, shall have electronic metering equipment installed by Company at Customer's expense. Customer shall be responsible for providing electric and telephone service.

Monthly Rate

Customer Charge:	\$350.00 per Month
Transportation Charge:	\$0.2313 per Therm

Retainage:	Determined annually, five (5) year average.
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Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Issue Date:

Effective Date:

Authorization:

GENERAL TRANSPORTATION SERVICE-4 – (GTS-4) - CONTINUED

Terms and Conditions:

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale or transportation of CNG to third parties.
3. A Customer that transfers from Company's Regulated Sales Service to Transportation Service as authorized under the Company's Tariff may be required to pay a transition charge in the future to prevent the remaining Regulated Sales Service Customers from having to absorb stranded fixed gas supply costs which would otherwise be collected from the Regulated Sales Service Customers switching to Transportation Service.

Issue Date:

Effective Date:

Authorization:

GENERAL SERVICE -2 - HIGH LOAD FACTOR SERVICE – (GS-2-HLFS)

Availability:

This Rate Schedule is available to any natural gas Non-Residential Customer that otherwise qualifies for rate schedule GS-2 using gas for commercial and/or industrial purposes with winter months consumption, defined as the months of January through March, being less than thirty-five percent (35%) of their annual consumption. In addition, the Customer must use gas in at least eleven (11) of the twelve (12) months under review and usage must be fairly evenly distributed throughout the review period.

Applicability:

Subject to availability, applicable to any Non-Residential Customer that would otherwise qualify for rate schedule GS-2.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Electronic Measurement Equipment:

Not applicable.

Monthly Rate:

Customer Charge:	\$120.00 per Meter per Month
Non-Fuel Energy Charge:	\$0.2716 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Issue Date:

Effective Date:

Authorization:

**GENERAL SERVICE - 2 - HIGH LOAD FACTOR SERVICE – (GS-2-HLFS) -
CONTINUED**

Terms and Conditions:

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale or transportation of CNG to third parties.

Issue Date:
Effective Date:
Authorization:

**GENERAL SERVICE -2 HIGH LOAD FACTOR TRANSPORTATION SERVICE –
(GS-2-HLFTS)**

Availability:

This Rate Schedule is available to any natural gas Non-Residential Customer that otherwise qualifies for rate schedule GTS-2 using gas for commercial and/or industrial purposes with winter months consumption, defined as the months of January through March, being less than thirty-five percent (35%) of their annual consumption. In addition, the Customer must use natural gas in at least eleven (11) of the twelve (12) months under review and usage must be fairly evenly distributed throughout the review period.

Applicability:

Subject to availability, applicable to any Non-Residential Customer that would otherwise qualify for rate schedule GTS-2.

Applicability:

Subject to availability, applicable to any Non-Residential Customer that would otherwise qualify for rate schedule Large Volume Service.

Character of Service:

Aggregated Transportation of Customer-purchased natural Gas from Company's City Gate(s) to Customer's service address.

Electronic Measurement Equipment:

Not applicable.

Monthly Rate

Customer Charge:	\$120.00 per Month
Transportation Charge:	\$0.2716 per Therm

Retainage:	Determined annually, five (5) year average.
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Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Issue Date:

Effective Date:

Authorization:

**GENERAL SERVICE – 2 - HIGH LOAD FACTOR TRANSPORTATION SERVICE –
(GS-2-HLFTS) - CONTINUED**

Terms and Conditions:

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale or transportation of CNG to third parties.
3. A Customer that transfers from Company's Regulated Sales Service to Transportation Service as authorized under the Company's Tariff may be required to pay a transition charge in the future to prevent the remaining Regulated Sales Service Customers from having to absorb stranded fixed gas supply costs which would otherwise be collected from the Regulated Sales Service Customers switching to Transportation Service.

Issue Date:

Effective Date:

Authorization:

GENERAL SERVICE -3 - HIGH LOAD FACTOR SERVICE – (GS-3-HLFS)

Availability:

This Rate Schedule is available to any natural gas Non-Residential Customer that otherwise qualifies for rate schedule GS-3 using gas for commercial and/or industrial purposes with winter months consumption, defined as the months of January through March, being less than thirty-five percent (35%) of their annual consumption. In addition, the Customer must use gas in at least eleven (11) of the twelve (12) months under review and usage must be fairly evenly distributed throughout the review period.

Applicability:

Subject to availability, applicable to any Non-Residential Customer that would otherwise qualify for rate schedule GS-3.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Electronic Measurement Equipment:

Not applicable.

Monthly Rate:

Customer Charge:	\$150.00 per Meter per Month
Non-Fuel Energy Charge:	\$0.2570 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Issue Date:

Effective Date:

Authorization:

**GENERAL SERVICE - 3 - HIGH LOAD FACTOR SERVICE – (GS-3-HLFS) -
CONTINUED**

Terms and Conditions:

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale or transportation of CNG to third parties.

Issue Date:
Effective Date:
Authorization:

**GENERAL SERVICE -3 HIGH LOAD FACTOR TRANSPORTATION SERVICE –
(GS-3-HLFTS)**

Availability:

This Rate Schedule is available to any natural gas Non-Residential Customer that otherwise qualifies for rate schedule GTS-3 using gas for commercial and/or industrial purposes with winter months consumption, defined as the months of January through March, being less than thirty-five percent (35%) of their annual consumption. In addition, the Customer must use natural gas in at least eleven (11) of the twelve (12) months under review and usage must be fairly evenly distributed throughout the review period.

Applicability:

Subject to availability, applicable to any Non-Residential Customer that would otherwise qualify for rate schedule GTS-3.

Character of Service:

Aggregated Transportation of Customer-purchased natural Gas from Company's City Gate(s) to Customer's service address.

Electronic Measurement Equipment:

Not applicable.

Monthly Rate

Customer Charge:	\$150.00 per Month
Transportation Charge:	\$0.2570 per Therm

Retainage:	Determined annually, five (5) year average.
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Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Issue Date:

Effective Date:

Authorization:

**GENERAL SERVICE – 3 - HIGH LOAD FACTOR TRANSPORTATION SERVICE –
(GS-3-HLFTS) - CONTINUED**

Terms and Conditions:

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.
2. Natural gas purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others except for retail sale as a fuel to natural gas vehicles and except for sale or transportation of CNG to third parties.
3. A Customer that transfers from Company's Regulated Sales Service to Transportation Service as authorized under the Company's Tariff may be required to pay a transition charge in the future to prevent the remaining Regulated Sales Service Customers from having to absorb stranded fixed gas supply costs which would otherwise be collected from the Regulated Sales Service Customers switching to Transportation Service.

Issue Date:

Effective Date:

Authorization:

UNDERSERVED AREA - RESIDENTIAL SERVICE-1 – (USA-RES-1)

Applicability and Availability:

This Rate Schedule is available to individually metered Customers who use gas in a residential dwelling or unit for space heating, cooking, water heating, or other domestic purpose, and who choose to utilize the USA-RES-1 rate to make the estimated costs and revenues of the extension to serve economic. Applicable to any individually metered Residential Service classification with an annual natural gas consumption of 150 Therms.

For all projects, outside of the Company’s existing service areas, that require a new main extension to provide service, the economic criteria of the project will be evaluated at the Company’s standard tariff rates in accordance with Section F – Facility Extensions. Should the project fail to meet the return requirement under those conditions, the project will be evaluated utilizing the revenues estimated with USA-RES-1 rates. If the project is economic utilizing USA-RES-1 rates, the Customer can choose to accept service under the USA-RES-1 rates or pay a Contribution In Aid of Construction (“CIAC”).

The premises will be assessed the USA-RES-1 rate for a period of 13 years, after which time they will be reclassified to the applicable standard tariff residential rate class during the Company’s annual rate class review period. All premises receiving service from a main extension that is initially made economic through the use of Underserved Area rates will also be assessed the Underserved Area rate for a period of 13 years.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Monthly Rate:

The following rates for delivering gas to the Customer’s location apply to all Customers served under this rate schedule.

Customer Charge:	\$33.50 per Meter per Month
Non-Fuel Energy Charge:	\$0.8744 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Issue Date:

Effective Date:

Authorization:

UNDERSERVED AREA RESIDENTIAL SERVICE-1 - (USA-RES-1) - CONTINUED

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Terms and Conditions:

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issue Date:

Effective Date:

Authorization:

UNDERSERVED AREA - RESIDENTIAL SERVICE-2 – (USA-RES-2)

Applicability and Availability:

This Rate Schedule is available to individually metered Customers who use gas in a residential dwelling or unit for space heating, cooking, water heating, or other domestic purpose, and who choose to utilize the USA-RES-2 rate to make the estimated costs and revenues of the extension to serve economic. Applicable to any individually metered Residential Service classification with an annual natural gas consumption of greater than 150 Therms.

For all projects, outside of the Company’s existing service areas, that require a new main extension to provide service, the economic criteria of the project will be evaluated at the Company’s standard tariff rates in accordance with Section F – Facility Extensions. Should the project fail to meet the return requirement under those conditions, the project will be evaluated utilizing the revenues estimated with USA-RES-2 rates. If the project is economic utilizing USA-RES-2 rates, the Customer can choose to accept service under the USA-RES-2 rates or pay a Contribution In Aid of Construction (“CIAC”).

The premises will be assessed the USA-RES-2 rate for a period of 13 years, after which time they will be reclassified to the applicable standard tariff residential rate class during the Company’s annual rate class review period. All premises receiving service from a main extension that is initially made economic through the use of Underserved Area rates will also be assessed the Underserved Area rate for a period of 13 years.

Character of Service:

Natural gas or its equivalent conforming to the standards set forth in the “Quality of Gas” section of this Tariff.

Monthly Rate:

The following rates for delivering gas to the Customer’s location apply to all Customers served under this rate schedule.

Customer Charge:	\$33.50
Non-Fuel Energy Charge:	\$0.7603 per Therm

Minimum Bill:

The Customer Charge.

Terms of Payment:

Bills are rendered net and are due and payable within twenty (20) days from date of presentation by the Company.

Issue Date:

Effective Date:

Authorization:

UNDERSERVED AREA RESIDENTIAL SERVICE-2 - (USA-RES-2) - CONTINUED

Billing Adjustments:

The rates set forth above shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Terms and Conditions:

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issue Date:

Effective Date:

Authorization:

NEGOTIATED CONTRACT TRANSPORTATION SERVICE RATE – (NCR)

Availability:

This negotiated contract Tariff provision enables the Company to respond to Customers' competitive options in the energy services market. The Company shall use this negotiated contract Tariff to compete with alternate pricing situations resulting from but not limited to fuel switching, facility relocation or expansion, partial or complete plant production shifting, potential physical bypass, or other options available to the Customer. The Company shall use the provisions of this Tariff only after a determination by the Company and the Customer that other existing Tariff options will not meet the Customer's needs.

Eligibility:

This contract Tariff is available to any qualifying Customer as specified herein. Customer qualification shall be based upon meeting each of the following criteria as determined solely by the Company:

1. The Customer's consumption is greater than 15,000 Therms per year or 6,250 propane gas Therms per year or the Customer is a Commercial Customer that is a poultry house owner, operator or integrator.
2. The Customer has an economic competitive alternative to full or partial service from the Company's standard Tariff rates, as determined by the Company.
3. The Customer is likely to select said alternative if the Company does not provide a negotiated contract rate.
4. The Customer desires pricing for a term of one year or more which requires a gas supply tailored to the specified term and pricing conditions.

Notwithstanding the provisions in this rate schedule, the Company may enter into an NCR Agreement with a Customer that agrees to allow the Company to manage Customer's demand and that has executed a NCR Service Agreement which is accepted by the Company.

The Company shall determine eligibility on a case-by-case basis based upon information supplied by the Customer and in accordance with the Company's internal pricing guidelines. The Company's decision on the application shall consider the economics of the competitive alternative, as well as the practical aspects of securing that alternative (e.g., ability to secure environmental permitting, feasibility studies, switching ability, ability to secure required capital).

Issue Date:

Effective Date:

Authorization:

**NEGOTIATED CONTRACT RATE TRANSPORTATION SERVICE – (NCR) -
CONTINUED**

Service Options:

If the Company concludes that the Customer meets all the eligibility requirements listed above, the Company shall enter into negotiations with the Customer for the purpose of offering such services as are believed to meet the Customer's requirements. Competitive offers may be made in a manner which provides the Customer with numerous choices for service. A menu of service options differentiated by contract term, quantity, pricing options, and service attributes may be made available to the qualifying Customer.

Rate:

Pricing for delivery service only, a combination of delivery service and gas supply, and balancing service shall be determined on a case-by-case basis according to the nature of the competitive situation. The final arrangements between the Company and the Customer shall be included in the Contract.

Contract Term:

The contract term shall be specified in a contract between the Customer and the Company.

Special Terms and Provisions:

1. Upon agreement on service options, the Customer and the Company shall enter into a contract which specifies the services and the terms and conditions of providing the services. The Customer must sign the Contract prior to commencement of this service and any investment by the Company. Service under the contractual agreement will commence on the date specified in the contract.
2. The contract shall be considered a confidential document between the Company and Customer. By signing the contract, the Customer and the Company agree not to share the contract or information contained within the contract with anyone except the parties to the contract, the Public Service Commission of Maryland and the Office of Peoples Counsel, unless given written consent from the other party. Violations by the Customer of the confidentiality agreement shall permit the Company to immediately terminate the contract with the Customer and serve the Customer under another rate schedule for which the Customer qualifies. The Customer shall also be responsible for the penalty provision described below and additional damages or prejudices to any other existing or potential contracts resulting from the breach of confidentiality.

Issue Date:

Effective Date:

Authorization:

**NEGOTIATED CONTRACT RATE TRANSPORTATION SERVICE – (NCR) -
CONTINUED**

3. The contract between the Company and the Customer shall include penalty provisions for early contract cancellation. If at any time prior to the end of the contract term the Customer elects to terminate the contractual agreement with the Company without exercising a re-contracting option for continuing service, the Customer shall be obligated to the terms for cancellation as specified within the contract.
4. The Company may offer value-added services in conjunction with the contract. All service attributes agreed to between the Company and the Customer shall be included in the contract.
5. The Company shall file a copy of the contract with the Public Service Commission of Maryland for informational purposes within thirty (30) days of the executed Contract.
6. In addition to the Delivery Service rate, customers served under this rate schedule may be subject to one or more riders containing additional charges applicable to the service received.

Issue Date:
Effective Date:
Authorization:

OFF SYSTEM SALES SERVICE – (OSSS)

Availability:

This Rate Schedule is available to any commercial or industrial transportation Customer or third-party supplier for use as an interruptible gas supply for deliveries to or upstream of the distribution system or to any entity for off-system deliveries to replace third-party gas for any reason or to serve incremental loads. This service is available only on a best efforts basis subject to the ability of the Company to obtain gas supply and subject to interruption for any reason determined by the Company. Service under this Rate Schedule must be scheduled no later than 7:00 a.m. of the day before service is to begin. Transportation Customers that have a third-party supply interrupted will be subject to any applicable penalties that accrue before this service is scheduled.

Applicability:

Delivered natural Gas supply capacity and supply combined, delivered by Company through the facilities of a Transportation Service Provider (“TSP”), using Company’s transportation capacity rights on such TSP’s pipeline.

Limitation of Service:

Company may notify Customer at any time to reduce or cease using Natural Gas. Company will endeavor to give as much notice as possible to Customer.

Any Gas taken in excess of the volume allocated to Customer during an interruption or Curtailment order shall be considered to be unauthorized overrun Gas. Company may bill and Customer shall pay for such unauthorized overrun Gas, in addition to other charges payable hereunder, at the greater of \$15.00 per Therm or the rate per Therm imposed on Company by the delivering Pipeline.

For each day on which Customer desires to receive service pursuant to this rate schedule, Customer shall provide a Nomination to Company specifying the quantity of Natural Gas it desires to receive at the specified point of delivery pursuant to this Agreement.

Following receipt of a timely and complete Nomination from Customer, Company will confirm the quantities of Natural Gas to be made available for delivery to Customer at such point of delivery. Quantities confirmed by the Company for delivery shall be “Scheduled Quantities”.

Except as nominated by Customer and scheduled by Company, neither Customer nor Company shall have any obligation to the other for any specific minimum quantity of Natural Gas or pipeline capacity on any day or during any Month. Deliveries pursuant to this rate schedule shall be subject to Curtailment or interruption at any time in the sole discretion of Company.

Issue Date:

Effective Date:

Authorization:

OFF SYSTEM SALES SERVICE – (OSSS) - CONTINUED

Limitation of Service Continued

The point of delivery for all-natural Gas sold pursuant to this rate schedule shall be the Delivery Point of the delivering Pipeline specified by Customer. The Delivery Point operator shall be solely responsible for all balancing with the Pipeline, financially and physically.

The Company shall rely on confirmations made by the TSP. Unless curtailed, all Nominations to Customer's TSP's Delivery Point shall be considered to have been made by the TSP.

Service Interruption:

The Customer agrees to accept complete interruption of service upon at least four (4) hour advance notice from any hour of the day. If the customer fails to interrupt service, the Customer shall pay a penalty rate of fifteen dollars (\$15.00) per Therm in addition to the currently effective rates. The penalty rate, which shall be credited to firm Customers through the GSR mechanism, shall remain in effect until such time as the Company, in its sole discretion, determines that normal service can be restored. The Customer agrees to hold the Company harmless from any loss, cost or damage occasioned by the interruption of service resulting from the Company's enforcement of this provision. In the event the Customer has an emergency that would cause the Customer great hardship if gas service were interrupted, the Company may, at its sole discretion based on available gas supply, waive interruption for a specified period of time.

If the Customer fails to interrupt by the end of the specified period, the Customer shall pay the penalty shown above.

Public Utilities Tax:

The Delivery Service, Gas Sales Service, and any other applicable rates or charges are subject to the Maryland Public Utilities Tax unless Customer is exempt from such tax.

Delivery Service Rate:

The gas rate for natural gas service shall be a negotiated, market-based rate. Company may from time to time increase or reduce the Delivery Service Rate as it deems necessary or appropriate to remain competitive but shall have no obligation to do so.

Billing Adjustments:

Gas Sales Rate: Not applicable

All other Billing Adjustments: Sheet Nos. 7.300-7.408

Issue Date:

Effective Date:

Authorization:

OFF SYSTEM SALES SERVICE – (OSSS) - CONTINUED

Minimum Bill:

Not applicable

Payment Terms:

Bills are rendered net and are due and payable within twenty (20) calendar days from date of presentation by the Company.

Terms and Conditions:

1. Service under this rate schedule is subject to the standard terms and conditions of service as in effect from time to time under authority of the Public Service Commission of Maryland. It is also subject to the limitations stated under the "Availability" clause above.
2. Service purchased hereunder is for the use of the Customer in one (1) location only and is not to be shared or sold to others.
3. Service hereunder will not be supplied from the Company's peaking facilities unless the Company waives the interruption of service due to an emergency.

Disposition of Net Revenues:

For purposes of this rate schedule "net revenues" shall mean the total Non-Fuel Energy Charges received by Company for service pursuant to this rate schedule, revenues received by Company for Natural Gas above the cost of Natural Gas to the Company and revenues received by Company for pipeline demand charges above the prevailing rates for like period(s) as negotiated by Pipeline Customers via the TSP's Relinquishment program on its Electronic Bulletin Board system. Disposition of net revenues received by Company during each Month that service is provided pursuant to this rate schedule shall be as follows:

Fifty percent (50%) of the net revenues shall be retained by Company. The remaining fifty percent (50%) of the net revenues shall be used to reduce Company's cost of Natural Gas recovered through the Gas Sales Rate.

Issue Date:

Effective Date:

Authorization:

POOL MANAGER RATE SCHEDULES
POOL MANAGER SERVICE – (PMS)

Applicability:

The provisions of this Rate Schedule shall apply to each broker, marketer or other third-party supplier (collectively “Pool Manager”) of natural Gas that wishes to act as Agents for the purpose of purchasing and scheduling natural Gas for Customers electing Transportation Services. Pool Managers desiring to provide service to Customers will be required to sign a Pool Manager Agreement in which they will agree to be bound by the terms and conditions of the Company’s Commission Gas Tariff.

Term of Contract:

The term of the Pool Manager Agreement shall be at least one (1) year and from month to Month thereafter unless terminated upon sixty (60) days written notice.

Creditworthiness:

1. All Pool Managers shall establish credit prior to commencing deliveries of Gas and shall maintain such credit during the term hereof. The amount of credit established by each Pool Manager will be equal to the greater of \$10,000 or an amount equal to Pool Manager’s highest two months aggregated DDR for the most recent 24-month period multiplied by the applicable Transportation Service Provider’s applicable rate schedule(s). Credit will be established by one of the following methods:
 - a. Payment of a cash deposit with Company;
 - b. Furnishing an irrevocable letter of credit from a bank;
 - c. Furnishing a surety bond issued by an entity acceptable to the Company;
 - d. Possessing and maintaining a Standard & Poor’s Long-Term Debt Rating of A- or better, a Moody’s rating of A3 or better, or a comparable rating by another nationally recognized rating organization acceptable to Company; or
 - e. Providing an acceptable parental or corporate guarantee.

If the Pool Manager seeks to establish credit pursuant to paragraph 1e above, Pool Manager shall furnish to Company Pool Manager’s audited financial statements (accompanied by the opinion of and independent certified public accountants or chartered accountants of a recognized national or regional standing) for at least the two most recently completed fiscal years.

All Pool Manager deposits will be subject to an annual review by Company and will be adjusted and billed accordingly. The minimum deposit maintained by each Pool Manager will be \$10,000.

Issue Date:

Effective Date:

Authorization:

POOL MANAGER SERVICE – (PMS) - CONTINUED

Creditworthiness Continued

Upon meeting Company's standards for creditworthiness, Company will include Pool Manager on Company's list of Approved Pool Managers. Company shall not be required to permit any Pool Manager who fails to provide the above referenced documentation to sell natural Gas on Company's distribution system.

In the event that Pool Manager defaults in its payment obligation to Transportation Service Provider for capacity relinquished as defined below, Company upon receiving notification from Transportation Service Provider of such default shall immediately terminate Pool Manager Agreement with Pool Manager. Company will not be required to permit any Pool Manager who defaults in its payment obligation to Transportation Service Provider to sell natural Gas on Company's distribution system.

Capacity Relinquishment:

Pool Manager will be required to accept a Capacity Relinquishment as required in this Tariff. Failure to accept Capacity Relinquishment by Pool Manager may result in Curtailment of service to Customers being served by Pool Manager or termination of Pool Manager.

Supplying Gas for Delivery:

Pool Manager shall be responsible for purchasing the natural Gas to be delivered for Customers served by the Pool Manager and for causing the same to be delivered to the Company's City Gate(s). Pool Manager shall diligently and in a timely manner take all actions required under the General Terms and Conditions of Transportation Service Provider's FERC Tariff to effectuate such delivery of natural Gas.

Force Majeure:

Except for making payments due, neither the Company nor the Pool Manager shall be liable in damage to the other for any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, including any government-mandated quarantines associated therewith, landslides, lightning, earthquakes, fires, storms, floods, unforeseeable or unusual weather conditions, washouts, arrests and restraint of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, line freeze ups, temporary failure of Gas supply, the binding order of any court or governmental authority which has been resisted in good faith by all

Issue Date:

Effective Date:

Authorization:

POOL MANAGER SERVICE – (PMS) - CONTINUED

Force Majeure Continued

reasonable legal means, and any other cause, whether of the kind herein enumerated, or otherwise, and whether caused or occasioned by or happening on account of the act or omission of Company or Customer or any other person or concern 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. A failure to settle or present any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

Neither party will be entitled to the benefit of the force majeure provision hereof under either or both of the following circumstances: i) to the extent that the failure was caused by the party claiming suspension having failed to remedy the condition by taking all reasonable acts, short of litigation, if such remedy requires litigation, and having failed to resume performance of such commitments or obligations with reasonable dispatch; or ii) if the failure was caused by lack of funds, or with respect to the payment of any amount or amounts then due hereunder.

Aggregated Daily Demand Requirement:

Company will calculate the Pool Manager's aggregated Daily Demand Requirement by summing Pool Manager's Daily Demand Requirements, plus applicable Retainage, for each Customer being served by Pool Manager and rounding the total to the next greatest dekatherm. The Company will inform Pool Manager via e-mail of Pool Manager's aggregated Daily Demand Requirement by City Gate for the upcoming Month upon expiration of Company's enrollment deadline.

The Company shall assess the Pool Manager a per MMBtu charge equal to the higher of \$30.00 or 200% of the highest of the Transco zone 6 Non-New York or TETCO M3 Midpoint price published in *Platts Gas Daily* for each day when delivery to Company by Pool Manager differs from Pool Manager's delivery requirements set forth in Section V as applicable above. The Company may waive this charge from time-to-time on a non-discriminatory basis.

Pool Manager Nominations

Each Pool Manager shall submit to Company first of the month scheduling and nomination information simultaneously with its submission to Transportation Service Provider(s). In addition, no later than the fifteenth (15th) of each month, Pool Manager may submit a mid-month nomination change for each Customer Pool. Pool Manager shall submit to Company, this scheduling and nomination information simultaneously with its submission to Transportation Service Provider(s).

Issue Date:

Effective Date:

Authorization:

POOL MANAGER SERVICE – (PMS) - CONTINUED

Pool Manager Nominations Continued

Such Nomination shall include the following information:

1. The Customer, Shipper's Designee or Pool Manager's account number under which service is being nominated – "Del Loc" (Delivery Location);
2. The Company Receipt Point location including applicable POI and upstream pipeline name, package ID "Pkg ID" (Package ID), including Customer's or Pool Manager's Company account number "Dn K" (Downstream Contract), and quantity in Therms of Gas to be tendered at each Company Receipt Point "Nom Del Qty" (Pool Manager Delivery Quantity);
3. The downstream delivery facility name, and quantity in Therms of Gas to be delivered
4. for each Company Customer account or Pool "Dn Name" (Duns Number);
5. A beginning and ending date for each Nomination;
6. Ranking for allocation "Del Rank" (Delivery Rank)

Only Nominations with clearly matching identifiers will be scheduled and subsequently delivered by Company.

Pool Manager Warranty:

Each Pool Manager warrants that it will have at the time it delivers or causes the delivery of natural Gas into the Company's distribution system good title to deliver the Gas. Each Pool Manager warrants that the natural Gas it delivers or causes to be delivered shall be free and clear of all liens, encumbrances, and claims whatsoever; that it will indemnify the Company and hold it harmless from all suits, actions, debts, losses and expenses arising from any adverse claims of any person to the natural Gas; and that it will indemnify the Company and hold it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by the party making delivery.

Responsibility for Natural Gas:

The Company and the Pool Manager shall be jointly and severally liable for the natural Gas while it is in the Company's distribution system between Company's City Gate(s) and the point of delivery to the Customer. The Pool Manager shall be solely liable for the natural Gas until it is delivered to Company's City Gate(s). The party or parties thus responsible for the natural Gas shall bear liability for all injury or damage caused thereby. Notwithstanding anything to the contrary stated herein, a Pool Manager shall indemnify the Company for all injury, damage, loss, or liability of the Company caused by Pool Manager's delivery of natural Gas not complying with the Natural Gas Quality section below.

Issue Date:

Effective Date:

Authorization:

POOL MANAGER SERVICE – (PMS) - CONTINUED

Natural Gas Quality:

All-natural Gas delivered, or caused to be delivered, into Company's distribution system by or on behalf of a Pool Manager will be merchantable and shall conform to the natural Gas quality specifications set forth in the "Quality of Gas" section of this Tariff.

Billing:

The Company shall render to a Pool Manager on or before the 20th calendar day of each Month a bill for Pool Manager's monthly Customer Charge and for all imbalance charges as defined in Billing Adjustments during the preceding Month.

Payment:

Pool Manager shall pay the Company the amount due under any bill from the Company within ten (10) days after receipt by the Pool Manager of the bill from the Company. The Company may at its option require the Pool Manager to make payment of any bill by electronic transfer within such ten (10) day period. Any bill not paid within such ten (10) day period shall bear interest at the rate of one and one-half percent (1.5%) per Month.

Billing Disputes:

Pool Manager may dispute the amount of any bill by notifying the Company within sixty (60) days of receipt by the Pool Manager of the bill from the Company. If a Pool Manager in good faith disputes the amount of any bill, the Pool Manager shall nevertheless pay to the Company the amount of such bill. Company shall have thirty (30) days to resolve such disputes with Pool Manager and will refund to Pool Manager any amount resolved in favor of Pool Manager within ten (10) days of such resolution.

Termination of Service:

Pool Manager will be responsible for providing Company with a duly executed CI Pool Manager Customer Termination Notice not less than thirty (30) Working Days prior to the Pool Manager's desired date for termination of service to Customer.

Issue Date:

Effective Date:

Authorization:

SHIPPER ADMINISTRATIVE SERVICE - (SAS)

Availability:

Throughout the service areas of the Company.

Applicability:

Service under this Rate Schedule is mandatory for all CI Pool Managers, except those CI Customers receiving service through the Contract Transportation Service, Special Contract Service, or Negotiated Contract Rate, delivering, or causing to be delivered, Gas to the Company's distribution system for transportation to Customers.

Monthly Rate:

CI Pool Administration Charge: \$750.00

Per Customer Charge: \$9.00 per Customer

Minimum Charge:

The CI Pool Administration Charge.

Billing Adjustments:

The above rates shall be subject to the applicable Billing Adjustments set forth on Sheet Nos. 7.300-7.408.

Issue Date:

Effective Date:

Authorization:

BALANCING SERVICE RIDER

Applicability:

The Company will balance normal fluctuations between Pool Manager daily Gas deliveries and their Customer's daily gas consumption requirements. This service shall be billed to the Pool Manager through a load balancing charge set forth below.

The Company provides balancing only for the fluctuations between Pool Manager deliveries and their Customers' consumption. Balancing is not intended to be used for speculation as to energy prices, to borrow gas for later replacement, or to store gas for future use during periods of interruption or curtailment. The Pool Manager shall use its best efforts, including ongoing communication with Customers to balance its daily gas purchases, nominations, and deliveries with daily Customer gas consumption requirements.

The Balancing Service Rider charge is a volumetric charge per Therm and applies to the respective transportation service rate schedules listed below and does not apply to the Regulated Sales Service or propane customers. The Balancing Service Rider charge will be calculated to the nearest tenth of a cent (.00001¢) per Therm and will apply to all Transportation Service Gas consumption.

<u>Rate Schedules</u>	<u>Balancing Charge Rate</u>
GTS-2	\$0.16506
GTS-3	\$0.16506
GTS-4	\$0.16506
GS-2-HLFTS	\$0.16506
GS-3-HLFTS	\$0.16506

Issue Date:
Effective Date:
Authorization:

BILLING ADJUSTMENTS
GAS SALES SERVICE RATES – (GSR)

Applicability:

The Gas Sales Service Rate is a volumetric charge per Therm and applies to the respective sales service rate schedules listed below and does not apply to the Transportation Service customers. The Gas Sales Service Rate will be calculated to the nearest tenth of a cent (0.1¢) per Therm.

<u>Rate Schedules</u>	<u>Gas Sales Service Rate</u>
<u>Natural Gas Sales Service</u> <u>Elkton Service Area:</u> RES1, RES2, GS1, GS2, GS3, GS4, GS2HL, GS3HL, USA-RES-1, USA-RES-2 (natural gas)	\$0.66911 per Therm
<u>Sandpiper Service Area:</u> RES1, RES2, GS1, GS2, GS3, GS4, GS2HL, GS3HL USA-RES-1, USA-RES-2 (natural gas)	\$0.9104 per Therm
<u>CUC Maryland Service Area:</u> RES1, RES2, GS1, GS2, GS3, GS4, GS2HL, GS3HL USA-RES-1, USA-RES-2 (natural gas)	\$1.0626 per Therm
<u>Propane Sales Service</u> RES1, RES2, GS1, GS2, GS3, GS4, GS2HL, GS3HL (propane gas)	\$2.1840 per Therm

1. The gas sales service cost recovery mechanism will be based on a projected recovery period in order to reflect current market prices.
 - a. For Customers located in the Sandpiper and CUC Maryland Service Areas, the Company will file the Gas Sales Service Rate with the Commission on a quarterly basis ten (10) days before each quarterly effective date of October 1, January 1, April 1, and July 1.

Issue Date:
Effective Date:
Authorization:

GAS SALES SERVICE RATES – (GSR) - CONTINUED

Applicability Continued

The projected twelve (12) month period for gas sales service cost recovery will be from October through September. The quarterly Gas Sales Service Rate filed with the Commission to be effective October 1 will be considered the first quarter

of the projected twelve (12) month recovery period. This twelve (12) month recovery period and the twelve (12) month period used for the calculation of the actual over or under recovery of

gas costs will be the same. The Actual Cost Adjustment (ACA) rate will be determined on an annual basis based on the twelve (12) month period of October through September. A new ACA rate will become effective in the quarter subsequent to the actual twelve (12) month recovery period, which will be January 1 of each year.

- b. For Customers In the Elkton Service Area, the Company will file the Gas Sales Service Rate with the Commission on a monthly basis ten (10) days before each monthly effective date of the first of the month.

The projected twelve (12) month period for gas sales service cost recovery will be from October through September. The twelve (12) month recovery period and the twelve (12) month period used for the calculation of the actual over or under recovery of gas costs will be the same.

Overall Methodology:

The overall cost of purchased gas used in the determination of the Gas Sales Service Rate shall include but not be limited to, costs associated with propane and natural gas purchased from any supply source, liquefied petroleum gas (LPG), liquefied natural gas (LNG), other hydrocarbons or alternative fuel sources distributed to customers or used as feedstock for production of substitute natural gas (SNG), and storage, transportation, and any other gas related costs.

1. Fixed gas supply costs (demand costs) will be divided by the Maryland Division's projected firm sales for the respective projected recovery period to determine an annualized fixed cost per Dekatherm. The fixed cost recovery rate may be adjusted quarterly to reflect changes. The commodity gas supply costs (variable costs) applicable to firm gas sales service will be estimated quarterly based on projected market prices and projected firm sales volumes for the respective quarter. The credit for the provision of Swing Service for Transportation Customers transportation service will be included as

Issue Date:
Effective Date:
Authorization:

GAS SALES SERVICE RATES – (GSR) - CONTINUED

Overall Methodology Continued

commodity gas supply costs. The Gas Sales Service Rate each quarter shall be the Amounts determined for the fixed and commodity cost; less

2. All supplier refunds received from the Company’s suppliers as determined by the method contained under the heading of “Supplier Refunds” on Sheet No. 7.302 ; less
3. The firm sales customers portion of any shared margins resulting from sales which will be a commodity-related gas cost as determined by the method contained under the headings of “Capacity Release Margin Sharing” and “Off-System Sales Margin Sharing” on Sheet No. 7.303; less or plus
4. The Actual Cost Adjustment in effect as determined by the method under the heading of “Actual Cost Adjustment” on Sheet No. 7.303; less or plus
5. Any other applicable gas cost adjustments.

Supplier Refunds:

1. The total refund made to the Company, including interest received from the supplier, is apportioned to billing months in the relationship that like-month sales subject to the gas cost rates bear to the total of such sales in the retroactive refund period. This calculation establishes the total amount available for refund in the quarter each month occurs for sales subject to Gas Sales Service.
2. To the total amount available for refund for each month, interest, at the rate prescribed by the Public Service Commission of Maryland, is added for the period of time until the quarter in which the refund is to be returned to customers.
3. The amount available for refund, including interest, for each month is applied as a quarterly refund factor to the Gas Sales Service Rate in the corresponding billing quarter to which the monthly refunds would be applicable (to the nearest hundredth of a cent per Therm) determined by dividing such refund by the forecasted sales in Therms subject to the Gas Sales Service Rate in that respective billing quarter.
4. Any difference between the actual amount available for refund in any billing quarter and the total amount actually refunded in that quarter is carried forward in the computation of the Gas Sales Service Rate in the second billing quarter succeeding the quarter of the

Issue Date:
Effective Date:
Authorization:

GAS SALES SERVICE RATES – (GSR) - CONTINUED

Supplier Refunds Continued

refund.

5. The Company will utilize the above procedure unless otherwise directed by the Commission.

Actual Cost Adjustment:

An Actual Cost Adjustment (ACA), to recover actual gas cost under or over collections, shall be computed by taking the actual cost of purchased gas (excluding supplier refunds) as recorded on the books of the Company during the recovery period of the twelve months ended September, and subtracting there from an amount equal to each Gas Sales Service Rate multiplied by the actual sales for which each rate is applicable during the recovery period recorded on the books of the Company during the recovery period and further subtracting or adding any material ACA over or under collections for the previous year. Therefore, the total ACA amount to be recovered will contain the over or under collection of gas costs for the current determination period as well as a final reconciliation of the ACA amount from the previous period. The derived amount shall be divided by the forecasted Dekatherm quantities of gas for the appropriate time period. The resulting unit rate per Therm shall be reflected for a twelve (12) month period commencing with the January 1 Gas Sales Service Rate. The determination period to be used in the computation of the ACA shall be the twelve (12) months ended September 30 of each year. This ACA is utilized to recover gas costs under or over collections and is a separate and distinct cost adjustment from the Take-or-Pay ACA discussed later.

Capacity Release Margin Sharing:

1. Multiply the gross margin associated with sales made pursuant to Capacity Release by 90%. For the purpose of this calculation, gross margin is defined as revenue less any applicable taxes.
2. The result shall be credited quarterly (or monthly) as the case may be to the Company's Gas Sales Service customers through this gas cost recovery mechanism.

Off-System Sales Margin Sharing:

1. Multiply the gross margin associated with Off-System Sales by 50% if upstream assets belonging to the Company are used and by 50% if upstream assets belonging to the Company are not used. For the purpose of this calculation, gross margin is defined as revenue less associated gas costs and any applicable taxes.

Issue Date:

Effective Date:

Authorization:

GAS SALES SERVICE RATES – (GSR) - CONTINUED

Off-System Sales Margin Sharing Continued

The result shall be credited quarterly to the Company's Gas Sales Service customers through this gas cost recovery mechanism.

Take or Pay (TOP) Surcharge:

Rates for service under Company's rate schedules subject to its Gas Sales Service Rate shall further be subject to a surcharge to recover pipeline suppliers' imposed fixed monthly take-or-pay charges. The surcharge is calculated by dividing estimated quarterly TOP payments to pipeline suppliers by the projected Dekatherm quantities of gas for the quarter, including sales, and transportation volumes, to be sold during the respective surcharge period.

The Company shall calculate an Actual Cost Adjustment (ACA) determined as the difference between TOP revenues collected and TOP payments to pipeline suppliers during the determination period (the 12 months ended September 30), with any excess or deficiency carried forward as a credit or addition, respectively, to the succeeding surcharge period. The TOP ACA represents a cost adjustment that is separate and distinct from the ACA discussed on the preceding pages. The surcharge may otherwise be adjusted in the interim to reflect changes in TOP payments assessed to the Company.

Details relating to the calculation of the TOP surcharge, TOP payments made, and revenue resulting from the application of this provision shall be filed with the Public Service Commission of Maryland.

Revenue Normalization:

The quarterly Gas Sales Service Rate calculation will contain an adjustment as a result of the base revenue normalization for heating customers in the residential and small commercial classes. This will contain the actual adjustment (either positive or negative) for months for which actual information is available and a projection for months in the quarter for which actual information is not available. A true-up of the adjustment for the estimated month will be included in the adjustment for the next billing quarter. An adjustment amount per Therm will be calculated by dividing the total dollar amount of the adjustment by the projected firm volumes for the quarter. A true-up of the over or under collection will be included along with the Actual Cost Adjustment at the end of the period.

Issue Date:
Effective Date:
Authorization:

**CUSTOMER RIDERS (ALL SERVICE AREAS)
SYSTEM IMPROVEMENT RATE (SIR)**

Purpose:

The System Improvement Rider (“SIR”) is a volumetric charge per Therm for the purpose of recovering the cost of bare steel replacement and the cost of distribution system conversion and customer conversions from propane to natural gas.

Applicability:

Applies to all Residential and Commercial rate schedules. The SIR will be calculated to the nearest tenth of one cent (0.1¢) per Therm.

Natural Gas Therm Rates	All consumption	To be determined
Propane Therm Rates	All consumption	To be determined

The SIR cost recovery mechanism will be based on a projected twelve (12) month recovery period of December 1 to November 30. The Company will file the SIR with the Commission on an annual basis at least thirty (30) days prior to the December 1 effective date.

Methodology

The costs used in the determination of the SIR shall include the costs associated with: i) the replacement of bare steel pipeline, as required under a Public Service Commission Consent Order, dated March 5, 2003; ii) the conversion of propane distribution facilities to natural gas distribution facilities; and iii) the conversion of customer-owned behind-the-meter piping and equipment. Conversion costs do not include the cost of converting customer-owned equipment located outside the home. Projected SIR costs will be divided by projected sales for the recovery period to determine an annualized cost per unit. The SIR will include a reconciliation of prior year projected costs with prior year actual costs, and the prior year projected revenues with the prior year actual revenues, to account for the difference between prior year projected customer conversions and prior year actual customer conversions and the difference between the prior year projected average cost of customer conversions and the prior year actual average cost of customer conversions.

For those customers located within the corporate limits of the Town of Ocean City, Maryland, the SIR will include, in addition to the three components listed above, a portion of the cost of line extensions completed in conjunction with the Town’s roadway reconstruction efforts and for reasons relating to protection from storm surges. The amount to be included in the SIR shall be that portion of the cost that exceeds the level of new investment warranted by the anticipated revenues from the line extension project, pursuant to the facility extension requirements provided in Section F of this Tariff.

Issue Date:

Effective Date:

Authorization:

SYSTEM IMPROVEMENT RATE – (SIR) - CONTINUED

Methodology Continued

The Ocean City SIR is as follows:

Natural Gas Therm Rates

All Consumption To be determined

Propane Therm Rates

All Consumption To be determined

Issue Date:
Effective Date:
Authorization:

TECHNOLOGY COST RECOVERY RIDER - (TCRR)

Purpose:

The Technology Cost Recovery Rider (“TCRR”) is a fixed monthly charge per Customer premise for the purpose of recovering the cost of the Company’s new and updated technology costs. The Company shall record both projected and actual expenses and revenues associated with the purchase and implementation of the Company's technology implementation plan.

Applicability:

Applies to all Residential and Commercial rate schedules. Except as otherwise provided herein, each rate schedule listed below shall be increased or decreased to the nearest .01 dollar.

The TCRR cost recovery mechanism will be based on a projected twelve (12) month recovery period of December 1 to November 30. The Company will file the first TCRR rates with the Commission at least sixty (60) days before it goes into service and refile on an annual basis at least sixty (60) days prior to the January 1 effective date.

Methodology for Cost Recovery for Technological Improvements:

The costs used in the determination of the TCCR shall include the projected expenses that are trued-up with actual expenses associated with the non-capitalized pre-implementation expenses established as a regulatory asset as permitted under a Public Service Commission Letter Order, and the pre and post implementation capitalized expenses for the Company’s improvement. Specifically the rate(s) will include a) the capitalized cost of the system, b) less accumulated depreciation of the system, c) plus the unamortized regulatory asset and d) less accumulated deferred income tax (ADIT) for the Maryland business unit, e) less the net retirement of the Company’s former system (including any other costs already recovered in current base rates. The total of these capitalized costs would then be multiplied by the most recently approved authorized rate of return with the equity portion grossed up for income taxes to determine the return on investment. This return would be added to a) the depreciation expense related to the asset, b) amortization of the regulatory asset over twenty (20) years, c) less any discontinued depreciation expenses associated with the former asset existing at retirement, this amount shall be based on that depreciation expense included in the Company’s base rates, d) plus any new expenses associated with the new system, e) less expenses that were discontinued and associated with the former system (and any other expenses already recovered in current base rates). The total of the return on investment and the costs outlined in (a) through (e) above, will be divided by the number of customers (excluding any special contracts) in the projected recovery period to determine an annualized cost per customer premise. This cost will be divided by the 12 months to get the monthly rate. The chart below outlines the methodology that will be used.

Issue Date:

Effective Date:

Authorization:

TECHNOLOGY COST RECOVERY RIDER – (TCCR) - CONTINUED

Methodology Continued

1	Capitalized Costs	
2	Less Accumulated Depreciation	
3	Unamortized Regulatory Asset Established by the PSC	
4	Less Retirement of Former System including any other costs already recovered in current base rates	
5	Less ADIT	
6	Total Balance Sheet Account Related to Technological Improvement	= (Line 1 - Line 2 + Line 3 - Line 4 - Line 5)
7	Multiply by the Most recent Approved Authorized Rate of Return with the Equity Portion Grossed Up for Taxes	
8	Return on Capital Investment	= (Line 6 x Line 7)
9	Depreciation Expense	
10	Amortization of the Regulatory Asset over 20 Years	
11	Less Reduction in Depreciation Expense Related to the Retirement	
12	Expenses related to the new system that are incremental to those in current base rates	
13	Less Expenses discontinued from the former system and any other expenses already recovered in current base rates	
14	Total Cost of the System	= (Line 8 + Line 9 + Line 10 - Line 11 + Line 12 - Line 13)
15	Customers projected for 1 year recovery period excluding special contracts	
16	Rate per Customer per Year	= (Line 14 / Line 15)
17	Rate per Customer per Month	= (Line 16 / Line 12)

The cost recovery factors for the period from the first billing cycle for the period of January _____ through the last billing cycle for December _____ as follows:

Rate Schedule:

Natural Gas Customer Rate
 Propane Customer Rates

Monthly Charge/Customer

To be determined
 To be determined

Issue Date:

Effective Date:

Authorization:

MARYLAND FRANCHISE TAX RIDER

Provision:

The Maryland 1999 Electric and Gas Utility Tax Reform Act (“Tax Reform Act”), effective January 12, 2000 permits the public services companies in Maryland to surcharge their customers to recover the public service company franchise tax.

Applicability:

The Maryland Franchise Tax Rider is applicable to all Delivery Service customers of the Company based on the amount of propane or natural gas delivered to the customer for final consumption in the State of Maryland. Any individual industrial customer that uses propane or natural gas in a production activity at the same location in the State of Maryland may claim exemption from the Maryland Franchise Tax Rider.

Rate:

As specified in the Tax Reform Act, the rate applicable to all Delivery Service customers’ final consumption is \$0.00402 per Therm.

Issue Date:

Effective Date:

Authorization:

ENERGY EFFICIENCY RIDER – (EER)

1. Applicability:

Applicable to Rate Schedules "RS," "GS", "MVS", "LVS", and "HLFS". Customers' bills shall include a rider for the recovery of all Commission-approved Energy Efficiency ("EE") program costs. The EE Rider factors will be determined for each rate schedule as set forth below.

2. Application:

The rider shall be comprised of: (a) a "current factor" which shall be effective during the billing months of January 1996 through December 1996 (the "determination period"); and (b) a "reconciling factor" to be effective commencing with the January 1997 billing month and each January billing month thereafter, reconciling actual program costs and rider revenues as determined in 3.ii. during the twelve month period ended October 31 of each year (the "reconciliation period").

The rider as determined in 3.a.2.c below shall be applied to monthly bills beginning with the billing month that coincides with the effective date hereof. The current factors shall be as follows:

<u>Rate Schedule</u>	<u>Rider per Therm</u>
"RS" (Residential Service)	\$0.000
"MVS" (Medium Volume Service)	\$0.000
"LVS" (Large Volume Service)	\$0.000
"HLFS" (High Load Factor Service)	\$0.000

The EE Rider shall be separate from the "GSR" factor and applied to the customers' bills as a separate factor. The Company shall furnish Commission Staff sufficient work papers for the review and audit of the EE Rider.

Nothing in this Energy Efficiency Rider shall serve to prevent the Company's application for recovery of Energy Efficiency program costs in the Delivery Service rates.

3. Computation:

a. Current Factor:

The current EE Rider for the current period shall be determined for Rate Schedules "RS", "GS", "MVS", "LVS", and "HLFS" by dividing the total amount allocated (as hereinafter defined) to each rate schedule for the period by the applicable estimated MCF sales and delivery volumes. The amount to be recovered is computed as described below:

- i. Projected EE program costs shall include projected utility expenditures,
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Issue Date:

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ENERGY EFFICIENCY RIDER – (EER) - CONTINUED

Computation continued

projected incentive payments to customers, and those expenses and costs not elsewhere recovered in rates including, but not limited to, incremental Company labor, labor-related expenses, consultants' and other vendors' fees and expenses, office supplies and expenses and other costs and expenses incurred in the implementation and operation of EE programs. Projected revenues from customers for EE products or services shall be offset against projected program costs.

ii. Cost Allocations to Customer Classes:

1. Direct program costs shall be directly assigned to the proper customer class i.e., Residential, General, Medium Volume, Large Volume, and High Load Factor and totaled to provide a ratio by class to be used to allocate other program costs between classes;
2. All other program costs i.e., Company incremental labor, consultants' fees and expenses, etc., shall be allocated between classes based on the ratios as determined in 3.a.ii;
3. Such costs as determined in 3.a.ii.1 and 3.a.ii.2 shall be totaled by customer class and divided by the respective estimated Dekatherm sales and delivery volumes and adjusted for applicable Gross Receipts Tax and Regulatory Commission Assessments at the appropriate rate to develop the rider by customer class. The rider shall be calculated to the nearest 0.001 cents per Therm. Each computed rider shall be adjusted for any taxes levied upon the Company which are based upon revenues by dividing the EE Rider by the complement of the tax rate on revenues.
4. The Company shall compute interest by customer class on and after October 31 on that portion of actual collections from customers which exceeds actual program costs. Such interest shall be computed as of the end of each month and compounded quarterly. Interest shall be computed utilizing the most recent Commission-authorized rate of return on investment, adjusted for all applicable taxes, and recorded in the EE recovery account for crediting to customers.

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Authorization:

ENERGY EFFICIENCY RIDER – (EER) - CONTINUED

5. Carrying costs shall be computed, by customer class, on the unrecovered balance of program costs, net of program revenues, as of the end of each month and compounded quarterly. For determination of carrying costs, program costs shall include any impact, plus or minus, of the tax effects of timing differences between book and tax treatment of program expenses and revenues. The carrying costs shall be computed utilizing the most recent Commission-authorized rate of return on investment, adjusted for all applicable taxes, and recorded in the EE recovery account.

b. Reconciling Factor:

A reconciling factor, to recover Energy Efficiency Rider under or over collections, shall be computed by taking the unrecovered start-up costs plus actual program costs as recorded on the books of the Company during the reconciliation period, and subtracting therefrom an amount equal to the EE rider revenues (excluding Gross Receipts Tax of 2% and Regulatory Commission Assessments at the appropriate rate) recorded on the books of the Company during the reconciliation period and further subtracting or adding any material reconciling factor over or under collections for the previous year. The derived amount shall be divided by the projected Dekatherm sales and delivery volumes during the determination period. The resulting unit rate per Therm shall be reflected in the rider factors effective with the first January billing month following the end of the reconciliation period.

Issue Date:
Effective Date:
Authorization:

**SANDPIPER SERVICE AREA
BASE RATE RIDER (BRR)**

Applicability:

Applies to all Residential and Commercial rate schedules located in the Company's Sandpiper Service Area (Worcester County, Maryland).

<u>Rate Schedule</u>	<u>Natural Gas Therm Rates</u>
RES-1	\$1.2420
RES-2	\$1.2420
GS-1	\$1.2420
GTS-1	\$1.2420
GS-2	\$1.2420
GTS-2	\$1.2420
GS-3	\$1.2420
GTS-3	\$1.2420
GS-4	\$1.2420
GTS-4	\$1.2420
GS-2-HLFS	\$1.2420
GS-2-HLFTS	\$1.2420
GS-3-HLFS	\$1.2420
GS-3-HLFTS	\$1.2420

Issue Date:
Effective Date:
Authorization: