Jennifer Brooks Hutchinson
Senior Counsel

September 8, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 4523 – Gas Customer Choice Program

Dear Ms. Massaro:

Pursuant to Public Utilities Commission (PUC) Rule 1.9(c), enclosed please find ten (10) copies of National Grid's[1] Gas Customer Choice Program filing, in which the Company is proposing certain changes to its Customer Choice Program and requesting approval of the associated changes to the Company's gas tariff, RIPUC NG-GAS No. 101 (Tariff).

This filing consists of the pre-filed testimony and schedules of Elizabeth D. Arangio and Ann E. Leary. Ms. Arangio explains the specific changes to the Customer Choice Program that the Company is proposing and the reason for those changes. Ms. Leary's testimony describes the changes to the Tariff that are necessary to implement the changes to the Customer Choice Program. Ms. Leary also discusses certain clarifying changes to the Tariff and the reason for those changes. Changes are proposed to the following schedules of the Company's Tariff: Section 1, Schedule B, Definitions; Section 2, Schedule A, Gas Cost Recovery; Section 5, Schedule H, Transitional Sales Service; and Section 6, Schedule C, Transportation Terms and Conditions. The redlined version of the Tariff identifying the changes to the Tariff currently in effect are contained in this filing as Schedule AEL-1. A clean copy of the amended Tariff is attached as Schedule AEL-2.

Last winter, the Company experienced colder than normal temperatures during the November 2013 through March 2014 winter season, which resulted in a greater demand for gas in the Northeast as well as an increase in gas prices. The Company also experienced a greater influx of daily metered firm transportation customers returning to the Company for their gas supply. Pursuant to the PUC's vote at the March 24, 2014 interim Gas Cost Recovery (GCR) hearing, the PUC directed the Company to conduct a review of several issues with the Division of Public Utilities and Carriers (Division), among which included the terms under which gas marketers deliver gas to the Company and a review of the pricing calculations for customers who return to the Company's gas supply service. The PUC also asked the Company to make recommendations for implementation of any revised transportation terms and conditions and/or pricing procedures. As a result, the Company has undertaken a review of its Customer Choice Program and Tariff. The Company has also been engaged in discussions with the

[1] The Narragansett Electric Company d/b/a National Grid (National Grid or Company).

Division and its consultant Bruce Oliver to determine whether any changes were appropriate in light of the Company's experience last winter. Those discussions resulted in the Company's proposal submitted in this filing.

The Company is proposing to implement the specific changes presented in this filing on or before November 1, 2014. In addition to these short-term changes, the Company is also proposing the establishment of a working group to review the Customer Choice Program and make recommendations for more comprehensive enhancements over the longer term.

Thank you for your attention to this filing. If you have any questions, please contact me at (401) 784-7288.

Very truly yours,

Jennifer Brooks Hutchinson

Enclosures

cc: Leo Wold, Esq.
Steve Scialabba
Bruce Oliver

The Narragansett Electric Company d/b/a National Grid

Gas Customer Choice Program

Testimony and Schedules of:

Elizabeth D. Arangio
Ann E. Leary

September 8, 2014

Submitted to:

Rhode Island Public Utilities Commission
RIPUC Docket No. 4436

Submitted by:

nationalgrid

Testimony of
Elizabeth D. Arangio

DIRECT TESTIMONY

OF

ELIZABETH D. ARANGIO

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I. Introduction

Q. Please state your name and business address.

A. My name is Elizabeth Danehy Arangio. My business address is 40 Sylvan Road, Waltham, Massachusetts 02451.

Q. What is your position with National Grid?

A. I am the Director of Gas Supply Planning with responsibility for the resource portfolio of the New England local gas distribution companies (LDC's) that operate as Boston Gas Company (Boston Gas), Colonial Gas Company (Colonial), and The Narragansett Electric Company (Narragansett) each d/b/a National Grid. In addition to the New England portfolios, I am also responsible for gas supply planning for the resource portfolios of The Brooklyn Union Gas Company, KeySpan Gas East Corporation, and Niagara Mohawk Power Corporation, all in New York. For purposes of this testimony, references to the "Company" relate solely to The Narragansett Electric Company.

Q. Please summarize your educational background and your professional experience.

A. I graduated from the University of Massachusetts in 1991 with a Bachelor of Business Administration. In 1995, I graduated from Bentley College with a Master of Business Administration. From 1991 to 1994, I worked as a Gas Accounting Analyst

in the Marketing Operations Department at Algonquin Gas Transmission Company. In 1994, I joined Boston Gas as a Gas Supply Analyst. In 1997, I was promoted to Group Leader Transportation Services, with responsibility for managing all activities associated with the Customer Choice program. In 1998, I was promoted to Director of Gas Acquisition and Transportation Services with responsibility for the administration of the Company's gas-resource portfolio and Customer Choice program in Massachusetts and, as of 2000, the resource portfolio of EnergyNorth Natural Gas, Inc. in New Hampshire. In February 2004, I assumed the additional responsibility of gas supply planning for the former KeySpan Corporation New York and Long Island resource portfolios. Following the acquisition of KeySpan Corporation by National Grid plc, I was named to my current position with the added responsibility for the National Grid gas resource portfolios in upstate New York and in Rhode Island.

Q. Are you a member of any professional organizations?

A. I am a member of the Northeast Gas Association and the New England-Canada Business Council.

Q. Have you previously testified in regulatory proceedings?

A. Yes. I have previously testified before the Rhode Island Public Utilities Commission (PUC) in support of National Grid's annual Gas Cost Recovery (GCR), Docket Nos.

4346 and 4436, the Natural Gas Portfolio Management Plan (NGPMP), Docket No. 4038, and the Long Range Gas Supply plan. In the past, I have testified numerous times before the Massachusetts Department of Public Utilities, and the New Hampshire Public Utilities Commission. In addition, I have also presented information to the State of New York Department of Public Service Commission.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to describe specific changes to the Customer Choice Program that the Company is proposing in this filing, and to explain the reason for those changes.

Q. Why is the Company proposing changes to the Customer Choice Program in this filing?

A. The Company is proposing modifications to its Customer Choice Program due to changes in the New England Market, and in particular, in response to experiences from last winter. In addition, the Company's Customer Choice Program has grown substantially. In 2003/2004, the capacity releases to Marketers totaled 11,922 MMBtu/day, and as of 2014/2015, the capacity releases to markers has increased to 30,641 MMBtu/day. These two factors – the changed landscape of the New England marketplace and the growth in the Company's Customer Choice Program – necessitate modifications to the current program.

Pursuant to the PUC's vote at the hearing on March 24, 2014 in the Company's Revised GCR filing, Docket No. 4436, the PUC directed the Company to conduct a review of the issues identified in the memorandum dated March 19, 2014 from Bruce R. Oliver, Revilo Hill Associates, consultant to Division of Public Utilities and Carriers (Division). Such issues included, among other things, a review of the terms under which gas marketers deliver gas to the Company and a review of the pricing calculations for customers who return to the Company's gas supply service. In addition, the PUC asked the Company to make recommendations for implementation of any revised transportation and/or pricing procedures as applicable.

As a result, the Company undertook a comprehensive review of its Customer Choice Program. Following its review, the Company determined the need to implement comprehensive changes to its program. That said, the Company recognizes the importance of balancing the need to fundamentally modify the current Customer Choice Program with the need for an orderly transition for customers, Marketers, and the Company. Therefore, the Company is proposing to implement changes to the Customer Choice Program in phases, in the near-term for effect November 1, 2014 and in the long-term for effect after November 1, 2015.

The proposed near-term changes are designed to address two areas of concern: (1) overall reliability of the gas supply portfolio, and (2) price inequities as a result of

operational flexibilities allowed for under the existing Customer Choice Program.

Q. What are the changes that the Company is proposing in this filing?

A. The specific changes proposed, which will be discussed in detail later in my testimony, are:

(1) *Pipeline Delivery Requirements:* The Company is proposing to require a certain level of daily pipeline receipts on each of the upstream pipelines, Algonquin Gas Transmission (Algonquin) and Tennessee Gas Pipeline (Tennessee).

(2) *Peaking assets calculation:* The Company is proposing to modify the FT-2 Demand Rate and associated peaking purchases to include certain pipeline assets and associated supplies in the calculations to more accurately reflect the usage of such assets.

(3) *Daily Nominations under Operational Flow Order Conditions:* The Company is proposing to require a certain level of pipeline deliveries before FT-2 storage and peaking assets can be nominated.

The long-term changes will address the overall design of the Company's Customer Choice Program and consider, among other things, the impact to the reliability of the overall gas resource portfolio and the appropriate allocation of costs among all customers.

Q. Who is supporting the Company's request in this filing?

A. Accompanying my testimony, which supports the proposed changes in this filing, as described in more detail below, the Company is also presenting the testimony and schedules of Company Witness Ann E. Leary, who presents and supports associated

changes to the Company's gas tariff, RIPUC NG-GAS 101 (Tariff), as well as other proposed clarifying and miscellaneous changes to the terms and conditions of the Tariff relating to transportation service.

II. <u>The New England Gas Market</u>

Q. Please describe the current status of the New England natural gas market.

A. Changes in the gas supply landscape have significantly impacted the New England market, making it increasingly difficult and expensive to acquire gas supplies sourced in the Northeast during periods of cold weather. First, from a pipeline capacity perspective, both pipelines, Algonquin and Tennessee, serving New England are fully subscribed. On cold days, the pipelines are constrained, whereby each pipe can only flow a finite volume of gas and at some point must restrict the quantity of gas that can flow. Second, from a gas supply perspective, while gas supply from the south and west has grown significantly, the New England market has experienced significant declines in the availability of several supply sources including off-shore supplies from Sable Island and Deep Panuke, liquefied natural gas (LNG) from off-shore buoy projects, and imported LNG, particularly within the last few years. With the increased global demand for LNG, and higher delivered prices abroad, cargo deliveries to the Northeast have also declined dramatically. Repsol's Canaport facility in New Brunswick has seen a significant decrease in the level of output over time too, which directly affects New England as these volumes no longer flow via the

Maritimes and Northeast Pipeline (MNE) into Algonquin or Tennessee.

Q. How have these changes in the New England gas market impacted the Company?

A. It has become more difficult and more expensive for the Company to acquire both gas supply delivered into pipeline capacity with Northeast receipt points (i.e., the Beverly interconnect between MNE and Algonquin and the Dracut interconnect between MNE and Tennessee) as well as LNG.

The changing market trends impact the Company significantly as it relies on supplies sourced in Canada as well as imported LNG to meet customer requirements on the peak day and throughout the peak season. It has become increasingly more challenging to purchase supplies delivered into the Company's existing capacity sourced in the Northeast. In addition, with higher global prices attracting cargoes away from the United States, the Company is experiencing a significant increase in LNG pricing. This, coupled with the potential uncertainty of supply availability, places constraints on the Company's ability to acquire LNG to fill its regional storage tanks.

Q. Please describe the Company's experience during the 2013/2014 winter season.

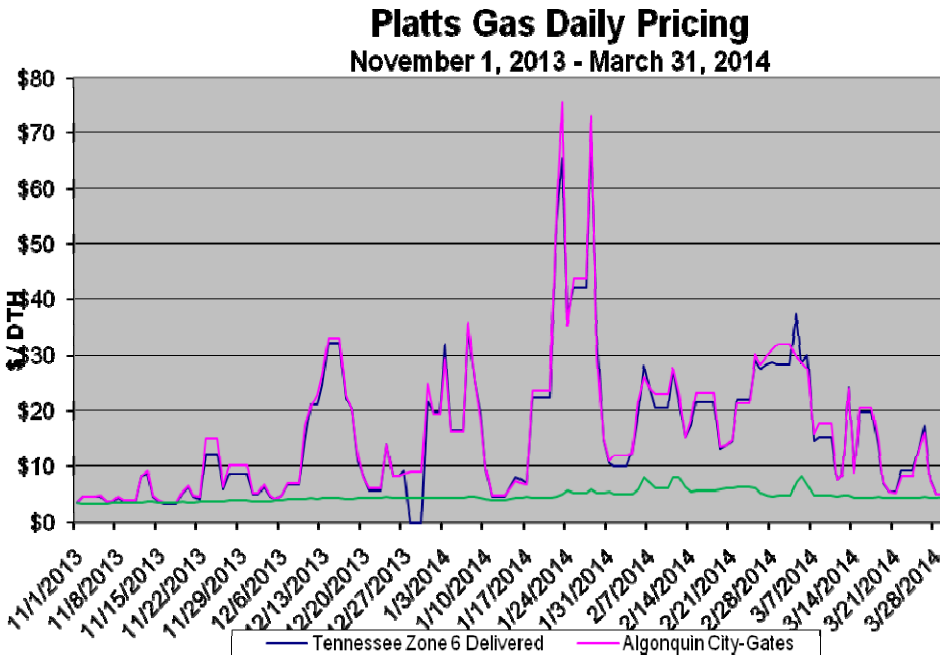
A. The Company, like others in the Northeast market, posted large increases in demand

throughout the 2013/2014 peak season as a result of periods of colder than normal weather. The Company experienced a 12.3% colder than normal winter and in addition, experienced three of the top five highest sendouts in Company history. Along with increases in demand came increases in natural gas commodity prices. Actual prices were significantly higher from those projected in the Company's original September 3, 2013 GCR filing, particularly for gas supplies purchased in the market area at Tennessee and Algonquin citygate points, the very supplies the Company calls on when weather is colder and demand increases.

Q. What was the price of gas supplies purchased at the Algonquin and Tennessee citygates?

A. Gas prices in January 2014 alone ranged from $4.66 per dekatherm to $75.48 per dekatherm for the Algonquin City-Gates and $4.70 per dekatherm to $70.08 per dekatherm for Tennessee Zone 6 Delivered.

The graph below shows daily pricing for Algonquin City-Gates and Tennessee Zone 6 Delivered as published in "Platts Gas Daily" for the November 1, 2013 through March 31, 2014 time period in relation to the Henry Hub price. The graph shows the large spikes in these prices in mid-December, the beginning of January, and the end of February into March, with a major spike at the end of January. The Company is subject to these prices when utilizing its HubLine, East-to-West and Dracut capacity.



Q. How is the Company proposing to deal with these changes in the market in this filing?

A. The Company is proposing to make certain near-term operational changes to its Customer Choice Program to address the existing operational constraints on the upstream pipelines serving the Company's distribution system. The Company believes that these changes will help improve the reliability of the Company's gas supply portfolio and distribution system, as well as address certain price inequities.

III. <u>Customer Choice Program</u>

Q. Please describe the Company's Customer Choice Program?

A. The Company's Customer Choice Program is an optional supplier choice program

that allows the Company's Small, Medium, Large, and Extra Large Commercial and Industrial (C&I) customers to purchase gas supplies from sources other than the Company for transportation service by the Company. The Company continues to provide distribution and related services to all of its customers, including those that receive gas supply from a third party. Service is classified as either Firm Transportation Service FT-1 or Firm Transportation Service FT-2.

Q. Please describe the difference between Firm Transportation Service FT-1 and Firm Transportation Service FT-2.

A. FT-1 service is available only to Large and Extra Large C&I customers. This service provides firm transportation of customer-purchased gas supplies to customers who elect to have their gas usage recorded on a daily basis at the customer's point of delivery. This service requires daily balancing of deliveries and usage by the Marketer, which includes meeting the impact of unanticipated swings in weather and/or demand. The Company plans only for pipeline assets required to serve FT-1 customer requirements and does not plan for any storage and peaking assets required to serve these customers.

FT-2 service is available to all C&I customers. FT-2 service does not require the recording of daily gas usage at the customer's point of delivery, and as such, requires the Company to assume substantial responsibility for balancing the customer's

deliveries and usage on a daily basis. Under FT-2 service, the Company informs the Marketer of their required deliveries for the upcoming gas day, and is responsible for meeting any difference between the forecast and actual quantities as a result of weather or other factors, through storage and peaking services. For this reason, the Company plans for pipeline, storage, and peaking assets to meet the peak day requirements of FT-2 service.

Q. Why does the Company assign capacity under its Customer Choice Program?

A. The reason is two-fold. First, mandatory capacity assignment enables the Company to ensure that there is adequate capacity upstream of its citygates and to maintain the operational integrity of the distribution system. Second, mandatory capacity assignment prevents certain customers from avoiding responsibility for the cost of the Company's long-term capacity commitments given these customers' ability to avail themselves of competitive options.

Q. Please describe how capacity assignment works under the Company's Customer Choice Program.

A. Under the Company's Customer Choice Program, the Company assigns a pro rata share of its interstate pipeline resources to customers migrating to transportation service at the Company's average cost of these resources. Customers taking either FT-1 or FT-2 service are assigned pipeline assets. As discussed above, FT-2

customers are also allocated a portion of storage and peaking resources needed to meet peak day requirements. The storage and peaking resources are not physically released to customers, but are instead managed by the Company and provided to customers at the citygate.

Q. Are all customers under the Company's Customer Choice Program assigned capacity?

A. No. Pursuant to the Settlement Agreement dated October 7, 1999, approved by the PUC in Docket No. 2902 (1999 Settlement Agreement), new customers who were classified as either Large or Extra Large C&I customers and who were not previously served on firm sales service were given a one-time option to waive the Company's assignment of pipeline capacity. This one-time election is built into the Company's Tariff today, as described in the testimony of Ms. Leary.

In addition, pursuant to the 1999 Settlement Agreement, firm transportation customers transporting prior to November 1, 1997 were also given the one-time option of waiving the Company's mandatory capacity assignment shortly after the PUC's approval of the 1999 Settlement Agreement. For "grandfathered" customers who elected this waiver, those customers were thereafter ineligible to return to the Company's firm sales service.

IV. Company Proposal

Q. What are the changes that the Company is proposing in this filing?

A. The specific changes proposed are as follows:

(1) *Pipeline Delivery Requirements:* Marketers must deliver a minimum of forty percent (40%) of total daily pipeline receipts (including all of the Marketer's Aggregation Pools serving both FT-1 and FT-2) on each of the upstream pipelines: Algonquin Gas Transmission (Algonquin) and Tennessee Gas Pipeline (Tennessee). The remaining twenty percent (20%) of total daily pipeline receipts (including all of the Marketer's Aggregation Pools serving both FT-1 and FT-2) may be delivered on either or both Algonquin or Tennessee.

(2) *Peaking assets calculation:* The Company proposes to modify the FT-2 Demand Rate and associated peaking purchases to include certain pipeline assets and associated supplies in the calculations to more accurately reflect the usage of such assets. These assets include the Company's Algonquin HubLine and East-to-West capacity and the Tennessee Dracut capacity.

(3) *Daily Nominations under Operational Flow Order Conditions:* Marketers must satisfy the FT-1 and FT-2 daily requirements with their sum total of pipeline capacity release volumes before FT-2 storage and peaking assets can be nominated, on days when the Company issues an Operation Flow Order ("OFO) aggravated by under-delivery.

Q. Please explain why the Company is proposing to modify its existing terms and conditions regarding pipeline delivery requirements.

A. Under the current terms and conditions, Marketers are allowed total flexibility with their gas deliveries whereby they are allowed to deliver all, some, or no volume to either Algonquin or Tennessee, or both. Marketers typically deliver gas on the least-expensive pipeline, modifying nominations each day, and even intra-day. The Company, therefore, must balance around the marketer nominations, requiring

purchases on the more expensive pipeline in order to meet the requirements of gas supplied by the Company to sales customers as well as distribution system requirements. Therefore, the Company is proposing that Marketers be required to deliver a minimum of forty percent (40%) of total daily pipeline receipts on each of the upstream pipelines: Algonquin and Tennessee. The remaining twenty percent (20%) of total daily pipeline receipts may be delivered on either or both Algonquin or Tennessee. The Company is proposing that this requirement include all of the Marketer's aggregation pools serving both FT-1 and FT-2 service. This change will enable the Company to more proactively plan its purchases on the pipelines. In addition, all customers will share the responsibility of purchasing supplies on both pipelines and any price disparities will be more fairly distributed between sales customers and transportation customers.

Q. How did the Company determine 40% to be the minimum percentage to be delivered on each upstream pipeline?

A. The Company reviewed FT-1 and FT-2 peak usage data from this past 2013/2014 winter. The table below shows the breakdown of the peak usage by the pipeline actually serving these customers.

2013/14 Combined Peak Usage for FT-1 & FT-2 Customers

Pipeline	Peak Day Usage (MMBtu)	Percentage
Algonquin	57,993	60%
Tennessee	37,637	40%
Total	95,630	100%

Q. What happens in the event that Marketers do not comply with the minimum 40% pipeline delivery requirement?

A. If the Marketers do not deliver the 40% minimum requirement of gas on the transporting pipelines as discussed above, the Company has added language to the Tariff (Section 6, Schedule C, Item 2.03.0) to provide for a discretionary penalty. The penalty amount is proposed at 0.5 times the Daily Index for all differences less than the 40% minimum requirement on each transporting pipeline. The reason for this change is to incentivize Marketer compliance with the minimum delivery requirement.

Q. Why is the Company proposing a change to the peaking asset calculation?

A. Under the current terms and conditions, the FT-2 Demand Rate and associated peaking purchases do not incorporate any portion of the volume or costs of pipeline assets, instead the full volume and costs of these pipeline assets are included in the pipeline transportation releases. Although a greater percentage of the Algonquin

HubLine and East-to-West capacity and the Tennessee Dracut capacity are used as pipeline assets, a portion of these assets is utilized to serve customer requirements on colder days. The cost of the supplies transported on these assets during the winter season is more expensive than the cost of other supplies in the portfolio; therefore, these supplies are typically dispatched after other less expensive supplies in the portfolio are called upon. Accordingly, these supplies are used to meet the 'peaking' need of all customers. Thus, the Company believes it is appropriate to include a portion of these pipeline assets and associated supplies into the calculation so that all FT-2 customers pay a portion of these costs.

Q. How is the Company proposing to modify the calculation of the FT-2 Demand Rate in this filing?

A. The Company is proposing to allocate a portion of the volume and costs of the Company's existing Algonquin HubLine and East-to-West capacity and Tennessee Dracut capacity and associated supplies in the calculation of the FT-2 Demand Rate.

In order to determine the change to the FT-2 Demand Rate, the Company first determined the allocation of capacity between 'pipeline' and 'peaking'. To do so, the Company compared normal and design sendout utilization of the assets. Based on the comparison, the normal sendout scenario is thirty-six percent (36%) of the design sendout scenario. The Company's total maximum daily quantity (MDQ) of

Algonquin HubLine and East-to-West and Tennessee Dracut is 33,000 dt/day. Thus, the Company is proposing to allocate 36 percent of the total MDQ, or 12,000 dt/day, to 'pipeline' and the remaining 64 percent of the total MDQ, or 21,000 dt/day, to 'peaking.' The costs associated with the MDQ of 21,000 dt/day will be added to the FT-2 Demand Rate. When utilizing the Algonquin HubLine and East-to-West and Tennessee Dracut capacity, the Company purchases gas priced at Algonquin and Tennessee Zone 6 city-gate delivered indices. Therefore, Marketers will be entitled to purchase peaking supply at a cost which reflects a blended price of the Company's LNG inventory weighted average cost of gas and these city-gate delivered indices. Ms. Leary describes the corresponding changes to the Tariff to implement these changes, including the calculation, in her testimony.

Q. Why is the Company proposing a requirement that Marketers satisfy their FT-1 and FT-2 daily nominations with their total capacity release volumes before calling upon storage and peaking assets?

A. On days when the Company has issued an Operation Flow Order (OFO) aggravated by under-deliveries, either one or both of the upstream pipelines (Algonquin and Tennessee) have issued a similar condition. OFOs are issued only when the pipeline is experiencing or expects to experience some type of adverse operational condition. On these days, it is critical that the Company maximize all volumes to the citygates as the portfolio contains a limited amount of intra-day swing capability with its

underground storage and on-system peaking assets. As discussed above, the Company only plans for pipeline assets for FT-1 customers. Unless the full volume of pipeline releases on behalf of both FT-1 and FT-2 customers is utilized first, the storage and peaking assets planned for to meet the requirements of FT-2 customers could actually be being used to meet requirements of FT-1 customers. In order to avoid this circumstance, if the full volume of both FT-1 and FT-2 pipeline releases is required to be nominated first, then it will at least be assured that the storage and peaking assets will be used to meet requirements only above the total pipeline volume.

Q. When is the Company proposing that the above-described changes be implemented?

A. The Company is proposing these changes be implemented for November 1, 2014 in anticipation of the 2014/2015 winter season.

Q. Is the Company proposing to change its capacity assignment policy as it relates to grandfathered customers or other capacity exempt customers in this filing?

A. No, not in this filing. As discussed earlier in my testimony, the Company intends to propose at a later date more comprehensive changes to its Customer Choice Program for implementation in the longer-term.

Q. Has the Company consulted with other stakeholders concerning the changes proposed in this filing?

A. Yes. The Company has been consulting with the Division and its consultant, Bruce Oliver, on a monthly basis to discuss the issues impacting the Customer Choice Program and the specific proposals and tariff changes reflected in this filing. The Company met with the Division and Mr. Oliver on a monthly basis to discuss these issues and submitted monthly status reports to the PUC. The Company filed its most recent status report on August 28, 2014.

The Company has not yet had an opportunity to consult with Marketers, customers, or other interested stakeholders, which is why the Company is deferring more comprehensive changes until a later date. The Company views the proposals in this filing as discreet modifications in order to address certain specific flexibilities allowed for in the current the Customer Choice Program which impact the overall gas resource portfolio. The Company believes these proposed modifications can be easily implemented for the upcoming winter season.

Q. What is the Company's proposal with respect to long-term, comprehensive changes to the Customer Choice Program?

A. The Company proposes a collaborative process through the establishment of a working group that would consist of representatives from the Company, the Division,

Marketers, customers, and other interested parties to participate in a holistic review of the Company's Customer Choice Program, and to review and recommend program enhancements for the 2015/2016 winter season. The Company believes that a collaborative working group will provide a forum for stakeholder input and the development of specific proposals for the PUC's review.

Q. Does this conclude your testimony?

A. Yes.

Testimony of
Ann E. Leary

DIRECT TESTIMONY

OF

ANN E. LEARY

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I. Introduction

Q. Please state your name and business address.

A. My name is Ann E. Leary. My business address is 40 Sylvan Road, Waltham, Massachusetts, 02451.

Q. What is your position and responsibilities?

A. I am the Manager of New England Gas Pricing for National Grid USA Service Company, Inc. As such, I am responsible for preparing and submitting various regulatory filings with the Rhode Island Public Utilities Commission on behalf of The Narragansett Electric Company d/b/a National Grid (Company), and the Massachusetts Department of Public Utilities on behalf of Boston Gas Company and Colonial Gas Company each d/b/a National Grid.

Q. Please describe your educational and professional background.

A. I received a Bachelor of Science in Mechanical Engineering from Cornell University in 1983. In 1985, I joined the Essex County Gas Company as Staff Engineer. In 1987, I became a planning analyst and later accepted the position of Manager of Rates. Following the merger with Eastern Enterprises in 1998, I became Manager of Pricing for Boston Gas Company. After the merger with KeySpan Energy Delivery, subsequently National Grid, I became the Manager of New England Gas Pricing, the position I hold today.

Q. Have you previously testified or appeared before the Rhode Island Public Utilities Commission (PUC)?

A. Yes I have. I have testified before the PUC regarding the Company's Gas Cost Recovery (GCR) Filing, Docket Nos. 4436 and 4346, and the most recent GCR Filing in Docket No. 4520. I also submitted pre-filed testimony in the Company's 2012 Rate Case Filing, Docket No. 4323. In addition, I have testified extensively in several ratemaking and regulatory proceedings before the Massachusetts Department of Public Utilities and the New Hampshire Public Utilities Commission.

II. <u>Purpose of Testimony</u>

Q. What is the purpose of your testimony?

A. The purpose of this testimony is to describe changes to the Company's gas tariff, RIPUC NG-GAS No. 101 (Tariff) to implement changes to the Company's Customer Choice Program, as described in the pre-filed testimony of Company Witness Elizabeth D. Arangio. I also discuss certain clarifying changes to (i) Section 1, Schedule B, Definitions; (ii) Section 2, Schedule A, Gas Cost Recovery Clause; (iii) Section 5, Schedule H, Transitional Sales Service (TSS); and (iv) Section 6, Schedule C, Transportation Terms and Conditions (Transportation T&Cs), as well as the reason for these Tariff changes.

Q. Are you including any schedules with your testimony?

A. Yes. I am sponsoring the following schedules:

Schedule AEL-1	RIPUC NG-GAS 101 (Redlined Version)
Schedule AEL-2	RIPUC NG-GAS 101 (Clean Version)

III. <u>Tariff Changes</u>

Q. What tariff changes are needed to implement the Company's proposal to modify its current Customer Choice Program?

A. As described in the testimony of Ms. Arangio, the Company is proposing three modifications to its existing Customer Choice Program, two of which necessitate changes to the Tariff. The first proposed change requiring a revision to the Tariff is the requirement for Marketers to deliver a minimum of 40% of their total pipeline daily supply on Algonquin Gas Transmission (Algonquin) and Tennessee Gas Pipeline (Tennessee). Section 6, Schedule C, Item 1.06.0, Shipper and Transporting Pipeline Requirements, has been revised to reflect this proposed change, as shown in Schedule AEL-1, page 86.

The second proposed change requiring a revision to the Tariff is the inclusion of certain pipeline assets in the calculation of the FT-2 Demand Rate and the associated peaking commodity rate to more accurately reflect the use of these pipeline assets. The Company has revised the calculation of the FT-2 Demand

Rate (Section 2, Schedule A, Item 2.2 and Item 3.3, and Section 6, Schedule C, Item 3.02.5) as well as the price for the associated peaking purchases (Section 6, Schedule C, Item 3.02.4). The Company has included the weighted average commodity charge of pipeline supplies, which have been designated as a peaking resource, in the calculation of the price for these purchases in Item 3.02.4, as shown in Schedule AEL-1, page 98.

Q. Is the Company proposing any other changes to the Tariff?

A. Yes. The Company is proposing to modify Section 1, Schedule B, Definitions; Section 2, Schedule A, Gas Cost Recovery; Section 5, Schedule H, TSS; and Section 6, Schedule C, Transportation T&Cs to clarify the requirements for mandatory capacity assignment, capacity exemption, TSS, Deferred Cost Responsibility, and Default Transportation Service. In addition, the Company has made other minor administrative language and formatting changes throughout the entire Tariff**.**

Q. Why is the Company proposing these changes?

A. During the 2013/2014 winter season, the Company experienced a greater influx Large and Extra Large FT-1 (i.e., daily metered firm transportation) customers returning to the Company for their gas supply resulting from their Marketers processing "drop" transactions via Electronic Data Interchange. As a result, the

Company undertook a comprehensive review of the Tariff, and determined it would be beneficial to further clarify the terms and conditions concerning the mandatory capacity assignment, capacity exemption, TSS, Deferred Cost Responsibility, and Default Transportation Service. In addition, the Company also revised the definition of Hedge Collateral Carrying Costs since the borrowing rate specified in the Tariff is no longer applicable. These changes are shown in the redlined version of the Tariff in Schedule AEL-1.

IV. <u>Mandatory Capacity Assignment</u>

Q. Please describe the Company's mandatory capacity assignment policy.

A. As discussed in the pre-filed testimony of Ms. Arangio, the Company assigns a pro rata share of its interstate pipeline resources at the Company's average cost of these resources to customers migrating to transportation service. The mandatory capacity assignment provision of the Tariff is currently set forth in the Company's Transportation T&Cs in Section 6, Schedule C, Item 1.07.0, Capacity Release (Schedule AEL-1, page 86).

Q. Is the Company proposing any changes to its mandatory capacity assignment policy in this filing?

A. No. The Company is only proposing changes to the Tariff to clarify this policy.

Q. Please describe the changes to the mandatory capacity assignment provisions in Section 6, Schedule C, Item 1.07.0, Capacity Release.

A. The first change is simply to update Item 1.07.0 to delete the terms "Non-Firm Sales" and "Non-Firm Transportation" from the first sentence, since capacity assignment does not apply to customers receiving non-firm service. The other change to this provision is to delete the language "may select" and insert the language "will receive" in the last sentence of the fourth paragraph of Item 1.07.0. This change is to reiterate the Company's existing policy that Default Transportation Service is the only option for an existing capacity exempt customer whose Marketer stops delivering gas on their behalf and who has not secured a new Marketer.

V. <u>Capacity Exemption</u>

Q. Please explain which customers are deemed capacity exempt?

A. A capacity exempt customer is a customer who has exercised its one-time option to waive the Company's mandatory capacity assignment. This election is currently set forth in the Transportation T&Cs at Section 6, Schedule C, Item 1.07.1, New Loads (Schedule AEL-1, page 88). In addition, "grandfathered" customers are capacity exempt as described in Ms. Arangio's testimony. Finally, a customer who receives non-firm service does not have an assignment of capacity from the Company due to the nature of this service, and is, therefore,

capacity exempt. Non-firm customers migrating to firm transportation service similarly have a one-time option to either retain or relinquish their capacity exemption under the Tariff.

Q. Please describe the changes to the Tariff regarding capacity exemption.

A. Certainly. First, the Company has added two new definitions to Section 1, Schedule B, Definitions. "Capacity Exempt Customer" and "Capacity Exemption" have been added to clarify that capacity exemption is based on the location or premise having a Capacity Exemption and is tied to gas usage without a mandatory pipeline capacity assignment from the Company. The new definition for Capacity Exemption also clarifies which customers will be deemed capacity exempt.

Second, as shown in Schedule AEL-1, pages 88-89, the Company has included language in Section 6, Schedule C, Items 1.07.1 and 1.07.2, to clarify the existing policy and process for both new firm customers and non-firm customers converting to firm transportation service to exercise their one-time right to elect to remain capacity exempt. For example, the revised Item 1.07.1 now includes express language requiring that new firm customers must notify the Company of their intent to be capacity exempt and must secure a Marketer. The Company has also added language in Item 1.07.1 to require a 60-day timeframe for the new

customer who has requested capacity exempt status to obtain a Marketer; otherwise, the customer will receive and be billed for Default Transportation Service.

Similarly, non-firm customers converting to firm transportation service must either request a capacity assignment from the Company or notify the Company of their intent to retain their capacity exempt status. Customers who have requested to retain their capacity exempt status must secure a Marketer; if they do not have one at the time they become firm transportation customers, they will receive and be billed for Default Transportation Service. The Company has added language in Item 1.07.2, as shown in Schedule AEL-1, page 89, to clarify this requirement and the qualifications for retaining a capacity exempt status. The proposed Item 1.07.2 also now lays out the process for customers who request an assignment of the Company's pipeline capacity.

VI. <u>Transitional Sales Service (TSS)</u>

Q. Please describe Transitional Sales Service.

A. TSS is available to customers who have a capacity assignment from the Company and migrate from firm transportation service to firm sales service. These customers pay a TSS surcharge in addition to the GCR factor through the following April 30 or, if the customer enters into a contractual commitment with

the Company to remain on firm sales service continuously for at least one year, are charged only the GCR factor.

Q. Please describe the proposed changes to the Tariff regarding TSS.

A. In Section 5, Schedule H of the Tariff (Schedule AEL-1, page 70), the Company has proposed the following changes to clarify its terms and conditions for TSS: (1) to explicitly state in Item 1.0 that TSS is not available to Capacity Exempt customers; (2) to clarify the general conditions for TSS to specify that customers who are transferring to firm sales service from firm transportation service and who have received an assignment of the Company's pipeline capacity will be subject to the provisions of TSS; (3) to clarify the language requiring that customers returning to firm sales service will be charged the TSS surcharge until the end of the first billing cycle after April 30 unless the customer, prior to their return to the Company for gas supply, enters into a contractual commitment with the Company to take firm sales service for at least one year; and (4) to clarify and correct the provisions concerning storage and peaking costs associated with a FT-1 customer's return to firm sales service.

VII. <u>Default Transportation Service</u>

Q. Please describe Default Transportation Service.

A. Default Transportation Service refers to the service available to Commercial and

Industrial (C&I) customers who are classified as Large or Extra Large that subscribe to FT-1 transportation service and who do not have a pipeline capacity assignment from the Company (i.e., are Capacity Exempt). Such customers who do not have a Marketer will receive Default Transportation Service until their gas supply is established with a Marketer.

Q. Please describe the changes to the Tariff regarding Default Transportation Service.

A. The Company is proposing a revision to the Transportation T&Cs, Section 6, Schedule C, Item 2.04.0, to include the calculation of the rates for Default Transportation Service. The PUC approved this calculation in Docket No. 2902. The inserted text is in Schedule AEL-1, page 95.

VIII. <u>Deferred Gas Cost Responsibility</u>

Q. Please describe the Company's deferred gas cost responsibility process.

A. All firm sales C&I customers have the option of electing to transfer to transportation service to purchase gas from a Marketer. To ensure that customers converting from firm sales service to firm transportation service pay their pro rata share of the current year's deferred gas cost balance, the Company proposed and the PUC approved, in Docket No. 3347, the provision for a one-time charge (or credit) assessed to the customer's account at the time transportation service is

initiated.

Q. Please describe the changes to the Tariff regarding Deferred Gas Cost Responsibility.

A. The Company has added the provision of the Deferred Gas Cost Responsibility in Section 2, Schedule A, Gas Cost Recovery Clause, Item 9.0, as shown in Schedule AEL-1, page 33.

IX. <u>Impact on 2014-2015 GCR Factor</u>

Q. Will the Company's proposed changes to the Tariff impact the proposed 2014-2015 GCR factors filed with the PUC on September 2, 2014?

A. Yes, if the PUC approves the proposed tariff changes effective November 1, 2014, the Company will need to revise its proposed 2014-2015 GCR factors filed with the PUC on September 2, 2014. The Company is planning on filing supplemental exhibits in Docket No. 4520 demonstrating the impact of these changes on the Company's proposed 2014-2015 GCR Filing.

X. <u>Conclusion</u>

Q. Does this conclude your testimony?

A. Yes.

Schedules of
Ann E. Leary

Schedules of Ann E. Leary

Schedule AEL-1	RIPUC NG-GAS 101 (Redlined Version)
Schedule AEL-2	RIPUC NG-GAS 101 (Clean Version)

Schedule AEL-1
Redlined Tariff

Schedule AEL-1

RIPUC NG-GAS 101 (Redlined Version)

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

Rhode Island Public Utilities Commission Tariff

RIPUC NG-GAS No. 101

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC NG-GAS No. 101

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GENERAL TERMS AND CONDITIONS

1.0 APPLICABILITY:

The following terms and conditions shall apply to and be a part of each Rate Classification now or hereafter in effect except as they may be expressly modified or superseded by Rhode Island Public Utilities Commission order.

2.0 RATES AND TARIFFS:

The Company furnishes natural gas service under rates and/or special contracts (Schedule of Rates) promulgated in accordance with the provisions of the Rhode Island General Laws and the regulations of the Rhode Island Public Utilities Commission ("~~RI~~PUC") and the Rhode Island Division of Public Utilities and Carriers ("Division"~~RIDPUC~~), all as may be in effect from time to time. Such Schedule of Rates, which includes these Terms and Conditions, is available for public inspection during normal business hours at the administrative offices of the Company and at the offices of the ~~RI~~PUC and the ~~RIDPUC~~Division or on the Company's website.

The Schedule of Rates may be revised, amended, supplemented or supplanted in whole or in part from time to time according to the procedures provided in the General Laws and the ~~RI~~PUC regulations. When effective, all such revisions, amendments, supplements or replacements will appropriately supersede the present Schedule of Rates. In case of conflict between these Terms and Conditions and any orders or regulations of the ~~RI~~PUC or the Division~~RIDPUC~~, said orders or regulations shall govern.

The provisions of these Terms and Conditions apply on a non-discriminatory and non-preferential basis to all persons, partnerships, corporations or others (hereinafter customers or the customer) who obtain natural gas distribution service from the Company pursuant to the Schedule of Rates.

No representative of the Company has the authority to modify orally any provision or rate contained in the Schedule of Rates or to bind the Company to any promise or representation contrary thereto. Any such modification to the Schedule of Rates or these Terms and Conditions shall be in writing and made in accordance with the provisions of the General Laws and pursuant to regulations of the ~~RI~~PUC and Division~~RIDPUC~~.

The Company will advise all new residential customers as to the least expensive rate available for the service based on the information in our records. Non-residential customers will be advised of the applicable rate based on a review of the available information in our existing records or as a result of a field inspection by the Company when the customer provides information which is inconsistent with Company records. The Customer is responsible for accurately describing its gas burning equipment and updating the Company as

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changes occur.

A Customer is entitled to change its customer account from one rate classification to another upon written application to the Company; provided, however that the customer account's use complies with the conditions specified in the requested rate classification. Once an election to change rate classifications has been made by the Customer, the customer account must remain on that rate for a period of not less than twelve months. In cases where the Customer requests a rate reclassification, no rebate will be granted for service rendered during the period the customer account was served under the previous rate classification, except in instances where the previous rate classification was due to an error by the Company.

3.0 OBTAINING SERVICE FROM THE COMPANY:

The Company shall furnish service to applicants under the filed rates and in accordance with these Terms and Conditions and the rules and regulations of the ~~RI~~PUC and Division~~RIDPUC~~. The furnishing of service and acceptance by the customer constitutes a contract under these provisions. The Company may require at least one person on behalf of all parties who will receive service to sign an application or contract. Application for gas service within the territory served by the Company will be received through any duly authorized representative of the Company.

The Company may accept oral or written application for residential service. Residential service may commence upon receipt by the Company of oral application, except that the Company reserves the right to require residential customers to show identification and proof of residency before commencing service. If residential service is commenced upon the receipt of oral application, then all residents at that address who have attained the age of majority may choose to execute a written application, thereby becoming parties to the contract. Non-residential service may commence upon oral application for an interim period pending the receipt of a duly executed written application and security deposit.

The Company reserves the right to refuse service, at any location, to an individual who is indebted to the Company for any service not in dispute before the Division~~RIDPUC~~, furnished to such individual at any location, or to such applicant or customer under another name. The Company will commence service if a reasonable payment plan for said indebtedness made in accordance with ~~RI~~PUC and Division~~RIDPUC~~ regulations is agreed to by the Customer and the Company. The Company reserves the right to refuse service to any non-residential applicant who has not paid a deposit as required by the Company.

A Customer shall be and remains the customer of record and shall be liable for service taken until such time as the Customer requests termination of service and a final meter reading is recorded by the Company. The bill rendered by the Company based on such final meter

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reading shall be payable upon receipt. Such meter reading and final bill shall not be unduly delayed by the Company. In the event that the Customer of record fails to give notice of termination of service to the Company or fails to provide access to the meter, the customer of record shall continue to be liable for service taken until the Company either disconnects the meter or a new party becomes a customer of the Company by taking service at such service location. Failure to make application for service shall not relieve a party from the obligation to apply and/or pay for service previously used.

The Company shall undertake to furnish service to the Customer for use only for his/her own purposes and only on the premises occupied through ownership or lease by the Customer, except as provided below. In cases where the Customer is a condominium association or the owner or manager of a commercial or residential rental property with over six (6) units, the Customer may allocate the Company charges for gas service to other gas users on the premises through any reasonable means, including properly installed submetering. In such situations where the Customer is allocating the Company charges for service to others, the burden is on the Customer, when requested by the Company, to demonstrate that the allocated charges are no greater than the Customer's bill from the Company. When allocating such charges, the Customer may separately include reasonable administrative fees. Natural gas sold by the Company to authorized natural gas vehicle filling stations may be re-metered or submetered by the Customer for resale to another or others.

On an annual basis the Company may notify all customers that if they are the owners of property and their tenants move out, the owner must provide written notification in advance that he/she wants gas left on at that premises in his/her name. If the Company does not receive advance written notice, the service may be terminated, and the Company will not be liable for any damages to the premises resulting from the termination of gas service.

3.1 BILLING TERMINATION ("Soft-Off"):

The Company and the ~~Rhode Island~~ Division ~~of Public Utilities and Carriers (the "Division")~~ have agreed to participate in a one-year pilot program (the "Pilot") with respect to the Company's "Soft-Off" termination policy, pursuant to a Settlement Agreement between the Company and the Division, as approved by the PUC~~Rhode Island Public Utilities Commission~~ on May 4, 2012. During the Pilot, where a customer has requested termination of service and an estimated or actual final meter reading is recorded, and the account is not subject to a shut-off order or request, the Company may choose to utilize a "Soft-Off" termination.

In the event of a termination of an account for which there is no unbilled consumption, a landlord may initiate an application for service in the landlord's name at that premises by either oral or written request in accordance with Section 1, Schedule A, Paragraph 3.0 of this

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tariff; provided however, that in the event of a termination of an account for which there is any unbilled consumption, a landlord may initiate an application for service in the landlord's name only upon providing the Company with a signed authorization. In addition, where the landlord has previously provided the Company a signed agreement, the Company may record the landlord as the customer of record for that account without further authorization.

When gas consumption at a premises where a Soft Off termination has been implemented exceeds 13 ccf in a month the Company will send a notification to the premises indicating that service will be terminated pursuant to the PUC's~~Commission's~~ and Division's rules and regulations governing the termination of service if an account is not established.

Once metered gas consumption at that premises exceeds an aggregate of 35 ccf or the account is still in a "Soft-Off" status for a consecutive period of 90 days, whichever occurs first, the Company will commence a termination action for the account, provided however that where such a termination action would affect the statutory and/or termination rights of other gas customers at that location, service will be terminated at the Soft Off premises as soon as the Company is able to accomplish the termination so as not to conflict with the rights provided under the PUC's~~Commission~~ and Division's rules and regulations governing the termination of service for the other customers.

4.0 SECURITY DEPOSITS:

Security deposits, letters of credit or bonds may be required and taken in accordance with rules and procedures promulgated by the PUC~~Rhode Island Public Utilities Commission~~ or other body having authority to regulate the Company. The Company reserves the right to refuse service to an applicant who has not paid a deposit as required by the Company. The rate of interest paid on deposits shall be adjusted annually on March l. The interest rate in effect in any year shall be based on the average rate over the prior calendar year for 10-year constant maturity Treasury Bonds as reported by the Federal Reserve Board.

5.0 SERVICE SUPPLIED:

The Company shall take reasonable care in providing regular and uninterrupted service to its firm customers, but whenever the Company deems that the situation warrants any interruption or limitation in the service to be rendered, such interruption or limitation shall not constitute a breach of the contract, and shall not render the Company liable for any damages suffered thereby by any person, or excuse the customer from further fulfillment of the contract.

The Company may refuse to supply service to loads of unusual characteristics which, in its sole judgment, might adversely affect the quality of service supplied to other customers, the

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public safety or the safety of the Company's personnel. In lieu of such refusal, the Company may require a customer to install any necessary regulating and protective equipment in accordance with the requirements and specifications of the Company.

Whenever the estimated expenditures necessary to supply gas to a customer(s) or to resume service to a customer following relocation of Company equipment for reasons other than the needs of the Company shall be of such an amount that the income to be derived from gas service at the applicable rates will, in the opinion of the Company, be insufficient to warrant such expenditure, the Company will require the customer(s) to pay a Contribution in Aid of Construction (CIAC) for meter relocation or for main and service extension. The level of the CIAC will be based on an economic analysis looking at appropriate impacts associated with the capital expenditures. A detailed written cost estimate will be provided to the Customer upon request.

The Company shall make application in a reasonable time for any necessary locations or other street permits required by public bodies for its pipes, mains and other apparatus, and shall not be required to supply service until a reasonable time after such approvals are obtained. The applicant for service shall obtain all other permits, certificates, licenses, easements and the like necessary to give the Company access to the applicant's equipment and to enable its pipes to be connected thereto.

The Customer shall notify the Company in writing before making any significant change in the Customer's gas equipment which would affect the capacity or other characteristics of the Company's facilities required to serve the Customer. The Customer shall be liable for any damage to the Company's property caused by Customer's additional or changed installation if made without prior notification to the Company.

All piping, equipment and apparatus on the premises of the Customer, excepting meters, underground service pipe, and governors, shall be furnished and put in place by the Customer, and shall conform to the requirements and regulations of the Company, and the Company shall not be required to supply gas unless such piping, equipment and apparatus at all times conform to the requirements and regulations of the State, City, and Town ordinances and laws and policies of the Company. The Company shall be under no obligation to make any inspection to ascertain whether the foregoing condition has been conformed with and shall be under no liability for any damages occasioned by any defect in such piping, equipment or apparatus or other property on the premises.

If temporary service is rendered, the customer shall pay the cost of service under the rate plus the cost of installing and removing all equipment and connections.

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6.0 INSTALLATION OF METERS:

The Company will furnish, install, connect and maintain such meter(s) as are necessary for metering gas service for Company billing purposes.

All gas service to be provided under a single service classification to a customer in a building will be rendered through a single meter except in the instances described in (1) and (2) below:

(1) The Company may elect to install more than one meter for gas service provided under a single service classification:

i. when the use of more than one meter is necessary to provide safe gas service;

ii. when the use of more than one meter is required by a municipal ordinance;

iii. when one meter cannot correctly measure the total gas service rendered;

iv. when the characteristics of gas service of the customer are such that at the time the service line was installed there was no single meter commercially available to measure the gas service correctly;

v. when more than one meter is required in order to render proper and reliable gas service without interruption;

vi. in other comparable circumstances where service cannot practically be rendered through a single meter.

Pursuant to (i) through (vi), when more than one meter is installed to measure the gas service of a single customer at a premises or building under a single service classification under the above listed circumstances, the registrations of the meters will be combined under one customer account and the bill computed as if all service had been rendered through a single meter.

(2) At the Customer's written request and at the Customer's expense, the Company will install more than one meter for a building or premises under a single service classification, in which case the quantity of gas supplied through each meter will be measured separately and the bills for each computed separately under the appropriate service classification(s).

Gas service provided to commercial and industrial customers for use by emergency

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back-up natural gas generators of more than 12 kW shall be separately metered subject to the Company's technical determination that more than one meter is required to correctly measure the total gas service rendered. Should the Company determine that this service be separately metered, the Company will issue a separate bill pursuant to a rate schedule applicable for the usage on the separate meter. Otherwise, if so determined by the Company to be technically feasible, the Company shall allow gas usage for emergency back-up natural gas generators to be measured by the Customer's existing meter.

(B) For residential gas services provided pursuant to prior tariff provisions that required that gas service for use by emergency back-up natural gas generators be separately metered and billed, when both meters are served under a single residential service classification, the registrations of the meters will be combined under one customer account and the bill computed as if all service had been rendered through a single meter. Should a residential customer request the removal of one of the meters, the Customer shall bear the cost of removing the meter and the cost of piping through the remaining meter. If the Company, at its sole discretion, decides to remove the additional meter, the Company will bear the cost of the removal of the meter and any piping cost.

7.0 BILLING AND READING OF METERS:

Bills are calculated and rendered on the basis of a customer account which shall have a unique identification number established for the billing of service provided through an individual meter, except for multiple metered customer accounts established pursuant to section (1) of Item 6.0 above, or aggregation pools established pursuant to the Company's Transportation Terms and Conditions, ~~in~~ Section 6, Schedule C of the tariff. A single Customer may have more than one customer account.

All bills are due within 25 days from the date of the bill. A late payment charge shall accrue on non-residential bills after 25 days in accordance with regulations of the ~~RI~~PUC and Division~~RIDPUC~~.

Whenever a check or draft presented for payment of service is not accepted by the institution on which it is written, a returned check charge of $15 applies, per check or draft written. Such returned check charge shall be waived for customers eligible for low-income assistance programs.

The Customer shall be responsible for all charges for distribution and gas service furnished by the Company under the applicable rates as filed from time to time with the ~~RI~~PUC, from the time service is commenced until it is terminated.

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Annually in August the Company will review the gas consumption of each non-residential firm customer account for the just ended September through August period to determine if any customer account qualifies for a different rate class. If any such customer account does qualify for a different rate class based on this billing information, then commencing with the September billing month that customer account will be billed under that new rate class.

Properly authorized representatives of the Company shall have the right to access the Customer's premises at all reasonable times and intervals for the purpose of reading, installing, examining, repairing, replacing or removing the Company's meters, meter reading devices, pipes and other gas equipment and appliances, in accordance with the General Laws, public regulations and Company policy in effect from time to time. The Customer shall be responsible for providing accessibility to the above metering and equipment belonging to the Company.

Readings taken by an automated meter reading device will be considered actual readings for billing purposes.

The Company shall maintain the accuracy of all metering equipment installed pursuant hereto by regular testing and calibration in comparison to recognized standards and in accordance with ~~RI~~PUC and Division~~RIDPUC~~ regulations. A meter shall be deemed to be registering correctly if it appears from examination or test that it does not vary more than two percent (2%) from the standard approved by the Division~~RIDPUC~~.

In the event that the Company obtains inaccurate meter readings for any reason or in case any meter shall for any reason fail to register the full amount of gas supplied or the maximum demand of any customer account for any period of time, the amount of the bill of such customer account shall be estimated by the Company from available data. Such estimated bills shall be payable as rendered unless a customer disputes such estimate in accordance with procedures established by the Division~~RIDPUC~~.

The Company will notify the Customer whenever it obtains information indicating that gas is being diverted from the customer's service or that the meter has been tampered with. The Customer will be held responsible to the Company for any leakage or other use of gas which may occur beyond the point of the meter installation.

Unless otherwise determined by the Company, all residential premises shall be equipped with a meter that employs Automatic Meter Reading ("AMR") technology utilizing radio frequency transmitters to allow the Company to obtain meter readings remotely. However, residential customers may choose to "opt-out" by having their AMR meter replaced with a non-AMR meter.

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Customers who choose to opt-out will be charged an initial fee of $74.00 for the removal of the existing AMR gas meter and the installation of the non-AMR gas meter.

Customers who choose to opt-out will also be charged a monthly meter reading fee of $13.00 for the non-AMR gas meter. The meter reading fee is applicable to Customers who receive gas and electric service, or receive gas-only service, from the Company. The Company, at its option, may choose to read the non-AMR meter less frequently than once per month. In that case, or if the Company is unable for any reason to read the meter on the regularly scheduled monthly read date, the Company shall make a reasonable estimate of the consumption of gas during those months when the meter is not read, based on available data, and such estimated bills shall be payable as rendered.

A Customer will not be assessed the initial or monthly fee until after the Company has installed the non-AMR gas meter.

Any opt-out Customer who subsequently wishes to have an AMR gas meter re-installed will be charged a "re-installation fee" of $74.00. The re-installation fee will be charged for the removal of the non-AMR gas meter and the installation of the AMR gas meter.

Any Customer electing re-installation will no longer be assessed the special monthly gas meter reading fee after the AMR meter has been re-installed.

8.0 DISCONTINUANCE OF SERVICE:

Subject to the applicable regulations of the ~~RI~~PUC and Division~~RIDPUC~~, the Company shall have the right to discontinue gas service to the Customer and to remove or disconnect its meters and piping for nonpayment of bills for gas service. The customer shall be responsible for paying the cost of reconnecting gas service if the service is disconnected for nonpayment of bills or a $25 account restoration charge in the case of a turn-on after a shut-off for nonpayment of bills. Such account restoration charge shall be waived for Customers eligible for low-income assistance programs.

The Company reserves the right to disconnect its service at any time without notice or to refuse to connect its service if to its knowledge and in its judgment the Customer's installation has become or is unsafe, defective or in violation of the Company's policies or any ordinances, laws, codes or regulations.

In the event that any action by the Customer or others shall cause a condition in the premises occupied by any customer whereby life or property is endangered, the Company may discontinue service to said premises regardless of the number of occupants or tenants of said

GENERAL TERMS AND CONDITIONS

premises.

Whenever the Company shall have proof that any customer is diverting and/or stealing service, the Company may discontinue its service to such customer and remove the meter.

9.0 COMPANY INSTALLATION AND PROPERTY:

All meters, services and other gas equipment owned by the Company shall be and will remain the property of the Company and no one other than an employee or authorized agent of the Company shall be permitted to remove, operate, or maintain, such property. The Customer shall be responsible for all damage to, or loss of, such property unless occasioned by circumstances beyond the Customer's control. Such property shall be installed at points most convenient for the Company's access and service and in conformance with public regulations in force from time to time. The costs of relocating such property shall be borne by the Customer when done at the Customer's request, or for his convenience, or if necessary to remedy any violation of public law or regulation caused by the Customer.

The Company shall provide and maintain the necessary housing, fencing, barriers and foundations for the protection of the equipment to be installed upon the customer's premises. Such space, housing, fencing, barriers and foundations shall be in conformity with applicable laws and regulations and subject to the Company's specifications and approval.

10.0 SUPPLY OF GAS:

The Company shall make every reasonable effort to maintain an uninterrupted supply of gas for all firm customers, but it shall not be liable for loss or damage caused by reason of any interruption or reduction of the supply, or by reason of any abnormal pressure or quality of the gas, whether as a result of accident, labor difficulties, condition of fuel supply, the actions of any public authority, failure to receive any gas for which in any manner it has contracted, the implementation in accordance with good utility practice of an emergency load reduction program by the Company or one with whom it has contracted for a supply of gas, or inability for any other reason beyond the Company's control to maintain normal pressure or quality, or uninterrupted and continuous service.

Whenever the integrity of the Company's system or the supply of gas is believed to be threatened by conditions on its system or upon the systems with which it is directly or indirectly interconnected, the Company may, in its sole judgment, curtail or interrupt gas service or reduce pressure and such action shall not be construed to constitute a default nor shall the Company be liable therefore in any respect. The Company will use reasonable efforts under the circumstances to overcome the cause of such curtailment, interruption or reduction and to resume full performance.

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The Company shall be excused from performing under the Schedule of Rates and shall not be liable in damages or otherwise if and to the extent that it shall be unable to do so or prevented from doing so by statute or regulation or by action of any court or public authority having or purporting to have jurisdiction in the premises; or by loss, diminution or impairment of gas supply from its suppliers or the systems of others with which it is interconnected; or by reason of storm, flood, fire, earthquake, explosion, civil disturbance, labor dispute, act of God or public enemy, failure of any supplier to perform, restraint by any court or regulatory agency, or any other intervening cause, whether or not similar thereto; the Company shall use reasonable efforts under the circumstances to overcome such cause and to resume full performance.

The foregoing shall not alter the Company's liability under applicable legal standards for damages in the case of its negligent or intentionally wrongful conduct with respect to any act or failure to act by the Company.

11.0 COMPANY LIABILITY:

The Company shall not be liable for any loss or damage resulting from the use of gas or the presence of the Company's appliances and equipment on the customer's premises unless such loss or damage results directly and solely from the Company's negligence.

The Company shall not, in any event except that of its own negligent acts or omissions, be liable to any party for any direct, consequential, indirect or special damages, whether arising in tort, contract or otherwise, by reason of any services performed, or undertaken to be performed, or actions taken by the Company, or its agents or employees, under the Schedule of Rates or in accordance with or required by law, including, without limitation, termination of the customer's service.

The customer assumes full responsibility for the proper use of gas furnished by the Company and for the condition, suitability and safety of any and all equipment on the Customer's premises, or owned or controlled by the Customer which is not the Company's property. The Customer shall indemnify and save harmless the Company from and against any and all claims, expenses, legal fees, losses, suits, awards or judgments for injuries to or deaths of persons or damage of any kind, whether to property or otherwise, arising directly or indirectly by reason of (1) the routine presence in or use of gas from pipes owned or controlled by the Customer; or (2) the failure of the Customer to perform any of his or her duties and obligations as set forth in the Schedule of Rates where such failure creates safety hazards; or (3) the Customer's improper use of gas or gas appliances. Except as otherwise provided by law, the Company shall be liable for damages claimed to have resulted from the Company's conduct of its business only when the Company, its employees or agents have

GENERAL TERMS AND CONDITIONS

acted in a negligent, or intentionally wrongful manner.

DEFINITIONS

Actual Base Revenue Per Customer: The actual base revenue for a rate class for a month divided by the actual number of customers billed for each rate class in the month.

Actual Transportation Quantity: The quantity of gas actually received during the Gas Day as measured by the metering equipment at the Point(s) of Receipt, adjusted for the applicable Company Fuel Allowance.

Aggregation Pool: One or more transportation Customer accounts whose gas usage is aggregated into a Marketer's account for operational purposes, including but not limited to nominating, scheduling and balancing gas deliveries to specified Point(s) of Receipt.

AGT Costs: Advanced Gas Technology program costs as approved by the PUC~~Rhode Island Public Utilities Commission~~.

Average Normalized Winter Day Usage: A Customer's average normal winter day's usage, based on their actual gas usage during the most recent November through March period, adjusted for normal degree days, as approved in the most recent rate case proceeding.

Base Revenue: Base Revenue is the sum of the customer charge, variable distribution charges and demand charges for firm service rate classes. Base Revenue is net of Gross Earnings Tax (GET).

BTU content factor: One British thermal unit, i.e., the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit at sixty degrees (60°) Fahrenheit. A Therm is one hundred thousand Btus. The BTU content factor for a given volume shall be calculated by the Company on a seasonal basis at the end of October and the end of April based upon an average of the Transporting Pipeline's prior six-month experience of recorded BTU factors.

Capacity Release Revenues: Revenues derived from the sale of capacity upstream of the city-gate.

Capacity Exempt Customer: Any Customer who is the customer of record at a location having a

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Capacity Exemption.

Capacity Exemption: A location having Gas Usage that is not subject to a mandatory pipeline capacity assignment from the Company. Customers are capacity exempt if they (1) elected to retain their Capacity Exemption at a specific location as part of the 1999 revisions to the Company's Business Choice program in Docket RIPUC 2902, (2) receive delivery service on the Company's Non-Firm Sales or Non-Firm Transportation rate schedules, or (3) elected capacity exemption as a New Customer in accordance with Section 6, Transportation Terms and Conditions, Schedule C, Part 1.07.1.

~~Commission The Rhode Island Public Utilities Commission (RIPUC).~~

Company Fuel Allowance**:** The quantity in Therms (as calculated on a percentage basis) by which the gross amount of gas received for Customer's account at the Point(s) of Receipt is reduced in kind in order to compensate the Company for gas loss and unaccounted for, Company use or similar quantity-based adjustment.

Consumption Algorithm**:** A mathematical formula used to calculate a Customer's daily consumption based on the Customer's historical base load and heat use per heating degree day factor.

Critical Day: Defined as any day where supply resource constraints are expected to adversely impact the operation of the Company's distribution system. A Critical Day may occur under conditions, such as severe cold temperatures, pipeline emergencies, malfunctions or unusual, out-of-season weather conditions.

Customer: Any party(s) that has obtained service from the Company pursuant to the General Terms and Conditions or pursuant to the Transportation Terms and Conditions.

Daily Index: The mid-point of the range of prices for the respective New England Citygates as published by Gas Daily under the heading "Daily Price Survey, Midpoint, Citygates, Algonquin citygates" and "Daily Price Survey, Midpoint, Citygates Tennessee/Zone 6 (delivered)" for the

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relevant Gas Day listed under "Flow date(s)." In the event that the Gas Daily index becomes unavailable, the Company shall apply its daily marginal cost of gas as the basis for this calculation until such time that ~~RI~~PUC approves a suitable replacement.

Deferred Balance: The difference between incurred costs and revenues received.

Deferred Gas Cost Balance: The difference between gas costs incurred and gas revenues received.

Dekatherm (Dt): Ten Therms or one million Btu's (MMBtu).

Design Winter Sales Sendout: Sales sendout of Residential Non-Heating, Residential Heating, Small C&I, Medium C&I, Large Low and High Load C&I, and Extra Large Low and High Load C&I during November through March based on design winter temperatures.

Division The Rhode Island Division of Public Utilities and Carriers. ~~(RIDPUC)~~

Electronic Bulletin Board (EBB): An internet web site which allows both the Company and Marketers to electronically post nominations and other transportation-related information.

EDI Electronic Data Interchange, the system by which the Company and Marketers initiate transactions and share information.

Environmental Response Costs: All reasonable and prudently incurred costs associated with evaluation, remediation, clean-up, litigation, claims, judgments, insurance recovery (net of proceeds), and settlements arising out of the Company's utility-related ownership, operation, or use of: (1) manufactured gas production and storage facilities and disposal sites where wastes and materials from such facilities were deposited; (2) mercury regulators; and (3) meter disposal. Also included are the reasonable and prudently incurred costs for acquiring plant, property and equipment to facilitate remediation and other appropriate environmental management objectives in connection with the above sites, properties, and activities. The Company will use its best efforts

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to minimize Environmental Response Costs consistent with applicable regulatory requirements and sound environmental management policies and practices.

Forecasted Daily Usage (FDU): Customer's estimated daily consumption for the next gas day as calculated by the Company based upon a forecast of heating degree days and the consumption algorithm.

Gas Day: A period of twenty-four (24) consecutive hours beginning at 10:00 am (EST) and ending at 10:00 am (EST) the next calendar day.

Gas Usage: The actual quantity of gas used by the Customer as measured by the Company's metering equipment at the Point of Delivery and converted to Therms.

Hedge Collateral: Funds the Company is required to put up as collateral on hedge positions by an Exchange or counterparty, or funds it receives from an Exchange or counterparty as collateral.

Hedge Collateral Carrying Costs: For the month being calculated, carrying costs equal the total of the following: (1) For each Exchange or counterparty holding the Company's collateral, the monthly short term borrowing rate defined as~~(The monthly average for~~ the Company's money pool rate~~ for high grade 30-day commercial paper sold through dealers by major corporations as published in the Wall Street Journal)~~, times the average hedge collateral daily balance for the month divided by 12. Less (2) for each Exchange or counterparty where the Company holds their collateral, the monthly short term borrowing rate times the average hedge collateral daily balance for the month divided by 12. Less (3) any interest paid to the Company by the Exchange or counterparty on the collateral funds it holds.

The Company will recover carrying costs from customers or credit customers for carrying costs through the Gas Adjustment. In the event the Company chooses to meet its collateral obligations by posting a letter of credit or other non-cash instrument, the carrying cost will be the direct costs of the letter of credit or alternative non-cash instrument.

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Imbalance:	The difference between the Actual Transportation Quantity and Gas Usage.
Interest on Deferred Balance:	Interest revenue/expense required to finance the deferred balance based on the Bank of America Prime Rate less 200 basis points (2%) as in effect from time to time.
Inventory Finance Charge:	Finance charges associated with the storage of natural gas as calculated using a working capital calculation.
Local Storage Costs:	Costs associated with the investment, operations and maintenance of natural gas storage downstream of the city-gate.
Low Income Assistance Programs:	Programs for assisting low income customers with their energy bills including, but not limited to, Low Income Heating Assistance (LIHEAP) and Low Income Weatherization, as in effect from time to time.
Marginal Gas Cost:	The variable cost of the Company's marginal source of supply for the Gas Day. Incremental Cost is a synonymous term.
Marketer:	An entity meeting the eligibility requirements of Section 6 Schedule C, Item 5.03 that is designated in a Transportation Service Application by the Customer to act on its behalf for nomination, notification, scheduling, balancing and receipt of communications, and which has executed a Marketer Aggregation Pool Service Agreement. A Customer may designate itself as the Marketer provided that they have an executed service agreement with the Transporting Pipeline or provide proof of contract to purchase the gas at the Company's city gate.
Maximum Daily Quantity:	The maximum quantity of gas a customer is authorized to use during the gas day.
Monthly Index:	The simple average of the Daily Indices for the applicable month.

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Net Insurance Recoveries: Proceeds recovered from insurance providers and third parties for Environmental Response Costs, less the cost of obtaining such proceeds through claims, settlements, and litigation.

New Customer: A Customer taking a supply of gas at a new Point of Delivery that has not been previously served ~~on a firm sales service basis~~ by the Company.

Non-Firm Customer: A customer who receives service under the Company's Non-Firm rate service.

Non-Firm Transportation Margin: Margins derived from the transportation of natural gas to non-firm customers downstream of the city gate.

Off-System Sales Margins: Margins derived from the sale of natural gas upstream of the city-gate.

Operational Flow Order: The Company's instruction to Marketers and/or Customers to take such action as conditions require, including, but not limited to, diverting gas to or from the Company's distribution system pursuant to Section 6, the Transportation Terms and Conditions, Schedule C, Item 1.04.2.

Peak Day Use: The estimated use of a customer on the forecasted Gas Day during which the Company's system experiences the highest aggregate Gas Usage. It is calculated by estimating the customer's average use on a day when heat is not required (the baseload use) and the average use per degree day (the heating use) based on the customer's historical usage history. In the event the customer's historical usage is unavailable or not representative of expected future use, the Company will evaluate the customer's gas equipment and its projected utilization in order to calculate the customer's estimated use. The Peak Day Use equals the baseload use plus the product of the use per degree day times the design degree day value as approved by the ~~Rhode Island~~ PUC.

Pipeline Costs: Costs associated with the entitlement and transmission of natural gas on the interstate pipeline system.

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Pipeline Shipper(s):	The party(s) from whom a Marketer has purchased gas to be delivered to and transported by the Company.
Point of Delivery:	A location at which the Company's distribution facilities are interconnected with the Customer's facility.
Point(s) of Receipt:	Outlet side of the measuring station at the interconnection between the Transporting Pipeline and the Company's distribution facilities where gas will be received by the Company for transportation service in its service territory.
PUC	The Rhode Island Public Utilities Commission.
Purchased Gas Working Capital:	The working capital required to finance the Company's purchased gas.
Refunds:	Refunds from pipeline, storage and suppliers.
Scheduled Transportation Quantity:	The quantity of gas scheduled by the Marketer to be received by the Company for Customer's account during the Gas Day at the Point of Receipt, including the applicable Company Fuel Allowance.
Service Quality Performance Fund:	Deferred account containing accumulated Service Quality adjustments.
Soft-Off	The termination of an account by the Company for billing purposes where there is no new customer of record and the actual flow of gas to the premises is not disconnected.
Supplier Costs:	Costs associated with the entitlement and purchase of natural gas.
Target Revenue Per Customer:	For the period through January 31, 2013, the target revenue per customer established in Docket 4206, thereafter a target average revenue per customer amount established in the most recent rate case.
Therm:	An amount of gas having a thermal content of 100,000 Btus.
Transportation Imbalance Revenues:	Revenues associated with daily and monthly imbalances for

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	transportation customers, as included in the Company's Terms and Conditions of Firm Transportation.
Transporting Pipeline:	The party(s) engaged in the business of rendering transportation service of natural gas in interstate commerce subject to the jurisdiction of the Federal Energy Regulatory Commission, which are transporting gas for Marketer to a Point of Receipt of the Company.
Upstream Storage Costs:	Costs associated with the entitlement, injection, withdrawal and storage of natural gas upstream of the city-gate.
Working Capital:	The dollar amounts required to support the Company's activities prior to the receipt of revenue.

TAXES AND SURCHARGES

1.0 RHODE ISLAND GROSS EARNINGS TAX:

Unless otherwise indicated, all rates exclude an amount necessary for the payment of Rhode Island Gross Earnings Tax. An amount necessary for the payment of Rhode Island Gross Earnings Tax will be separately identified on bills rendered to customers.

2.0 GROSS EARNINGS TAX REDUCTION FOR MANUFACTURERS:

Consistent with the gross earnings tax exemption provided in Section 44-13-35 of Rhode Island General Laws, eligible manufacturing customers will be billed the applicable Rhode Island Gross Earnings Tax ("GET"). The Customer is responsible for providing to the Company in writing its tax exemption number and other appropriate documentation. If the Company collected any taxes or assessments from the Customer and is later informed by the Customer that the Customer is exempt from such taxes, it shall be the Customer's responsibility to obtain any refund from the appropriate governmental taxing agency.

Eligible manufacturing customers are those Customers who have on file with the Company a valid certificate of exemption from the Rhode Island sales tax (under section 44-18-30 (7) of Rhode Island General Laws) indicating the Customer's status as a manufacturer. If the Division of Taxation (or other Rhode Island taxing authority with jurisdiction) disallows any part or all of the exemption as it applies to a Customer, the Customer will be required to reimburse the Company in the amount of the credits provided to such Customer which were disallowed, including any interest required to be paid by the Company to such authority.

The Division of Taxation has indicated that it will generally deem 95% of manufacturer's volumes to be for "manufacturing use" eligible for the reduced manufacturer's Gross Earnings Tax rate. Thus, unless usage is separately metered for manufacturing only, 95% of billed amounts for qualified customers will be deemed to be for manufacturing purposes and eligible for the manufacturer's GET credit, whereas the remaining 5% of the billed amount will be subject to the standard GET rate. If usage is separately metered for manufacturing use only, the entire amount will be subject to the reduced manufacturing GET rate.

No other use of gas will be included in this rate for billing purposes.

3.0 OTHER RHODE ISLAND TAXES:

Where applicable at rate or rates in effect from time-to-time.

TAXES AND SURCHARGES

4.0 ~~GAS~~ ENERGY EFFICIENCY SURCHARGE:

As provided for in Section 39-1-27.7 and Section 39-2-1.2 of Rhode Island General Laws, a charge per dekatherm (Dt) designed to recover the costs of the Company's gas Energy Efficiency Program ("EEP").

With the filing of the Company's EEP plan for the upcoming calendar year, the Company will file its EEP per Dt charge on or before November 1 of each year, for effect the following January 1. The EEP charge will be designed to collect the estimated costs of the Company's EEP plan for the upcoming calendar year plus a full reconciliation of all costs and revenues for the current year including a reconciliation of forecasted revenue and costs for months of the current year for which actual data is not available at the time of the filing. Any projected amounts included in the EEP charge filing are subject to reconciliation to actual amounts and any difference will be reflected in a future EEP charge filing. Upon approval by the PUC~~Commission~~, such a charge (adjusted for GET and the uncollectible percentage approved in the most recent rate case proceeding) shall become effective with usage on or after the effective date.

The Company may file to change the EEP charge at any time should significant over- or under-recoveries occur.

GAS COST RECOVERY CLAUSE

1.0 GENERAL:

1.1 Purpose:

The purpose of this clause is to establish procedures that allow the Company, subject to the jurisdiction of the ~~Rhode Island Public Utilities Commission ("RI~~PUC~~")~~, to annually adjust its rates for firm sales and the weighted average cost of upstream pipeline transportation capacity in order to recover the costs of gas supplies, pipeline and storage capacity, production capacity and storage, purchased gas working capital, and to credit supplier refunds, capacity credits from off-system sales and revenues from capacity release transactions.

The Gas Cost Recovery Clause shall include all costs of firm gas, including, but not limited to, commodity costs, demand charges, hedging and hedging related costs, local production and storage costs and other gas supply expense incurred to procure and transport supplies, transportation fees, inventory finance costs, requirements for purchased gas working capital, all applicable credits, taxes, and deferred gas costs. Any costs recovered through the application of the Gas Charge shall be identified and explained fully in the annual filing.

1.2 Applicability:

The Gas Charge shall be calculated separately for the following rate groups:

(1) Residential Non-Heating, Low Income Residential Non-Heating, Large C&I High Load Factor, Extra Large C&I High Load Factor;
(2) Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large C&I Low Load Factor, and Extra Large C&I Low Load Factor; and
(3) FT-2 Firm Transportation – Marketers.~~;~~

The Company will make annual Gas Charge filings based on forecasts of applicable costs and volumes and annual Reconciliation filings based on actual costs and volumes. The Gas Charge shall become effective with consumption on or after November 1 as designated by the Company. In the event of any change subsequent to the November effective date which would cause the estimate of the Deferred Gas Cost Balance to differ from zero by an amount greater than five percent (5%) of the Company's gas revenues, the Company may make a Gas Charge filing designed to eliminate that non-zero balance.

Unless otherwise notified by the ~~RI~~PUC, the Company shall submit the Gas Charge

GAS COST RECOVERY CLAUSE

filings no later than sixty (60) days before they are scheduled to take effect. The Annual Reconciliation filing will be made by ~~August~~July 1 of each year containing actual data for the twelve months ending March 31 of that year.

2.0 GAS CHARGE FACTORS

2.1 Gas Charges to Sales Customers:

The Gas Charge consists of two (2) components: (1) Fixed Costs and (2) Variable Costs. These components shall be computed using a forecast of applicable costs and volumes for each firm rate schedule based on the following formula:

$$GC_S = FC_S + VC_S$$

Where:

GC_S Gas Charge applicable to High Load Factor sales rates (Residential Non-Heating, Low Income Residential Non-Heating, Large and Extra Large High Load C&I) and Low Load Factor sales rates (Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large and Extra Large Low Load C&I).

FC_S Fixed Cost Component for a rate classification. See Item 3.1 for calculation.

VC_S Variable Cost Component for a rate classification. See Item 3.2 for calculation.

This calculation will be adjusted for the uncollectible percentage approved in the most recent rate case proceeding and the Gas Charges to Sales Customers are subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

2.2 Gas Charge to FT-2 Marketers:

The FT-2 Demand Rate (SDC_M) recovers fixed costs associated with storage and peaking resources including pipeline supplies designated by the Company for peaking purposes. See item 3.3 for calculation.

The FT-2 Variable Charges for underground storage components consist of the following:

GAS COST RECOVERY CLAUSE

SLF — The Company's weighted average loss factor on storage withdrawals across all storage contracts.

WWCC — The Company's weighted average commodity cost of storage withdrawals under all storage contracts.

PLF — The Company's weighted average loss factor on pipeline contracts used to deliver storage withdrawals to the system.

PCC — The Company's weighted average commodity cost on pipeline contracts used to deliver storage withdrawals to the system and the weighted average commodity cost of pipeline supplies designated by the Company for peaking purposes.

This calculation will be adjusted for the uncollectible percentage approved in the most recent rate case proceeding and the Gas Charges to Sales Customers are subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

3.0 GAS CHARGE CALCULATIONS

3.1 Supply Fixed Cost Component:

The Supply Fixed Cost Component shall include all fixed costs related to the purchase, storage, or delivery of firm gas, including, but not limited to, pipeline and supplier fixed reservation costs, demand charges, operation and maintenance costs for storage facilities and other fixed gas supply expense incurred to transport or store supplies, transportation fees, and requirements for purchased gas working capital. Any costs recovered through the application of the Supply Fixed Cost Component shall be identified and explained fully in the annual filing.

The Supply Fixed Cost Component is calculated for each applicable rate schedule as follows:

$$FC_S = \frac{DWS_S * (TC_{FC} - TR_{FC} + WC_{FC} + R_{FC} - (SDC_M * MDQ_{SM} * 12))}{Dt_S}$$

Where:

GAS COST RECOVERY CLAUSE

FC_S Supply Fixed Cost Component for High Load Factor rates (Residential Non-Heating, Low Income Residential Non-Heating, Large High Load C&I and Extra-Large High Load C&I) and Low Load factor rates (Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large Low C&I and Extra Large Low Load C&I).

DWS_S Percent of Design Winter Sales Sendout (November - March) for High Load Factor rates (Residential Non-Heating, Low Income Residential Non-Heating, Large High Load C&I and Extra-Large High Load C&I) and Low Load factor rates (Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large Low C&I and Extra Large Low Load C&I).

TC_{FC} Total Fixed Costs, including, but not limited to pipeline, storage, and supplier reservation and supply related local production and storage costs. The level of supply-related local production and storage costs shall be as determined in the Company's most recent rate case proceeding.

TR_{FC} Credits to Fixed Costs relating to supply services, including, but not limited Marketer capacity release revenues and the amount forecasted to customers under the Natural Gas Portfolio Management Plan ("NGPMP") for the November to October period.

WC_{FC} Working Capital requirements associated with Supply Fixed Costs. See Item 5.0 for calculation.

R_{FC} Deferred Fixed Cost Account Balance as of October 31, as derived in Item 6.0 less the amount guaranteed to customers under the ~~Natural Gas Portfolio Management Plan (~~NGPMP~~)~~ and, following approval by the PUC~~Commission~~, the net positive revenue from optimization transactions reduced by the guaranteed amount and the Company incentive under the Plan.

SDC_M FT-2 Storage Demand Charge rate charged to Marketers based on their Maximum Daily Quantity of storage gas. See Item 3.3 for calculation.

MDQ_{SM} Storage Forecast of Maximum Daily Quantity to be billed to Marketers.

GAS COST RECOVERY CLAUSE

Dt_S Forecast of annual sales to Residential Non-Heating, Low Income Residential Non-Heating, Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large Low and High Load C&I, and Extra Large Low and High Load C&I.

3.2 Supply Variable Cost Component:

The Supply Variable Cost Component shall include all variable costs of firm gas, including, but not limited to, commodity costs, taxes on commodity and other gas supply expense incurred to transport supplies, transportation fees, and requirements for purchased gas working capital, storage commodity costs, taxes on storage commodity and other gas storage expense incurred to transport supplies, transportation fees, inventory commodity costs, and inventory financing costs. Any costs recovered through the application of the Supply Variable Cost Component shall be identified and explained fully in the annual filing.

The Supply Variable Cost Component is calculated for each applicable rate schedule as follows:

$$VC = \frac{TC_{VC} - TR_{VC} + WC_{VC} + R_V + IF_s}{Dt_{VC}}$$

Where:

VC Supply Variable Cost Component for High Load Factor rates (Residential Non-Heating, Low Income Residential Non-Heating, Large and Extra Large High Load C&I) and Low Load Factor rates (Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large and Extra Large Low Load C&I).

TC_{VC} Total Supply Variable Costs, including, but not limited to pipeline, supplier, storage, commodity-billed pipeline transition costs, and any hedge, hedging related cost or the carrying cost on hedge collateral.

TR_{VC} Total Credits to Supply Variable Costs, including, but not limited to balancing commodity charge revenues and transportation imbalance charges.

WC_{VC} Working Capital requirements associated with Total Supply Variable

GAS COST RECOVERY CLAUSE

Costs. See item 5.0 for calculation.

R_V Deferred Cost Account Balance as of October 31, as derived in Item 6.0 plus the net of any Gas Procurement Incentives/Penalties associated with the Gas Procurement Incentive Plan.

Dt_{VC} Forecast of annual sales to Residential Non-Heating, Low Income Residential Non-Heating, Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large Low and High Load C&I, and Extra Large Low and High Load C&I.

IF_S Inventory Finance Cost as calculated in 4.0 below.

3.3 FT-2 Storage Demand Charge:

The FT-2 Storage Demand Charge (SDC_M) shall include all fixed costs related to the operations, maintenance, and delivery of storage, including, but not limited to, the supply-related portion of local production and storage costs as determined in the most recent rate case proceeding, delivery of storage gas to the Company's Distribution System, Storage Inventory Financing Charges and requirements for purchased gas working capital. Any costs recovered through the application of the Storage Demand Charge shall be identified and explained fully in the annual filing.

The Storage Demand Charge Component is calculated for the FT-2 rate schedule as follows:

$$SDC_M = \frac{TFC_S + IF_S + WC_S}{MDQ_S \text{ X } 12}$$

Where:

SDC_M FT-2 Storage Demand Charge in $/per Maximum Daily Quantity of Storage gas to be charged to Marketers.

TFC_S Total Storage Fixed Costs, equals all fixed costs of storage, including, but not limited to, the supply related portion of local production and storage costs, taxes on storage, ~~and~~ any demand or fixed charges associated with storage or delivery of storage gas to the Company's Distribution System, and any demand or fixed pipeline reservation

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charges designated by the Company as a peaking resource. The level of supply-related local production and storage costs shall be as determined in the most recent rate case proceeding.

IF_S Inventory Finance Cost as calculated in 4.0 below.

MDQ_S The total maximum daily quantity of storage gas in Dekatherms deliverable to the Company's Distribution System using the LNG facilities, storage resources, and pipeline contracts related to storage delivery.

WC_{FC} Working Capital requirements associated with Supply Fixed Costs. See Item 5.0 for calculation.

4.0 INVENTORY FINANCING:

$$IFs = (ASB_U + ASB_L) * COC$$

Where:

IF_S Inventory Finance Charges for storage

ASB_U Average underground storage balance

ASB_L Average LNG storage balance

COC Weighted Pre-tax Cost of Capital, consisting of three components: Short-term Debt, Long-term Debt, and Common Equity. The Common Equity components shall reflect the rates approved in the most recent rate case proceeding. The Short-term debt component shall be based on the Company's actual short-term borrowing rate for the twelve months ended March as presented in the Company's annual Distribution Adjustment Clause Filing.

5.0 WORKING CAPITAL REQUIREMENT:

$$WC_M = WCA_M * [DL / 365] * COC$$

Where:

WC_M Working Capital requirements of Supply Fixed (WC_{FC}) and, Storage Fixed

GAS COST RECOVERY CLAUSE

(WC_{SFC}), Supply Variable (WC_{SV}), Storage Variable Product (WC_{SVC}) or Storage Variable Non-product (WC_{SVNC}) Cost Components.

WCA_M Working Capital Allowed in the Supply Fixed, Storage Fixed, and Supply Variable, Storage Variable Product, or Storage Variable Non-product Cost component calculations.

DL Days Lag approved in the most recent rate case proceeding.

COC Weighted Pre-tax Cost of Capital, consisting of three components: Short-term Debt, Long-term Debt, and Common Equity. The Common Equity components shall reflect the rates approved in the most recent rate case proceeding. The Short-term debt component shall be based on the Company's actual short-term borrowing rate for the twelve months ended March as presented in the Company's annual Distribution Adjustment Clause (DAC) filing in support of the Earnings Sharing Mechanism (ESM). The long-term debt component will be based on the Company's actual long-term borrowing rate as presented in the Company's annual DAC filing.

6.0 DEFERRED GAS COST ACCOUNTS:

The Company shall maintain two (2) separate Deferred Gas Cost Accounts: (1) Fixed Costs and revenues and (2) Supply Variable Costs and revenues. Entries shall be made to each of these accounts at the end of each month as follows:

An amount equal to the allowable costs incurred less:

1. Gas Revenues collected adjusted for the RIGET and uncollectible percentage approved in the most recent rate case proceeding;

2. Credits to costs, including but not limited to GCR Deferred Responsibility surcharge/credits and Transitional Sales Service (TSS) surcharge revenues,

   and including

3. Monthly interest based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account's beginning-of-the-month balance and the balance after entries 1. and 2. above.

GAS COST RECOVERY CLAUSE

7.0 REFUNDS:

Any refund associated with the Company's total gas cost for Sales customers shall be credited to the Deferred Cost Account.

8.0 WEIGHTED AVERAGE UPSTREAM PIPELINE TRANSPORTATION COST:

At the request of a marketer or the Division, the Company will provide within 21 days an estimate of the pipeline path costs for the next GCR year beginning November 1. The estimate will be based on the most recent GCR filing updated for current commodity pricing and other known changes which would significantly affect the factor. Concurrent with the annual GCR filing, the Company shall calculate the final weighted average cost of upstream pipeline transportation capacity. The cost shall be applicable to capacity release under the Transportation Terms and Conditions effective November 1 of each year or at such time as the PUC~~Commission~~ approves the rates.

9.0 DEFERRED GAS COST RESPONSIBILITY:

Under the Transportation Terms and Conditions, Section 6, Schedule C, Item 1.0, if a Customer who has been receiving firm sales service and elects to transfer to transportation service to purchase gas from a Marketer, the Customer is responsible for their portion of the deferred gas cost balance. The calculation of any under-recovered or over-recovered gas cost attributable to the Customer's prior service will be charged or credited to the Customer's account at the time transportation service is initiated.

9.1 Factor Calculations:

The calculation of the Customer's deferred gas cost balance consists of: (1) the prior period deferred gas cost reconciliation amount reflected in the Company's current Gas Charge; and (2) any incremental under-recovery or over-recovery of actual costs versus projected costs that accrue while the current Gas Charge is in effect.

The first component is calculated on the basis of the Company's Gas Charge filing with the PUC in accordance with the following formula:

$$PPF = \frac{DAB_B}{Dt_S}$$

Where:

GAS COST RECOVERY CLAUSE

PPF Prior Period Factor as a $/Dt.

DAB_B Deferred Gas Cost Account Beginning Balance for the first month covered under the Gas Charge filing.

Dt_S Forecast of sales volumes for the period covered by GCC filing.

The second component is calculated on a quarterly basis and represents the additional deferral balance since the balance determined in the Company's last Gas Charge filing. The factor is calculated as follows:

$$IDF = \frac{DQB_E - PDAB_B}{Dt_a}$$

Where:

IDF Incremental Deferred Gas Cost Balance Factor as a $/Dt.

DQB_E Actual Deferred Gas Cost Account Ending Balance for a quarter subsequent to the PPF.

$PDAB_B$ Projected Deferred Gas Cost Account Ending Balance for the quarter subsequent to the PPF.

Dt_a Actual sales volumes for the quarter(s) subsequent to the PPF.

9.2 Application of Factors:

The customer's total Deferred Gas Cost Responsibility will equal the sum of the following:

(1) The PPF times: (a) the Customer's prior GCR year's total Dt minus (b) the Customer's current year's Dt where the current GCR year's Dt reflects the period the customer has been billed the current Gas Charge; and

(2) The IDF times the Customer's Dt during the period covered by the IDF.

DISTRIBUTION ADJUSTMENT CLAUSE

1.0 GENERAL

1.1 Purpose:

The purpose of the Distribution Adjustment Clause (DAC) is to establish procedures that allow the Company, subject to the jurisdiction of the ~~RI~~PUC, to annually adjust its rates for firm sales and transportation in order to recover, credit, or reconcile the following:

(1) the system pressure costs;
(2) the difference between the approved AGT factor revenue collections and actual AGT factor revenue collections;
(3) the difference between the approved LIAP revenue collected through base rates for Large and Extra Large C&I customers and actual LIAP revenue collections for Large and Extra Large C&I customers;
(4) the costs of the Infrastructure, Safety, and Reliability Plan;
(5) the amortization of the most recent ten years of Environmental Response costs;
(6) Pension costs and Post-retirement Benefits Other than Pensions expenses;
(7) the margins from on-system non-firm sales and non-firm transportation services that are above or below an established dollar amount;
(8) to credit any Service Quality Performance penalties;
(9) any over or under collections of revenue under the Revenue Decoupling mechanism;
(10) the previous year DAC items;
(11) and any Earnings Sharing.

Any costs recovered through the application of the Distribution Adjustment Charge shall be identified and explained fully in the annual Distribution Adjustment Charge filing.

1.2 Applicability:

The Distribution Adjustment Charge will be applied to sales and transportation volumes under each of the Company's firm rate schedules.

The Company will make annual DAC~~Distribution Adjustment Charge~~ filings and its annual Reconciliation filings based on actual costs and volumes available at the time of filing as well as forecasts of applicable costs and volumes through October of that year. With the exception of the Infrastructure, Safety and Reliability component

DISTRIBUTION ADJUSTMENT CLAUSE

described in section 3.4.2, the Distribution Adjustment Charge shall become effective with consumption as of November 1 each year.

Unless otherwise notified by the ~~RI~~PUC, the Company shall submit the Distribution Adjustment Charge filings no later than 90 days before they are scheduled to take effect, provided however that the Revenue Decoupling Adjustment component of the Distribution Adjustment Charge filing will be made July 1 annually. The Annual Reconciliation filing will be made by August 1 of each year.

2.0 DISTRIBUTION ADJUSTMENT CHARGE:

The Distribution Adjustment Charge will consist of an annual System Pressure factor, an Advanced Gas Technology factor, a Low Income Assistance Programs factor, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Non-firm On-System Margin Credit factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, and an Earnings Sharing Mechanism factor. The Distribution Adjustment Charge is calculated as follows:

DAC = SP+AGT+LIAP+ISR+ERCF+PAF+MC+SQP+RDA+R+ESM

Where:

DAC	Distribution Adjustment Charge applicable to all firm throughput.
SP	System Pressure factor. See Item 3.1 for calculation.
AGT	Advanced Gas Technology factor. See Item 3.2 for calculation.
LIAP	Low Income Assistance Programs factor. See Item 3.3 for calculation.
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.4 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.5 for calculation.
PAF	Pension Adjustment Factor. See Item 3.6 for calculation.
MC	On-system Margin Credits related to Non-Firm Dual-Fuel customer margins. See Item 3.7 for calculation.

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SQP	Service Quality Performance Factor. See Item 3.8 for calculation.
RDA	Revenue Decoupling Adjustment factor. See Item 3.9 for calculation.
R	Reconciliation of deferred account balances as of October 31. See Item 4.0 for calculation.
ESM	Earnings Sharing Mechanism Factor. See Item 5.0 for calculation.

The Distribution Adjustment Charge excluding RDA shall be increased by the uncollectible expense percentage approved in the most recent rate case proceeding.

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed on an annual basis utilizing a forecast of Liquefied Natural Gas (LNG) sendout comprised of the projected withdrawal of commodity costs, the projected inventory cost of LNG, demand costs and the average LNG inventory finance costs from the GCR filing for the November to October period based on the following formula:

$$SP = \frac{(WTC_{LNG} + INV_{LNG} + DM_{LNG} + INF_{LNG}) \times SP\%}{Dt_T}$$

Where:

SP	System Pressure Amount.
WTC_{LNG}	Forecasted withdrawal commodity costs.
INV_{LNG}	Forecasted inventory cost of LNG.
DM_{LNG}	Forecasted demand costs.
INF_{LNG}	Forecasted inventory finance costs.
SP%	Percent of local storage used to maintain system pressures, as established in the most recent rate case or DAC proceeding.

DISTRIBUTION ADJUSTMENT CLAUSE

Dt_T Forecasted annual firm throughput.

3.2 AGT Factor:

The Advanced Gas Technology factor will be computed on an annual basis utilizing the approved amount for AGT for the prior twelve month period ended March 31, except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period. The formula will be as follows:

$$AGT = \frac{AGT_B - AGT_{EMB}}{Dt_T}$$

Where:

AGT AGT Factor

AGT_B Approved AGT budget

Dt_T Forecasted annual firm throughput in dekatherms

AGT_{EMB} AGT funding embedded in base rates, $300,000

3.3 LIAP Factor:

The Low Income Assistance factor shall be computed on an annual basis utilizing the approved funding for low income programs, such as Low Income Heating Assistance and Low Income Weatherization, for the prior twelve month period ended March 31 except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period. The formula will be as follows:

$$LIAP = \frac{LIAP_B - LIAP_{EMB}}{Dt_T}$$

Where:

LIAP LIAP Factor

$LIAP_B$ Approved low income program funding(s)

DISTRIBUTION ADJUSTMENT CLAUSE

Dt_T Forecasted annual firm throughput

$LIAP_{EMB}$ LIAP funding embedded in base rates, $1,785,000; Consisting of $1,585,000 of Low Income Heating Assistance and $200,000 of Low Income Weatherization

3.4 Infrastructure, Safety and Reliability Plan:

3.4.1 Gas Infrastructure, Safety, and Reliability Plan Filing:

In compliance with R.I.G.L. Section 39-1-27.7.1, no later than January 1 of each year, the Company shall submit to the PUC~~Commission~~ a Gas Infrastructure, Safety, and Reliability Plan (Gas ISR Plan) for the upcoming fiscal year (April to March) for review and approval within 90 days. The Gas ISR Plan shall include the upcoming fiscal year's forecasted capital investment on its gas distribution system infrastructure and may include any other costs relating to maintaining safety and reliability that have been mutually agreed upon by the Division and the Company.

3.4.2 Infrastructure, Safety and Reliability Factor:

Effective each April 1, the Company shall recover through a change in Distribution Adjustment Charge rates the Cumulative Revenue Requirement on the Adjusted Cumulative Non-growth Capital spending as approved by the Commission in the Company's annual gas infrastructure, safety, and reliability filings less the amount included in rate base for base rate purposes. For purposes of this section, non-growth capital shall exclude general plant (FERC Accts 389 through 399). The Cumulative Revenue Requirement shall mean the return and taxes on year-end Adjusted Cumulative Non-growth Capital Spending, at a rate equal to the pre-tax weighted average cost of capital as approved by the Commission in the most recent distribution base rate proceeding, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the Commission in the Company's most recent distribution base rate proceeding adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism as approved in the Settlement Agreement in Docket RIPUC 4323. The Adjusted Cumulative Non-growth Capital Spending shall mean the non-growth capital investment recorded since January 31, 2014 and reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment, included in rate base for base rate purposes, for the period April 1, 2011 through January 31, 2014, the end of the Company's rate year in its general rate case in docket RIPUC 4323. Cumulative Revenue Requirements will reflect Adjusted Cumulative

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Non-Growth Capital Spending as defined above plus the associated retirements, cost of removal, accumulated depreciation, and accumulated deferred taxes.

All accumulated Gas ISR investments will be eligible for inclusion in rate base recovery through new rates set in the next base rate case.

The Company shall allocate the Cumulative Revenue Requirements to its rate classes based on the rate base allocation approved by the PUC~~Commission~~ in the Company's most recent base distribution rate proceeding. Any other costs, including Operation and Maintenance expenses mutually agreed upon by the Division and the Company shall be allocated on a per unit basis.

3.4.3 Infrastructure, Safety and Reliability Factor: Reconciliation Mechanism:

The Company shall include an annual reconciliation mechanism associated with the ISR Factor designed to reconcile the actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to the actual billed revenue for the prior fiscal year. As part of its annual DAC filing, the Company shall submit by August 1 a reconciliation factor (either positive or negative) related to the ISR Factor recoveries and actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to take effect annually for the twelve months beginning November 1 each year.

3.5 Environmental Response Cost Factor (ERCF):

$$ERCF = \frac{\frac{\sum ERCyr_x}{10} - ERC_{EMB}}{Dt_T}$$

Where:

ERC — Environmental Response Costs as defined in Section 1, Schedule B Definitions

$\sum ERCyr_x$ — The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31 except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period and in the prior nine years.

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ERC_{EMB} Environmental Response Costs funding embedded in base rates, $1,310,000.

Dt_T Forecasted annual firm throughput

In order to limit the bill impacts that could potentially result from the incurrence of environmental remediation costs, the ERC factor, calculated as described above, shall be limited to an increase of no more than $0.10 per dekatherm in any annual DAC filing. If this limitation results in the Company recovering less than the amount that would otherwise be eligible for recovery in a particular year, then beginning on the date that the proposed ERC factor becomes effective, carrying costs shall accrue to the Company on the portion of the environmental remediation costs not included in the ERC factor as a result of this limitation. Such carrying costs shall accrue through the year in which such amount, together with accumulated carrying costs, are recovered from ratepayers. Any amounts so deferred shall be incorporated into the ERC factor in succeeding years consistent with the $0.10 per dekatherm ERC factor annual increase limitation. Such carrying charges shall accrue at the Interest on Deferred Balance rate specified in Section 1, Schedule B of the Company's Definition section above.

3.6 Pension Adjustment Factor:

The Pension Adjustment Factor shall recover or refund the prior fiscal year's reconciliation of the Company's actual Pension and Post-retirement Benefits Other Than Pension (PBOP) expenses to the Company's Pension and PBOP expense allowance included in distribution base rates, including interest at the rate of interest paid on customer deposits. The PAF will be computed on an annual basis for the nine month period ending March 31, 2013 and thereafter for each twelve months ended March 31 and will be based on the difference in the Company's actual Pension and PBOP expense for the prior twelve month period ended March 31 and the distribution base rate allowance, plus carrying charges at the weighted average cost of capital on the cumulative five quarter average underfunding of the Pension and PBOP Minimum Funding Obligation for the fiscal year ended March 31. The Minimum Funding Obligation will be equal to the amount of Pension and PBOP costs collected from customers during the fiscal year, plus the amounts of Pension and PBOP costs capitalized during the year. The amount collected from customers during the fiscal year would include (1) Pension and PBOP allowance included in base rates, and (2) amounts collected or refunded through the PAF.

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3.7 On-System Margin Credits:

Each year, the Company will calculate the total non-firm customer margins, exclusive of Rhode Island Gross Earnings Tax for the twelve month period ending each March 31 beginning March 31, 2014. If that total exceeds a target revenue of $1,800,000, the On-System Margin Credit shall be positive. If the total non-firm margins, exclusive of Rhode Island Gross Earnings Tax, for the twelve-month period ending March 31 are less than the target revenue of $1,800,000, the On-System Margin Credit shall be negative. For the twelve month period ending March 31, 2013, the target will be prorated for the seven month period ending January 31, 2013 for the On-System Margin target in effect during that period ($2,816,000) and actual firm and non-firm dual fuel Customer margins, (exclusive of Rhode Island Gross Earnings Tax) during that period and for the two month period ending March 31, 2013 during which the $1.8 million target is in effect and actual non-firm customer margins, exclusive of Rhode Island Gross Earning Tax, during that period.

The On System Margin Credit is calculated as follows:

$$MC = \frac{NFCM - \$1{,}800{,}000}{Dt_T}$$

Where:

MC On-System Margin Credit factor

NFCM The non-firm customer margins exclusive of Rhode Island Gross Earnings Tax (GET) for the 12 months ending March 31.

Dt_T Forecasted annual firm throughput

If in any year the Company is required to calculate the total Non-Firm Customer margins, exclusive of GET, for a period less than a twelve month period, then the Company will prorate the target threshold based upon the monthly 2011 non-firm revenue distribution and if the total exceeds that prorated target threshold the Non-Firm On-System Margin credit will be positive and if it is less than the prorated target the credit will be negative. In addition, if a non-firm customer who was active customer during calendar year 2011 migrates to firm service, the Company will reduce the margin threshold by the non-firm customer's actual 2011 calendar year usage multiplied by the applicable non-firm rate approved in RIPUC Docket 4323.

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Conversely, the Company will increase the margin threshold for firm customers who migrate to non-firm service based upon the customers most recent historical usage multiplied by the applicable non-firm service rate.

3.8 Service Quality Performance Factor:

The Service Quality Performance (SQP) Factor will be used for crediting to customers any penalties reflected in the Company's annual Service Quality Report.

3.9 Revenue Decoupling Adjustment Factor:

The Revenue Decoupling Adjustment (RDA) Factor shall be a credit or surcharge determined for all Residential rate classes and Small and Medium C&I rate classes as the sum of the March 31 Revenue Per Customer deferral ending balances for each rate class divided by the forecasted total annual firm throughput for those rate classes. The March deferral ending balance for each rate class shall result from the monthly calculation of the variance between a Target Revenue-per-Customer and the Actual Revenue Per Customer for the following periods: (1) the ten month period ending January 31, 2013, (2) the fourteen month period February 1, 2013 – March 31, 2014 and (3) each twelve month period ending March 31 thereafter. The deferral balance will be calculated as follows:

$$RDAF = \frac{\sum_{RC}(AEB_{M-1} + VR_M + INT_M)}{Dt_{RC}}$$

Where:

RDAF — Revenue Decoupling Adjustment Factor

$\sum_{RC}$ — The sum of the March 31 Revenue per Customer deferral ending balances for each of the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

AEB_{M-1} — Account Ending Balance for prior month

VR_M — Current month Variance

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$$= \quad (RPC_{TM} - RPC_{AM}) \times CUST_M$$

RPC_{TM} For the period ending January 31, 2013, the Target Revenue per Customer will be based on targets established in Docket RIPUC 4206. Thereafter, Target Revenue per Customer will be based on class specific revenue per customer targets established in the most recent rate case. Target Revenue for Low-Income classes will reflect non-discounted revenue. Low-income class revenue and customers will be included with non-discounted revenue and customers for the purposes of setting the target.

RPC_{AM} Actual Revenue per Customer for current month calculated as actual base revenues divided by number of customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenues.

$CUST_M$ Number of customers in current month.

INT_M Interest on average monthly balance

$$= \quad \frac{(AEB_{M-1} + VR_M) \times BA_M}{2}$$

BA_M Bank of America Prime minus 200 basis points

Dt_{RC} Forecasted annual firm throughput for the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

4.0 DEFERRED DISTRIBUTION ADJUSTMENT COST ACCOUNT:

The Distribution Adjustment Cost Account shall include annual reconciliation for the twelve month period for the revenues and costs for the System Pressure factor, Advanced Gas Technology factor, LIAP factor, ISR factor, Environmental Response Costs factor, Pension Adjustment Factor, On-System Margin Credit factor, SQP factor, RDA factor, ESM factor, and a Previous Reconciliation factor, including a true-up for any prior year's forecasted

DISTRIBUTION ADJUSTMENT CLAUSE

revenues and costs. Base rate related items (LIAP factor, Advanced Gas Technology factor, and Environmental Response cost factor) will be only be reconciled for those non-Revenue Decoupling rate classes (Large and Extra Large high load and low load factor rate classes). For each reconciliation component, a monthly rate based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account's beginning and ending balance shall also apply.

5.0 EARNINGS SHARING MECHANISM:

The annual Earnings Sharing Mechanism ("ESM") established in Docket No. 3401 will remain in place. The Earnings Sharing Mechanism Credit ("ESMC") will be included with the September 1 DAC filing based on financial information for the 9-month period ending March 31, 2013 and for each 12 months period ending March 31 thereafter. For purposes of calculating earnings to be shared, the Company will be allowed to include its 50% share of net merger synergies resulting from the National Grid/KeySpan transactions, or $2,450,000. Calculation of the ESMC is as follows:

$$ESMC = \frac{ESMF}{Dt_T}$$

Where:

ESMF — Earnings Sharing Mechanism Fund is defined as the earnings subject to sharing and will be based on a return on equity of 10.5% for the seven month period ending January 31, 2013 and 9.5% for 2 month period ending March 31, 2013. Thereafter earnings subject to sharing will be based on a return on equity of 9.50%. Annual earnings over this return on equity, up to and including 100 basis points, being shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of this return on equity shall be shared 75% to customers and 25% to the Company.

Dt_T — Forecasted annual firm throughput

RESIDENTIAL NON-HEATING
RATE 10

1.0 AVAILABILITY:

Sales service is available under this rate for all domestic non-heating purposes in individual private residential dwellings with six (6) or less units or in connection with condominium associations with gas supplied through one meter.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES: Customer Charge: $ 13.00 per month

Distribution Charge: $0.4386 per Therm

4.0 MINIMUM CHARGE:

Customer Charge per month.

5.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions~~Rules and Regulations in~~, Section 1~~ of RIPUC NG-GAS No. 101~~, Schedule A, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

6.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

7.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

8.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

RESIDENTIAL NON-HEATING
RATE 10

9.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

LOW INCOME RESIDENTIAL NON-HEATING RATE 11

1.0 AVAILABILITY:

Sales service is available under this rate for all domestic non-heating purposes in individual private residential dwellings with six (6) or less units or in connection with condominium associations with gas supplied through one meter. A Customer will be eligible for this rate upon verification of the Customer's participation in the low income home energy assistance program or its successor program.

Compliance with the foregoing qualifications will be verified annually with the State Office of Energy Resources.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES:

Customer Charge: $11.70 per month

Distribution Charge: $0.3947 per Therm

4.0 MINIMUM CHARGE:

Customer Charge per month.

5.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions~~Rules and Regulations, in~~ Section 1~~ of RIPUC NG-GAS No. 101~~, Schedule A, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

6.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

7.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

LOW INCOME RESIDENTIAL NON-HEATING
RATE 11

8.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

9.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

RESIDENTIAL HEATING
RATE 12

1.0 AVAILABILITY:

Sales service is available under this rate for all domestic purposes in individual private residential dwellings with six (6) or less units or in connection with condominium associations with gas supplied through one meter where natural gas is the primary fuel used for space and/or central heating equipment.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES: Customer Charge: $13.00 per month

Distribution Charge:
On-Peak Period (November – April)
First 125 Therms ~~@~~ $0.4672 per Therm
Over 125 Therms ~~@~~ $0.3010 per Therm

Off-Peak Period (May – October)
First 30 Therms ~~@~~ $0.4672 per Therm
Over 30 Therms ~~@~~ $0.3010 per Therm

4.0 MINIMUM CHARGE:

Customer Charge per month.

5.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions,~~Rules and Regulations in~~ Section 1, Schedule A, ~~of RIPUC NG-GAS No. 101~~ as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

6.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

RESIDENTIAL HEATING
RATE 12

7.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

8.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

9.0 ~~GAS~~ ENERGY EFFICIENCY:

This application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

LOW INCOME RESIDENTIAL HEATING
RATE 13

1.0 AVAILABILITY:

Sales service is available under this rate for all domestic purposes in individual private residential dwellings with six (6) or less units or in connection with condominium associations with gas supplied through one meter where natural gas is the primary fuel used for space and/or central heating equipment. A Customer will be eligible for this rate upon verification of the Customer's participation in the low income home energy assistance program or its successor program.

Compliance with the foregoing qualifications will be verified annually with the State Office of Energy Resources.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES: Customer Charge: $11.70 per month

Distribution Charge:
On-Peak Period (November – April)
First 125 Therms ~~@~~ $0.4205 per Therm
Over 125 Therms ~~@~~ $0.2709 per Therm

Off-Peak Period (May – October)
First 30 Therms ~~@~~ $0.4205 per Therm
Over 30 Therms ~~@~~ $0.2709 per Therm

4.0 MINIMUM CHARGE:

Customer Charge per month.

5.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions,~~Rules and Regulations in~~ Section 1, Schedule A, ~~of RIPUC NG-GAS No. 101~~ as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

6.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax

LOW INCOME RESIDENTIAL HEATING
RATE 13

provisions in Section 1, Schedule C.

7.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

8.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

9.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I SMALL
RATE 21

1.0 AVAILABILITY:

Transportation ~~(FT-2 service only)~~ or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is equal to or less than 5,000 Therms as determined by Company records and procedures. In the case of a ~~n~~New ~~c~~Customer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 ~~of RIPUC NG-GAS No. 101~~ are applicable as in effect from time-to-time. Customers receiving service under this Schedule are only eligible for FT-2 transportation service.

4.0 RATES:

Customer Charge:	$22.00 per month
Distribution Charge:	
On-Peak Period (November - April)	
First 135 Therms	~~@~~ $0.5431 per Therm
Over 135 Therms	~~@~~ $0.2242 per Therm
Off-Peak Period (May - October)	
First 20 Therms	~~@~~ $0.5431 per Therm
Over 20 Therms	~~@~~ $0.2242 per Therm

5.0 MINIMUM CHARGE:

Customer Charge per month.

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, ~~Rules and Regulations in~~ Section 1, Schedule A, ~~of RIPUC NG-GAS No. 101~~ as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

C&I SMALL
RATE 21

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ~~GAS~~ ENERGY EFFICIENCY:

This application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I MEDIUM
RATE 22

1.0 AVAILABILITY:

Transportation or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is greater than 5,000 Therms, but less than or equal to 35,000 Therms as determined by Company records and procedures. In the case of a ~~n~~New ~~C~~customer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 ~~of RIPUC NG-GAS No. 101~~ are applicable as in effect from time-to-time. Customers receiving service under this Schedule are only eligible for FT-2 transportation service.

4.0 RATES:

Customer Charge:	$70.00 per month
Demand Charge:	$1.3000 per Therm of customer's maximum average daily quantity (MADQ) from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.1865 per Therm

5.0 MINIMUM CHARGE:

Customer Charge and Demand Charge per month.

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions,~~Rules and Regulations in~~ Section 1, Schedule A, ~~of RIPUC NG-GAS No. 101~~ as in effect from time-to-time and where not

C&I MEDIUM
RATE 22

inconsistent with any specific provisions hereof, are a part of this Schedule.

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I LARGE HIGH LOAD FACTOR USE
RATE 23

1.0 AVAILABILITY:

Transportation ~~(FT-1 or FT-2 service)~~ or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is greater than 35,000 Therms, but less than 150,000 Therms and whose off-peak (May through October) gas usage is equal to or greater than 31% of the annual gas usage for the most recent September through August period, as determined by Company records and procedures. In the case of a ~~n~~New C~~c~~ustomer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 ~~of RIPUC NG-GAS No. 101~~ are applicable as in effect from time-to-time. Customers receiving service under this Schedule may receive either FT-1 or FT-2 transportation service.

4.0 RATES:

Customer Charge:	$175.00 per month
Demand Charge:	$1.8000 per Therm of customer's maximum average daily quantity (MADQ) from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.1007 per Therm

5.0 MINIMUM CHARGE:

Customer Charge and Demand Charge per month.

C&I LARGE HIGH LOAD FACTOR USE
RATE 23

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions,~~Rules and Regulations in~~ Section 1, Schedule A, ~~of RIPUC NG-GAS No. 101~~ as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I EXTRA LARGE HIGH LOAD FACTOR USE
RATE 24

1.0 AVAILABILITY:

Transportation ~~(FT-1 or FT-2 service)~~ or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is equal to or greater than 150,000 Therms and whose off-peak (May through October) gas usage is equal to or greater than 31% of the annual gas usage for the most recent September through August period, as determined by Company records and procedures. In the case of a ~~n~~New C~~c~~ustomer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 ~~of RIPUC NG-GAS No. 101~~ are applicable as in effect from time-to-time. Customers receiving service under this Schedule may receive either FT-1 or FT-2 transportation service.

4.0 RATES:

Customer Charge:	$425.00 per month
Demand Charge:	$1.8000 per Therm of customer's maximum average daily quantity (MADQ) from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.0256 per Therm

5.0 MINIMUM CHARGE:

Customer Charge plus Demand Charge per month.

C&I EXTRA LARGE HIGH LOAD FACTOR USE
RATE 24

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions,~~Rules and Regulations in~~ Section 1, Schedule A, ~~of RIPUC NGC No. 101~~ as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I LARGE LOW LOAD FACTOR USE
RATE 33

1.0 AVAILABILITY:

Transportation ~~(FT-1 or FT-2 service)~~ or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is greater than 35,000 Therms, but less than 150,000 Therms and whose off-peak (May through October) gas usage is equal to or less than 30% of the annual gas usage for the most recent September through August period, as determined by Company records and procedures. In the case of a ~~n~~New C~~c~~ustomer, or an existing Customer with new gas applications, the off-peak and annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 ~~of RIPUC NG-GAS No. 101~~ are applicable as in effect from time-to-time. Customers receiving service under this Schedule may receive either FT-1 or FT-2 transportation service.

4.0 RATES:

Customer Charge:	$175.00 per month
Demand Charge:	$1.3000 per Therms of customer's highest average daily consumption from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.1727 per Therm

5.0 MINIMUM CHARGE:

Customer Charge and Demand Charge per month.

C&I LARGE LOW LOAD FACTOR USE
RATE 33

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions,~~Rules and Regulations in~~ Section 1, Schedule A, ~~of RIPUC NG-GAS No. 101~~ as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I EXTRA LARGE LOW LOAD FACTOR USE
RATE 34

1.0 AVAILABILITY:

Transportation ~~(FT-1 or FT-2 service)~~ or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is equal to or greater than 150,000 Therms and whose off-peak (May through October) gas usage is equal to or less than 30% of the annual gas usage for the most recent September through August period, as determined by Company records and procedures. In the case of a ~~n~~New C~~e~~ustomer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service, the Transportation Service provisions found in Section 6~~5 of RIPUC NG-GAS No. 101~~ are applicable as in effect from time-to-time. Customers receiving service under this Schedule may receive either FT-1 or FT-2 transportation service.

4.0 RATES:

Customer Charge:	$425.00 per month
Demand Charge:	$1.3000 per Therm of customer's maximum average daily quantity (MADQ) from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.0328 per Therm

5.0 MINIMUM CHARGE:

Customer Charge plus Demand Charge per month.

C&I EXTRA LARGE LOW LOAD FACTOR USE
RATE 34

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions,~~Rules and Regulations in~~ Section 1, Schedule A, ~~of RIPUC NG-GAS No. 101~~ as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

NON-FIRM SALES (NFS) SERVICE
RATE 60

1.0 AVAILABILITY:

Non-firm sales service is grandfathered as of July 1, 2009 and will no longer be offered to any customer, except that any non-firm sales customer as of that date will be able to continue the service until such time that the non-firm sales customer decides to change to firm service or obtain non-firm transportation service and purchase natural gas from a third-party Marketer. Such customers are non-residential customers with dual-fuel capability: (1) whose premises are located adjacent to the Company's gas distribution mains having adequate capacity to supply the customer's prospective gas requirements in addition to the requirements of other customers already receiving service from such distribution mains; (2) who uses gas for boiler load, process load or cogeneration with a minimum combined hourly input of 100 Ccf/hour; and (3) who maintains adequate standby facilities for the use of an alternate fuel which may be substituted for gas when gas is not available under this Tariff.

2.0 RATES:

Non-firm Sales (NFS) service rates shall be set for the upcoming month, no later than 10:30 a.m. ten (10) business days prior to the commencement of that month. The Customer must notify the Company by 9:00 a.m. two (2) business days prior to the commencement of that month of the intention to take NFS service, and must provide a reasonable estimate of natural gas expected to be used for the month.

Customer charges will be determined as follows:

1. For those Customers who can potentially consume more than 150,000 Therms per month:

   - $625 per month, per customer

2. For those Customers who can potentially consume more than 35,000 Therms, but less than 150,000 Therms per month:

   - $405 per month, per customer

3. For those Customers whose potential monthly consumption is less than 35,000 Therms per month:

   - $185 per month, per customer

NON-FIRM SALES (NFS) SERVICE
RATE 60

The Distribution Charge applicable to a non-firm sales service customer shall be based on the Customer's annual usage in accordance with the following:

≤ 35,000 therms	$0.2206 per therm
35,001 to 150,000 therms and:	
Off-peak usage ≤ 31%	$0.2147 per therm
Off-peak usage > 31%	$0.1436 per therm
> 150,000 therms and:	
Off-peak usage ≤ 31%	$0.0912 per therm
Off-peak usage > 31%	$0.0733 per therm

The reference to 31% is to the percentage of gas usage from May through October compared to annual usage from September through August. In the case of ~~a new customer, or~~ an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer. The classification will be based on the higher of the most recent 12-months usage or the 12-months previous to that. This classification will be reviewed annually after the August billing period and any change will be reflected with the September bill.

The Company will provide the customer with an initial mid-month estimate of the Commodity Charge ~~shall be~~ based on 110% of the sum of the NYMEX closing price on the eleventh business day prior to the start of the month and a publicly available forward basis for gas supply delivered to the Northeastern US. The forward basis will be the Transco Zone 6 Basis Swap (based on the Platts IFERC basis swap obtained from the NYMEX), or a publicly traded forward basis for supply delivered to the Company's city gate (should one become available) or such other publicly available traded basis for supply delivered to the Northeastern U.S. should the Transco Zone 6 Basis Swap become unavailable. The Company will recalculate the Commodity Charge based upon the NYMEX settled price and a publicly available forward basis for gas supply delivered to the Northeastern US. The Customer shall be charged the higher of the recalculated rate or the initial mid-month estimate.

3.0 MINIMUM CHARGE:

Under no circumstances shall the NFS C~~c~~ommodity C~~c~~harge be less than the cost of the incremental supply available to the Company for the month, adjusted for the Company's Fuel Allowance.

NON-FIRM SALES (NFS) SERVICE
RATE 60

4.0 NOTIFICATION OF INTERRUPTION/CURTAILMENT:

The Customer will curtail or discontinue service when, in the sole opinion of the Company, such curtailment or interruption is necessary in order for it to continue to supply the gas requirements of its firm customers at such time. The Company will attempt to give the Customer three (3) working days' notice of such curtailment, except in emergency situations, when at least one hour's notice shall be given.

5.0 FAILURE TO CURTAIL:

For any period that a Customer fails to curtail the use of gas as requested by the Company, the charge for gas consumption will be equal to the NFS service customer charge plus Gas Usage at a penalty of five (5) times the Daily Index. Such use of gas under these circumstances shall be considered an "unauthorized use" of gas.

In the event where the Company, in its sole discretion, grants the Customer an exemption from the curtailment, the use of gas under these circumstances shall be referred to as an "authorized use of gas." Authorized use of gas during a curtailment will be for a limited time period. The charge for gas consumed under these conditions will be the NFS service customer charge plus the highest cost gas required to meet demand during the applicable curtailment period, plus the current firm sales service rate excluding the firm customer charges. Payments for this use, whether authorized or unauthorized, shall not preclude the Company from turning off the customer's supply of gas in the event of the failure to interrupt, or curtail, the use thereof when requested to do so.

6.0 METER TEST:

Users will receive the results of periodic calibration tests performed by the Company on the meters installed on their premises. Meters will be deemed unacceptable if these tests show an error greater than +/-1%. Meters will also be deemed unacceptable, no matter what their error, if the results of three successive tests are consistently high or low. Meters will measure gas flow rates corrected to 60° F gas.

7.0 TELEMETERING:

Telemetering equipment is required for those customers who wish to avail themselves of this service.

NON-FIRM SALES (NFS) SERVICE
RATE 60

8.0 NON-FIRM TRANSPORTATION SERVICE OPTION:

The Company will also offer, during the winter months, limited NFS and non-firm transportation (NFT) service for customers on a "best efforts" basis. If a Customer buying gas under this rate schedule opts to directly arrange for the acquisition of wellhead gas supplies, and the transportation of those wellhead gas supplies to the Company's gate stations, then the Company will transport, subject to available capacity, such directly acquired gas to the Customer's facilities. Rates and conditions for such transportation service are included in the Company's Non-Firm Transportation (NFT) Service in Section 6, Schedule A of RIPUC NG 101.

9.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

10.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

TRANSITION SALES SERVICE
TSS

1.0 AVAILABILITY:

Transitional Sales Service (TSS) shall apply to ~~c~~Customers subject to the Transportation ~~Service~~ Terms and Conditions. The Company's General Terms and Conditions will govern this Service to the extent not consistent herewith.

TSS is not available to Capacity Exempt Customers ~~eligible for, or enrolled in, the Company's Non-Firm Transportation Service (NFT), Non-Firm Sales Service (NFS) rates, and the Default Transportation Service~~.

The Company reserves the right to restrict the availability of this service if the Company determines that the integrity of the distribution system is at risk.

2.0 GENERAL CONDITIONS:

TSS is provided by the Company to Customers switching from supplier service to firm sales service. TSS is available to Customers who meet the requirements of Section 5, Schedule H, Item 1.0, and (a) who terminate supplier service, (b) who receive a termination notice from a designated supplier, or (c) for whom a designated supplier becomes ineligible to serve the Customer.

All Customers transferring to firm sales service from firm transportation service, either from FT-1 service or FT-2 service, and who have received an assignment of the Company's interstate pipeline capacity while on firm transportation service immediately prior to their transfer back to firm sales service, will be subject to the provisions of this rate schedule in addition to the provisions of the Company's applicable firm sales service rate schedules.

3.0 TERM:

For each Customer who transfers to firm sales service from FT-1 transportation service, TSS will be applicable to ~~all~~ firm sales service provided to the Customer through the next~~first~~ April 30 after the Customer starts taking firm sales service or until the Customer enters into a contractual commitment with the Company to take firm sales service continuously for a period of not less than one year. After April 30, the Customer will receive firm sales service and will not be subject to the TSS surcharge defined below.

For each Customer transferring to firm sales service from FT-2 transportation service, TSS will be applicable to ~~all~~ firm sales service provided to the Customer through the end of the Customer's first billing cycle subsequent to the next~~first~~ April 30 after the Customer starts

TRANSITION SALES SERVICE
TSS

taking firm sales service or until the Customer enters into a contractual commitment with the Company to take firm sales service continuously for a period of not less than one year. After the end of the first billing cycle after April 30, the Customer will receive firm sales service and will not be subject to the TSS surcharge defined below.

4.0 SURCHARGE:

Each Customer receiving~~utilizing~~ TSS will be subject to a monthly surcharge during the term the Customer receives TSS, unless a Customer, prior to their return to the Company for gas supply, enters into a contractual commitment with the Company to take firm sales service continuously for a period of not less than one year. If such an agreement is executed, the Customer will not be subject to the TSS surcharge. The TSS ~~monthly~~ surcharge is designed to charge a market-based price reflecting the cost of gas supplies in the marketplace at the time consumption is occurring for the incremental amount of gas that the Company must purchase over and above the quantities of gas procured for firm sales customers under the provisions of the Company's Gas Procurement Incentive Plan ("GPIP"). The surcharge will reflect any positive difference between the GPIP cost of gas for the month in which gas is supplied and a market-based gas price for the same month. This surcharge shall apply to all firm sales service consumption of Customers switching from firm transportation service subsequent to April 30 of each year, with the exception of those Customers committing to remain on firm sales service for a period of at least 12 months as described above.

4.1 Calculation:

The surcharge for Customers who switch to firm sales service from firm transportation~~FT-1 or FT-2~~ service shall be computed as follows:

IF
$\{ [(NYMEX_M - GPIP_M) (GPIP_{QM}/Dt_M)] \} - R_{GCR}$ is > 0,

THEN:
$TSS = \{ [(NYMEX_M - GPIP_M) (GPIP_{QM}/Dt_M)] \} - R_{GCR}$

OTHERWISE:
TSS = 0

Where:

TSS Transitional Sales Service monthly surcharge~~ for customers transferring from FT-1 or FT-2 service~~.

TRANSITION SALES SERVICE
TSS

$NYMEX_M$	The NYMEX closing price for month M.
$GPIP_M$	Average cost of gas purchased under the GPIP for month M.
$GPIP_{QM}$	The Total Quantity of GPIP purchases for month M.
Dt_M	Total forecasted sales for month M underlying the GPIP.
R_{GCR}	The per Dt Deferred Gas Cost Reconciliation reflected in the current GCR charge.

TSS surcharges will be calculated monthly. Supporting calculations for all components of the applicable surcharges will be posted on the Company's website by the second business day of each month. In addition, supporting workpapers shall be submitted to the PUC~~Public Utilities Commission~~ and the Division ~~of Public Utilities and Carriers~~ simultaneously with the posting on the Company's website.

5.0 STORAGE AND PEAKING:

FT-1 firm transportation service Customers eligible for TSS who transfer to firm sales service will be subject to a Storage and Peaking charge for recovery of Storage and Peaking costs. Such charge will be calculated at the time the FT-1 customer transfers to firm sales service based on the customer's actual consumption as a FT-1 transportation customer since the most recent April 1,~~calculated MDQ as calculated in Section 6, Schedule C, Item 3.02.1.~~ multiplied by the currently effective FT-2 Demand Charge provided in the Company's most recently approved GCR filing. ~~(Section 2, Schedule A, Item 2.2) multiplied by the number of months since the most recent April 1.~~

NON-FIRM TRANSPORTATION (NFT) SERVICE
RATE 61

1.0 AVAILABILITY:

For any non-residential customer with dual-fuel capability: (1) whose premises are located adjacent to the Company's gas distribution mains having adequate capacity to supply the Customer's prospective gas requirements in addition to the requirements of other customers already receiving service from such distribution mains; (2) who uses gas for boiler load, process load, or cogeneration with a minimum combined hourly input of 100 Ccf/hour; and (3) who maintains adequate standby facilities for the use of an alternate fuel which may be substituted for gas when gas transportation is not available under this Tariff.

This rate is available to any Customer who has, without the assistance of the Company or the use of its facilities or dedicated pipeline capacity, arranged for the acquisition and transportation of gas supplies to the Company's gate stations, has executed a Transportation Service Application, has designated on such Application a Marketer as required under the Transportation Terms and Conditions in Section 6, Schedule C and who meets the following additional criteria:

A. The Customer must have telemetering equipment in place.

B. The Customer agrees to discontinue service, when in the sole discretion of the Company, such discontinuance is necessary in order to continue to serve the needs of firm customers at such time. The Company will attempt to give three (3) working days' notice of such action except in the event of emergency, when at least one hour's notice will be given.

Any gas consumed during a requested discontinuance, whether authorized or unauthorized, shall be provided by the Company and not a third party supplier or Marketer of record.

2.0 RATE:

The Customer must notify the Company by 9:00 a.m. two (2) business days prior to the commencement of that month of any change in gas marketer.

Customer Charge will be determined as follows:

1. For those Customers who can potentially consume more than 150,000 Therms per month:
   - $715 per month, per customer.

NON-FIRM TRANSPORTATION (NFT) SERVICE
RATE 61

2. For those Customers who can potentially consume more than 35,000 Therms, but less than 150,000 Therms per month:

   - $485 per month, per customer

3. For those Customers whose potential monthly consumption is less than 35,000 Therms per month:

   - $275 per month, per customer

Distribution Charge:

The Distribution Charge applicable to a non-firm transportation service Customer shall be based on the Customer's annual usage in accordance with the following:

≤ 35,000 therms	$0.2206 per therm
35,001 to 150,000 therms and:	
Off-peak usage ≤ 31%	$0.2147 per therm
Off-peak usage > 31%	$0.1436 per therm
> 150,000 therms and:	
Off-peak usage ≤ 31%	$0.0912 per therm
Off-peak usage > 31%	$0.0733 per therm

The reference to 31% is to the percentage of gas usage from May through October compared to annual usage from September through August. In the case of a N~~n~~ew C~~c~~ustomer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer. The classification will be based on the higher of the most recent 12-months usage or the 12-months previous to that. This classification will be reviewed annually after the August billing period and any change will be reflected with the September bill.

3.0 TRANSPORTATION TERMS AND CONDITIONS:

The Company's Transportation Terms and Conditions, ~~in~~ Section 6, Schedule C ~~of RIPUC NG-GAS No. 101~~, as in effect from time-to-time and where not inconsistent with any provisions hereof, are a part of this Schedule.

NON-FIRM TRANSPORTATION (NFT) SERVICE
RATE 61

4.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions,~~Rules and Regulations in~~ Section 1, Schedule A, ~~of RIPUC NG-GAS No. 101,~~ as in effect from time-to-time and where not inconsistent with any provisions hereof, are a part of this Schedule.

5.0 TELEMETERING EQUIPMENT:

Telemetering equipment is required. The customer may have access to the telemetering equipment for data gathering and transmission.

6.0 NON-FIRM CUSTOMER USE OF GAS:

A Non-Firm customer that elects to use gas from the Company for any reason shall receive Default Transportation Service and be charged~~pay~~ the ~~transportation default~~ rate applicable to such service as set forth in the Transportation Terms and Conditions, ~~in~~ Section 6, Schedule C, Item 2.04.0 for the first month of service and shall pay the Non-Firm unauthorized use rate as forth in the Transportation Terms and Conditions, ~~in~~ Section 6, Schedule C, Item 1.05.0 for all additional months.

7.0 GAS BALANCING NOMINATION/AGGREGATION:

Refer to the Transportation Terms and Conditions, ~~in~~ Section 6, Schedule C ~~of RIPUC NG-GAS No. 101~~.

8.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

9.0 ~~GAS~~ ENERGY EFFICIENCY:

The application of the above rate is subject to ~~Gas~~ Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

FIRM TRANSPORTATION SERVICE

1.0 AVAILABILITY:

Firm Transportation Service ~~(FT-2)~~ is available to any Commercial and Industrial customer account who:

(1) is classified as Small, Medium, Large, or Extra Large pursuant to ~~RIPUC NG-GAS No. 101,~~ Section 5, Schedule A, B, C, ~~and~~ D, E, and F: and,

(2) elects to purchase gas supplies from a supplier other than the Company through the execution of a Transportation Service Application pursuant to ~~RIPUC NG-GAS No. 101~~the Transportation Terms and Conditions, Section 6, Schedule C.

2.0 CHARACTER OF SERVICE:

Firm Transportation Service provides for the transportation of gas supplies purchased on a customer's behalf from a supplier other than the Company on a firm 365 days per year basis. Service is classified as either Firm Transportation Service FT-1 or Firm Transportation Service FT-2 as follows:

FT-1 This service provides firm transportation of customer-purchased gas supplies to customers electing to have Gas Usage recorded on a daily basis at the customer's Point of Delivery. This service is available only to Large and Extra Large Commercial and Industrial customers.

FT-2 This service provides firm transportation of customer-purchased gas supplies to customers without the requirement for recording daily Gas Usage at the customer's Point of Delivery. This service is available to all Commercial and Industrial customers.

Also refer to the Transportation Terms and Conditions, Section 6, Schedule C, Items 2.0 and 3.0 for additional information.

3.0 RATES:

Specific rates billable by the Company to the customer are those applicable under the customer's service classification as provided for in ~~RIPUC NG No.101,~~ Section 5, Schedules A, B, C, ~~or~~ D, E, or F. For customers electing FT-1 Service, a one-time charge associated with the installation of telemetering equipment may also apply as provided for under the Transportation Terms and Conditions, Section 6, Schedule C, Item 2.02.0.

Rates associated with Firm Transportation Service which is billable to Marketers are those

FIRM TRANSPORTATION SERVICE

applicable under the Transportation Terms and Conditions, Section 6, Schedule C as in effect from time-to-time.

4.0 TRANSPORTATION TERMS AND CONDITIONS:

The Transportation Terms and Conditions in Section 6, Schedule C ~~of RIPUC NG-GAS No. 101~~, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of the Schedule.

5.0 GENERAL RULES AND REGULATIONS:

Firm Transportation Service will also be governed by the Company's General Terms and Conditions of Service to the extent not inconsistent herewith.

TRANSPORTATION TERMS AND CONDITIONS

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1.0 GENERAL:

These terms and conditions apply to those Commercial and Industrial customers classified as Small, Medium, Large, Extra Large, or Non-firm who purchase gas supplies from sources other than the Company for transportation service by the Company pursuant to ~~RIPUC NG No.101,~~ Section 5, Schedule A, B, C, ~~and~~ D, E, and F, and Section 6, Schedule A, as well as to any Marketers designated to act on the customer's behalf pursuant to a Transportation Service Application and executing a Marketer Aggregation Pool Service Agreement. Any FT-1 customers classified as Medium at the time the access to FT-1 service for Medium customers was discontinued or any Customers reclassified as Medium based on their reduction in load will be grandfathered and allowed to continue receiving service under the FT-1 rate schedule. Transportation service will also be governed by the Company's General Terms and Conditions of Service to the extent not inconsistent herewith.

The Company reserves the right to restrict the availability of Transportation Service should the number of customers exceed the capability of the Company to reliably administer the service or if the integrity of the distribution system is put at risk.

If a Customer requesting service hereunder has been a sales service customer of the Company at the same service location within the preceding twelve month period, any under-recovered or over-recovered gas costs attributable to such prior service under the Gas Cost Recovery Clause in Section 2, Schedule A, Section 9.0 shall be determined and charged~~paid~~ by the Customer or credited to the Customer's account. ~~The calculation of such under-recovered or over-recovered gas costs shall be in accordance with the Customer Deferred Gas Cost Calculation Guideline as on file with the Commission from time to time.~~

1.01.0 TERM OF SERVICE:

1.01.1 FT-1 Transportation Service:

FT-1 Transportation Service will commence on the first day of a calendar month subject to satisfying the Company's Transportation Terms and Conditions and be for an initial term of up to one year to reflect a common anniversary of November 1. Service shall continue thereafter on a year-to-year basis, unless terminated by the Customer, Marketer or the Company, effective with the Customer's next billing cycle, upon at least thirty (30) days advance notice, either by written notice or the appropriate EDI transmission, to the Company. The Marketer shall be responsible for providing the Company with an executed Transportation Service Application for each new FT-1 customer account being added to its FT-1 Aggregation Pool no less than thirty (30) days prior to commencement of service. The Company's receipt of the Transportation Service Application initiates the thirty (30) day notice period. Existing FT-1 service customers may be switched to another Marketer by using an

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EDI enrollment transaction.

1.01.2 FT-2 Transportation Service:

FT-2 Transportation Service will commence on the first day of a Customer's billing cycle subject to satisfying the Company's Transportation Terms and Conditions. Service shall continue thereafter on a year-to-year basis unless terminated by the Customer, Marketer, or the Company, effective with the Customer's next billing cycle, upon at least fifteen (15) days advance written notice to the Company. The Marketer shall be responsible for providing the Company with an EDI enrollment for each Customer being added to its FT-2 Aggregation Pool no less than fifteen (15) days prior to commencement of service.

1.01.3 Non-Firm Transportation (NFT) Service:

Customers classified as Non-Firm Transportation (NFT) will be able to commence transportation as of the first (1st) of any calendar month subject to meeting the nomination requirements established in Item 1.03 following and having submitted to the Company an executed Transportation Service Application.

A Customer's designation as NFS or NFT shall remain in effect until the Company is notified of a further change. Such notice is required by 9 a.m. two (2) business days before the start of the calendar month when such change is to take effect. Switching to or initiating transportation service mid-month is generally not allowed.

1.02.0 Designation Of Marketer:

1.02.1 Firm Transportation:

Customers wishing to switch Marketers will be allowed to do so at the start of a calendar month~~,~~ in the case of FT-1 Service, or at the start of a Customer's billing cycle~~,~~ in the case of FT-2 Service. For new FT-1 Service, the Customer and the new Marketer shall execute a new Transportation Service Application listing the new Marketer as their designated Marketer and forward that document to the Company for processing. For FT-2 Service, the Marketer will contact the Company through electronic data interchange (EDI) to initiate service with the customer account number being the validation. In the event of a dispute over the enrollment of a customer, the Marketer will be required to provide proof of authorization by the customer. This can be in the form of a signed agreement with the customer, audio recording of the customer's agreement/or authorization or an electronically recorded authorization. The Marketer is required to retain such proof for a minimum of two years or for the length of the service agreement, whichever is longer. The Company

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must receive the new Transportation Service Application or EDI transmittal at least thirty (30) days prior to the change in the case of ~~an~~ FT-1 Service, and at least fifteen (15) days prior to the customer's meter read in the case of FT-2 Service. For an FT-1 Service customer without a capacity assignment from the Company, see Item 1.07 below, the Company must be notified of such change by 9 a.m. at least two (2) business days before the start of the calendar month The Company will not accept a Transportation Service Application which designates a Marketer that has not executed an Aggregation Pool Service Agreement.

If the Company receives more than one Transportation Service Application for the same FT-1 customer account with different designations of Marketer, the Company will contact the Customer for clarification and confirmation.

The Company will notify the Marketer of record via an EDI drop transaction in the event that a customer account assigned to the Marketer's Aggregation Pool is terminated.

Marketer must provide the Company with (30) days' advance notice in the event that the Marketer terminates service to a Customer in its Aggregation Pool.

Customers not subject to Default Transportation Service in Item 2.04 below, may return to sales service with at least thirty (30) days' advance notice, subject to availability, in the Company's sole discretion, of adequate gas transmission, gas supply and/or gas storage capability, and subject to the Company's Transitional Sales Service Rate, Section 5 Schedule H, of the Commercial and Industrial Services.

These provisions for switching Marketers or returning to Sales Service do not excuse the performance of any contractual obligations between the customer and a Marketer, including the potential requirement of paying damages to the Marketer for a breach of any such contractual obligation.

1.02.2 Non-Firm Transportation:

Switching Marketers is allowed at the start of any calendar month with the provision that the Company receive the Customer's Transportation Service Application designating the effective Marketer by 9 a.m. at least two (2) business days before the start of the month for which the switch is effective.

These provisions for switching Marketers do not excuse the performance of any contractual obligations between the customer and a Marketer, including the potential requirement of paying damages to the Marketer for a breach of any such contractual

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obligation.

If the Company receives more than one Transportation Service Application for the same customer account with different designations of Marketer, the Company will contact the Customer for clarification and confirmation.

1.03.0 Nominations:

1.03.1 General:

Marketer shall provide notice via the Company's Electronic Bulletin Board (EBB) the required information relative to Shipper and Transporting Pipeline names and contract number(s) on which deliveries will be made and the specified quantity of gas that Marketer will deliver to the Point(s) of Receipt on each day of the calendar month. Marketer is required to have separate nomination names and contract numbers for each of Marketer's Aggregation Pools. Additional information may be required by the Company. The Company will host an annual post-winter meeting with all Suppliers to discuss any proposed changes to the transportation program and the related requirements.

1.03.2 Dispatch Communication:

All nomination information shall be communicated to the Company's Gas Control Supply Operations Department via the Company's EBB. Marketer shall be responsible for monitoring the EBB 24 hours per day, seven days per week for dispatch purposes. In the event that the Company is unable to contact a Marketer regarding any nomination or dispatch, the Company may take any action it deems necessary to maintain system integrity as otherwise outlined in the General Terms and Conditions.

1.03.3 Initial Nominations:

The Nomination terms for FT-1 and NFT Service for deliveries to commence service on the first day of any calendar month will be submitted to the Company not later than the initial nomination deadline of the upstream Transporting Pipeline(s) transporting gas for Marketer. Such nominations will specify the quantity to be scheduled on each day of the month. The nomination requirements for FT-2 Service are described in Item 3.03 below.

As a condition of confirming any nomination, Company may direct Marketer to have gas delivered to an alternate Point of Receipt on the same Transporting Pipeline. Upon receipt of such directions, Marketer will arrange with the Transporting

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Pipeline to have gas delivered to the Point of Receipt designated by Company. Such alternate point of Receipt will remain the Point of Receipt for Marketer's gas for the period stated by the Company in its instructions until Company directs Marketer otherwise.

1.03.4 Subsequent Nominations:

After the first day of the calendar month, Marketer may alter its nomination, provided that the revised nomination for delivery on any day is submitted to Company's EBB in accordance with the NAESB inter-day nomination schedule. The Company will accept on a best-efforts basis, an intra-day nomination submitted to the company's EBB up until 8:00 AM of the end of the gas day.

1.03.5 Intra-Day Nominations:

For daily metered Aggregation Pools, the Company will accept and implement, on a best-efforts basis, an intra-day nomination submitted to the Company's EBB following NAESB time lines.

One (1) such nomination per gas day shall be accepted subject to confirmation by the Transporting Pipeline.

1.03.6 Scheduling of Service:

Company will attempt to confirm with Transporting Pipeline(s) that the nominated quantities equal the Scheduled Transportation Quantity. If such nomination is confirmed, the Company will schedule said quantities to the Marketer at the designated Point of Receipt(s).

If Marketer is purchasing gas at the Company's city gate, they are responsible for identifying the original delivering contract number, Shipper and any additional title transfers.

If Marketer's nominations on the Company's Electronic Bulletin Board are not consistent with nominations on Transporting Pipeline, then the smaller of the two nominations shall prevail, and all associated balancing and penalty assessments shall be based on the smaller nomination.

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1.04.0 Protection Of System Operations:

1.04.1 Company Operational Flow Order (OFO):

Service hereunder may be limited as provided in the Company's General Terms and Conditions. Further, in the event that the Company determines in its sole judgment that it must take prompt action in order to maintain system integrity or to ensure Company's continued ability to provide service to its firm customers, the Company may declare a Critical Day or issue an OFO. In addition to the OFOs listed below, the Company shall have the right to issue any other OFO reasonably intended to serve the above stated purpose. The Company may take any one or more of the following actions:

(1) declare a Critical Day which would require Marketer to fully utilize upstream capacity that it received from Company through Capacity Release; and require Marketer to fully schedule storage resources allocated as part of FT-2 Service, i.e., up to the MDQ-U, prior to relying on peaking resources to the extent they are needed to meet their customer's demands;

(2) take any actions that are within Company's operational capability to reduce or eliminate Marketer or Aggregation Pool excess receipts; and

(3) take any actions that are within Company's operational capability to reduce or eliminate Marketer or Aggregation Pool excess takes.

When the Company issues an Operational Flow Order it will issue a notice to Marketers and state in the notice the balancing tolerances that will be in effect and, to the extent practicable, provide information on the cause and expected duration of the OFO. In addition, where the Company's need to issue an OFO is the result of its receipt of a notice of any kind from any of its pipeline transportation, storage, or peaking service providers, the Company will include that information in the notice and, to the extent possible, coordinate the duration and terms of its OFO with those of the service provider. Such an attempt to coordinate its OFO with those of its service providers will be based on the Company's sole discretion and such coordination will not limit the Company's ability to impose different terms or to continue or terminate its OFO at a time different from its service provider(s).

1.04.2 Pipeline Operational Flow Order:

If, at any time, an immediate upstream pipeline issues an order changing the requirements at the Point(s) of Receipt, then Company may so notify Marketer and direct Marketer to modify requirements at the Point(s) of Receipt to the extent

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necessary for Company to comply with the pipeline's order. Marketer will be responsible for coordinating with their customers regarding any necessary change to Customer's quantity of Gas Usage.

1.04.3 Marketer Responsibility:

In the event Company takes action to alleviate excess imbalances it will nonetheless remain the obligation of Marketer to make such further adjustments to nominations, both to Company, Shipper, and to Transporting Pipeline, during the remainder of the month to resolve accumulated imbalances or to account for subsequent changes in actual deliveries. Company's exercise of its authority under this section will have no effect on Marketer's liability for unauthorized overrun or imbalance penalties that apply to Marketer under this tariff or any similar charge, including scheduling penalties, imposed by any upstream Transporting Pipeline(s).

An operational flow order may be issued by the Company as a blanket order to all transportation customers, or to individual Marketer's Aggregation Pools, whose actions are determined by the Company to jeopardize system integrity.

For Critical Days or OFO's aggravated by under-delivery, the Marketer will be charged a penalty of 5 times the Daily Index for the aggregated Gas Usage of Customers in the Aggregation Pool that exceed 102% of the Marketer's aggregate actual receipts on the Transporting Pipeline at the Point of Receipt. The Marketer will be charged a penalty of 0.1 times the Daily Index for the differences between said receipts and said usage that exceed 20% of said receipts [(Receipts – Usage) > (20% x Receipts)].

For Critical Days or OFO's aggravated by over-delivery, the Marketer will be charged a penalty of 0.1 times the Daily Index for the aggregated Gas Usage of Customers in the Aggregation Pool that exceed 120% of the Marketer's aggregate actual receipts on the Transporting Pipeline at the Point of Receipt. The Marketer will be charged a penalty of 5 times the Daily Index for the differences between said receipts and said usage that exceed 2% of said receipts [(Receipts – Usage) > (2% x Receipts)].

1.05.0 Unauthorized Use:

In the event the Company provides a Marketer with as much notice as Company deems practicable of an Operational Flow Order per Item 1.04.0 or other curtailment of service and thereby reduces the Scheduled Transportation Quantity for delivery, the total Gas Usage by the Customer may not exceed the revised Scheduled Transportation Quantity. If, on any Gas Day, after notice of curtailment, the quantity of gas taken by Marketer's Customers in

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an Aggregation Pool, exclusive of NFT customers whose use under a curtailment is covered in Item 4.04 below, exceeds Marketer's Scheduled Transportation Quantity as so revised for the Aggregation Pool, and the Company has not authorized such excess quantity, then all such Gas Usage constitutes Unauthorized Use and is subject to an overrun penalty for each Dekatherm not delivered of five (5) times the Daily Index. Such charges will be billed to the Marketer's account.

1.06.0 Shipper And Transporting Pipeline Requirements:

Marketers must deliver a minimum of forty percent (40%) of total daily pipeline receipts (including all of the Marketer's Aggregation Pools serving both FT-1 and FT-2 customers) on each of the upstream pipelines: Algonquin Gas Transmission ("Algonquin") and Tennessee Gas Pipeline ("Tennessee"). The remaining twenty percent (20%) of total daily pipeline receipts (including all of the Marketer's Aggregation Pools serving both FT-1 and FT-2 customers) may be delivered on either or both Algonquin or Tennessee.

Marketer warrants with respect to each Aggregation Pool that it has entered into the necessary agreements for the purchase and delivery of a gas supply to the Point of Receipt which it wants Company to transport and that it has entered into the necessary transportation agreements for the delivery of gas supply to the Point of Receipt. Marketer acknowledges that it must arrange for the delivery of Actual Transportation Quantities to the Company sufficient to include both the Scheduled Transportation Quantities and the applicable Company Fuel Adjustments.

In addition, Marketer warrants that at the time of delivery of its gas supply to the Point of Receipt, Marketer shall have good title to such gas, free of all liens, encumbrances and claims whatsoever. Marketer shall indemnify the Company and save it harmless from all suits, actions, debts, accounts, damage, costs, losses and expenses arising from or out of any adverse legal claims of third parties to or against said gas supply.

1.07.0 Capacity Release:

Each Marketer serving any Customer migrating from (i) ~~Non-Firm Sales, Non-Firm Transportation or~~ Firm Sales Service to FT-1 or FT-2 Transportation Service or (ii)~~from~~ another Marketer's Aggregation Pool where they were previously assigned pipeline capacity by the Company, will be required to accept, for each such Customer account, an assignment of a portion of Company's firm interstate pipeline transportation capacity at maximum rates for an initial term of up to one year.

The Company shall determine the quantity to be released based on the customer's calculated Peak Day Use and load factor rate class. The Company will separately calculate assignment percentages for high load factor rate classes and low load factor rate classes eligible for

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transportation for pipeline, storage and peaking. It will then multiply the pipeline percentage applicable to the Customer's rate class times the Customer's Peak Day Use to determine the amount of capacity to be assigned to the Marketer. The pipeline, storage and peaking allocation percentages will then be provided in the Company's annual Gas Cost Recovery filing.

The Company will provide Marketers with the calculated base and thermal factors used to estimate each customer's peak day use. The factors are provided based on the results of the Company's application of the specific methodology in this tariff and certain historical data. Marketers may not assume that use of the factors will yield correct estimates of any customer's use for any future period or that the capacity provided as a result of the calculation will meet the customer's requirements under all conditions.

The quantity of capacity shall be set forth in the confirmation materials provided to the Marketer. For all Customers classified as Small, Medium, Large, or Extra-Large, this quantity will be reviewed annually against the Customer's most recent usage patterns. Any change in Customer's required capacity will be reflected in a revised capacity release with the Marketer for effect on the following November 1. In the event that a Marketer stops delivering gas on behalf of an existing capacity exempt customer, the customer will be prohibited from taking firm Company sales service. Such customers ~~may select~~ will receive D~~d~~efault T~~t~~ransportation S~~s~~ervice as described in Item 2.04.0 below.

Marketer shall be required to execute a Capacity Assignment Agreement at the time a Marketer establishes an Aggregation Pool or any other instruments reasonably required by Company or interstate pipeline necessary to effectuate such assignment. Marketer is responsible for utilizing and paying for the assigned capacity consistent with the terms and conditions of the interstate pipeline's tariffs and this tariff. Marketer is responsible for payment of all upstream pipeline charges associated with the assigned firm transportation capacity, including but not limited to demand and commodity charges, shrinkage, GRI charges, cash outs, transition costs, pipeline overrun charges, annual change adjustments and all other applicable charges. These charges will be billed directly to the Marketer by the interstate pipeline.

All Capacity Assignments for FT-1 Transportation Service will be effective with the commencement of service. Capacity Assignments for FT-2 Customers will be effective the first~~1st~~ of the upcoming month for Transportation Service Applications received prior to the tenth~~10th~~. For FT-2 Service, EDI enrollments received on or after the tenth~~10th~~ of the month, the capacity release will not be effective until the first ~~1st~~ of the month subsequent to the upcoming month.

Capacity A~~a~~ssignments will be effective for an initial term of up to one year through the following November 1. ~~The c~~Capacity A~~a~~ssignments shall be reviewed each November 1

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and be subject to annual adjustment as described above. The new capacity assignment percentages, along with the storage maximum daily quantities and maximum storage quantities in section 3.02.2, will be available on the Company's EBB. All releases hereunder will be subject to recall under the following conditions: (1) when required to preserve the integrity of the Company's facilities and service; (2) at the Company's option, whenever the Marketer fails to deliver gas in an amount equal to the Scheduled Transportation Quantity; and (3) any other conditions set forth in the capacity release transaction between the Marketer and the Company.

The Company shall assess a surcharge/credit to Marketers based on the difference between the charges of the upstream pipeline transportation capacity and the weighted average of the Company's upstream pipeline transportation capacity charges as calculated by the Company. To the extent that the charges of such released pipeline capacity are greater than the weighted average charges, the Marketer shall receive credit for such difference in charges based on the total quantity of capacity released by the Company to the Marketer. The per Dt charge is calculated by subtracting the charge per Dt for the released pipeline capacity from the Company's weighted average Upstream Transportation charges as identified in the Company's annual Gas Cost Recovery Filing. To the extent that the cost of such released pipeline capacity is less than the weighted average cost, the Marketer shall be surcharged for such difference.

During the calendar month of September, each Marketer will be required to submit a new Capacity Assignment Agreement indicating pipeline capacity path preferences based on the available paths identified in the Company's annual Gas Cost Recovery Filing.~~Each Marketer shall identify pipeline capacity preferences for: (1) existing customers, and (2) any new customers.~~ Any changes from the Marketer's previous election will be effective November 1 in conjunction with the updating of customer capacity quantities described above.

Each Marketer's capacity assignment associated with Customers in an aggregation pool shall be reviewed on a monthly basis prior to the tenth (10th) calendar day of the month, and adjusted to reflect any net changes resulting from the addition and deletion of customers to the pool.

1.07.1 Capacity Exemption for New Firm Loads:

New Customers requesting firm service that are classified as Large or Extra-Large and electing FT-1 transportation service will not be required to take assignment of the Company's capacity resources as described in 1.07.0 above and must notify the Company in writing of its intent to be Capacity Exempt. The New Customer must also initiate gas supply service from a Marketer within 60 days after the start of distribution service. In the event that the New Customer does not obtain a Marketer within 60 days of the commencement of distribution service, the Customer will be prohibited from receiving

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Company-supplied firm sales service and will receive and be billed for Default Transportation Service as described below in Item 2.04.0. The consumption of such Customers may be subject to annual review and confirmation by the Company. Customers who fail to meet the minimum requirement for the Large classification shall be required to take assignment of the Company's capacity resources after no less than 60 days' notice. Marketers for such customers may be responsible for obtaining citygate capacity at a specific citygate on the Company's system as determined by the Company. Such determination will be based on the customer's location, load characteristics and distribution system requirements.

In the event that a Marketer stops delivering gas on behalf of a customer without Company assigned pipeline capacity, the customer will be prohibited from taking firm Company sales service. Such customers shall~~may~~ receive and be billed for~~select~~ ~~d~~Default ~~t~~Transportation ~~s~~Service as described in Item 2.04.0 below.

1.07.2 Capacity Exemption for Non-Firm Customers Converting to Firm Service:

Non-Firm Sales and Non-Firm Transportation Customers classified as Large or Extra-Large who have been approved by the Company to receive firm distribution service and have elected FT-1 transportation service must, no later than 90 days' notice before the commencement of distribution service, either (i) request in writing a Capacity Assignment from the Company, or (ii) notify the Company in writing of its intent to retain its Capacity Exempt status. In the event that a Customer who has requested to retain its Capacity Exempt status but does not have a Marketer at the time the Customer begins receiving firm distribution service, the Customer will be prohibited from taking Company-supplied firm sales service and will receive and be billed for Default Transportation Service as described below in Item 2.04.0. The consumption of such Customers may be subject to annual review and confirmation by the Company. To qualify for Capacity Exempt status, Marketers for such Customers may be responsible for obtaining citygate capacity at a specific citygate on the Company's system as determined by the Company. Such determination will be based on the Customer's location, load characteristics, and distribution system requirements. For those Non-Firm Customers converting to firm distribution service and requesting an assignment of the Company's pipeline capacity, the Company must respond in writing within 30 days regarding the availability of pipeline capacity. If the Company is not able to provide a capacity assignment, the Customer will retain its Capacity Exempt status and will be prohibited from taking Company-supplied firm sales service and will receive and be billed for Default Transportation Service as described below in Item 2.04.0.

In the event that a Marketer stops delivering gas on behalf of a Customer who does not have an assignment of the Company's pipeline capacity, the Customer will be prohibited from taking Company-supplied firm sales service. If the Customer is unable to secure a gas supply from a Marketer, the customer will receive and be billed for Default Transportation

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Service as described below in Item 2.04.0.

1.08.0 Facilities:

The Company shall own, operate and maintain, at its expense, its gas distribution facilities to the Point of Delivery. The Customer shall furnish, maintain and operate the facilities required between Company's Point of Delivery and the Customer's equipment.

1.9.0 Quality:

Marketer is responsible for insuring that all gas received, transported and delivered hereunder to the Point of Receipt meets the quality specifications and standards outlined in the General Terms and Conditions of the Transporting Pipeline's FERC Gas Tariff.

1.10.0 Possession of Gas:

Company shall be deemed to be in control and possession of transportation gas to be delivered in accordance with this service from receipt at the Point(s) of Receipt until it shall have been delivered to Customer at the Point of Delivery. Marketer shall be deemed to be in possession and control of the gas prior to such receipt by the Company and Customer shall be deemed to be in control and possession of transportation gas after such delivery by the Company to the Point of Delivery. Company shall have no responsibility with respect to such gas before it passes the Point of Receipt or after it passes such Point of Delivery or on account of anything which may be done, happen or arise with respect to such gas after Point of Delivery.

1.11.0 Provision of Future Taxes, Surcharges Fees, Etc.:

In the event a tax of any kind is imposed or removed by any government authority upon the sale or transportation of gas or upon the gross revenues derived therefrom (exclusive, however, of taxes based on Company's net income), the rate for service to Customer and/or Marketer, as the Company deems appropriate, shall be adjusted by an amount equal to or otherwise properly reflecting said tax. Similarly, the effective rate for service hereunder shall be adjusted to reflect any refund or imposition of any surcharges or penalties applicable to service hereunder which are imposed or authorized by any governmental authority.

1.12.0 Retention of Pipeline Fuel Adjustment:

The Company shall retain in kind, from the quantities of gas actually delivered to the Point(s) of Receipt for Marketers' accounts, the amount thereof equal to the applicable Company Fuel Allowance. Such Company Fuel Allowance shall be calculated by the

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Company based upon an average of the Company's most recent five (5) years' experience, fuel loss and unaccounted for or similar quantity based adjustments.

1.13.0 Limitations of Liability:

The liability of the Company shall be limited in accordance with the provisions of the Company's General Terms and Conditions.

1.14.0 Force Majeure:

Neither Company nor Marketer shall be liable to the other or to Customer for delays or interruptions in performing their respective obligations hereunder arising from any acts, delays or failure to act on the part of, or compliance by Marketer or Company with any operating standard imposed by any governmental authority, or by reason of an act of God, accident or disruption, including without limit, strikes or equipment failures, or any other reason beyond Marketer's or Company's control, provided, however, in the event of an occurrence of one or more of the foregoing events, reasonable diligence shall be used to overcome such event. The party claiming force majeure shall, on request, provide the other party with a detailed written explanation thereof, and of the remedy being undertaken.

1.15.0 Electronic Data Interchange (EDI):

The Company will require use of EDI for all transactions associated with account administration, usage and billing, and payments for the FT-2 service. The transactions requiring EDI communication are enrollments, drops, adjustments and historical usage. EDI will also be available for requesting historical usage, switching and drops for FT-1 accounts. The detail information on EDI processing is available to Marketers on request. All Marketer EDI transaction sets will be tested prior to operational implementation.

2.0 FT-1 TRANSPORTATION SERVICE:

2.01.0 Character of Service:

This service provides firm, 365 day transportation of Customer purchased gas supplies to customers electing to have Gas Usage recorded on a daily basis at the Point of Delivery. The Customer shall identify on the Transportation Service Application a Marketer that it has designated to perform initial and subsequent nominations, to receive scheduling and other notices from the Company, and to do balancing. Such Marketer shall assign Customer to an Aggregation Pool with other Customers electing FT-1 or NFT service or establish a one-customer Aggregation Pool and execute an appropriate Marketer Aggregation Pool Service Agreement. Specific Marketer requirements and obligations are described in Item 5.0 below.

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2.02.0 Telemetering:

The Company will provide at the Customer's expense, at the Point of Delivery to the Customer, a device that the Company will attach to its metering equipment for the purpose of monitoring the Gas Usage. The Customer shall be responsible to supply a dedicated electrical supply and a telephone line at a location acceptable to Company and capable of transmitting information collected from the monitoring device to the Company's computer system. The Customer shall be responsible for the maintenance and service of the telephone line. Should a dedicated phone line be required, it is the responsibility of the Customer to schedule the installation, to notify Company when such installation has been completed, and the Customer is responsible for any associated charges. FT-1 and NFT transportation service shall not commence until the telemetering equipment is in place and operational.

2.03.0 Balancing:

FT-1 and NFT Service is subject to both Daily and Monthly balancing provisions. It will be the Marketer's responsibility to provide accurate and timely nominations of quantities proposed to be received and delivered by Company under this service and to maintain as nearly as possible, equality between the Gas Usage and the Actual Transportation Quantity. Marketer shall be solely responsible for securing faithful performance by Shipper and Transporting Pipeline, and the Company shall not be responsible as a result of any failure of Shipper or Transporting Pipeline to perform. Charges and Penalties associated with FT-1 and NFT balancing are billed to the Marketer.

2.03.1 Daily Imbalances:

The Marketer must maintain a balance between daily receipts and daily usage within the following tolerances:

Off-Peak Season:	The difference between the Marketer's Aggregation Pool actual receipts and the aggregated gas usage of customers in the Aggregation Pool shall be within 15% of said receipts. The Marketer shall be charged a penalty of 0.1 times the Daily Index for all differences not within the 15% tolerance.
Peak Season:	The difference between the Marketer's Aggregation Pool actual receipts and the aggregated gas usage of customers in the Aggregation Pool shall be within 10% of said receipts. The Marketer shall be charged a penalty of 0.5 times the Daily Index for all differences not within the 10% tolerance.
Critical Day(s):	The Company will determine if the Critical Day will be

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aggravated by an under-delivery or an over-delivery, and so notify the Marketer when a Critical Day is declared pursuant to Item 1.05 above.

If the Marketer does not deliver gas on the transporting pipelines as required in Item 1.06.0 above, the Company may charge the Marketer a penalty of 0.5 times the Daily Index for all differences less than the forty (40) percent minimum requirement on each transporting pipeline.

If the Marketer has an accumulated imbalance within a month, the Marketer may nominate to reconcile such imbalance, subject to the Company's approval, which approval shall not be unreasonably withheld.

2.03.2 Monthly Imbalances:

For each Aggregation Pool, the Marketer must maintain total Actual Transportation Quantities within a reasonable tolerance of total monthly Gas Usage. Any differences between total Monthly Transportation Quantities for an Aggregation Pool and the aggregated Gas Usage of Customers in the Aggregation Pool, expressed as a percentage of total Monthly Transportation Quantities will be cashed out according to the following schedule:

Imbalance Tier	Over-deliveries	Under-deliveries
0% ≤ 5%	The average of the Daily Indices for the relevant Month relevant Month	The highest average of seven consecutive Daily Indices for the
> 5% ≤ 10%	0.85 times the above stated rate	1.15 times the above stated rate
> 10% ≤ 15%	0.60 times the above stated rate	1.4 times the above stated rate
> 15%	0.25 times the above stated rate	1.75 times the above stated rate

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% Under-delivery on a Delivering Pipeline, volumes that make up the first 5% of the imbalance are priced at the highest average of the seven consecutive Daily Indices.

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Volumes making up the remaining 2% of the imbalance are priced at 1.15 times the average of the seven consecutive Daily Indices.

All cash-out charges or credits, as determined above, will be applied to the Marketer's monthly invoice for the Aggregation Pool.

Designated Marketers may arrange with another of Company's Marketers providing service to the same Point of Receipt to exchange, purchase or sell daily or monthly imbalance gas. The Company will notify each Marketer of its monthly imbalance following the close of the billing month in which the imbalance occurs. Marketers will have three business days following such notification to notify Company of any imbalance exchange or sale and to confirm such transaction.

2.03.3 Pass-Through of Upstream Imbalance Charges:

In addition to other charges provided for in this Section, Marketer will be responsible for any imbalance charge or penalty imposed on Company by an upstream pipeline as a direct result of an imbalance, scheduling error, unauthorized overrun or other similar charges caused by Marketer. The Company shall assign imbalance penalties assessed to the Company by upstream pipelines to sales and transportation customers based on the extent that each group caused such penalties, as determined by the Company. The portion of any such penalty assigned to transportation service shall be further assigned to individual Marketers based on the extent to which each Marketer's Aggregation caused such penalties, as determined by the Company.

2.04.0 Default Transportation Service:

Default Transportation Service is available to any Commercial or Industrial customer account classified as Large or Extra Large that subscribes to FT-1 Transportation Service and that does not have pipeline capacity assignment from the Company. Customers will receive~~electing~~ this service as a result of~~must provide written notice to the Company via mail, FAX or E-mail that~~ their marketer ~~will~~ no longer ~~be~~ delivering gas on their behalf ~~and that they wish to avail themselves of the service~~. Such service will continue in effect until either service is established with a new marketer through the execution of a new Transportation Application per Item 1.03.1 above or service is terminated.

This service provides for a continuous supply of gas of not less than 1,000 Btu per cubic foot, and is provided on a best efforts basis with as little as 24 hours advance notice. Where notification is at least 24 hours in advance but less than three business days before the start of a calendar month, the service provided will be Short-Notice Default Transportation Service. Where notice is provided at least three business days prior to the start of a calendar month, the service provided will be Advance-Notice Default Transportation Service. Short-

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Notice Default Transportation Service will be switched to Advance-Notice Default Transportation Service at the start of a subsequent month once the service has been in effect for the three business day period before the start of such month.

Default Transportation Service is a temporary surrogate for provision of gas to a customer that would otherwise be provided by a marketer, hence it includes nominating and balancing. Customer must maintain an operational telemetering device as required in Item 2.02.0 above.

2.04.1 Rates:

~~Pricing for Default Transportation Services shall be set forth in a Price Sheet filed with the Commission. The Company and Default Transportation Service supplier shall review the pricing of these services annually and file necessary revisions with the Commission concurrent with the Company's annual Gas Cost Recovery Filing~~
As indicated in Item 2.04.0 of Section 6, Schedule C of the Company's Transportation Terms and Conditions, two Default Transportation Services are available in the event that a marketer stops delivering gas on behalf of Large and Extra Large FT-1 customers who have elected to forgo the Company's assignment of pipeline capacity:

Short-Notice Service:

The commodity charge for Short-Notice service shall be the higher of:

a. The Company's applicable firm sales rate

OR

b. Winter (November – March) – 135% of the Daily Algonquin Citygates average price or 135% of the Daily Tennessee Zone 6 (delivered) average price published in Gas Daily. The citygate (Algonquin or Tennessee) used for pricing shall be based on the customer's location, load characteristics and distribution system requirements in accordance with Item 1.08.1 of the Company's Transportation Terms and Conditions. The published price will be adjusted for Company Fuel Allowance and GET as appropriate.

Summer (April – October) – 115% of the Daily Algonquin Citygates average price or 115% of the Daily Tennessee Zone 6 (delivered) average price published in Gas Daily. The citygate (Algonquin or Tennessee) used for pricing shall be based on the customer's location, load characteristics and distribution system requirements in accordance with Item 1.08.1 of the Company's Transportation

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Terms and Conditions. The published price will be adjusted for Company Fuel Allowance and GET as appropriate.

Advance-Notice Service:

The commodity charge for Advance-Notice service shall be the higher of:

a. The Company's applicable firm sales rate

OR

b. Winter (November – March) – 135% of the Algonquin Citygates Monthly Contract Index price or 135% of the Tennessee Zone 6 (delivered) Monthly Contract Index price published in the Gas Daily Price Guide. The citygate (Algonquin or Tennessee) used for pricing shall be based on the customer's location, load characteristics and distribution system requirements in accordance with Item 1.08.1 of the Company's Transportation Terms and Conditions. The published price will be adjusted for Company Fuel Allowance and GET as appropriate.

Summer (April – October) – 115% of the Algonquin Citygates Monthly Contract Index price or 115% of the Tennessee Zone 6 (delivered) Monthly Contract Index price published in the Gas Daily Price Guide. The citygate (Algonquin or Tennessee) used for pricing shall be based on the customer's location, load characteristics and distribution system requirements in accordance with Item 1.08.1 of the Company's Transportation Terms and Conditions. The published price will be adjusted for Company Fuel Allowance and GET as appropriate.

3.0 FT-2 TRANSPORTATION SERVICE:

3.01.0 Character of Service:

This service provides firm, 365 day transportation of Customer purchased gas supplies to customers without the requirement for recording daily Gas Usage at the Customer's Point of Delivery. Daily Nominations are calculated by the Company on the basis of a consumption algorithm, and the Marketer is obligated to deliver to the city gate and/or nominate the purchase of underground storage and peaking supplies at the city gate sufficient to meet the forecasted daily usage of its FT-2 pool customers.

The Customer's designated Marketer shall be allocated a quantity of Company contracted underground storage and peaking resources which, when combined with the pipeline capacity released, will be sufficient to meet the Customer's calculated Peak Day Use. The

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Marketer may purchase supplies delivered to the Company's city gate based on the Company's storage and peaking supply capabilities and costs. The ability to purchase supplies is made available to the Marketer pursuant to a written agreement with the Company, for the purpose of meeting the Company forecasted daily usage under the operational parameters described below. Additional Marketer requirements and obligations are described in Item 5.0 below.

3.02.0 Storage And Peaking Resources:

As described in Section 6, Schedule C. 1.07.0 above, the Company will annually calculate a Customer's total storage and peaking resource requirements based on the Customer's calculated Peak Day Use. It will then multiply the storage and peaking percentage applicable to the Customer's rate class times the Customer's Peak Day Use to determine the amount of capacity to be assigned to the Marketer for storage and peaking, respectively.

3.02.1 Maximum Daily Quantity (MDQ):

The result of the calculations above will establish the Customer's Maximum Daily Quantity (MDQ-P) and (MDQ-U). These parameters represent the maximum storage and peaking quantities available to the Marketer each day for meeting the Customer's Gas Usage needs.

3.02.2 Maximum Storage Quantity (MSQ):

The Customer's Maximum Underground Storage Quantity (MSQ-U) is calculated as the maximum storage quantity from underground storage over the course of the November to March withdrawal season and is calculated by the Company by multiplying the Customer's MDQ-U times the weighted average number of days of service available to the Company under its various underground storage agreements.

The Customer's Maximum Peaking Storage Quantity (MSQ-P) is calculated as the maximum amount of peaking storage over the course of the November to March withdrawal season and is calculated by multiplying the MDQ-P times the number of days that the Company's available LNG, net of amounts required for pressure support, boil-off and any heel quantities, could be used at 100% output. These quantities serve to define the maximum quantities that can be nominated for purchase by a Marketer and are a component of the operational parameters for the service.

3.02.3 Operational Parameters:

The available for the Underground Storage and Peaking accounts shall be tracked by

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the Company and made available to the Marketers via electronic means. These balances will be updated each Gas Day to reflect Marketer nominations for purchase.

The Company will establish monthly maximum purchase levels reflective of the Company's available resources and the Marketers Maximum Storage Quantities, MSQ-U and MSQ-P. There will be separate purchase levels for each month for both Underground Storage and Peaking Resources. Such levels will be as provided in the annual Gas Cost Recovery Filing.

In addition to operational parameters for monthly purchase levels, there are daily maximums established for the quantities which the Marketer can nominate for purchase. These factors vary by month and as the Marketer's entitlement level changes. Such factors will be based on the Marketer's total MDQ, the Company's storage contracts and peaking supply capabilities and will be as provided in conjunction with the annual Gas Cost Recovery Filing.

3.02.4 Purchases:

The Company will update an FT-2 aggregation pool's MSQ-U, MSQ-P, MDQ-U and MDQ-P assignments in total and for each month concurrent with the Customer's initiation of transportation service with the designated Marketer.

Marketer will then be entitled to purchase from the Company the available amount of underground storage for the month on any day up to its allowed MDQ for the month until the cumulative purchases for the month equal the monthly limit. The purchases will be at a rate calculated as indicated below. The estimated rate will be provided to the marketers by the second business day of the month in which the purchase is being made.

The Company shall develop a price for the purchases based on the Company's underground storage inventory price at the beginning of the month and for the variable costs associated with the withdrawal of the gas from storage and the transportation of the gas to the system.

The price per Dt at the Company's city gate shall be calculated using the following formula:

$/Dt = (((IP/(1-SLF) + WWCC)/(1-PLF)) + PCC)

Where:

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$/Dt	cost per Dekatherm charged to Marketers for underground storage inventory at the Company's city gate
IP	Underground Storage Inventory Price at Beginning of the month
SLF	Weighted Average Loss Factor on Storage Withdrawals
WWCC	Weighted Average Withdrawal Commodity Charges
PLF	Weighted Average Pipeline Loss Factor
PCC	Weighted Average Pipeline Commodity Charge and Weighted Average commodity charge of pipeline supplies designated by Company as peaking resource.

The rate components SLF, WWCC, PLF and PCC are as calculated in the Company's most recent Gas Cost Recovery Filing.

Marketers will be entitled to purchase peaking inventory at the Company's cost of LNG inventory.

3.02.5 Demand Rates:

The FT-2 Demand Rate is designed to recover the fixed costs and other miscellaneous costs associated with the provision of the underground storage and peaking resources and is billed to the Marketer:

$/DT	cost per Dekatherm charged to Marketers per unit of MDQ where MDQ = MDQ-U plus MDQ-P.

The FT-2 demand rate is as calculated in the Company's most recent Gas Cost Recovery Filing. The calculation is in Section 2, Gas Charge, Schedule A, Item 3.3.

3.03.0 Nominations:

The Company shall calculate the Forecasted Daily Usage (FDU) of the aggregation pool using a Consumption Algorithm for each of the customers in the aggregation pool. The Company shall have sole responsibility for such Consumption Algorithm and by selecting FT-2 service, Marketer agrees to abide by the results of such algorithm. The algorithm is:

FDU = Base Load + (HU factor * FDD)

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Where:

FDU	an individual customer account's forecasted daily usage for the next gas day
Base Load	average daily consumption for the most recent July and August billing cycles
HU Factor	most recent billing cycle consumption, minus the base load, divided by the heating degree days for the billing cycle
FDD	forecasted heating degree days for the gas day starting at 10:00 AM the next day

FDU will be adjusted for any Company fuel allowance.

The Company will provide to the Marketer no later than 9:30 AM each day using an electronic posting or via facsimile the FDU for the next gas day which would start at 10:00 AM the next day. If the Company is unable to provide to the Marketer the FDU using an electronic posting or via facsimile before 9:30 AM, the default FDU will be the prior day's FDU. The Marketer shall be obligated to nominate any combination of pipeline, underground storage or peaking equal to the FDU for the next gas day. Such nomination is to be posted on the Company's Electronic Bulletin Board in the timely cycle before the start of the next gas day. The Company shall not accept or confirm any nominations that are greater than the FDU of the aggregation pool and any nominations for storage and peaking resources must be in accordance with the applicable operational parameters. When the Marketer's cumulative storage or peaking use for the month reaches the Marketer's maximum storage or peaking use for the month, the Marketer will not be able to nominate storage or peaking quantities to satisfy the FDU nomination requirement.

3.03.1 Critical Days:

To satisfy the FDU nomination requirement on Critical Days, the Marketer is required to fully utilize upstream capacity that it received from Company through Capacity Release so as to help avoid restricting the Company's ability to provide efficient and reliable firm transportation and sales service. Notice of Critical Days will be posted on the EBB no later than concurrent with the posting of the FDU nomination requirement.

3.03.2 Over- and Under-deliveries:

If the Company declares an OFO or critical day condition reducing the tolerance for under-deliveries, any under-deliveries of the aggregation pool's gas requirements, up to the FDU, will be treated as Unauthorized Use and subject to penalty charges as

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provided in Item 1.05.0 above. Under-deliveries at times when an OFO or critical day have not been declared will be cashed out at 120% of daily index.

If the Company declares an OFO or critical day condition reducing the tolerance for over-deliveries, any over-deliveries of the aggregation pool's gas requirements, above the FDU, will be cashed out at 40% of the daily index. In addition, the Company reserves the right to reject such a nomination. Over-deliveries at other times will be cashed out at 80% of Daily Index.

3.03.3 FDU Weather True-up Cash Out:

Each month, the forecasted daily use (FDU) for each day will be recalculated and the change in consumption attributable to differences between the original forecasted degree days and actual degree days will be calculated. Each day's change in consumption will be cashed out at that day's published Daily Index.

3.04.0 Billing Imbalances:

Imbalances between customer Gas Usage and the Forecasted Daily Usage (FDU), adjusted for actual weather, will be cashed out at the average of the Algonquin and Tennessee city gate delivered monthly indexes. The Company will prorate the imbalance amount between the months billed based on the customer's base load and heating use factors and apply the average monthly index to the corresponding month's imbalance quantity, calculated as follows:

MU = (Base Load * Number of billed days in month) + (HU Factor * ADDM)

Where:

MU	Usage attributable to that individual month
Base Load	average daily consumption for the most recent July and August billing cycles
HU Factor	most recent billing cycle consumption, minus the base load, divided by the heating degree days for the billing cycle
ADDM	actual degree days for the billing period

The imbalance amount will be a credit if deliveries exceed the customer's use and a debit if deliveries are less than the customer's use. The billed imbalance amount for any billing will be the sum of the imbalance charges or credits attributable to each individual month

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included in the bill. The charges or credits for the individual months will be calculated as follows:

IBM = (MU – FDUM) * (AGTI + TGPI) / 2

Where:

IBM Individual Billing Month charge/credit

AGTI Algonquin Pipeline published price Index for the month

TGPI Tennessee Pipeline published price Index for the month

All quantities will be adjusted for Company Fuel Allowance.

4.0 NFT SERVICE:

4.01.0 Character Of Service:

This service provides interruptible transportation of Customer purchased gas supplies to customers with telemetering equipment and that are eligible to be classified under Section 6, Schedule A of the Company's Tariff. The Customer shall identify on the Transportation Service Application a Marketer that it has designated to perform initial and subsequent nominations, to receive scheduling and other notices from the Company, and to do balancing. Such Marketer may assign Customer to an Aggregation Pool with other Customers electing NFT or FT-1 transportation service or establish a one-customer Aggregation Pool. Specific Marketer requirements and obligations are described in Item 5.0 below. A Customer receiving NFT service does not have pipeline capacity assignment from the Company.

4.02.0 Nominations:

The nomination requirements in Item 1.04.0 above apply to the provision of NFT Service.

4.03.0 Imbalances:

The Daily and Monthly Imbalance provisions in Items 2.03 above apply equally here.

4.04.0 Curtailments:

Customer will curtail or discontinue service when, in the sole opinion of the Company, such curtailment or interruption is necessary in order for it to continue to supply the gas

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requirements of its firm customers at such time. The Company will attempt to give the customer and customer's marketer three (3) working days' notice of such curtailment, except in emergency situations, when at least one hour's notice shall be given.

For any period that a customer fails to curtail the use of gas as requested by the Company, the charge for gas consumption will be equal to the non-firm transportation service customer charge plus Gas Usage at a penalty of five (5) times the Daily Index. Such use of gas under these circumstances shall be considered an "unauthorized use" of gas purchased from the Company, and billed to the customer's account.

In the event where the Company, in its sole discretion, grants the customer an exemption from the curtailment, the use of gas under these circumstances shall be referred to as an "authorized use of gas." Authorized use of gas during a curtailment will be for a limited time period and will be purchased from the Company. The charge for gas consumed under these conditions will be billed to the customer and based on the non-firm transportation service customer charge plus the Company's highest cost gas required to meet demand during the applicable curtailment period, plus the current firm sales service rate excluding the firm customer charges. Payments for this use, whether authorized or unauthorized, shall not preclude the Company from turning off the customer's supply of gas in the event of the failure to interrupt, or curtail, the use thereof when requested to do so.

5.00 MARKETER AGGREGATION SERVICE:

5.01.0 Character of Service:

This service allows Marketers to aggregate customer accounts and form Aggregation Pools for the purpose of making initial and subsequent nominations, making delivery to a designated Point of Receipt, and for balancing of Actual Transportation Quantity with Gas Usage on Customer's behalf. The Company will transport gas, owned by the Customers of the Aggregation Pool, to the Point(s) of Delivery for each Customer included in such pool. A Marketer shall be designated by each Customer on the Transportation Service Application, and each such customer must be assigned by the Marketer to an Aggregation Pool of one or more customers. Changing the designated Marketer is allowed under the conditions in Item 1.02 above and is accomplished through the execution of a new Transportation Service Application. Once so designated, the Company will rely on information provided by the Customer's Marketer for nomination, balancing and scheduling purposes and all notices provided by the Company to Customer's Marketer shall be deemed to have been provided to the Customer.

5.02.0 Aggregation Pools:

The aggregation of Customer accounts into an aggregation pool is limited by the

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transportation service of the respective Customers.

The Customer's transportation service restriction requires that Customers subscribing to non-daily metered FT-2 Service must be aggregated in a separate pool from Customers subscribing to daily metered FT-1 or NFT Service. Customers subscribing to FT-1 or NFT can be combined in a single Aggregation Pool. A separate Marketer Account will be established for each Marketer Aggregation Pool.

The Marketer Aggregation Pool Service Agreement have an initial term through the following November 1. Thereafter, the Pool Service Agreement shall be automatically renewed for successive one year terms, unless notice of termination is provided by the Marketer on or before October 1 or if the Company has terminated the agreement under its collection procedures. Marketers may assign their Aggregation Pool Service Agreements to another certified Marketer with the Company's consent.

5.03.0 Marketer Qualifications:

In order to be designated hereunder as a Marketer, the Marketer must meet the following qualifications:

(1) The Marketer must be authorized by the PUC~~Rhode Island Public Utilities Commission~~ in accordance with PUC~~Commission~~ Regulations for Utility Interaction with Gas Marketers;

(2) The Marketer must demonstrate to the Company that it meets the following creditworthiness standards:

A. The Marketer, or a guarantor, maintains a minimum rating from one of the rating agencies and no rating below the minimum from one of the other two rating agencies. For the purposes of this Section, minimum rating shall mean "BBB" from Standard & Poor's, "Baa2" from Moody's Investor Service, or "BBB" from Fitch Ratings (minimum rating)

B. If a Marketer or a guarantor, is not rated by Standard & Poor's, Moody's Investor Service or Fitch Ratings, it shall satisfy the Company's creditworthiness requirements if the Marketer, or a guarantor maintains a minimum "1A2" rating from Dun & Bradstreet (Dun and Bradstreet minimum rating) and the Marketer maintains 24 months good payment history with the Company

C. In the event that the Marketer has not met the credit standards above, then the Marketer must so notify the Company and the Marketer will be required to use one of the financial vehicles specified in 5.03.3 to satisfy the Company's credit standards.

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(3) Marketers must have an executed Marketer Aggregation Pool Service Agreement with the Company and accepted its designation as the marketer for each customer by countersigning the applicable Transportation Service Application.

(4) Marketers must provide the Company with a copy of their GET exemption certificate, state sales tax exemption certificate or other appropriate exemption certificate(s) in order to be exempt from the applicable taxes.

5.03.1 Marketer Disqualification:

A Marketer may be disqualified from participating in the transportation program for any of the following conditions:

(1) Failure to continue to meet all the conditions set forth in Section 5.03.0 with respect to authorization by the PUC~~Commission~~ and the credit standards set out in 5.03.0, and abide by the terms and conditions of the Marketer Aggregation Pool Service Agreement set forth in Section 6.0.

(2) Failure to pay an invoice from the Company on the due date or maintain sufficient credit. If Marketer fails to pay an invoice on the due date or the Marketer's credit limit or security is insufficient to cover the unpaid amount, the Company may discontinue participation in the customer transportation program; provided however, that at the Marketer's request, the Company will allow up to 10 business days for the Marketer to cure any failure to pay or any shortfall provided such action, as determined solely by the Company, will not result in harm to its customers or the gas system.

(3) If a Marketer, through its actions, causes a significant risk or condition that compromises safety, system security or operational reliability and fails to eliminate that risk or condition when notified, the Company may immediately discontinue the Marketer's participation in the customer transportation program.

(4) If the Marketer fails to provide supply at a level that reasonably matches its customers' daily requirements for its daily balanced pool or, when directed by the Company to deliver a certain quantity under the FT-2 service it fails to deliver the required amount, the Company may discontinue the Marketer's participation in the customer transportation program.

5.03.2 Calculation of Credit Risk and Security for Natural Gas Imbalance Risk:

The Company may require a Marketer to provide security equal to three times the highest month's gas usage of the Marketer's Aggregation Pool at the firm sales rate

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applicable to the upcoming peak period. This amount may be updated at the Company's discretion

5.03.3 Security Instruments:

The following financial arrangements are acceptable methods of providing security:

(1) Deposit or prepayment, which shall accumulate interest at the applicable rate per annum approved by the Rhode Island Public Utilities Commission;
(2) Standby irrevocable letter of credit or surety bond issued by a bank, insurance company or other financial institution with at least an "A" bond rating;
(3) Security interest in collateral; or,
(4) Guarantee by another party or entity with a credit rating of at least "BBB" by S&P, "Baa2" by Moody's, or "BBB" by Fitch; or
(5) Other means of providing or establishing adequate security.

The Company may refuse to accept any of these methods for just cause provided that its policy is applied in a nondiscriminatory manner to any Marketer.

If the credit rating of a bank, insurance company, or other financial institution that issues a letter of credit or surety bond to a Marketer falls below an "A" rating, the Company shall allow a minimum of five business days for a Marketer to obtain a substitute letter of credit or surety bond from an "A" rated bank, insurance company, or other financial institution.
The Marketer agrees that the Company has the right to access and apply the deposit, letter of credit or other financial vehicle to any payment obligations, not in dispute, which are deemed by the Company to be late. The Company may review and determine the status of a Marketer's creditworthiness at its sole discretion. If Marketer is unable to maintain the Company's credit approval or otherwise ceases to meet the Marketer Qualifications, the Company may terminate the Marketer Aggregation Pool Agreement as of the first day of the month following written notice to Marketer.

5.04 Intentionally Left Blank

5.05 Billing:

Billing for monthly customer charges and transportation charges for quantities actually delivered shall be based on the readings at each individual meter for the Customer and billed on a billing cycle basis to the Customer. The Customers and Marketers shall be liable for all rates, charges and surcharges allowed for in the Company's Rate Schedules related to transportation services provided to each customer individually.

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Calculation of charges applicable to the Aggregation Pool will be based on aggregated Gas Usage, MDQ's, etc. of all Customers in the Aggregation Pool. Billing for charges applicable to an Aggregation Pool, e.g., imbalance charges, credits or penalties, and FT-2 Throughput charges shall be billed to the Marketer on a calendar month basis.

All bills rendered to the Marketer are due within ten (10) days from the date of the invoice. A late payment charge, in accordance with regulations of the Rhode Island Public Utilities Commission and the Rhode Island Division of Public Utilities and Carriers, shall accrue after ten (10) days.

6.0 SERVICE AGREEMENTS: (See Attached Sheets)

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The Narragansett Electric Company, Transportation Service Application

This Transportation Service Application ("Application") must be completed by the customer and the marketer prior to the commencement of the requested Transportation Service.

NG:	The Narragansett Electric Company d/b/a National Grid 175 East Old Country Road Hicksville, NY 11801 Attn: Supplier Services	Customer:	_____ _____ _____ ( ) _____
Notice to:	Customer Contact Center: 1-800-870-1664	Notice to:	_____ ( ) _____

The Customer hereby requests Transportation Service subject to the NG General Terms and Conditions, Section 1 of RIPUC NG-GAS No. 101, its Transportation Terms and Conditions, Section 6, Schedule C and, under the terms and conditions set forth herein. NG shall review this Application and notify the Customer of its approval or rejection by way of a Confirmation Letter that shall set forth the terms and conditions of the Customer's Transportation Service. Upon Customer's and Marketer's fulfillment of all conditions set forth in the Confirmation Letter, such Confirmation shall represent an Agreement by NG to provide Transportation Service consistent with this Application and the Transportation Terms and Conditions set forth in Section 6, Schedule C of RIPUC NG-GAS No. 101.

Account Number	Meter Number	Service Address	FT-1	NFT
1)				
2)				
3)				

1. Transportation Service shall commence in accordance with Item 1.02, Section 6, Schedule C of RIPUC NG-GAS No. 101
2. FT-1 and NFT Services require telemetry. A telemetering device and related equipment installed by NG shall remain NG property at all times. The Customer shall provide NG with access to a phone line that meets NG specifications for telemetering purposes. The customer is financially obligated for the costs to acquire, install and operate the telemetering device and related equipment.
3. Provision of transportation service based on this Application shall have an initial term through the following November 1st, unless sooner terminated in accordance with the terms and conditions of NG's Tariff, and shall continue thereafter from year to year unless terminated by customer, Marketer, or NG upon not less than 30 days prior written notice.

Public Regulation

The Narragansett Electric Company is a public utility subject to regulation by the Rhode Island Public Utilities Commission ("Commission"). The provision of transportation service as a result of this Application is subject to any limitations, modifications or amendments ordered by the Commission, regardless of whether said order resulted from a petition, request or other solicitation directed to the Commission by a party to this Application. Compliance by NG with any order, rule, regulation or policy statement of the Commission, or of any other federal, state or local governmental authority, whether issued before or after the commencement of transportation service, shall relieve NG of its obligations hereunder as a result of such compliance. In the event of the issuance of any order of the Commission which materially modifies the provisions of such service, either NG, the customer, or the Marketer shall have the option to terminate transportation service by giving written notice of termination to the other party at any time within thirty (30) days after the issuance of said order.

Customer Signature	Title	
Print or Type Name	Date	Phone #
Contact in event of telecommunications issue : Print or Type Name		Phone #

This section to be filled out by the Marketer

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By signing below and pursuant to its separate Marketer Aggregation Pool Service Agreement, the Marketer (i) accepts the designation as the customer's marketer and (ii) agrees to pay all applicable Marketer charges in accordance with NG's tariff, including its Transportation Terms and Conditions

Marketer	Marketer Signature	Title
Phone #	Print or Type Name	Date

THE NARRAGANSETT ELECTRIC COMPANY
MARKETER AGGREGATION POOL SERVICE AGREEMENT

This Agreement ("Agreement") is entered into this _____ day of _____, 20__, by and between The Narragansett Electric Company, d/b/a National Grid, a subsidiary of National Grid USA with a principal place of business in the State of Rhode Island at 280 Melrose Street, Providence, Rhode Island (herein called "NG" or the "Company") and _____ (herein called "Marketer.")

WITNESSETH THAT:

WHEREAS, the Company's tariff, RIPUC NG-GAS No. 101, Section 6, Schedule C, provides for and establishes terms and conditions for a Marketer Aggregation Pool; and

WHEREAS; Marketer desires to establish an Aggregation Pool and desires Company to provide pool aggregation services pursuant to such Schedule C and to transport quantities of gas delivered by Marketer for use at the locations of customers belonging to the Aggregation Pool (hereafter called "Points of Delivery"); and

WHEREAS: Company, is willing to provide such service to Marketer.

NOW, THEREFORE, Company and Marketer agree that Company, subject to the Company's General Terms and Conditions, Transportation Terms and Conditions, limitations and provisions hereof, commencing _____ 1, 20__, will transport and deliver to customers of Marketer's Aggregation Pool such quantities of Marketer's gas delivered by Transporting Pipeline to Company's distribution facilities (hereafter called "Point of Receipt").

1.0 AGGREGATION POOL:

1.1 Marketer is establishing a single Aggregation Pool as indicated by an X:

Daily Metered _____
Non-daily Metered _____

1.2 Marketer hereby subscribes to Company's Marketer Aggregation Service pursuant to Item 5.00 of the Company's Transportation Terms and Conditions, Section 6, Schedule C.

1.3 Marketer represents and warrants that Marketer has met and will continue to meet the Marketer qualifications in Item 5.03 of Company's Transportation Terms and Conditions, Section 6, Schedule C.

1.4 Marketer agrees to provide to Company no later than 30 days before the above identified commencement date Transportation Service Applications for all end user customers in Marketer's Aggregation Pool identified in 1.1 above. Such list is to include: Customer Name; Billing Address; NG account #; and, name and telephone number of customer contact person.

1.5 Marketer agrees to notify Company in writing of any changes in the makeup of an Aggregation Pool as provided in the Company's Transportation Terms and Conditions.

1.6 Marketer represents and warrants that it has accepted the designation as the Marketer of each customer of the Aggregation Pool and agrees in each case to be bound by, perform, and pay all charges applicable to transportation service to the Customer's account in accordance with the provisions of the Company's tariff.

2.0 PIPELINE CAPACITY RELEASE:

2.1 Company agrees to provide to Marketer no later than 15 days before the above identified commencement date, the quantity of interstate pipeline capacity allocated for Marketer's FT-1 and FT-2 Aggregation Pool(s) broken down by individual customer.

2.2 Marketer agrees to accept assignment of such firm interstate pipeline capacity in accordance with the Company's Transportation Terms and Conditions, Schedule C, Item 1.07.

2.3 Company agrees to update the calculation of the quantity of interstate pipeline capacity annually based on customers' most recent historical usage in accordance with the Company's Transportation Terms and Conditions, Schedule C, Item 1.07.

3.0 PUBLIC REGULATION:

3.1 Company is a public utility subject to regulation by Rhode Island Public Utilities Commission ("Commission"). This Agreement is subject to any limitations, modifications or amendments ordered by the Commission, regardless of whether said order resulted from a petition, request or other solicitation directed to the Commission by a party to the Agreement. Compliance by Company with any order, rule, regulation or policy statement of the Commission, or of any other federal, state or local governmental authority, whether issued before or after the effective date of this Agreement, shall relieve Company of any liability for its failure to perform any of its obligations hereunder as a result of such compliance. In the event of the issuance of any order of the Commission which materially modifies the provisions of this Agreement, either Company or Marketer shall have the option to terminate this Agreement by giving written notice of termination to the other party at any time within thirty (30) days after the issuance of said order.

3.2 This Agreement shall be subject to Company's General Terms and Conditions and Transportation Terms and Conditions on file with the Commission to the extent those Terms and Conditions are not inconsistent with the provisions of this Agreement.

4.0 GOVERNING LAW:

This Agreement is entered into and shall be construed in accordance with the laws of the State of Rhode Island and any actions hereunder shall be brought in the appropriate forum within the State of Rhode Island.

IN WITNESS WHEREOF, the parties hereto have signed and sealed this Agreement by their duly authorized officers:

By _____

Signature: _____

Name: _____

Title: _____

_____ Date: _____

Witness

By The Narragansett Electric Company

Signature: _____

Name: _____

Title: _____

_____ Date: _____

Witness

THE NARRAGANSETT ELECTRIC COMPANY
STORAGE AND PEAKING RESOURCE AGREEMENT

This Agreement ("Agreement") is entered into this _____ day of _____, 20__, by and between the Narragansett Electric Company, d/b/a National Grid, a subsidiary of National Grid USA with a principal place of business in the State of Rhode Island at 280 Melrose Street, Providence, Rhode Island (herein called "NG" or the "Company") and _____ (herein called "Marketer.")

WITNESSETH THAT:

WHEREAS, Marketer seeks to obtain service respecting a quantity of the Company's contracted underground storage and peaking resources pursuant to the terms and conditions for FT-2 Transportation Service in the Company's tariff, RIPUC NG-GAS No. 101, Section 6, Schedule C; and

WHEREAS; Marketer desires that the Company transport quantities of gas delivered by Marketer for use at the locations of customers belonging to an FT-2 Aggregation Pool (hereafter called "Points of Delivery"); and

WHEREAS: Company, is willing to provide such storage and transportation service to Marketer.

NOW, THEREFORE, Company and Marketer agree that Company, subject to the Company's General Terms and Conditions, Transportation Terms and Conditions, limitations and provisions hereof, commencing _____ 1, 20__, will provide to Marketer storage and peaking services in association with Marketer account number _____ under the terms and conditions set forth below.

1.0 SCOPE OF AGREEMENT:

1.1 The Company will calculate the Maximum Storage Quantities for both Underground Storage and for Peaking services ("MSQ-U" and "MSQ-P" respectively) as well as the Maximum Daily Quantities for both Underground Storage and Peaking services ("MDQ-U" and "MDQ-P" respectively) in accordance with Item 3.02 in Section 6, Schedule C of the Company's tariff. Such calculated quantities can change during the term of the agreement to the extent that the makeup of the Marketer's FT-2 Aggregation Pool changes.

1.2 Marketer hereby agrees to utilize and manage such services and inventories attributed to its account in accordance with the Operational Parameters described in Item 3.02.3 of the Company's Transportation Terms and Conditions, Section 6, Schedule C and as on file with the Public Utilities Commission as part of the Company's annual Gas Cost Recovery filing.

2.0 INVENTORY SERVICES:

2.1 All nominations for purchases from storage will take place at the Company's city gate.

2.2 Purchases of inventory service from the Company will be as stated in the Company's currently effective tariff.

2.3 Purchase of any storage inventory service from the Company will require payment via electronic transfer of funds within ten days of the invoice date.

2.4 Marketer acknowledges that it shall bear no ownership interest in any other storage or peaking assets or inventory of the Company.

3.0 SUCCESSORS AND ASSIGNS:

3.1 This Agreement shall be binding on the parties hereto and their respective successors and assigns. This Agreement may not be assigned by Marketer without the prior written consent of the Company.

4.0 PUBLIC REGULATION:

4.1 Company is a public utility subject to regulation by Rhode Island Public Utilities Commission ("Commission"). This Agreement is subject to any limitations, modifications or amendments ordered by the Commission, regardless of whether said order resulted from a petition, request or other solicitation directed to the Commission by a party to the Agreement. Compliance by Company with any order, rule, regulation or policy statement of the Commission, or of any other federal, state or local governmental authority, whether issued before or after the effective date of this Agreement, shall relieve Company of any liability for its failure to perform any of its obligations hereunder as a result of such compliance. In the event of the issuance of any order of the Commission which materially modifies the provisions of this Agreement, either Company or Marketer shall have the option to terminate this Agreement by giving written notice of termination to the other party at any time within thirty (30) days after the issuance of said order.

4.2 This Agreement shall be subject to Company's General Terms and Conditions and Transportation Terms and Conditions on file with the Commission, including provision thereof limiting the Company's liability, to the extent those Terms and Conditions are not inconsistent with the provisions of this Agreement. Upon request of the Marketer, Company shall provide the Marketer with a copy of Company's complete filed Tariff and Terms and Conditions.

5.0 GOVERNING LAW:

This Agreement is entered into and shall be construed in accordance with the laws of the State of Rhode Island and any actions hereunder shall be brought in the appropriate forum within the State of Rhode Island.

IN WITNESS WHEREOF, the parties hereto have signed and sealed this Agreement by their duly authorized officers:

By _____

Signature: _____

Name: _____

Title: _____

Witness _____ Date: _____

By The Narragansett Electric Company

Signature: _____

Name: _____

Title: _____

Witness _____ Date: _____

NATURAL GAS VEHICLE SERVICE
RATE 70

This service has been eliminated as of May 7, 2012 in pursuant of Docket 4271 that was approved by the ~~RI~~PUC.

GAS LAMPS
RATE 80

1.0 AVAILABILITY:

This service is available for gas lamps, without meters, to customers of record on July 1, 2002 throughout the Company's service territory and is not available to new commercial accounts.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES: On a monthly basis: $9.52 per lamp

4.0 GENERAL RULES AND REGULATIONS:

The Company's General Rules and Regulations, in Section 1 of RIPUC NG-GAS No. 101, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

5.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

6.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

OTHER MISCELLANEOUS CHARGES

OPTIONAL CREDIT CARD PAYMENT PROVISION

1.0 AVAILABILITY:

Customers of National Grid (National Grid or Company) have the option of paying their bills issued by National Grid through the use of a payment-processing agent (Third Party Vendor). Residential and non-residential customers, as determined by the Company's rate schedule designations, have the option to make payments by telephone or web page. The availability of this option will be subject to the Company's ability to arrange for such an option. This payment option is available to all of the Company's customers choosing to make payments to the Company through use of the Third Party Vendor-sponsored telephone or web page system. If there is a conflict between the PUC's~~Commission's~~ Rules Governing the Acceptance of Credit Card Payments (the Rules) and this provision, the Rules shall govern.

2.0 PAYMENT TYPES:

The following payment methods shall be accepted under this provision:

1. Visa;
2. Mastercard;
3. American Express;
4. Discover;
5. Debit Cards issued by a financial institution which include a card association symbol such as Visa or MasterCard; and
6. Electronic Checks

3.0 FEES:

Customers choosing to make payments under this option will be assessed a fee directly by the Third Party Vendor for each payment the customer initiates. The fee to be charged by the Third Party Vendor is based on whether the customer making the payment is a residential customer or a non-residential customer and the number of payment transactions made. The customer must initiate each payment transaction. Initiating one payment transaction does not establish future payment transactions for a customer.

Residential Fees:

The residential fee per payment transaction, up to a maximum transaction amount of $600 is $2.00. The Third Party Vendor will assess a fee of $2.00 per transaction for any additional payment transactions up to $600 each.

OTHER MISCELLANEOUS CHARGES

OPTIONAL CREDIT CARD PAYMENT PROVISION

Non-Residential Fees:

The non-residential fee per payment transaction, up to a maximum transaction amount of $1,000, is $6.95. The Third Party Vendor will assess a fee of $6.95 per transaction for any additional payment transactions up to $1,000 each.

4.0 PAYMENT AMOUNT:

Customers who choose to make payments under this provision shall have the ability to make partial payments. Additionally, the Company shall not deny a customer's use of these payment options because the customer's account with the Company is past due.

5.0 COMPANY OBLIGATION:

The payment transaction shall occur between the customer and the Third Party Vendor. The Company shall provide information regarding the Third Party Vendor's payment systems to assist its customers who choose to make payments by telephone or web page. The Company shall assist its customers in the resolution of any disputes between customers and the Third Party Vendor involving the credits posted by the Company to customers' accounts as a result of the processing of customer payments under this provision. The Company has no obligation, however, to participate in any dispute involving matters strictly between the customer and the Third Party Vendor or the customer's bank or card issuer.

6.0 TERMS & CONDITIONS:

The Company's Terms & Conditions, as may be amended from time to time, where not inconsistent with any specific provisions hereof, are a part of this provision.

OTHER MISCELLANEOUS CHARGES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM ENHANCEMENT PLAN CHARGE

7.0 LOW INCOME HOME ENERGY ASSISTANCE ENHANCEMENT PLAN (LIHEAP) CHARGE:

In accordance with R.I.G.L. § 39-1-27.12, commencing January 1, 2012 and for every month thereafter the Company shall bill to all customers a Low Income Home Energy Assistance Enhancement Plan charge ("LIHEAP Charge") approved by the PUC~~Commission~~, provided however that the annual charge shall not exceed ten ($10) dollars per customer, per year. For purposes of this section a "customer" is defined as any person taking service at a single point of gas delivery or gas meter.

The monthly rate for the LIHEAP Charge is $0.73 per customer and shall appear as a separate line item on a customer's bill.

7.1 LIHEAP Enhancement Fund:

The Company shall establish a LIHEAP Enhancement Plan fund that shall be used to account for the combined funds collected through the LIHEAP Charge from both gas and electric service customers. The State Office of Energy Resource shall designate to the Company the qualifying customer accounts and the amounts to be credited from the LIHEAP Enhancement Plan fund. The cumulative amount of credits applied to customer bills will be limited to an amount no greater than the cumulative aggregate projected LIHEAP Charges billed through the end of the current calendar year. Once the aggregate credits applied to customer bills equals the aggregate projected LIHEAP Charges billed through the end of the current calendar year, including interest as defined below, the application of the LIHEAP Enhancement Plan credits would cease. Any difference in aggregate cumulative actual LIHEAP Charges billed and aggregate cumulative credits applied to customer bills, will accrue interest at the customer deposit interest rate.

The projected annual revenue in the LIHEAP Enhancement Plan fund collected through the gas and electric service LIHEAP Enhancement Plan charges shall not exceed seven million five hundred thousand dollars ($7,500,000) and shall not be less than six million five hundred thousand dollars ($6,500,000).

7.2 LIHEAP Eligible Customer:

For purposes of receiving funds from the LIHEAP Enhancement fund in subpart 2.0 above, a qualifying LIHEAP eligible customer shall be a household with a combined gross income equal to or less than sixty percent (60%) of the state median household income as calculated by the U.S. Bureau of Census and as adjusted for family or group

OTHER MISCELLANEOUS CHARGES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM ENHANCEMENT PLAN CHARGE

size by the U.S. Department of Health and Human Services regulation 45 CFR Sec. 96.85 or its successor regulation.

OTHER MISCELLANEOUS CHARGES

PAPERLESS BILL CREDIT

8.0 PAPERLESS BILL CREDIT:

Customers receiving bills may elect to receive their bill electronically. Customers electing to receive their bills electronically will receive a paperless billing credit of $0.34 each month per account.

Schedule AEL-2

RIPUC NG-GAS 101 (Clean Version)

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

Rhode Island Public Utilities Commission Tariff

RIPUC NG-GAS No. 101

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC NG-GAS No. 101

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GENERAL TERMS AND CONDITIONS

1.0 APPLICABILITY:

The following terms and conditions shall apply to and be a part of each Rate Classification now or hereafter in effect except as they may be expressly modified or superseded by Rhode Island Public Utilities Commission order.

2.0 RATES AND TARIFFS:

The Company furnishes natural gas service under rates and/or special contracts (Schedule of Rates) promulgated in accordance with the provisions of the Rhode Island General Laws and the regulations of the Rhode Island Public Utilities Commission ("PUC") and the Rhode Island Division of Public Utilities and Carriers ("Division"), all as may be in effect from time to time. Such Schedule of Rates, which includes these Terms and Conditions, is available for public inspection during normal business hours at the administrative offices of the Company and at the offices of the PUC and the Division or on the Company's website.

The Schedule of Rates may be revised, amended, supplemented or supplanted in whole or in part from time to time according to the procedures provided in the General Laws and the PUC regulations. When effective, all such revisions, amendments, supplements or replacements will appropriately supersede the present Schedule of Rates. In case of conflict between these Terms and Conditions and any orders or regulations of the PUC or the Division, said orders or regulations shall govern.

The provisions of these Terms and Conditions apply on a non-discriminatory and non-preferential basis to all persons, partnerships, corporations or others (hereinafter customers or the customer) who obtain natural gas distribution service from the Company pursuant to the Schedule of Rates.

No representative of the Company has the authority to modify orally any provision or rate contained in the Schedule of Rates or to bind the Company to any promise or representation contrary thereto. Any such modification to the Schedule of Rates or these Terms and Conditions shall be in writing and made in accordance with the provisions of the General Laws and pursuant to regulations of the PUC and Division.

The Company will advise all new residential customers as to the least expensive rate available for the service based on the information in our records. Non-residential customers will be advised of the applicable rate based on a review of the available information in our existing records or as a result of a field inspection by the Company when the customer provides information which is inconsistent with Company records. The Customer is responsible for accurately describing its gas burning equipment and updating the Company as changes occur.

GENERAL TERMS AND CONDITIONS

A Customer is entitled to change its customer account from one rate classification to another upon written application to the Company; provided, however that the customer account's use complies with the conditions specified in the requested rate classification. Once an election to change rate classifications has been made by the Customer, the customer account must remain on that rate for a period of not less than twelve months. In cases where the Customer requests a rate reclassification, no rebate will be granted for service rendered during the period the customer account was served under the previous rate classification, except in instances where the previous rate classification was due to an error by the Company.

3.0 OBTAINING SERVICE FROM THE COMPANY:

The Company shall furnish service to applicants under the filed rates and in accordance with these Terms and Conditions and the rules and regulations of the PUC and Division. The furnishing of service and acceptance by the customer constitutes a contract under these provisions. The Company may require at least one person on behalf of all parties who will receive service to sign an application or contract. Application for gas service within the territory served by the Company will be received through any duly authorized representative of the Company.

The Company may accept oral or written application for residential service. Residential service may commence upon receipt by the Company of oral application, except that the Company reserves the right to require residential customers to show identification and proof of residency before commencing service. If residential service is commenced upon the receipt of oral application, then all residents at that address who have attained the age of majority may choose to execute a written application, thereby becoming parties to the contract. Non-residential service may commence upon oral application for an interim period pending the receipt of a duly executed written application and security deposit.

The Company reserves the right to refuse service, at any location, to an individual who is indebted to the Company for any service not in dispute before the Division, furnished to such individual at any location, or to such applicant or customer under another name. The Company will commence service if a reasonable payment plan for said indebtedness made in accordance with PUC and Division regulations is agreed to by the Customer and the Company. The Company reserves the right to refuse service to any non-residential applicant who has not paid a deposit as required by the Company.

A Customer shall be and remains the customer of record and shall be liable for service taken until such time as the Customer requests termination of service and a final meter reading is recorded by the Company. The bill rendered by the Company based on such final meter reading shall be payable upon receipt. Such meter reading and final bill shall not be unduly

GENERAL TERMS AND CONDITIONS

delayed by the Company. In the event that the Customer of record fails to give notice of termination of service to the Company or fails to provide access to the meter, the customer of record shall continue to be liable for service taken until the Company either disconnects the meter or a new party becomes a customer of the Company by taking service at such service location. Failure to make application for service shall not relieve a party from the obligation to apply and/or pay for service previously used.

The Company shall undertake to furnish service to the Customer for use only for his/her own purposes and only on the premises occupied through ownership or lease by the Customer, except as provided below. In cases where the Customer is a condominium association or the owner or manager of a commercial or residential rental property with over six (6) units, the Customer may allocate the Company charges for gas service to other gas users on the premises through any reasonable means, including properly installed submetering. In such situations where the Customer is allocating the Company charges for service to others, the burden is on the Customer, when requested by the Company, to demonstrate that the allocated charges are no greater than the Customer's bill from the Company. When allocating such charges, the Customer may separately include reasonable administrative fees. Natural gas sold by the Company to authorized natural gas vehicle filling stations may be re-metered or submetered by the Customer for resale to another or others.

On an annual basis the Company may notify all customers that if they are the owners of property and their tenants move out, the owner must provide written notification in advance that he/she wants gas left on at that premises in his/her name. If the Company does not receive advance written notice, the service may be terminated, and the Company will not be liable for any damages to the premises resulting from the termination of gas service.

3.1 BILLING TERMINATION ("Soft-Off"):

The Company and the Division have agreed to participate in a one-year pilot program (the "Pilot") with respect to the Company's "Soft-Off" termination policy, pursuant to a Settlement Agreement between the Company and the Division, as approved by the PUC on May 4, 2012. During the Pilot, where a customer has requested termination of service and an estimated or actual final meter reading is recorded, and the account is not subject to a shut-off order or request, the Company may choose to utilize a "Soft-Off" termination.

In the event of a termination of an account for which there is no unbilled consumption, a landlord may initiate an application for service in the landlord's name at that premises by either oral or written request in accordance with Section 1, Schedule A, Paragraph 3.0 of this tariff; provided however, that in the event of a termination of an account for which there is any unbilled consumption, a landlord may initiate an application for service in the landlord's name only upon providing the Company with a signed authorization. In addition, where the

GENERAL TERMS AND CONDITIONS

landlord has previously provided the Company a signed agreement, the Company may record the landlord as the customer of record for that account without further authorization.

When gas consumption at a premises where a Soft Off termination has been implemented exceeds 13 ccf in a month the Company will send a notification to the premises indicating that service will be terminated pursuant to the PUC's and Division's rules and regulations governing the termination of service if an account is not established.

Once metered gas consumption at that premises exceeds an aggregate of 35 ccf or the account is still in a "Soft-Off" status for a consecutive period of 90 days, whichever occurs first, the Company will commence a termination action for the account, provided however that where such a termination action would affect the statutory and/or termination rights of other gas customers at that location, service will be terminated at the Soft Off premises as soon as the Company is able to accomplish the termination so as not to conflict with the rights provided under the PUC's and Division's rules and regulations governing the termination of service for the other customers.

4.0 SECURITY DEPOSITS:

Security deposits, letters of credit or bonds may be required and taken in accordance with rules and procedures promulgated by the PUC or other body having authority to regulate the Company. The Company reserves the right to refuse service to an applicant who has not paid a deposit as required by the Company. The rate of interest paid on deposits shall be adjusted annually on March l. The interest rate in effect in any year shall be based on the average rate over the prior calendar year for 10-year constant maturity Treasury Bonds as reported by the Federal Reserve Board.

5.0 SERVICE SUPPLIED:

The Company shall take reasonable care in providing regular and uninterrupted service to its firm customers, but whenever the Company deems that the situation warrants any interruption or limitation in the service to be rendered, such interruption or limitation shall not constitute a breach of the contract, and shall not render the Company liable for any damages suffered thereby by any person, or excuse the customer from further fulfillment of the contract.

The Company may refuse to supply service to loads of unusual characteristics which, in its sole judgment, might adversely affect the quality of service supplied to other customers, the public safety or the safety of the Company's personnel. In lieu of such refusal, the Company may require a customer to install any necessary regulating and protective equipment in accordance with the requirements and specifications of the Company.

GENERAL TERMS AND CONDITIONS

Whenever the estimated expenditures necessary to supply gas to a customer(s) or to resume service to a customer following relocation of Company equipment for reasons other than the needs of the Company shall be of such an amount that the income to be derived from gas service at the applicable rates will, in the opinion of the Company, be insufficient to warrant such expenditure, the Company will require the customer(s) to pay a Contribution in Aid of Construction (CIAC) for meter relocation or for main and service extension. The level of the CIAC will be based on an economic analysis looking at appropriate impacts associated with the capital expenditures. A detailed written cost estimate will be provided to the Customer upon request.

The Company shall make application in a reasonable time for any necessary locations or other street permits required by public bodies for its pipes, mains and other apparatus, and shall not be required to supply service until a reasonable time after such approvals are obtained. The applicant for service shall obtain all other permits, certificates, licenses, easements and the like necessary to give the Company access to the applicant's equipment and to enable its pipes to be connected thereto.

The Customer shall notify the Company in writing before making any significant change in the Customer's gas equipment which would affect the capacity or other characteristics of the Company's facilities required to serve the Customer. The Customer shall be liable for any damage to the Company's property caused by Customer's additional or changed installation if made without prior notification to the Company.

All piping, equipment and apparatus on the premises of the Customer, excepting meters, underground service pipe, and governors, shall be furnished and put in place by the Customer, and shall conform to the requirements and regulations of the Company, and the Company shall not be required to supply gas unless such piping, equipment and apparatus at all times conform to the requirements and regulations of the State, City, and Town ordinances and laws and policies of the Company. The Company shall be under no obligation to make any inspection to ascertain whether the foregoing condition has been conformed with and shall be under no liability for any damages occasioned by any defect in such piping, equipment or apparatus or other property on the premises.

If temporary service is rendered, the customer shall pay the cost of service under the rate plus the cost of installing and removing all equipment and connections.

6.0 INSTALLATION OF METERS:

The Company will furnish, install, connect and maintain such meter(s) as are necessary for metering gas service for Company billing purposes.

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All gas service to be provided under a single service classification to a customer in a building will be rendered through a single meter except in the instances described in (1) and (2) below:

(1) The Company may elect to install more than one meter for gas service provided under a single service classification:

i. when the use of more than one meter is necessary to provide safe gas service;

ii. when the use of more than one meter is required by a municipal ordinance;

iii. when one meter cannot correctly measure the total gas service rendered;

iv. when the characteristics of gas service of the customer are such that at the time the service line was installed there was no single meter commercially available to measure the gas service correctly;

v. when more than one meter is required in order to render proper and reliable gas service without interruption;

vi. in other comparable circumstances where service cannot practically be rendered through a single meter.

Pursuant to (i) through (vi), when more than one meter is installed to measure the gas service of a single customer at a premises or building under a single service classification under the above listed circumstances, the registrations of the meters will be combined under one customer account and the bill computed as if all service had been rendered through a single meter.

(2) At the Customer's written request and at the Customer's expense, the Company will install more than one meter for a building or premises under a single service classification, in which case the quantity of gas supplied through each meter will be measured separately and the bills for each computed separately under the appropriate service classification(s).

Gas service provided to commercial and industrial customers for use by emergency back-up natural gas generators of more than 12 kW shall be separately metered subject to the Company's technical determination that more than one meter is required to correctly measure the total gas service rendered. Should the Company determine that this service be separately metered, the Company will issue a separate

GENERAL TERMS AND CONDITIONS

bill pursuant to a rate schedule applicable for the usage on the separate meter. Otherwise, if so determined by the Company to be technically feasible, the Company shall allow gas usage for emergency back-up natural gas generators to be measured by the Customer's existing meter.

(B) For residential gas services provided pursuant to prior tariff provisions that required that gas service for use by emergency back-up natural gas generators be separately metered and billed, when both meters are served under a single residential service classification, the registrations of the meters will be combined under one customer account and the bill computed as if all service had been rendered through a single meter. Should a residential customer request the removal of one of the meters, the Customer shall bear the cost of removing the meter and the cost of piping through the remaining meter. If the Company, at its sole discretion, decides to remove the additional meter, the Company will bear the cost of the removal of the meter and any piping cost.

7.0 BILLING AND READING OF METERS:

Bills are calculated and rendered on the basis of a customer account which shall have a unique identification number established for the billing of service provided through an individual meter, except for multiple metered customer accounts established pursuant to section (1) of Item 6.0 above, or aggregation pools established pursuant to the Company's Transportation Terms and Conditions, Section 6, Schedule C of the tariff. A single Customer may have more than one customer account.

All bills are due within 25 days from the date of the bill. A late payment charge shall accrue on non-residential bills after 25 days in accordance with regulations of the PUC and Division.

Whenever a check or draft presented for payment of service is not accepted by the institution on which it is written, a returned check charge of $15 applies, per check or draft written. Such returned check charge shall be waived for customers eligible for low-income assistance programs.

The Customer shall be responsible for all charges for distribution and gas service furnished by the Company under the applicable rates as filed from time to time with the PUC, from the time service is commenced until it is terminated.

Annually in August the Company will review the gas consumption of each non-residential firm customer account for the just ended September through August period to determine if any customer account qualifies for a different rate class. If any such customer account does

GENERAL TERMS AND CONDITIONS

qualify for a different rate class based on this billing information, then commencing with the September billing month that customer account will be billed under that new rate class.

Properly authorized representatives of the Company shall have the right to access the Customer's premises at all reasonable times and intervals for the purpose of reading, installing, examining, repairing, replacing or removing the Company's meters, meter reading devices, pipes and other gas equipment and appliances, in accordance with the General Laws, public regulations and Company policy in effect from time to time. The Customer shall be responsible for providing accessibility to the above metering and equipment belonging to the Company.

Readings taken by an automated meter reading device will be considered actual readings for billing purposes.

The Company shall maintain the accuracy of all metering equipment installed pursuant hereto by regular testing and calibration in comparison to recognized standards and in accordance with PUC and Division regulations. A meter shall be deemed to be registering correctly if it appears from examination or test that it does not vary more than two percent (2%) from the standard approved by the Division.

In the event that the Company obtains inaccurate meter readings for any reason or in case any meter shall for any reason fail to register the full amount of gas supplied or the maximum demand of any customer account for any period of time, the amount of the bill of such customer account shall be estimated by the Company from available data. Such estimated bills shall be payable as rendered unless a customer disputes such estimate in accordance with procedures established by the Division.

The Company will notify the Customer whenever it obtains information indicating that gas is being diverted from the customer's service or that the meter has been tampered with. The Customer will be held responsible to the Company for any leakage or other use of gas which may occur beyond the point of the meter installation.

Unless otherwise determined by the Company, all residential premises shall be equipped with a meter that employs Automatic Meter Reading ("AMR") technology utilizing radio frequency transmitters to allow the Company to obtain meter readings remotely. However, residential customers may choose to "opt-out" by having their AMR meter replaced with a non-AMR meter.

Customers who choose to opt-out will be charged an initial fee of $74.00 for the removal of the existing AMR gas meter and the installation of the non-AMR gas meter.

GENERAL TERMS AND CONDITIONS

Customers who choose to opt-out will also be charged a monthly meter reading fee of $13.00 for the non-AMR gas meter. The meter reading fee is applicable to Customers who receive gas and electric service, or receive gas-only service, from the Company. The Company, at its option, may choose to read the non-AMR meter less frequently than once per month. In that case, or if the Company is unable for any reason to read the meter on the regularly scheduled monthly read date, the Company shall make a reasonable estimate of the consumption of gas during those months when the meter is not read, based on available data, and such estimated bills shall be payable as rendered.

A Customer will not be assessed the initial or monthly fee until after the Company has installed the non-AMR gas meter.

Any opt-out Customer who subsequently wishes to have an AMR gas meter re-installed will be charged a "re-installation fee" of $74.00. The re-installation fee will be charged for the removal of the non-AMR gas meter and the installation of the AMR gas meter.

Any Customer electing re-installation will no longer be assessed the special monthly gas meter reading fee after the AMR meter has been re-installed.

8.0 DISCONTINUANCE OF SERVICE:

Subject to the applicable regulations of the PUC and Division, the Company shall have the right to discontinue gas service to the Customer and to remove or disconnect its meters and piping for nonpayment of bills for gas service. The customer shall be responsible for paying the cost of reconnecting gas service if the service is disconnected for nonpayment of bills or a $25 account restoration charge in the case of a turn-on after a shut-off for nonpayment of bills. Such account restoration charge shall be waived for Customers eligible for low-income assistance programs.

The Company reserves the right to disconnect its service at any time without notice or to refuse to connect its service if to its knowledge and in its judgment the Customer's installation has become or is unsafe, defective or in violation of the Company's policies or any ordinances, laws, codes or regulations.

In the event that any action by the Customer or others shall cause a condition in the premises occupied by any customer whereby life or property is endangered, the Company may discontinue service to said premises regardless of the number of occupants or tenants of said premises.

Whenever the Company shall have proof that any customer is diverting and/or stealing service, the Company may discontinue its service to such customer and remove the meter.

GENERAL TERMS AND CONDITIONS

9.0 COMPANY INSTALLATION AND PROPERTY:

All meters, services and other gas equipment owned by the Company shall be and will remain the property of the Company and no one other than an employee or authorized agent of the Company shall be permitted to remove, operate, or maintain, such property. The Customer shall be responsible for all damage to, or loss of, such property unless occasioned by circumstances beyond the Customer's control. Such property shall be installed at points most convenient for the Company's access and service and in conformance with public regulations in force from time to time. The costs of relocating such property shall be borne by the Customer when done at the Customer's request, or for his convenience, or if necessary to remedy any violation of public law or regulation caused by the Customer.

The Company shall provide and maintain the necessary housing, fencing, barriers and foundations for the protection of the equipment to be installed upon the customer's premises. Such space, housing, fencing, barriers and foundations shall be in conformity with applicable laws and regulations and subject to the Company's specifications and approval.

10.0 SUPPLY OF GAS:

The Company shall make every reasonable effort to maintain an uninterrupted supply of gas for all firm customers, but it shall not be liable for loss or damage caused by reason of any interruption or reduction of the supply, or by reason of any abnormal pressure or quality of the gas, whether as a result of accident, labor difficulties, condition of fuel supply, the actions of any public authority, failure to receive any gas for which in any manner it has contracted, the implementation in accordance with good utility practice of an emergency load reduction program by the Company or one with whom it has contracted for a supply of gas, or inability for any other reason beyond the Company's control to maintain normal pressure or quality, or uninterrupted and continuous service.

Whenever the integrity of the Company's system or the supply of gas is believed to be threatened by conditions on its system or upon the systems with which it is directly or indirectly interconnected, the Company may, in its sole judgment, curtail or interrupt gas service or reduce pressure and such action shall not be construed to constitute a default nor shall the Company be liable therefore in any respect. The Company will use reasonable efforts under the circumstances to overcome the cause of such curtailment, interruption or reduction and to resume full performance.

The Company shall be excused from performing under the Schedule of Rates and shall not be liable in damages or otherwise if and to the extent that it shall be unable to do so or prevented from doing so by statute or regulation or by action of any court or public authority having or

GENERAL TERMS AND CONDITIONS

purporting to have jurisdiction in the premises; or by loss, diminution or impairment of gas supply from its suppliers or the systems of others with which it is interconnected; or by reason of storm, flood, fire, earthquake, explosion, civil disturbance, labor dispute, act of God or public enemy, failure of any supplier to perform, restraint by any court or regulatory agency, or any other intervening cause, whether or not similar thereto; the Company shall use reasonable efforts under the circumstances to overcome such cause and to resume full performance.

The foregoing shall not alter the Company's liability under applicable legal standards for damages in the case of its negligent or intentionally wrongful conduct with respect to any act or failure to act by the Company.

11.0 COMPANY LIABILITY:

The Company shall not be liable for any loss or damage resulting from the use of gas or the presence of the Company's appliances and equipment on the customer's premises unless such loss or damage results directly and solely from the Company's negligence.

The Company shall not, in any event except that of its own negligent acts or omissions, be liable to any party for any direct, consequential, indirect or special damages, whether arising in tort, contract or otherwise, by reason of any services performed, or undertaken to be performed, or actions taken by the Company, or its agents or employees, under the Schedule of Rates or in accordance with or required by law, including, without limitation, termination of the customer's service.

The customer assumes full responsibility for the proper use of gas furnished by the Company and for the condition, suitability and safety of any and all equipment on the Customer's premises, or owned or controlled by the Customer which is not the Company's property. The Customer shall indemnify and save harmless the Company from and against any and all claims, expenses, legal fees, losses, suits, awards or judgments for injuries to or deaths of persons or damage of any kind, whether to property or otherwise, arising directly or indirectly by reason of (1) the routine presence in or use of gas from pipes owned or controlled by the Customer; or (2) the failure of the Customer to perform any of his or her duties and obligations as set forth in the Schedule of Rates where such failure creates safety hazards; or (3) the Customer's improper use of gas or gas appliances. Except as otherwise provided by law, the Company shall be liable for damages claimed to have resulted from the Company's conduct of its business only when the Company, its employees or agents have acted in a negligent, or intentionally wrongful manner.

DEFINITIONS

Actual Base Revenue Per Customer:	The actual base revenue for a rate class for a month divided by the actual number of customers billed for each rate class in the month.
Actual Transportation Quantity:	The quantity of gas actually received during the Gas Day as measured by the metering equipment at the Point(s) of Receipt, adjusted for the applicable Company Fuel Allowance.
Aggregation Pool:	One or more transportation Customer accounts whose gas usage is aggregated into a Marketer's account for operational purposes, including but not limited to nominating, scheduling and balancing gas deliveries to specified Point(s) of Receipt.
AGT Costs:	Advanced Gas Technology program costs as approved by the PUC.
Average Normalized Winter Day Usage:	A Customer's average normal winter day's usage, based on their actual gas usage during the most recent November through March period, adjusted for normal degree days, as approved in the most recent rate case proceeding.
Base Revenue:	Base Revenue is the sum of the customer charge, variable distribution charges and demand charges for firm service rate classes. Base Revenue is net of Gross Earnings Tax (GET).
BTU content factor:	One British thermal unit, i.e., the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit at sixty degrees (60°) Fahrenheit. A Therm is one hundred thousand Btus. The BTU content factor for a given volume shall be calculated by the Company on a seasonal basis at the end of October and the end of April based upon an average of the Transporting Pipeline's prior six-month experience of recorded BTU factors.
Capacity Release Revenues:	Revenues derived from the sale of capacity upstream of the city-gate.
Capacity Exempt Customer:	Any Customer who is the customer of record at a location having a Capacity Exemption.

DEFINITIONS

Capacity Exemption: A location having Gas Usage that is not subject to a mandatory pipeline capacity assignment from the Company. Customers are capacity exempt if they (1) elected to retain their Capacity Exemption at a specific location as part of the 1999 revisions to the Company's Business Choice program in Docket RIPUC 2902, (2) receive delivery service on the Company's Non-Firm Sales or Non-Firm Transportation rate schedules, or (3) elected capacity exemption as a New Customer in accordance with Section 6, Transportation Terms and Conditions, Schedule C, Part 1.07.1.

Company Fuel Allowance**:** The quantity in Therms (as calculated on a percentage basis) by which the gross amount of gas received for Customer's account at the Point(s) of Receipt is reduced in kind in order to compensate the Company for gas loss and unaccounted for, Company use or similar quantity-based adjustment.

Consumption Algorithm**:** A mathematical formula used to calculate a Customer's daily consumption based on the Customer's historical base load and heat use per heating degree day factor.

Critical Day: Defined as any day where supply resource constraints are expected to adversely impact the operation of the Company's distribution system. A Critical Day may occur under conditions, such as severe cold temperatures, pipeline emergencies, malfunctions or unusual, out-of-season weather conditions.

Customer: Any party(s) that has obtained service from the Company pursuant to the General Terms and Conditions or pursuant to the Transportation Terms and Conditions.

Daily Index: The mid-point of the range of prices for the respective New England Citygates as published by Gas Daily under the heading "Daily Price Survey, Midpoint, Citygates, Algonquin citygates" and "Daily Price Survey, Midpoint, Citygates Tennessee/Zone 6 (delivered)" for the relevant Gas Day listed under "Flow date(s)." In the event that the Gas Daily index becomes unavailable, the Company shall apply its daily marginal cost of gas as the basis for this calculation until such time that PUC approves a suitable replacement.

DEFINITIONS

Deferred Balance:	The difference between incurred costs and revenues received.
Deferred Gas Cost Balance:	The difference between gas costs incurred and gas revenues received.
Dekatherm (Dt):	Ten Therms or one million Btu's (MMBtu).
Design Winter Sales Sendout:	Sales sendout of Residential Non-Heating, Residential Heating, Small C&I, Medium C&I, Large Low and High Load C&I, and Extra Large Low and High Load C&I during November through March based on design winter temperatures.
Division	The Rhode Island Division of Public Utilities and Carriers.
Electronic Bulletin Board (EBB):	An internet web site which allows both the Company and Marketers to electronically post nominations and other transportation-related information.
EDI	Electronic Data Interchange, the system by which the Company and Marketers initiate transactions and share information.
Environmental Response Costs:	All reasonable and prudently incurred costs associated with evaluation, remediation, clean-up, litigation, claims, judgments, insurance recovery (net of proceeds), and settlements arising out of the Company's utility-related ownership, operation, or use of: (1) manufactured gas production and storage facilities and disposal sites where wastes and materials from such facilities were deposited; (2) mercury regulators; and (3) meter disposal. Also included are the reasonable and prudently incurred costs for acquiring plant, property and equipment to facilitate remediation and other appropriate environmental management objectives in connection with the above sites, properties, and activities. The Company will use its best efforts to minimize Environmental Response Costs consistent with applicable regulatory requirements and sound environmental management policies and practices.
Forecasted Daily Usage (FDU):	Customer's estimated daily consumption for the next gas day as

DEFINITIONS

calculated by the Company based upon a forecast of heating degree days and the consumption algorithm.

Gas Day: A period of twenty-four (24) consecutive hours beginning at 10:00 am (EST) and ending at 10:00 am (EST) the next calendar day.

Gas Usage: The actual quantity of gas used by the Customer as measured by the Company's metering equipment at the Point of Delivery and converted to Therms.

Hedge Collateral: Funds the Company is required to put up as collateral on hedge positions by an Exchange or counterparty, or funds it receives from an Exchange or counterparty as collateral.

Hedge Collateral Carrying Costs: For the month being calculated, carrying costs equal the total of the following: (1) For each Exchange or counterparty holding the Company's collateral, the monthly short term borrowing rate defined as the Company's money pool rate, times the average hedge collateral daily balance for the month divided by 12. Less (2) for each Exchange or counterparty where the Company holds their collateral, the monthly short term borrowing rate times the average hedge collateral daily balance for the month divided by 12. Less (3) any interest paid to the Company by the Exchange or counterparty on the collateral funds it holds.

The Company will recover carrying costs from customers or credit customers for carrying costs through the Gas Adjustment. In the event the Company chooses to meet its collateral obligations by posting a letter of credit or other non-cash instrument, the carrying cost will be the direct costs of the letter of credit or alternative non-cash instrument.

Imbalance: The difference between the Actual Transportation Quantity and Gas Usage.

Interest on Deferred Balance: Interest revenue/expense required to finance the deferred balance based on the Bank of America Prime Rate less 200 basis points (2%) as in effect from time to time.

DEFINITIONS

Inventory Finance Charge:	Finance charges associated with the storage of natural gas as calculated using a working capital calculation.
Local Storage Costs:	Costs associated with the investment, operations and maintenance of natural gas storage downstream of the city-gate.
Low Income Assistance Programs:	Programs for assisting low income customers with their energy bills including, but not limited to, Low Income Heating Assistance (LIHEAP) and Low Income Weatherization, as in effect from time to time.
Marginal Gas Cost:	The variable cost of the Company's marginal source of supply for the Gas Day. Incremental Cost is a synonymous term.
Marketer:	An entity meeting the eligibility requirements of Section 6 Schedule C, Item 5.03 that is designated in a Transportation Service Application by the Customer to act on its behalf for nomination, notification, scheduling, balancing and receipt of communications, and which has executed a Marketer Aggregation Pool Service Agreement. A Customer may designate itself as the Marketer provided that they have an executed service agreement with the Transporting Pipeline or provide proof of contract to purchase the gas at the Company's city gate.
Maximum Daily Quantity:	The maximum quantity of gas a customer is authorized to use during the gas day.
Monthly Index:	The simple average of the Daily Indices for the applicable month.
Net Insurance Recoveries:	Proceeds recovered from insurance providers and third parties for Environmental Response Costs, less the cost of obtaining such proceeds through claims, settlements, and litigation.
New Customer:	A Customer taking a supply of gas at a new Point of Delivery that has not been previously served by the Company.
Non-Firm Customer:	A customer who receives service under the Company's Non-Firm rate service.

DEFINITIONS

Non-Firm Transportation Margin:	Margins derived from the transportation of natural gas to non-firm customers downstream of the city gate.
Off-System Sales Margins:	Margins derived from the sale of natural gas upstream of the city-gate.
Operational Flow Order:	The Company's instruction to Marketers and/or Customers to take such action as conditions require, including, but not limited to, diverting gas to or from the Company's distribution system pursuant to Section 6, the Transportation Terms and Conditions, Schedule C, Item 1.04.2.
Peak Day Use:	The estimated use of a customer on the forecasted Gas Day during which the Company's system experiences the highest aggregate Gas Usage. It is calculated by estimating the customer's average use on a day when heat is not required (the baseload use) and the average use per degree day (the heating use) based on the customer's historical usage history. In the event the customer's historical usage is unavailable or not representative of expected future use, the Company will evaluate the customer's gas equipment and its projected utilization in order to calculate the customer's estimated use. The Peak Day Use equals the baseload use plus the product of the use per degree day times the design degree day value as approved by the PUC.
Pipeline Costs:	Costs associated with the entitlement and transmission of natural gas on the interstate pipeline system.
Pipeline Shipper(s):	The party(s) from whom a Marketer has purchased gas to be delivered to and transported by the Company.
Point of Delivery:	A location at which the Company's distribution facilities are interconnected with the Customer's facility.
Point(s) of Receipt:	Outlet side of the measuring station at the interconnection between the Transporting Pipeline and the Company's distribution facilities where gas will be received by the Company for transportation service in its service territory.
PUC	The Rhode Island Public Utilities Commission.

DEFINITIONS

Purchased Gas Working Capital:	The working capital required to finance the Company's purchased gas.
Refunds:	Refunds from pipeline, storage and suppliers.
Scheduled Transportation Quantity:	The quantity of gas scheduled by the Marketer to be received by the Company for Customer's account during the Gas Day at the Point of Receipt, including the applicable Company Fuel Allowance.
Service Quality Performance Fund:	Deferred account containing accumulated Service Quality adjustments.
Soft-Off	The termination of an account by the Company for billing purposes where there is no new customer of record and the actual flow of gas to the premises is not disconnected.
Supplier Costs:	Costs associated with the entitlement and purchase of natural gas.
Target Revenue Per Customer:	For the period through January 31, 2013, the target revenue per customer established in Docket 4206, thereafter a target average revenue per customer amount established in the most recent rate case.
Therm:	An amount of gas having a thermal content of 100,000 Btus.
Transportation Imbalance Revenues:	Revenues associated with daily and monthly imbalances for transportation customers, as included in the Company's Terms and Conditions of Firm Transportation.
Transporting Pipeline:	The party(s) engaged in the business of rendering transportation service of natural gas in interstate commerce subject to the jurisdiction of the Federal Energy Regulatory Commission, which are transporting gas for Marketer to a Point of Receipt of the Company.
Upstream Storage Costs:	Costs associated with the entitlement, injection, withdrawal and storage of natural gas upstream of the city-gate.

DEFINITIONS

Working Capital: The dollar amounts required to support the Company's activities prior to the receipt of revenue.

TAXES AND SURCHARGES

1.0 RHODE ISLAND GROSS EARNINGS TAX:

Unless otherwise indicated, all rates exclude an amount necessary for the payment of Rhode Island Gross Earnings Tax. An amount necessary for the payment of Rhode Island Gross Earnings Tax will be separately identified on bills rendered to customers.

2.0 GROSS EARNINGS TAX REDUCTION FOR MANUFACTURERS:

Consistent with the gross earnings tax exemption provided in Section 44-13-35 of Rhode Island General Laws, eligible manufacturing customers will be billed the applicable Rhode Island Gross Earnings Tax ("GET"). The Customer is responsible for providing to the Company in writing its tax exemption number and other appropriate documentation. If the Company collected any taxes or assessments from the Customer and is later informed by the Customer that the Customer is exempt from such taxes, it shall be the Customer's responsibility to obtain any refund from the appropriate governmental taxing agency.

Eligible manufacturing customers are those Customers who have on file with the Company a valid certificate of exemption from the Rhode Island sales tax (under section 44-18-30 (7) of Rhode Island General Laws) indicating the Customer's status as a manufacturer. If the Division of Taxation (or other Rhode Island taxing authority with jurisdiction) disallows any part or all of the exemption as it applies to a Customer, the Customer will be required to reimburse the Company in the amount of the credits provided to such Customer which were disallowed, including any interest required to be paid by the Company to such authority.

The Division of Taxation has indicated that it will generally deem 95% of manufacturer's volumes to be for "manufacturing use" eligible for the reduced manufacturer's Gross Earnings Tax rate. Thus, unless usage is separately metered for manufacturing only, 95% of billed amounts for qualified customers will be deemed to be for manufacturing purposes and eligible for the manufacturer's GET credit, whereas the remaining 5% of the billed amount will be subject to the standard GET rate. If usage is separately metered for manufacturing use only, the entire amount will be subject to the reduced manufacturing GET rate.

No other use of gas will be included in this rate for billing purposes.

3.0 OTHER RHODE ISLAND TAXES:

Where applicable at rate or rates in effect from time-to-time.

TAXES AND SURCHARGES

4.0 ENERGY EFFICIENCY SURCHARGE:

As provided for in Section 39-1-27.7 and Section 39-2-1.2 of Rhode Island General Laws, a charge per dekatherm (Dt) designed to recover the costs of the Company's gas Energy Efficiency Program ("EEP").

With the filing of the Company's EEP plan for the upcoming calendar year, the Company will file its EEP per Dt charge on or before November 1 of each year, for effect the following January 1. The EEP charge will be designed to collect the estimated costs of the Company's EEP plan for the upcoming calendar year plus a full reconciliation of all costs and revenues for the current year including a reconciliation of forecasted revenue and costs for months of the current year for which actual data is not available at the time of the filing. Any projected amounts included in the EEP charge filing are subject to reconciliation to actual amounts and any difference will be reflected in a future EEP charge filing. Upon approval by the PUC, such a charge (adjusted for GET and the uncollectible percentage approved in the most recent rate case proceeding) shall become effective with usage on or after the effective date.

The Company may file to change the EEP charge at any time should significant over- or under-recoveries occur.

GAS COST RECOVERY CLAUSE

1.0 GENERAL:

1.1 Purpose:

The purpose of this clause is to establish procedures that allow the Company, subject to the jurisdiction of the PUC, to annually adjust its rates for firm sales and the weighted average cost of upstream pipeline transportation capacity in order to recover the costs of gas supplies, pipeline and storage capacity, production capacity and storage, purchased gas working capital, and to credit supplier refunds, capacity credits from off-system sales and revenues from capacity release transactions.

The Gas Cost Recovery Clause shall include all costs of firm gas, including, but not limited to, commodity costs, demand charges, hedging and hedging related costs, local production and storage costs and other gas supply expense incurred to procure and transport supplies, transportation fees, inventory finance costs, requirements for purchased gas working capital, all applicable credits, taxes, and deferred gas costs. Any costs recovered through the application of the Gas Charge shall be identified and explained fully in the annual filing.

1.2 Applicability:

The Gas Charge shall be calculated separately for the following rate groups:

(1) Residential Non-Heating, Low Income Residential Non-Heating, Large C&I High Load Factor, Extra Large C&I High Load Factor;
(2) Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large C&I Low Load Factor, and Extra Large C&I Low Load Factor; and
(3) FT-2 Firm Transportation – Marketers.

The Company will make annual Gas Charge filings based on forecasts of applicable costs and volumes and annual Reconciliation filings based on actual costs and volumes. The Gas Charge shall become effective with consumption on or after November 1 as designated by the Company. In the event of any change subsequent to the November effective date which would cause the estimate of the Deferred Gas Cost Balance to differ from zero by an amount greater than five percent (5%) of the Company's gas revenues, the Company may make a Gas Charge filing designed to eliminate that non-zero balance.

Unless otherwise notified by the PUC, the Company shall submit the Gas Charge filings no later than sixty (60) days before they are scheduled to take effect. The Annual Reconciliation filing will be made by July 1 of each year containing actual

GAS COST RECOVERY CLAUSE

data for the twelve months ending March 31 of that year.

2.0 GAS CHARGE FACTORS

2.1 Gas Charges to Sales Customers:

The Gas Charge consists of two (2) components: (1) Fixed Costs and (2) Variable Costs. These components shall be computed using a forecast of applicable costs and volumes for each firm rate schedule based on the following formula:

$$GC_S = FC_S + VC_S$$

Where:

GC_S Gas Charge applicable to High Load Factor sales rates (Residential Non-Heating, Low Income Residential Non-Heating, Large and Extra Large High Load C&I) and Low Load Factor sales rates (Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large and Extra Large Low Load C&I).

FC_S Fixed Cost Component for a rate classification. See Item 3.1 for calculation.

VC_S Variable Cost Component for a rate classification. See Item 3.2 for calculation.

This calculation will be adjusted for the uncollectible percentage approved in the most recent rate case proceeding and the Gas Charges to Sales Customers are subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

2.2 Gas Charge to FT-2 Marketers:

The FT-2 Demand Rate (SDC_M) recovers fixed costs associated with storage and peaking resources including pipeline supplies designated by the Company for peaking purposes. See item 3.3 for calculation.

The FT-2 Variable Charges for underground storage components consist of the following:

SLF The Company's weighted average loss factor on storage withdrawals across all storage contracts.

GAS COST RECOVERY CLAUSE

WWCC — The Company's weighted average commodity cost of storage withdrawals under all storage contracts.

PLF — The Company's weighted average loss factor on pipeline contracts used to deliver storage withdrawals to the system.

PCC — The Company's weighted average commodity cost on pipeline contracts used to deliver storage withdrawals to the system and the weighted average commodity cost of pipeline supplies designated by the Company for peaking purposes.

This calculation will be adjusted for the uncollectible percentage approved in the most recent rate case proceeding and the Gas Charges to Sales Customers are subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

3.0 GAS CHARGE CALCULATIONS

3.1 Supply Fixed Cost Component:

The Supply Fixed Cost Component shall include all fixed costs related to the purchase, storage, or delivery of firm gas, including, but not limited to, pipeline and supplier fixed reservation costs, demand charges, operation and maintenance costs for storage facilities and other fixed gas supply expense incurred to transport or store supplies, transportation fees, and requirements for purchased gas working capital. Any costs recovered through the application of the Supply Fixed Cost Component shall be identified and explained fully in the annual filing.

The Supply Fixed Cost Component is calculated for each applicable rate schedule as follows:

$$FC_S = \frac{DWS_S * (TC_{FC} - TR_{FC} + WC_{FC} + R_{FC} - (SDC_M * MDQ_{SM} * 12))}{Dt_S}$$

Where:

FC_S — Supply Fixed Cost Component for High Load Factor rates (Residential Non-Heating, Low Income Residential Non-Heating, Large High Load C&I and Extra-Large High Load C&I) and Low Load factor rates (Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large Low C&I and Extra Large Low Load C&I).

GAS COST RECOVERY CLAUSE

DWS_S Percent of Design Winter Sales Sendout (November - March) for High Load Factor rates (Residential Non-Heating, Low Income Residential Non-Heating, Large High Load C&I and Extra-Large High Load C&I) and Low Load factor rates (Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large Low C&I and Extra Large Low Load C&I).

TC_{FC} Total Fixed Costs, including, but not limited to pipeline, storage, and supplier reservation and supply related local production and storage costs. The level of supply-related local production and storage costs shall be as determined in the Company's most recent rate case proceeding.

TR_{FC} Credits to Fixed Costs relating to supply services, including, but not limited Marketer capacity release revenues and the amount forecasted to customers under the Natural Gas Portfolio Management Plan ("NGPMP") for the November to October period.

WC_{FC} Working Capital requirements associated with Supply Fixed Costs. See Item 5.0 for calculation.

R_{FC} Deferred Fixed Cost Account Balance as of October 31, as derived in Item 6.0 less the amount guaranteed to customers under the NGPMP and, following approval by the PUC, the net positive revenue from optimization transactions reduced by the guaranteed amount and the Company incentive under the Plan.

SDC_M FT-2 Storage Demand Charge rate charged to Marketers based on their Maximum Daily Quantity of storage gas. See Item 3.3 for calculation.

MDQ_{SM} Storage Forecast of Maximum Daily Quantity to be billed to Marketers.

Dt_S Forecast of annual sales to Residential Non-Heating, Low Income Residential Non-Heating, Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large Low and High Load C&I, and Extra Large Low and High Load C&I.

3.2 Supply Variable Cost Component:

The Supply Variable Cost Component shall include all variable costs of firm gas,

GAS COST RECOVERY CLAUSE

including, but not limited to, commodity costs, taxes on commodity and other gas supply expense incurred to transport supplies, transportation fees, and requirements for purchased gas working capital, storage commodity costs, taxes on storage commodity and other gas storage expense incurred to transport supplies, transportation fees, inventory commodity costs, and inventory financing costs. Any costs recovered through the application of the Supply Variable Cost Component shall be identified and explained fully in the annual filing.

The Supply Variable Cost Component is calculated for each applicable rate schedule as follows:

$$VC = \frac{TC_{VC} - TR_{VC} + WC_{VC} + R_V + IF_s}{Dt_{VC}}$$

Where:

VC	Supply Variable Cost Component for High Load Factor rates (Residential Non-Heating, Low Income Residential Non-Heating, Large and Extra Large High Load C&I) and Low Load Factor rates (Residential Heating, Low Income Residential Heating, Small C&I, Medium C&I, Large and Extra Large Low Load C&I).
TC_{VC}	Total Supply Variable Costs, including, but not limited to pipeline, supplier, storage, commodity-billed pipeline transition costs, and any hedge, hedging related cost or the carrying cost on hedge collateral.
TR_{VC}	Total Credits to Supply Variable Costs, including, but not limited to balancing commodity charge revenues and transportation imbalance charges.
WC_{VC}	Working Capital requirements associated with Total Supply Variable Costs. See item 5.0 for calculation.
R_V	Deferred Cost Account Balance as of October 31, as derived in Item 6.0 plus the net of any Gas Procurement Incentives/Penalties associated with the Gas Procurement Incentive Plan.
Dt_{VC}	Forecast of annual sales to Residential Non-Heating, Low Income Residential Non-Heating, Residential Heating, Low Income

GAS COST RECOVERY CLAUSE

Residential Heating, Small C&I, Medium C&I, Large Low and High Load C&I, and Extra Large Low and High Load C&I.

IF_S Inventory Finance Cost as calculated in 4.0 below.

3.3 FT-2 Storage Demand Charge:

The FT-2 Storage Demand Charge (SDC_M) shall include all fixed costs related to the operations, maintenance, and delivery of storage, including, but not limited to, the supply-related portion of local production and storage costs as determined in the most recent rate case proceeding, delivery of storage gas to the Company's Distribution System, Storage Inventory Financing Charges and requirements for purchased gas working capital. Any costs recovered through the application of the Storage Demand Charge shall be identified and explained fully in the annual filing.

The Storage Demand Charge Component is calculated for the FT-2 rate schedule as follows:

$$SDC_M = \frac{TFC_S + IF_S + WC_S}{MDQ_S \text{ X } 12}$$

Where:

SDC_M FT-2 Storage Demand Charge in $/per Maximum Daily Quantity of Storage gas to be charged to Marketers.

TFC_S Total Storage Fixed Costs, equals all fixed costs of storage, including, but not limited to, the supply related portion of local production and storage costs, taxes on storage, any demand or fixed charges associated with storage or delivery of storage gas to the Company's Distribution System, and any demand or fixed pipeline reservation charges designated by the Company as a peaking resource. The level of supply-related local production and storage costs shall be as determined in the most recent rate case proceeding.

IF_S Inventory Finance Cost as calculated in 4.0 below.

MDQ_S The total maximum daily quantity of storage gas in Dekatherms deliverable to the Company's Distribution System using the LNG facilities, storage resources, and pipeline contracts related to storage

GAS COST RECOVERY CLAUSE

delivery.

WC_{FC} Working Capital requirements associated with Supply Fixed Costs. See Item 5.0 for calculation.

4.0 INVENTORY FINANCING:

$IF_S = (ASB_U + ASB_L) * COC$

Where:

IF_S Inventory Finance Charges for storage

ASB_U Average underground storage balance

ASB_L Average LNG storage balance

COC Weighted Pre-tax Cost of Capital, consisting of three components: Short-term Debt, Long-term Debt, and Common Equity. The Common Equity components shall reflect the rates approved in the most recent rate case proceeding. The Short-term debt component shall be based on the Company's actual short-term borrowing rate for the twelve months ended March as presented in the Company's annual Distribution Adjustment Clause Filing.

5.0 WORKING CAPITAL REQUIREMENT:

$WC_M = WCA_M * [DL / 365] * COC$

Where:

WC_M Working Capital requirements of Supply Fixed (WC_{FC}) and, Storage Fixed (WC_{SFC}), Supply Variable (WC_{SV}), Storage Variable Product (WC_{SVC}) or Storage Variable Non-product (WC_{SVNC}) Cost Components.

WCA_M Working Capital Allowed in the Supply Fixed, Storage Fixed, and Supply Variable, Storage Variable Product, or Storage Variable Non-product Cost component calculations.

DL Days Lag approved in the most recent rate case proceeding.

COC Weighted Pre-tax Cost of Capital, consisting of three components: Short-term

GAS COST RECOVERY CLAUSE

Debt, Long-term Debt, and Common Equity. The Common Equity components shall reflect the rates approved in the most recent rate case proceeding. The Short-term debt component shall be based on the Company's actual short-term borrowing rate for the twelve months ended March as presented in the Company's annual Distribution Adjustment Clause (DAC) filing in support of the Earnings Sharing Mechanism (ESM). The long-term debt component will be based on the Company's actual long-term borrowing rate as presented in the Company's annual DAC filing.

6.0 DEFERRED GAS COST ACCOUNTS:

The Company shall maintain two (2) separate Deferred Gas Cost Accounts: (1) Fixed Costs and revenues and (2) Supply Variable Costs and revenues. Entries shall be made to each of these accounts at the end of each month as follows:

An amount equal to the allowable costs incurred less:

1. Gas Revenues collected adjusted for the RIGET and uncollectible percentage approved in the most recent rate case proceeding;

2. Credits to costs, including but not limited to GCR Deferred Responsibility surcharge/credits and Transitional Sales Service (TSS) surcharge revenues,

   and including

3. Monthly interest based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account's beginning-of-the-month balance and the balance after entries 1. and 2. above.

7.0 REFUNDS:

Any refund associated with the Company's total gas cost for Sales customers shall be credited to the Deferred Cost Account.

8.0 WEIGHTED AVERAGE UPSTREAM PIPELINE TRANSPORTATION COST:

At the request of a marketer or the Division, the Company will provide within 21 days an estimate of the pipeline path costs for the next GCR year beginning November 1. The estimate will be based on the most recent GCR filing updated for current commodity pricing and other known changes which would significantly affect the factor. Concurrent with the

GAS COST RECOVERY CLAUSE

annual GCR filing, the Company shall calculate the final weighted average cost of upstream pipeline transportation capacity. The cost shall be applicable to capacity release under the Transportation Terms and Conditions effective November 1 of each year or at such time as the PUC approves the rates.

9.0 DEFERRED GAS COST RESPONSIBILITY:

Under the Transportation Terms and Conditions, Section 6, Schedule C, Item 1.0, if a Customer who has been receiving firm sales service and elects to transfer to transportation service to purchase gas from a Marketer, the Customer is responsible for their portion of the deferred gas cost balance. The calculation of any under-recovered or over-recovered gas cost attributable to the Customer's prior service will be charged or credited to the Customer's account at the time transportation service is initiated.

9.1 Factor Calculations:

The calculation of the Customer's deferred gas cost balance consists of: (1) the prior period deferred gas cost reconciliation amount reflected in the Company's current Gas Charge; and (2) any incremental under-recovery or over-recovery of actual costs versus projected costs that accrue while the current Gas Charge is in effect.

The first component is calculated on the basis of the Company's Gas Charge filing with the PUC in accordance with the following formula:

$$PPF = \frac{DAB_B}{Dt_S}$$

Where:

PPF Prior Period Factor as a $/Dt.

DAB_B Deferred Gas Cost Account Beginning Balance for the first month covered under the Gas Charge filing.

Dt_S Forecast of sales volumes for the period covered by GCC filing.

The second component is calculated on a quarterly basis and represents the additional deferral balance since the balance determined in the Company's last Gas Charge filing. The factor is calculated as follows:

GAS COST RECOVERY CLAUSE

$$IDF = \frac{DQB_E - PDAB_B}{Dt_a}$$

Where:

IDF Incremental Deferred Gas Cost Balance Factor as a $/Dt.

DQB_E Actual Deferred Gas Cost Account Ending Balance for a quarter subsequent to the PPF.

$PDAB_B$ Projected Deferred Gas Cost Account Ending Balance for the quarter subsequent to the PPF.

Dt_a Actual sales volumes for the quarter(s) subsequent to the PPF.

9.2 Application of Factors:

The customer's total Deferred Gas Cost Responsibility will equal the sum of the following:

(1) The PPF times: (a) the Customer's prior GCR year's total Dt minus (b) the Customer's current year's Dt where the current GCR year's Dt reflects the period the customer has been billed the current Gas Charge; and

(2) The IDF times the Customer's Dt during the period covered by the IDF.

DISTRIBUTION ADJUSTMENT CLAUSE

1.0 GENERAL

1.1 Purpose:

The purpose of the Distribution Adjustment Clause (DAC) is to establish procedures that allow the Company, subject to the jurisdiction of the PUC, to annually adjust its rates for firm sales and transportation in order to recover, credit, or reconcile the following:

(1) the system pressure costs;
(2) the difference between the approved AGT factor revenue collections and actual AGT factor revenue collections;
(3) the difference between the approved LIAP revenue collected through base rates for Large and Extra Large C&I customers and actual LIAP revenue collections for Large and Extra Large C&I customers;
(4) the costs of the Infrastructure, Safety, and Reliability Plan;
(5) the amortization of the most recent ten years of Environmental Response costs;
(6) Pension costs and Post-retirement Benefits Other than Pensions expenses;
(7) the margins from on-system non-firm sales and non-firm transportation services that are above or below an established dollar amount;
(8) to credit any Service Quality Performance penalties;
(9) any over or under collections of revenue under the Revenue Decoupling mechanism;
(10) the previous year DAC items;
(11) and any Earnings Sharing.

Any costs recovered through the application of the Distribution Adjustment Charge shall be identified and explained fully in the annual Distribution Adjustment Charge filing.

1.2 Applicability:

The Distribution Adjustment Charge will be applied to sales and transportation volumes under each of the Company's firm rate schedules.

The Company will make annual DAC filings and its annual Reconciliation filings based on actual costs and volumes available at the time of filing as well as forecasts of applicable costs and volumes through October of that year. With the exception of the Infrastructure, Safety and Reliability component described in section 3.4.2, the Distribution Adjustment Charge shall become effective with consumption as of

DISTRIBUTION ADJUSTMENT CLAUSE

November 1 each year.

Unless otherwise notified by the PUC, the Company shall submit the Distribution Adjustment Charge filings no later than 90 days before they are scheduled to take effect, provided however that the Revenue Decoupling Adjustment component of the Distribution Adjustment Charge filing will be made July 1 annually. The Annual Reconciliation filing will be made by August 1 of each year.

2.0 DISTRIBUTION ADJUSTMENT CHARGE:

The Distribution Adjustment Charge will consist of an annual System Pressure factor, an Advanced Gas Technology factor, a Low Income Assistance Programs factor, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Non-firm On-System Margin Credit factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, and an Earnings Sharing Mechanism factor. The Distribution Adjustment Charge is calculated as follows:

DAC = SP+AGT+LIAP+ISR+ERCF+PAF+MC+SQP+RDA+R+ESM

Where:

DAC	Distribution Adjustment Charge applicable to all firm throughput.
SP	System Pressure factor. See Item 3.1 for calculation.
AGT	Advanced Gas Technology factor. See Item 3.2 for calculation.
LIAP	Low Income Assistance Programs factor. See Item 3.3 for calculation.
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.4 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.5 for calculation.
PAF	Pension Adjustment Factor. See Item 3.6 for calculation.
MC	On-system Margin Credits related to Non-Firm Dual-Fuel customer margins. See Item 3.7 for calculation.
SQP	Service Quality Performance Factor. See Item 3.8 for calculation.

DISTRIBUTION ADJUSTMENT CLAUSE

RDA Revenue Decoupling Adjustment factor. See Item 3.9 for calculation.

R Reconciliation of deferred account balances as of October 31. See Item 4.0 for calculation.

ESM Earnings Sharing Mechanism Factor. See Item 5.0 for calculation.

The Distribution Adjustment Charge excluding RDA shall be increased by the uncollectible expense percentage approved in the most recent rate case proceeding.

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed on an annual basis utilizing a forecast of Liquefied Natural Gas (LNG) sendout comprised of the projected withdrawal of commodity costs, the projected inventory cost of LNG, demand costs and the average LNG inventory finance costs from the GCR filing for the November to October period based on the following formula:

$$SP = \frac{(WTC_{LNG} + INV_{LNG} + DM_{LNG} + INF_{LNG}) \times SP\%}{Dt_T}$$

Where:

SP System Pressure Amount.

WTC_{LNG} Forecasted withdrawal commodity costs.

INV_{LNG} Forecasted inventory cost of LNG.

DM_{LNG} Forecasted demand costs.

INF_{LNG} Forecasted inventory finance costs.

SP% Percent of local storage used to maintain system pressures, as established in the most recent rate case or DAC proceeding.

Dt_T Forecasted annual firm throughput.

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3.2 AGT Factor:

The Advanced Gas Technology factor will be computed on an annual basis utilizing the approved amount for AGT for the prior twelve month period ended March 31, except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period. The formula will be as follows:

$$AGT = \frac{AGT_B - AGT_{EMB}}{Dt_T}$$

Where:

AGT	AGT Factor
AGT_B	Approved AGT budget
Dt_T	Forecasted annual firm throughput in dekatherms
AGT_{EMB}	AGT funding embedded in base rates, $300,000

3.3 LIAP Factor:

The Low Income Assistance factor shall be computed on an annual basis utilizing the approved funding for low income programs, such as Low Income Heating Assistance and Low Income Weatherization, for the prior twelve month period ended March 31 except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period. The formula will be as follows:

$$LIAP = \frac{LIAP_B - LIAP_{EMB}}{Dt_T}$$

Where:

LIAP	LIAP Factor
$LIAP_B$	Approved low income program funding(s)
Dt_T	Forecasted annual firm throughput

DISTRIBUTION ADJUSTMENT CLAUSE

$LIAP_{EMB}$ LIAP funding embedded in base rates, $1,785,000; Consisting of $1,585,000 of Low Income Heating Assistance and $200,000 of Low Income Weatherization

3.4 Infrastructure, Safety and Reliability Plan:

3.4.1 Gas Infrastructure, Safety, and Reliability Plan Filing:

In compliance with R.I.G.L. Section 39-1-27.7.1, no later than January 1 of each year, the Company shall submit to the PUC a Gas Infrastructure, Safety, and Reliability Plan (Gas ISR Plan) for the upcoming fiscal year (April to March) for review and approval within 90 days. The Gas ISR Plan shall include the upcoming fiscal year's forecasted capital investment on its gas distribution system infrastructure and may include any other costs relating to maintaining safety and reliability that have been mutually agreed upon by the Division and the Company.

3.4.2 Infrastructure, Safety and Reliability Factor:

Effective each April 1, the Company shall recover through a change in Distribution Adjustment Charge rates the Cumulative Revenue Requirement on the Adjusted Cumulative Non-growth Capital spending as approved by the Commission in the Company's annual gas infrastructure, safety, and reliability filings less the amount included in rate base for base rate purposes. For purposes of this section, non-growth capital shall exclude general plant (FERC Accts 389 through 399). The Cumulative Revenue Requirement shall mean the return and taxes on year-end Adjusted Cumulative Non-growth Capital Spending, at a rate equal to the pre-tax weighted average cost of capital as approved by the Commission in the most recent distribution base rate proceeding, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the Commission in the Company's most recent distribution base rate proceeding adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism as approved in the Settlement Agreement in Docket RIPUC 4323. The Adjusted Cumulative Non-growth Capital Spending shall mean the non-growth capital investment recorded since January 31, 2014 and reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment, included in rate base for base rate purposes, for the period April 1, 2011 through January 31, 2014, the end of the Company's rate year in its general rate case in docket RIPUC 4323. Cumulative Revenue Requirements will reflect Adjusted Cumulative Non-Growth Capital Spending as defined above plus the associated retirements, cost of removal, accumulated depreciation, and accumulated deferred taxes.

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All accumulated Gas ISR investments will be eligible for inclusion in rate base recovery through new rates set in the next base rate case.

The Company shall allocate the Cumulative Revenue Requirements to its rate classes based on the rate base allocation approved by the PUC in the Company's most recent base distribution rate proceeding. Any other costs, including Operation and Maintenance expenses mutually agreed upon by the Division and the Company shall be allocated on a per unit basis.

3.4.3 Infrastructure, Safety and Reliability Factor: Reconciliation Mechanism:

The Company shall include an annual reconciliation mechanism associated with the ISR Factor designed to reconcile the actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to the actual billed revenue for the prior fiscal year. As part of its annual DAC filing, the Company shall submit by August 1 a reconciliation factor (either positive or negative) related to the ISR Factor recoveries and actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to take effect annually for the twelve months beginning November 1 each year.

3.5 Environmental Response Cost Factor (ERCF):

$$ERCF = \frac{\frac{\sum ERCyr_x}{10} - ERC_{EMB}}{Dt_T}$$

Where:

ERC	Environmental Response Costs as defined in Section 1, Schedule B Definitions
$\sum ERCyr_x$	The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31 except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period and in the prior nine years.
ERC_{EMB}	Environmental Response Costs funding embedded in base rates, $1,310,000.
Dt_T	Forecasted annual firm throughput

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In order to limit the bill impacts that could potentially result from the incurrence of environmental remediation costs, the ERC factor, calculated as described above, shall be limited to an increase of no more than $0.10 per dekatherm in any annual DAC filing. If this limitation results in the Company recovering less than the amount that would otherwise be eligible for recovery in a particular year, then beginning on the date that the proposed ERC factor becomes effective, carrying costs shall accrue to the Company on the portion of the environmental remediation costs not included in the ERC factor as a result of this limitation. Such carrying costs shall accrue through the year in which such amount, together with accumulated carrying costs, are recovered from ratepayers. Any amounts so deferred shall be incorporated into the ERC factor in succeeding years consistent with the $0.10 per dekatherm ERC factor annual increase limitation. Such carrying charges shall accrue at the Interest on Deferred Balance rate specified in Section 1, Schedule B of the Company's Definition section above.

3.6 Pension Adjustment Factor:

The Pension Adjustment Factor shall recover or refund the prior fiscal year's reconciliation of the Company's actual Pension and Post-retirement Benefits Other Than Pension (PBOP) expenses to the Company's Pension and PBOP expense allowance included in distribution base rates, including interest at the rate of interest paid on customer deposits. The PAF will be computed on an annual basis for the nine month period ending March 31, 2013 and thereafter for each twelve months ended March 31 and will be based on the difference in the Company's actual Pension and PBOP expense for the prior twelve month period ended March 31 and the distribution base rate allowance, plus carrying charges at the weighted average cost of capital on the cumulative five quarter average underfunding of the Pension and PBOP Minimum Funding Obligation for the fiscal year ended March 31. The Minimum Funding Obligation will be equal to the amount of Pension and PBOP costs collected from customers during the fiscal year, plus the amounts of Pension and PBOP costs capitalized during the year. The amount collected from customers during the fiscal year would include (1) Pension and PBOP allowance included in base rates, and (2) amounts collected or refunded through the PAF.

3.7 On-System Margin Credits:

Each year, the Company will calculate the total non-firm customer margins, exclusive of Rhode Island Gross Earnings Tax for the twelve month period ending each March 31 beginning March 31, 2014. If that total exceeds a target revenue of $1,800,000, the On-System Margin Credit shall be positive. If the total non-firm margins,

DISTRIBUTION ADJUSTMENT CLAUSE

exclusive of Rhode Island Gross Earnings Tax, for the twelve-month period ending March 31 are less than the target revenue of $1,800,000, the On-System Margin Credit shall be negative. For the twelve month period ending March 31, 2013, the target will be prorated for the seven month period ending January 31, 2013 for the On-System Margin target in effect during that period ($2,816,000) and actual firm and non-firm dual fuel Customer margins, (exclusive of Rhode Island Gross Earnings Tax) during that period and for the two month period ending March 31, 2013 during which the $1.8 million target is in effect and actual non-firm customer margins, exclusive of Rhode Island Gross Earning Tax, during that period.

The On System Margin Credit is calculated as follows:

$$MC = \frac{NFCM - \$1{,}800{,}000}{Dt_T}$$

Where:

MC On-System Margin Credit factor

NFCM The non-firm customer margins exclusive of Rhode Island Gross Earnings Tax (GET) for the 12 months ending March 31.

Dt_T Forecasted annual firm throughput

If in any year the Company is required to calculate the total Non-Firm Customer margins, exclusive of GET, for a period less than a twelve month period, then the Company will prorate the target threshold based upon the monthly 2011 non-firm revenue distribution and if the total exceeds that prorated target threshold the Non-Firm On-System Margin credit will be positive and if it is less than the prorated target the credit will be negative. In addition, if a non-firm customer who was active customer during calendar year 2011 migrates to firm service, the Company will reduce the margin threshold by the non-firm customer's actual 2011 calendar year usage multiplied by the applicable non-firm rate approved in RIPUC Docket 4323. Conversely, the Company will increase the margin threshold for firm customers who migrate to non-firm service based upon the customers most recent historical usage multiplied by the applicable non-firm service rate.

3.8 Service Quality Performance Factor:

The Service Quality Performance (SQP) Factor will be used for crediting to

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customers any penalties reflected in the Company's annual Service Quality Report.

3.9 Revenue Decoupling Adjustment Factor:

The Revenue Decoupling Adjustment (RDA) Factor shall be a credit or surcharge determined for all Residential rate classes and Small and Medium C&I rate classes as the sum of the March 31 Revenue Per Customer deferral ending balances for each rate class divided by the forecasted total annual firm throughput for those rate classes. The March deferral ending balance for each rate class shall result from the monthly calculation of the variance between a Target Revenue-per-Customer and the Actual Revenue Per Customer for the following periods: (1) the ten month period ending January 31, 2013, (2) the fourteen month period February 1, 2013 – March 31, 2014 and (3) each twelve month period ending March 31 thereafter. The deferral balance will be calculated as follows:

$$RDAF = \frac{\sum_{RC}(AEB_{M-1} + VR_M + INT_M)}{Dt_{RC}}$$

Where:

RDAF Revenue Decoupling Adjustment Factor

$\sum_{RC}$ The sum of the March 31 Revenue per Customer deferral ending balances for each of the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

AEB_{M-1} Account Ending Balance for prior month

VR_M Current month Variance

$= (RPC_{TM} - RPC_{AM}) \times CUST_M$

RPC_{TM} For the period ending January 31, 2013, the Target Revenue per Customer will be based on targets established in Docket RIPUC 4206. Thereafter, Target Revenue per Customer will be based on class specific revenue per customer targets established in the most recent rate case. Target Revenue for Low-Income

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classes will reflect non-discounted revenue. Low-income class revenue and customers will be included with non-discounted revenue and customers for the purposes of setting the target.

RPC_{AM} Actual Revenue per Customer for current month calculated as actual base revenues divided by number of customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenues.

$CUST_M$ Number of customers in current month.

INT_M Interest on average monthly balance

$$= \frac{(AEB_{M-1} + VR_M) \times BA_M}{2}$$

BA_M Bank of America Prime minus 200 basis points

Dt_{RC} Forecasted annual firm throughput for the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

4.0 DEFERRED DISTRIBUTION ADJUSTMENT COST ACCOUNT:

The Distribution Adjustment Cost Account shall include annual reconciliation for the twelve month period for the revenues and costs for the System Pressure factor, Advanced Gas Technology factor, LIAP factor, ISR factor, Environmental Response Costs factor, Pension Adjustment Factor, On-System Margin Credit factor, SQP factor, RDA factor, ESM factor, and a Previous Reconciliation factor, including a true-up for any prior year's forecasted revenues and costs. Base rate related items (LIAP factor, Advanced Gas Technology factor, and Environmental Response cost factor) will be only be reconciled for those non-Revenue Decoupling rate classes (Large and Extra Large high load and low load factor rate classes). For each reconciliation component, a monthly rate based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account's beginning and ending balance shall also apply.

DISTRIBUTION ADJUSTMENT CLAUSE

5.0 EARNINGS SHARING MECHANISM:

The annual Earnings Sharing Mechanism ("ESM") established in Docket No. 3401 will remain in place. The Earnings Sharing Mechanism Credit ("ESMC") will be included with the September 1 DAC filing based on financial information for the 9-month period ending March 31, 2013 and for each 12 months period ending March 31 thereafter. For purposes of calculating earnings to be shared, the Company will be allowed to include its 50% share of net merger synergies resulting from the National Grid/KeySpan transactions, or $2,450,000. Calculation of the ESMC is as follows:

$$ESMC = \frac{ESMF}{Dt_T}$$

Where:

ESMF — Earnings Sharing Mechanism Fund is defined as the earnings subject to sharing and will be based on a return on equity of 10.5% for the seven month period ending January 31, 2013 and 9.5% for 2 month period ending March 31, 2013. Thereafter earnings subject to sharing will be based on a return on equity of 9.50%. Annual earnings over this return on equity, up to and including 100 basis points, being shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of this return on equity shall be shared 75% to customers and 25% to the Company.

Dt_T — Forecasted annual firm throughput

RESIDENTIAL NON-HEATING
RATE 10

1.0 AVAILABILITY:

Sales service is available under this rate for all domestic non-heating purposes in individual private residential dwellings with six (6) or less units or in connection with condominium associations with gas supplied through one meter.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES: Customer Charge: $ 13.00 per month

Distribution Charge: $0.4386 per Therm

4.0 MINIMUM CHARGE:

Customer Charge per month.

5.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

6.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

7.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

8.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

RESIDENTIAL NON-HEATING
RATE 10

9.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

LOW INCOME RESIDENTIAL NON-HEATING RATE 11

1.0 AVAILABILITY:

Sales service is available under this rate for all domestic non-heating purposes in individual private residential dwellings with six (6) or less units or in connection with condominium associations with gas supplied through one meter. A Customer will be eligible for this rate upon verification of the Customer's participation in the low income home energy assistance program or its successor program.

Compliance with the foregoing qualifications will be verified annually with the State Office of Energy Resources.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES: Customer Charge: $11.70 per month

Distribution Charge: $0.3947 per Therm

4.0 MINIMUM CHARGE:

Customer Charge per month.

5.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

6.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

7.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

LOW INCOME RESIDENTIAL NON-HEATING RATE 11

8.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

9.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

RESIDENTIAL HEATING
RATE 12

1.0 AVAILABILITY:

Sales service is available under this rate for all domestic purposes in individual private residential dwellings with six (6) or less units or in connection with condominium associations with gas supplied through one meter where natural gas is the primary fuel used for space and/or central heating equipment.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES:

Customer Charge:	$13.00 per month
Distribution Charge:	
On-Peak Period (November – April)	
First 125 Therms	$0.4672 per Therm
Over 125 Therms	$0.3010 per Therm
Off-Peak Period (May – October)	
First 30 Therms	$0.4672 per Therm
Over 30 Therms	$0.3010 per Therm

4.0 MINIMUM CHARGE:

Customer Charge per month.

5.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

6.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

7.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2,

RESIDENTIAL HEATING
RATE 12

Schedule A.

8.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

9.0 ENERGY EFFICIENCY:

This application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

LOW INCOME RESIDENTIAL HEATING RATE 13

1.0 AVAILABILITY:

Sales service is available under this rate for all domestic purposes in individual private residential dwellings with six (6) or less units or in connection with condominium associations with gas supplied through one meter where natural gas is the primary fuel used for space and/or central heating equipment. A Customer will be eligible for this rate upon verification of the Customer's participation in the low income home energy assistance program or its successor program.

Compliance with the foregoing qualifications will be verified annually with the State Office of Energy Resources.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES:

Customer Charge: $11.70 per month

Distribution Charge:
On-Peak Period (November – April)

First 125 Therms	$0.4205 per Therm
Over 125 Therms	$0.2709 per Therm

Off-Peak Period (May – October)

First 30 Therms	$0.4205 per Therm
Over 30 Therms	$0.2709 per Therm

4.0 MINIMUM CHARGE:

Customer Charge per month.

5.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

6.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

LOW INCOME RESIDENTIAL HEATING RATE 13

7.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

8.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

9.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I SMALL
RATE 21

1.0 AVAILABILITY:

Transportation or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is equal to or less than 5,000 Therms as determined by Company records and procedures. In the case of a New Customer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 are applicable as in effect from time-to-time. Customers receiving service under this Schedule are only eligible for FT-2 transportation service.

4.0 RATES:

Customer Charge:	$22.00 per month
Distribution Charge:	
On-Peak Period (November - April)	
First 135 Therms	$0.5431 per Therm
Over 135 Therms	$0.2242 per Therm
Off-Peak Period (May - October)	
First 20 Therms	$0.5431 per Therm
Over 20 Therms	$0.2242 per Therm

5.0 MINIMUM CHARGE:

Customer Charge per month.

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

C&I SMALL
RATE 21

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ENERGY EFFICIENCY:

This application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I MEDIUM
RATE 22

1.0 AVAILABILITY:

Transportation or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is greater than 5,000 Therms, but less than or equal to 35,000 Therms as determined by Company records and procedures. In the case of a New Customer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 are applicable as in effect from time-to-time. Customers receiving service under this Schedule are only eligible for FT-2 transportation service.

4.0 RATES:

Customer Charge:	$70.00 per month
Demand Charge:	$1.3000 per Therm of customer's maximum average daily quantity (MADQ) from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.1865 per Therm

5.0 MINIMUM CHARGE:

Customer Charge and Demand Charge per month.

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

C&I MEDIUM
RATE 22

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I LARGE HIGH LOAD FACTOR USE
RATE 23

1.0 AVAILABILITY:

Transportation or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is greater than 35,000 Therms, but less than 150,000 Therms and whose off-peak (May through October) gas usage is equal to or greater than 31% of the annual gas usage for the most recent September through August period, as determined by Company records and procedures. In the case of a New Customer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 are applicable as in effect from time-to-time. Customers receiving service under this Schedule may receive either FT-1 or FT-2 transportation service.

4.0 RATES:

Customer Charge:	$175.00 per month
Demand Charge:	$1.8000 per Therm of customer's maximum average daily quantity (MADQ) from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.1007 per Therm

5.0 MINIMUM CHARGE:

Customer Charge and Demand Charge per month.

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from

C&I LARGE HIGH LOAD FACTOR USE
RATE 23

time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I EXTRA LARGE HIGH LOAD FACTOR USE
RATE 24

1.0 AVAILABILITY:

Transportation or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is equal to or greater than 150,000 Therms and whose off-peak (May through October) gas usage is equal to or greater than 31% of the annual gas usage for the most recent September through August period, as determined by Company records and procedures. In the case of a New Customer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 are applicable as in effect from time-to-time. Customers receiving service under this Schedule may receive either FT-1 or FT-2 transportation service.

4.0 RATES:

Customer Charge:	$425.00 per month
Demand Charge:	$1.8000 per Therm of customer's maximum average daily quantity (MADQ) from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.0256 per Therm

5.0 MINIMUM CHARGE:

Customer Charge plus Demand Charge per month.

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from

C&I EXTRA LARGE HIGH LOAD FACTOR USE
RATE 24

time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I LARGE LOW LOAD FACTOR USE
RATE 33

1.0 AVAILABILITY:

Transportation or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is greater than 35,000 Therms, but less than 150,000 Therms and whose off-peak (May through October) gas usage is equal to or less than 30% of the annual gas usage for the most recent September through August period, as determined by Company records and procedures. In the case of a New Customer, or an existing Customer with new gas applications, the off-peak and annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service under this Schedule, the Transportation Service provisions found in Section 6 are applicable as in effect from time-to-time. Customers receiving service under this Schedule may receive either FT-1 or FT-2 transportation service.

4.0 RATES:

Customer Charge:	$175.00 per month
Demand Charge:	$1.3000 per Therms of customer's highest average daily consumption from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.1727 per Therm

5.0 MINIMUM CHARGE:

Customer Charge and Demand Charge per month.

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from

C&I LARGE LOW LOAD FACTOR USE
RATE 33

time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

C&I EXTRA LARGE LOW LOAD FACTOR USE
RATE 34

1.0 AVAILABILITY:

Transportation or Sales service is available under this rate at single locations to Commercial and Industrial customers whose annual gas usage is equal to or greater than 150,000 Therms and whose off-peak (May through October) gas usage is equal to or less than 30% of the annual gas usage for the most recent September through August period, as determined by Company records and procedures. In the case of a New Customer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 TRANSPORTATION SERVICE PROVISIONS:

For Customers selecting transportation service, the Transportation Service provisions found in Section 6 are applicable as in effect from time-to-time. Customers receiving service under this Schedule may receive either FT-1 or FT-2 transportation service.

4.0 RATES:

Customer Charge:	$425.00 per month
Demand Charge:	$1.3000 per Therm of customer's maximum average daily quantity (MADQ) from the most recent November through April period based on historical billing data. In the case of a new customer or a customer with new gas applications, the November through April gas consumption shall be that agreed upon by the Company and the customer.
Distribution Charge:	$0.0328 per Therm

5.0 MINIMUM CHARGE:

Customer Charge plus Demand Charge per month.

6.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this

C&I EXTRA LARGE LOW LOAD FACTOR USE
RATE 34

Schedule.

7.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

8.0 GAS COST RECOVERY CLAUSE:

The application of the above rate is subject to the Gas Cost Recovery Clause in Section 2, Schedule A.

9.0 DISTRIBUTION ADJUSTMENT CLAUSE:

The application of the above rate is subject to the Distribution Adjustment Clause in Section 3, Schedule A.

10.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

NON-FIRM SALES (NFS) SERVICE
RATE 60

1.0 AVAILABILITY:

Non-firm sales service is grandfathered as of July 1, 2009 and will no longer be offered to any customer, except that any non-firm sales customer as of that date will be able to continue the service until such time that the non-firm sales customer decides to change to firm service or obtain non-firm transportation service and purchase natural gas from a third-party Marketer. Such customers are non-residential customers with dual-fuel capability: (1) whose premises are located adjacent to the Company's gas distribution mains having adequate capacity to supply the customer's prospective gas requirements in addition to the requirements of other customers already receiving service from such distribution mains; (2) who uses gas for boiler load, process load or cogeneration with a minimum combined hourly input of 100 Ccf/hour; and (3) who maintains adequate standby facilities for the use of an alternate fuel which may be substituted for gas when gas is not available under this Tariff.

2.0 RATES:

Non-firm Sales (NFS) service rates shall be set for the upcoming month, no later than 10:30 a.m. ten (10) business days prior to the commencement of that month. The Customer must notify the Company by 9:00 a.m. two (2) business days prior to the commencement of that month of the intention to take NFS service, and must provide a reasonable estimate of natural gas expected to be used for the month.

Customer charges will be determined as follows:

1. For those Customers who can potentially consume more than 150,000 Therms per month:

   - $625 per month, per customer

2. For those Customers who can potentially consume more than 35,000 Therms, but less than 150,000 Therms per month:

   - $405 per month, per customer

3. For those Customers whose potential monthly consumption is less than 35,000 Therms per month:

   - $185 per month, per customer

The Distribution Charge applicable to a non-firm sales service customer shall be based on the Customer's annual usage in accordance with the following:

NON-FIRM SALES (NFS) SERVICE
RATE 60

≤ 35,000 therms	$0.2206 per therm
35,001 to 150,000 therms and:	
Off-peak usage ≤ 31%	$0.2147 per therm
Off-peak usage > 31%	$0.1436 per therm
> 150,000 therms and:	
Off-peak usage ≤ 31%	$0.0912 per therm
Off-peak usage > 31%	$0.0733 per therm

The reference to 31% is to the percentage of gas usage from May through October compared to annual usage from September through August. In the case of an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer. The classification will be based on the higher of the most recent 12-months usage or the 12-months previous to that. This classification will be reviewed annually after the August billing period and any change will be reflected with the September bill.

The Company will provide the customer with an initial mid-month estimate of the Commodity Charge based on 110% of the sum of the NYMEX closing price on the eleventh business day prior to the start of the month and a publicly available forward basis for gas supply delivered to the Northeastern US. The forward basis will be the Transco Zone 6 Basis Swap (based on the Platts IFERC basis swap obtained from the NYMEX), or a publicly traded forward basis for supply delivered to the Company's city gate (should one become available) or such other publicly available traded basis for supply delivered to the Northeastern U.S. should the Transco Zone 6 Basis Swap become unavailable. The Company will recalculate the Commodity Charge based upon the NYMEX settled price and a publicly available forward basis for gas supply delivered to the Northeastern US. The Customer shall be charged the higher of the recalculated rate or the initial mid-month estimate.

3.0 MINIMUM CHARGE:

Under no circumstances shall the NFS Commodity Charge be less than the cost of the incremental supply available to the Company for the month, adjusted for the Company's Fuel Allowance.

4.0 NOTIFICATION OF INTERRUPTION/CURTAILMENT:

The Customer will curtail or discontinue service when, in the sole opinion of the Company,

NON-FIRM SALES (NFS) SERVICE
RATE 60

such curtailment or interruption is necessary in order for it to continue to supply the gas requirements of its firm customers at such time. The Company will attempt to give the Customer three (3) working days' notice of such curtailment, except in emergency situations, when at least one hour's notice shall be given.

5.0 FAILURE TO CURTAIL:

For any period that a Customer fails to curtail the use of gas as requested by the Company, the charge for gas consumption will be equal to the NFS service customer charge plus Gas Usage at a penalty of five (5) times the Daily Index. Such use of gas under these circumstances shall be considered an "unauthorized use" of gas.

In the event where the Company, in its sole discretion, grants the Customer an exemption from the curtailment, the use of gas under these circumstances shall be referred to as an "authorized use of gas." Authorized use of gas during a curtailment will be for a limited time period. The charge for gas consumed under these conditions will be the NFS service customer charge plus the highest cost gas required to meet demand during the applicable curtailment period, plus the current firm sales service rate excluding the firm customer charges. Payments for this use, whether authorized or unauthorized, shall not preclude the Company from turning off the customer's supply of gas in the event of the failure to interrupt, or curtail, the use thereof when requested to do so.

6.0 METER TEST:

Users will receive the results of periodic calibration tests performed by the Company on the meters installed on their premises. Meters will be deemed unacceptable if these tests show an error greater than +/-1%. Meters will also be deemed unacceptable, no matter what their error, if the results of three successive tests are consistently high or low. Meters will measure gas flow rates corrected to 60° F gas.

7.0 TELEMETERING:

Telemetering equipment is required for those customers who wish to avail themselves of this service.

8.0 NON-FIRM TRANSPORTATION SERVICE OPTION:

The Company will also offer, during the winter months, limited NFS and non-firm transportation (NFT) service for customers on a "best efforts" basis. If a Customer buying gas under this rate schedule opts to directly arrange for the acquisition of wellhead gas

NON-FIRM SALES (NFS) SERVICE
RATE 60

supplies, and the transportation of those wellhead gas supplies to the Company's gate stations, then the Company will transport, subject to available capacity, such directly acquired gas to the Customer's facilities. Rates and conditions for such transportation service are included in the Company's Non-Firm Transportation (NFT) Service in Section 6, Schedule A of RIPUC NG 101.

9.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

10.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section1, Schedule C.

11.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

TRANSITION SALES SERVICE
TSS

1.0 AVAILABILITY:

Transitional Sales Service (TSS) shall apply to Customers subject to the Transportation Terms and Conditions. The Company's General Terms and Conditions will govern this Service to the extent not consistent herewith.

TSS is not available to Capacity Exempt Customers.

The Company reserves the right to restrict the availability of this service if the Company determines that the integrity of the distribution system is at risk.

2.0 GENERAL CONDITIONS:

TSS is provided by the Company to Customers switching from supplier service to firm sales service. TSS is available to Customers who meet the requirements of Section 5, Schedule H, Item 1.0, and (a) who terminate supplier service, (b) who receive a termination notice from a designated supplier, or (c) for whom a designated supplier becomes ineligible to serve the Customer.

All Customers transferring to firm sales service from firm transportation service, either from FT-1 service or FT-2 service, and who have received an assignment of the Company's interstate pipeline capacity while on firm transportation service immediately prior to their transfer back to firm sales service, will be subject to the provisions of this rate schedule in addition to the provisions of the Company's applicable firm sales service rate schedules.

3.0 TERM:

For each Customer who transfers to firm sales service from FT-1 transportation service, TSS will be applicable to firm sales service provided to the Customer through the next April 30 after the Customer starts taking firm sales service or until the Customer enters into a contractual commitment with the Company to take firm sales service continuously for a period of not less than one year. After April 30, the Customer will receive firm sales service and will not be subject to the TSS surcharge defined below.

For each Customer transferring to firm sales service from FT-2 transportation service, TSS will be applicable to firm sales service provided to the Customer through the end of the Customer's first billing cycle subsequent to the next April 30 after the Customer starts taking firm sales service or until the Customer enters into a contractual commitment with the Company to take firm sales service continuously for a period of not less than one year. After the end of the first billing cycle after April 30, the Customer will receive firm sales service

TRANSITION SALES SERVICE
TSS

and will not be subject to the TSS surcharge defined below.

4.0 SURCHARGE:

Each Customer receiving TSS will be subject to a monthly surcharge during the term the Customer receives TSS, unless a Customer, prior to their return to the Company for gas supply, enters into a contractual commitment with the Company to take firm sales service continuously for a period of not less than one year. If such an agreement is executed, the Customer will not be subject to the TSS surcharge. The TSS surcharge is designed to charge a market-based price reflecting the cost of gas supplies in the marketplace at the time consumption is occurring for the incremental amount of gas that the Company must purchase over and above the quantities of gas procured for firm sales customers under the provisions of the Company's Gas Procurement Incentive Plan ("GPIP"). The surcharge will reflect any positive difference between the GPIP cost of gas for the month in which gas is supplied and a market-based gas price for the same month. This surcharge shall apply to all firm sales service consumption of Customers switching from firm transportation service subsequent to April 30 of each year, with the exception of those Customers committing to remain on firm sales service for a period of at least 12 months as described above.

4.1 Calculation:

The surcharge for Customers who switch to firm sales service from firm transportation service shall be computed as follows:

IF
$\{ [(NYMEX_M - GPIP_M) (GPIP_{QM}/Dt_M)] \} - R_{GCR}$ is > 0,

THEN:
$TSS = \{ [(NYMEX_M - GPIP_M) (GPIP_{QM}/Dt_M)] \} - R_{GCR}$

OTHERWISE:
$TSS = 0$

Where:

TSS	Transitional Sales Service monthly surcharge.
$NYMEX_M$	The NYMEX closing price for month M.
$GPIP_M$	Average cost of gas purchased under the GPIP for month M.

TRANSITION SALES SERVICE
TSS

$GPIP_{QM}$ The Total Quantity of GPIP purchases for month M.

Dt_M Total forecasted sales for month M underlying the GPIP.

R_{GCR} The per Dt Deferred Gas Cost Reconciliation reflected in the current GCR charge.

TSS surcharges will be calculated monthly. Supporting calculations for all components of the applicable surcharges will be posted on the Company's website by the second business day of each month. In addition, supporting workpapers shall be submitted to the PUC and the Division simultaneously with the posting on the Company's website.

5.0 STORAGE AND PEAKING:

FT-1 firm transportation service Customers eligible for TSS who transfer to firm sales service will be subject to a Storage and Peaking charge for recovery of Storage and Peaking costs. Such charge will be calculated at the time the FT-1 customer transfers to firm sales service based on the customer's actual consumption as a FT-1 transportation customer since the most recent April 1, multiplied by the currently effective FT-2 Demand Charge provided in the Company's most recently approved GCR filing.

NON-FIRM TRANSPORTATION (NFT) SERVICE
RATE 61

1.0 AVAILABILITY:

For any non-residential customer with dual-fuel capability: (1) whose premises are located adjacent to the Company's gas distribution mains having adequate capacity to supply the Customer's prospective gas requirements in addition to the requirements of other customers already receiving service from such distribution mains; (2) who uses gas for boiler load, process load, or cogeneration with a minimum combined hourly input of 100 Ccf/hour; and (3) who maintains adequate standby facilities for the use of an alternate fuel which may be substituted for gas when gas transportation is not available under this Tariff.

This rate is available to any Customer who has, without the assistance of the Company or the use of its facilities or dedicated pipeline capacity, arranged for the acquisition and transportation of gas supplies to the Company's gate stations, has executed a Transportation Service Application, has designated on such Application a Marketer as required under the Transportation Terms and Conditions in Section 6, Schedule C and who meets the following additional criteria:

A. The Customer must have telemetering equipment in place.

B. The Customer agrees to discontinue service, when in the sole discretion of the Company, such discontinuance is necessary in order to continue to serve the needs of firm customers at such time. The Company will attempt to give three (3) working days' notice of such action except in the event of emergency, when at least one hour's notice will be given.

   Any gas consumed during a requested discontinuance, whether authorized or unauthorized, shall be provided by the Company and not a third party supplier or Marketer of record.

2.0 RATE:

The Customer must notify the Company by 9:00 a.m. two (2) business days prior to the commencement of that month of any change in gas marketer.

Customer Charge will be determined as follows:

1. For those Customers who can potentially consume more than 150,000 Therms per month:

   - $715 per month, per customer.

NON-FIRM TRANSPORTATION (NFT) SERVICE
RATE 61

2. For those Customers who can potentially consume more than 35,000 Therms, but less than 150,000 Therms per month:

   - $485 per month, per customer

3. For those Customers whose potential monthly consumption is less than 35,000 Therms per month:

   - $275 per month, per customer

Distribution Charge:

The Distribution Charge applicable to a non-firm transportation service Customer shall be based on the Customer's annual usage in accordance with the following:

≤ 35,000 therms	$0.2206 per therm
35,001 to 150,000 therms and:	
Off-peak usage ≤ 31%	$0.2147 per therm
Off-peak usage > 31%	$0.1436 per therm
> 150,000 therms and:	
Off-peak usage ≤ 31%	$0.0912 per therm
Off-peak usage > 31%	$0.0733 per therm

The reference to 31% is to the percentage of gas usage from May through October compared to annual usage from September through August. In the case of a New Customer, or an existing Customer with new gas applications, the annual gas usage for the first year shall be that agreed upon by the Company and the Customer. The classification will be based on the higher of the most recent 12-months usage or the 12-months previous to that. This classification will be reviewed annually after the August billing period and any change will be reflected with the September bill.

3.0 TRANSPORTATION TERMS AND CONDITIONS:

The Company's Transportation Terms and Conditions, Section 6, Schedule C, as in effect from time-to-time and where not inconsistent with any provisions hereof, are a part of this Schedule.

NON-FIRM TRANSPORTATION (NFT) SERVICE
RATE 61

4.0 GENERAL RULES AND REGULATIONS:

The Company's General Terms and Conditions, Section 1, Schedule A, as in effect from time-to-time and where not inconsistent with any provisions hereof, are a part of this Schedule.

5.0 TELEMETERING EQUIPMENT:

Telemetering equipment is required. The customer may have access to the telemetering equipment for data gathering and transmission.

6.0 NON-FIRM CUSTOMER USE OF GAS:

A Non-Firm customer that elects to use gas from the Company for any reason shall receive Default Transportation Service and be charged the rate applicable to such service as set forth in the Transportation Terms and Conditions, Section 6, Schedule C, Item 2.04.0 for the first month of service and shall pay the Non-Firm unauthorized use rate as forth in the Transportation Terms and Conditions, Section 6, Schedule C, Item 1.05.0 for all additional months.

7.0 GAS BALANCING NOMINATION/AGGREGATION:

Refer to the Transportation Terms and Conditions, Section 6, Schedule C.

8.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

9.0 ENERGY EFFICIENCY:

The application of the above rate is subject to Energy Efficiency provisions in Section 1, Schedule C.

10.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

FIRM TRANSPORTATION SERVICE

1.0 AVAILABILITY:

Firm Transportation Service is available to any Commercial and Industrial customer account who:

(1) is classified as Small, Medium, Large, or Extra Large pursuant to Section 5, Schedule A, B, C, D, E, and F: and,

(2) elects to purchase gas supplies from a supplier other than the Company through the execution of a Transportation Service Application pursuant to the Transportation Terms and Conditions, Section 6, Schedule C.

2.0 CHARACTER OF SERVICE:

Firm Transportation Service provides for the transportation of gas supplies purchased on a customer's behalf from a supplier other than the Company on a firm 365 days per year basis. Service is classified as either Firm Transportation Service FT-1 or Firm Transportation Service FT-2 as follows:

FT-1 This service provides firm transportation of customer-purchased gas supplies to customers electing to have Gas Usage recorded on a daily basis at the customer's Point of Delivery. This service is available only to Large and Extra Large Commercial and Industrial customers.

FT-2 This service provides firm transportation of customer-purchased gas supplies to customers without the requirement for recording daily Gas Usage at the customer's Point of Delivery. This service is available to all Commercial and Industrial customers.

Also refer to the Transportation Terms and Conditions, Section 6, Schedule C, Items 2.0 and 3.0 for additional information.

3.0 RATES:

Specific rates billable by the Company to the customer are those applicable under the customer's service classification as provided for in Section 5, Schedules A, B, C, D, E, or F. For customers electing FT-1 Service, a one-time charge associated with the installation of telemetering equipment may also apply as provided for under the Transportation Terms and Conditions, Section 6, Schedule C, Item 2.02.0.

Rates associated with Firm Transportation Service which is billable to Marketers are those

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applicable under the Transportation Terms and Conditions, Section 6, Schedule C as in effect from time-to-time.

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The Transportation Terms and Conditions in Section 6, Schedule C, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of the Schedule.

5.0 GENERAL RULES AND REGULATIONS:

Firm Transportation Service will also be governed by the Company's General Terms and Conditions of Service to the extent not inconsistent herewith.

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1.0 GENERAL:

These terms and conditions apply to those Commercial and Industrial customers classified as Small, Medium, Large, Extra Large, or Non-firm who purchase gas supplies from sources other than the Company for transportation service by the Company pursuant to Section 5, Schedule A, B, C, D, E, and F, and Section 6, Schedule A, as well as to any Marketers designated to act on the customer's behalf pursuant to a Transportation Service Application and executing a Marketer Aggregation Pool Service Agreement. Any FT-1 customers classified as Medium at the time the access to FT-1 service for Medium customers was discontinued or any Customers reclassified as Medium based on their reduction in load will be grandfathered and allowed to continue receiving service under the FT-1 rate schedule. Transportation service will also be governed by the Company's General Terms and Conditions of Service to the extent not inconsistent herewith.

The Company reserves the right to restrict the availability of Transportation Service should the number of customers exceed the capability of the Company to reliably administer the service or if the integrity of the distribution system is put at risk.

If a Customer requesting service hereunder has been a sales service customer of the Company at the same service location within the preceding twelve month period, any under-recovered or over-recovered gas costs attributable to such prior service under the Gas Cost Recovery Clause in Section 2, Schedule A, Section 9.0 shall be determined and charged by the Customer or credited to the Customer's account.

1.01.0 TERM OF SERVICE:

1.01.1 FT-1 Transportation Service:

FT-1 Transportation Service will commence on the first day of a calendar month subject to satisfying the Company's Transportation Terms and Conditions and be for an initial term of up to one year to reflect a common anniversary of November 1. Service shall continue thereafter on a year-to-year basis, unless terminated by the Customer, Marketer or the Company, effective with the Customer's next billing cycle, upon at least thirty (30) days advance notice, either by written notice or the appropriate EDI transmission, to the Company. The Marketer shall be responsible for providing the Company with an executed Transportation Service Application for each new FT-1 customer account being added to its FT-1 Aggregation Pool no less than thirty (30) days prior to commencement of service. The Company's receipt of the Transportation Service Application initiates the thirty (30) day notice period. Existing FT-1 service customers may be switched to another Marketer by using an EDI enrollment transaction.

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1.01.2 FT-2 Transportation Service:

FT-2 Transportation Service will commence on the first day of a Customer's billing cycle subject to satisfying the Company's Transportation Terms and Conditions. Service shall continue thereafter on a year-to-year basis unless terminated by the Customer, Marketer, or the Company, effective with the Customer's next billing cycle, upon at least fifteen (15) days advance written notice to the Company. The Marketer shall be responsible for providing the Company with an EDI enrollment for each Customer being added to its FT-2 Aggregation Pool no less than fifteen (15) days prior to commencement of service.

1.01.3 Non-Firm Transportation (NFT) Service:

Customers classified as Non-Firm Transportation (NFT) will be able to commence transportation as of the first (1st) of any calendar month subject to meeting the nomination requirements established in Item 1.03 following and having submitted to the Company an executed Transportation Service Application.

A Customer's designation as NFS or NFT shall remain in effect until the Company is notified of a further change. Such notice is required by 9 a.m. two (2) business days before the start of the calendar month when such change is to take effect. Switching to or initiating transportation service mid-month is generally not allowed.

1.02.0 Designation Of Marketer:

1.02.1 Firm Transportation:

Customers wishing to switch Marketers will be allowed to do so at the start of a calendar month in the case of FT-1 Service, or at the start of a Customer's billing cycle in the case of FT-2 Service. For new FT-1 Service, the Customer and the new Marketer shall execute a new Transportation Service Application listing the new Marketer as their designated Marketer and forward that document to the Company for processing. For FT-2 Service, the Marketer will contact the Company through electronic data interchange (EDI) to initiate service with the customer account number being the validation. In the event of a dispute over the enrollment of a customer, the Marketer will be required to provide proof of authorization by the customer. This can be in the form of a signed agreement with the customer, audio recording of the customer's agreement/or authorization or an electronically recorded authorization. The Marketer is required to retain such proof for a minimum of two years or for the length of the service agreement, whichever is longer. The Company must receive the new Transportation Service Application or EDI transmittal at least thirty (30) days prior to the change in the case of FT-1 Service, and at least fifteen (15) days prior to the customer's meter read in the case of FT-2 Service. For an FT-

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1 Service customer without a capacity assignment from the Company, see Item 1.07 below, the Company must be notified of such change by 9 a.m. at least two (2) business days before the start of the calendar month The Company will not accept a Transportation Service Application which designates a Marketer that has not executed an Aggregation Pool Service Agreement.

If the Company receives more than one Transportation Service Application for the same FT-1 customer account with different designations of Marketer, the Company will contact the Customer for clarification and confirmation.

The Company will notify the Marketer of record via an EDI drop transaction in the event that a customer account assigned to the Marketer's Aggregation Pool is terminated.

Marketer must provide the Company with (30) days' advance notice in the event that the Marketer terminates service to a Customer in its Aggregation Pool.

Customers not subject to Default Transportation Service in Item 2.04 below, may return to sales service with at least thirty (30) days' advance notice, subject to availability, in the Company's sole discretion, of adequate gas transmission, gas supply and/or gas storage capability, and subject to the Company's Transitional Sales Service Rate, Section 5 Schedule H, of the Commercial and Industrial Services.

These provisions for switching Marketers or returning to Sales Service do not excuse the performance of any contractual obligations between the customer and a Marketer, including the potential requirement of paying damages to the Marketer for a breach of any such contractual obligation.

1.02.2 Non-Firm Transportation:

Switching Marketers is allowed at the start of any calendar month with the provision that the Company receive the Customer's Transportation Service Application designating the effective Marketer by 9 a.m. at least two (2) business days before the start of the month for which the switch is effective.

These provisions for switching Marketers do not excuse the performance of any contractual obligations between the customer and a Marketer, including the potential requirement of paying damages to the Marketer for a breach of any such contractual obligation.

If the Company receives more than one Transportation Service Application for the same customer account with different designations of Marketer, the Company will

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contact the Customer for clarification and confirmation.

1.03.0 Nominations:

1.03.1 General:

Marketer shall provide notice via the Company's Electronic Bulletin Board (EBB) the required information relative to Shipper and Transporting Pipeline names and contract number(s) on which deliveries will be made and the specified quantity of gas that Marketer will deliver to the Point(s) of Receipt on each day of the calendar month. Marketer is required to have separate nomination names and contract numbers for each of Marketer's Aggregation Pools. Additional information may be required by the Company. The Company will host an annual post-winter meeting with all Suppliers to discuss any proposed changes to the transportation program and the related requirements.

1.03.2 Dispatch Communication:

All nomination information shall be communicated to the Company's Gas Control Supply Operations Department via the Company's EBB. Marketer shall be responsible for monitoring the EBB 24 hours per day, seven days per week for dispatch purposes. In the event that the Company is unable to contact a Marketer regarding any nomination or dispatch, the Company may take any action it deems necessary to maintain system integrity as otherwise outlined in the General Terms and Conditions.

1.03.3 Initial Nominations:

The Nomination terms for FT-1 and NFT Service for deliveries to commence service on the first day of any calendar month will be submitted to the Company not later than the initial nomination deadline of the upstream Transporting Pipeline(s) transporting gas for Marketer. Such nominations will specify the quantity to be scheduled on each day of the month. The nomination requirements for FT-2 Service are described in Item 3.03 below.

As a condition of confirming any nomination, Company may direct Marketer to have gas delivered to an alternate Point of Receipt on the same Transporting Pipeline. Upon receipt of such directions, Marketer will arrange with the Transporting Pipeline to have gas delivered to the Point of Receipt designated by Company. Such alternate point of Receipt will remain the Point of Receipt for Marketer's gas for the period stated by the Company in its instructions until Company directs Marketer otherwise.

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1.03.4 Subsequent Nominations:

After the first day of the calendar month, Marketer may alter its nomination, provided that the revised nomination for delivery on any day is submitted to Company's EBB in accordance with the NAESB inter-day nomination schedule. The Company will accept on a best-efforts basis, an intra-day nomination submitted to the company's EBB up until 8:00 AM of the end of the gas day.

1.03.5 Intra-Day Nominations:

For daily metered Aggregation Pools, the Company will accept and implement, on a best-efforts basis, an intra-day nomination submitted to the Company's EBB following NAESB time lines.

One (1) such nomination per gas day shall be accepted subject to confirmation by the Transporting Pipeline.

1.03.6 Scheduling of Service:

Company will attempt to confirm with Transporting Pipeline(s) that the nominated quantities equal the Scheduled Transportation Quantity. If such nomination is confirmed, the Company will schedule said quantities to the Marketer at the designated Point of Receipt(s).

If Marketer is purchasing gas at the Company's city gate, they are responsible for identifying the original delivering contract number, Shipper and any additional title transfers.

If Marketer's nominations on the Company's Electronic Bulletin Board are not consistent with nominations on Transporting Pipeline, then the smaller of the two nominations shall prevail, and all associated balancing and penalty assessments shall be based on the smaller nomination.

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1.04.0 Protection Of System Operations:

1.04.1 Company Operational Flow Order (OFO):

Service hereunder may be limited as provided in the Company's General Terms and Conditions. Further, in the event that the Company determines in its sole judgment that it must take prompt action in order to maintain system integrity or to ensure Company's continued ability to provide service to its firm customers, the Company may declare a Critical Day or issue an OFO. In addition to the OFOs listed below, the Company shall have the right to issue any other OFO reasonably intended to serve the above stated purpose. The Company may take any one or more of the following actions:

(1) declare a Critical Day which would require Marketer to fully utilize upstream capacity that it received from Company through Capacity Release; and require Marketer to fully schedule storage resources allocated as part of FT-2 Service, i.e., up to the MDQ-U, prior to relying on peaking resources to the extent they are needed to meet their customer's demands;

(2) take any actions that are within Company's operational capability to reduce or eliminate Marketer or Aggregation Pool excess receipts; and

(3) take any actions that are within Company's operational capability to reduce or eliminate Marketer or Aggregation Pool excess takes.

When the Company issues an Operational Flow Order it will issue a notice to Marketers and state in the notice the balancing tolerances that will be in effect and, to the extent practicable, provide information on the cause and expected duration of the OFO. In addition, where the Company's need to issue an OFO is the result of its receipt of a notice of any kind from any of its pipeline transportation, storage, or peaking service providers, the Company will include that information in the notice and, to the extent possible, coordinate the duration and terms of its OFO with those of the service provider. Such an attempt to coordinate its OFO with those of its service providers will be based on the Company's sole discretion and such coordination will not limit the Company's ability to impose different terms or to continue or terminate its OFO at a time different from its service provider(s).

1.04.2 Pipeline Operational Flow Order:

If, at any time, an immediate upstream pipeline issues an order changing the requirements at the Point(s) of Receipt, then Company may so notify Marketer and direct Marketer to modify requirements at the Point(s) of Receipt to the extent necessary for Company to comply with the pipeline's order. Marketer will be

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responsible for coordinating with their customers regarding any necessary change to Customer's quantity of Gas Usage.

1.04.3 Marketer Responsibility:

In the event Company takes action to alleviate excess imbalances it will nonetheless remain the obligation of Marketer to make such further adjustments to nominations, both to Company, Shipper, and to Transporting Pipeline, during the remainder of the month to resolve accumulated imbalances or to account for subsequent changes in actual deliveries. Company's exercise of its authority under this section will have no effect on Marketer's liability for unauthorized overrun or imbalance penalties that apply to Marketer under this tariff or any similar charge, including scheduling penalties, imposed by any upstream Transporting Pipeline(s).

An operational flow order may be issued by the Company as a blanket order to all transportation customers, or to individual Marketer's Aggregation Pools, whose actions are determined by the Company to jeopardize system integrity.

For Critical Days or OFO's aggravated by under-delivery, the Marketer will be charged a penalty of 5 times the Daily Index for the aggregated Gas Usage of Customers in the Aggregation Pool that exceed 102% of the Marketer's aggregate actual receipts on the Transporting Pipeline at the Point of Receipt. The Marketer will be charged a penalty of 0.1 times the Daily Index for the differences between said receipts and said usage that exceed 20% of said receipts [(Receipts – Usage) > (20% x Receipts)].

For Critical Days or OFO's aggravated by over-delivery, the Marketer will be charged a penalty of 0.1 times the Daily Index for the aggregated Gas Usage of Customers in the Aggregation Pool that exceed 120% of the Marketer's aggregate actual receipts on the Transporting Pipeline at the Point of Receipt. The Marketer will be charged a penalty of 5 times the Daily Index for the differences between said receipts and said usage that exceed 2% of said receipts [(Receipts – Usage) > (2% x Receipts)].

1.05.0 Unauthorized Use:

In the event the Company provides a Marketer with as much notice as Company deems practicable of an Operational Flow Order per Item 1.04.0 or other curtailment of service and thereby reduces the Scheduled Transportation Quantity for delivery, the total Gas Usage by the Customer may not exceed the revised Scheduled Transportation Quantity. If, on any Gas Day, after notice of curtailment, the quantity of gas taken by Marketer's Customers in an Aggregation Pool, exclusive of NFT customers whose use under a curtailment is covered in Item 4.04 below, exceeds Marketer's Scheduled Transportation Quantity as so revised for

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the Aggregation Pool, and the Company has not authorized such excess quantity, then all such Gas Usage constitutes Unauthorized Use and is subject to an overrun penalty for each Dekatherm not delivered of five (5) times the Daily Index. Such charges will be billed to the Marketer's account.

1.06.0 Shipper And Transporting Pipeline Requirements:

Marketers must deliver a minimum of forty percent (40%) of total daily pipeline receipts (including all of the Marketer's Aggregation Pools serving both FT-1 and FT-2 customers) on each of the upstream pipelines: Algonquin Gas Transmission ("Algonquin") and Tennessee Gas Pipeline ("Tennessee"). The remaining twenty percent (20%) of total daily pipeline receipts (including all of the Marketer's Aggregation Pools serving both FT-1 and FT-2 customers) may be delivered on either or both Algonquin or Tennessee.

Marketer warrants with respect to each Aggregation Pool that it has entered into the necessary agreements for the purchase and delivery of a gas supply to the Point of Receipt which it wants Company to transport and that it has entered into the necessary transportation agreements for the delivery of gas supply to the Point of Receipt. Marketer acknowledges that it must arrange for the delivery of Actual Transportation Quantities to the Company sufficient to include both the Scheduled Transportation Quantities and the applicable Company Fuel Adjustments.

In addition, Marketer warrants that at the time of delivery of its gas supply to the Point of Receipt, Marketer shall have good title to such gas, free of all liens, encumbrances and claims whatsoever. Marketer shall indemnify the Company and save it harmless from all suits, actions, debts, accounts, damage, costs, losses and expenses arising from or out of any adverse legal claims of third parties to or against said gas supply.

1.07.0 Capacity Release:

Each Marketer serving any Customer migrating from (i) Firm Sales Service to FT-1 or FT-2 Transportation Service or (ii) another Marketer's Aggregation Pool where they were previously assigned pipeline capacity by the Company, will be required to accept, for each such Customer account, an assignment of a portion of Company's firm interstate pipeline transportation capacity at maximum rates for an initial term of up to one year.

The Company shall determine the quantity to be released based on the customer's calculated Peak Day Use and load factor rate class. The Company will separately calculate assignment percentages for high load factor rate classes and low load factor rate classes eligible for transportation for pipeline, storage and peaking. It will then multiply the pipeline percentage applicable to the Customer's rate class times the Customer's Peak Day Use to determine the amount of capacity to be assigned to the Marketer. The pipeline, storage and peaking allocation percentages will then be provided in the Company's annual Gas Cost

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Recovery filing.

The Company will provide Marketers with the calculated base and thermal factors used to estimate each customer's peak day use. The factors are provided based on the results of the Company's application of the specific methodology in this tariff and certain historical data. Marketers may not assume that use of the factors will yield correct estimates of any customer's use for any future period or that the capacity provided as a result of the calculation will meet the customer's requirements under all conditions.

The quantity of capacity shall be set forth in the confirmation materials provided to the Marketer. For all Customers classified as Small, Medium, Large, or Extra-Large, this quantity will be reviewed annually against the Customer's most recent usage patterns. Any change in Customer's required capacity will be reflected in a revised capacity release with the Marketer for effect on the following November 1. In the event that a Marketer stops delivering gas on behalf of an existing capacity exempt customer, the customer will be prohibited from taking firm Company sales service. Such customers will receive Default Transportation Service as described in Item 2.04.0 below.

Marketer shall be required to execute a Capacity Assignment Agreement at the time a Marketer establishes an Aggregation Pool or any other instruments reasonably required by Company or interstate pipeline necessary to effectuate such assignment. Marketer is responsible for utilizing and paying for the assigned capacity consistent with the terms and conditions of the interstate pipeline's tariffs and this tariff. Marketer is responsible for payment of all upstream pipeline charges associated with the assigned firm transportation capacity, including but not limited to demand and commodity charges, shrinkage, GRI charges, cash outs, transition costs, pipeline overrun charges, annual change adjustments and all other applicable charges. These charges will be billed directly to the Marketer by the interstate pipeline.

All Capacity Assignments for FT-1 Transportation Service will be effective with the commencement of service. Capacity Assignments for FT-2 Customers will be effective the first of the upcoming month for Transportation Service Applications received prior to the tenth. For FT-2 Service, EDI enrollments received on or after the tenth of the month, the capacity release will not be effective until the first of the month subsequent to the upcoming month.

Capacity Assignments will be effective for an initial term of up to one year through the following November 1. Capacity Assignments shall be reviewed each November 1 and be subject to annual adjustment as described above. The new capacity assignment percentages, along with the storage maximum daily quantities and maximum storage quantities in section 3.02.2, will be available on the Company's EBB. All releases hereunder will be subject to recall under the following conditions: (1) when required to preserve the integrity of the Company's facilities and service; (2) at the Company's option, whenever the Marketer fails

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to deliver gas in an amount equal to the Scheduled Transportation Quantity; and (3) any other conditions set forth in the capacity release transaction between the Marketer and the Company.

The Company shall assess a surcharge/credit to Marketers based on the difference between the charges of the upstream pipeline transportation capacity and the weighted average of the Company's upstream pipeline transportation capacity charges as calculated by the Company. To the extent that the charges of such released pipeline capacity are greater than the weighted average charges, the Marketer shall receive credit for such difference in charges based on the total quantity of capacity released by the Company to the Marketer. The per Dt charge is calculated by subtracting the charge per Dt for the released pipeline capacity from the Company's weighted average Upstream Transportation charges as identified in the Company's annual Gas Cost Recovery Filing. To the extent that the cost of such released pipeline capacity is less than the weighted average cost, the Marketer shall be surcharged for such difference.

During the calendar month of September, each Marketer will be required to submit a new Capacity Assignment Agreement indicating pipeline capacity path preferences based on the available paths identified in the Company's annual Gas Cost Recovery Filing. Any changes from the Marketer's previous election will be effective November 1 in conjunction with the updating of customer capacity quantities described above.

Each Marketer's capacity assignment associated with Customers in an aggregation pool shall be reviewed on a monthly basis prior to the tenth (10th) calendar day of the month, and adjusted to reflect any net changes resulting from the addition and deletion of customers to the pool.

1.07.1 Capacity Exemption for New Firm Loads:

New Customers requesting firm service that are classified as Large or Extra-Large and electing FT-1 transportation service will not be required to take assignment of the Company's capacity resources as described in 1.07.0 above and must notify the Company in writing of its intent to be Capacity Exempt. The New Customer must also initiate gas supply service from a Marketer within 60 days after the start of distribution service. In the event that the New Customer does not obtain a Marketer within 60 days of the commencement of distribution service, the Customer will be prohibited from receiving Company-supplied firm sales service and will receive and be billed for Default Transportation Service as described below in Item 2.04.0. The consumption of such Customers may be subject to annual review and confirmation by the Company. Customers who fail to meet the minimum requirement for the Large classification shall be required to take assignment of the Company's capacity resources after no less than 60 days' notice. Marketers for such customers may be responsible for obtaining citygate capacity at a specific citygate on the Company's

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system as determined by the Company. Such determination will be based on the customer's location, load characteristics and distribution system requirements.

In the event that a Marketer stops delivering gas on behalf of a customer without Company assigned pipeline capacity, the customer will be prohibited from taking firm Company sales service. Such customers shall receive and be billed for Default Transportation Service as described in Item 2.04.0 below.

1.07.2 Capacity Exemption for Non-Firm Customers Converting to Firm Service:

Non-Firm Sales and Non-Firm Transportation Customers classified as Large or Extra-Large who have been approved by the Company to receive firm distribution service and have elected FT-1 transportation service must, no later than 90 days' notice before the commencement of distribution service, either (i) request in writing a Capacity Assignment from the Company, or (ii) notify the Company in writing of its intent to retain its Capacity Exempt status. In the event that a Customer who has requested to retain its Capacity Exempt status but does not have a Marketer at the time the Customer begins receiving firm distribution service, the Customer will be prohibited from taking Company-supplied firm sales service and will receive and be billed for Default Transportation Service as described below in Item 2.04.0. The consumption of such Customers may be subject to annual review and confirmation by the Company. To qualify for Capacity Exempt status, Marketers for such Customers may be responsible for obtaining citygate capacity at a specific citygate on the Company's system as determined by the Company. Such determination will be based on the Customer's location, load characteristics, and distribution system requirements. For those Non-Firm Customers converting to firm distribution service and requesting an assignment of the Company's pipeline capacity, the Company must respond in writing within 30 days regarding the availability of pipeline capacity. If the Company is not able to provide a capacity assignment, the Customer will retain its Capacity Exempt status and will be prohibited from taking Company-supplied firm sales service and will receive and be billed for Default Transportation Service as described below in Item 2.04.0.

In the event that a Marketer stops delivering gas on behalf of a Customer who does not have an assignment of the Company's pipeline capacity, the Customer will be prohibited from taking Company-supplied firm sales service. If the Customer is unable to secure a gas supply from a Marketer, the customer will receive and be billed for Default Transportation Service as described below in Item 2.04.0.

1.08.0 Facilities:

The Company shall own, operate and maintain, at its expense, its gas distribution facilities to

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the Point of Delivery. The Customer shall furnish, maintain and operate the facilities required between Company's Point of Delivery and the Customer's equipment.

1.9.0 Quality:

Marketer is responsible for insuring that all gas received, transported and delivered hereunder to the Point of Receipt meets the quality specifications and standards outlined in the General Terms and Conditions of the Transporting Pipeline's FERC Gas Tariff.

1.10.0 Possession of Gas:

Company shall be deemed to be in control and possession of transportation gas to be delivered in accordance with this service from receipt at the Point(s) of Receipt until it shall have been delivered to Customer at the Point of Delivery. Marketer shall be deemed to be in possession and control of the gas prior to such receipt by the Company and Customer shall be deemed to be in control and possession of transportation gas after such delivery by the Company to the Point of Delivery. Company shall have no responsibility with respect to such gas before it passes the Point of Receipt or after it passes such Point of Delivery or on account of anything which may be done, happen or arise with respect to such gas after Point of Delivery.

1.11.0 Provision of Future Taxes, Surcharges Fees, Etc.:

In the event a tax of any kind is imposed or removed by any government authority upon the sale or transportation of gas or upon the gross revenues derived therefrom (exclusive, however, of taxes based on Company's net income), the rate for service to Customer and/or Marketer, as the Company deems appropriate, shall be adjusted by an amount equal to or otherwise properly reflecting said tax. Similarly, the effective rate for service hereunder shall be adjusted to reflect any refund or imposition of any surcharges or penalties applicable to service hereunder which are imposed or authorized by any governmental authority.

1.12.0 Retention of Pipeline Fuel Adjustment:

The Company shall retain in kind, from the quantities of gas actually delivered to the Point(s) of Receipt for Marketers' accounts, the amount thereof equal to the applicable Company Fuel Allowance. Such Company Fuel Allowance shall be calculated by the Company based upon an average of the Company's most recent five (5) years' experience, fuel loss and unaccounted for or similar quantity based adjustments.

1.13.0 Limitations of Liability:

The liability of the Company shall be limited in accordance with the provisions of the

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Company's General Terms and Conditions.

1.14.0 Force Majeure:

Neither Company nor Marketer shall be liable to the other or to Customer for delays or interruptions in performing their respective obligations hereunder arising from any acts, delays or failure to act on the part of, or compliance by Marketer or Company with any operating standard imposed by any governmental authority, or by reason of an act of God, accident or disruption, including without limit, strikes or equipment failures, or any other reason beyond Marketer's or Company's control, provided, however, in the event of an occurrence of one or more of the foregoing events, reasonable diligence shall be used to overcome such event. The party claiming force majeure shall, on request, provide the other party with a detailed written explanation thereof, and of the remedy being undertaken.

1.15.0 Electronic Data Interchange (EDI):

The Company will require use of EDI for all transactions associated with account administration, usage and billing, and payments for the FT-2 service. The transactions requiring EDI communication are enrollments, drops, adjustments and historical usage. EDI will also be available for requesting historical usage, switching and drops for FT-1 accounts. The detail information on EDI processing is available to Marketers on request. All Marketer EDI transaction sets will be tested prior to operational implementation.

2.0 FT-1 TRANSPORTATION SERVICE:

2.01.0 Character of Service:

This service provides firm, 365 day transportation of Customer purchased gas supplies to customers electing to have Gas Usage recorded on a daily basis at the Point of Delivery. The Customer shall identify on the Transportation Service Application a Marketer that it has designated to perform initial and subsequent nominations, to receive scheduling and other notices from the Company, and to do balancing. Such Marketer shall assign Customer to an Aggregation Pool with other Customers electing FT-1 or NFT service or establish a one-customer Aggregation Pool and execute an appropriate Marketer Aggregation Pool Service Agreement. Specific Marketer requirements and obligations are described in Item 5.0 below.

2.02.0 Telemetering:

The Company will provide at the Customer's expense, at the Point of Delivery to the Customer, a device that the Company will attach to its metering equipment for the purpose of monitoring the Gas Usage. The Customer shall be responsible to supply a dedicated electrical supply and a telephone line at a location acceptable to Company and capable of

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transmitting information collected from the monitoring device to the Company's computer system. The Customer shall be responsible for the maintenance and service of the telephone line. Should a dedicated phone line be required, it is the responsibility of the Customer to schedule the installation, to notify Company when such installation has been completed, and the Customer is responsible for any associated charges. FT-1 and NFT transportation service shall not commence until the telemetering equipment is in place and operational.

2.03.0 Balancing:

FT-1 and NFT Service is subject to both Daily and Monthly balancing provisions. It will be the Marketer's responsibility to provide accurate and timely nominations of quantities proposed to be received and delivered by Company under this service and to maintain as nearly as possible, equality between the Gas Usage and the Actual Transportation Quantity. Marketer shall be solely responsible for securing faithful performance by Shipper and Transporting Pipeline, and the Company shall not be responsible as a result of any failure of Shipper or Transporting Pipeline to perform. Charges and Penalties associated with FT-1 and NFT balancing are billed to the Marketer.

2.03.1 Daily Imbalances:

The Marketer must maintain a balance between daily receipts and daily usage within the following tolerances:

Off-Peak Season:	The difference between the Marketer's Aggregation Pool actual receipts and the aggregated gas usage of customers in the Aggregation Pool shall be within 15% of said receipts. The Marketer shall be charged a penalty of 0.1 times the Daily Index for all differences not within the 15% tolerance.
Peak Season:	The difference between the Marketer's Aggregation Pool actual receipts and the aggregated gas usage of customers in the Aggregation Pool shall be within 10% of said receipts. The Marketer shall be charged a penalty of 0.5 times the Daily Index for all differences not within the 10% tolerance.
Critical Day(s):	The Company will determine if the Critical Day will be aggravated by an under-delivery or an over-delivery, and so notify the Marketer when a Critical Day is declared pursuant to Item 1.05 above.

If the Marketer does not deliver gas on the transporting pipelines as required in Item 1.06.0 above, the Company may charge the Marketer a penalty of 0.5 times the Daily

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Index for all differences less than the forty (40) percent minimum requirement on each transporting pipeline.

If the Marketer has an accumulated imbalance within a month, the Marketer may nominate to reconcile such imbalance, subject to the Company's approval, which approval shall not be unreasonably withheld.

2.03.2 Monthly Imbalances:

For each Aggregation Pool, the Marketer must maintain total Actual Transportation Quantities within a reasonable tolerance of total monthly Gas Usage. Any differences between total Monthly Transportation Quantities for an Aggregation Pool and the aggregated Gas Usage of Customers in the Aggregation Pool, expressed as a percentage of total Monthly Transportation Quantities will be cashed out according to the following schedule:

Imbalance Tier	Over-deliveries	Under-deliveries
0% ≤ 5%	The average of the Daily Indices for the relevant Month relevant Month	The highest average of seven consecutive Daily Indices for the
> 5% ≤ 10%	0.85 times the above stated rate	1.15 times the above stated rate
> 10% ≤ 15%	0.60 times the above stated rate	1.4 times the above stated rate
> 15%	0.25 times the above stated rate	1.75 times the above stated rate

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% Under-delivery on a Delivering Pipeline, volumes that make up the first 5% of the imbalance are priced at the highest average of the seven consecutive Daily Indices. Volumes making up the remaining 2% of the imbalance are priced at 1.15 times the average of the seven consecutive Daily Indices.

All cash-out charges or credits, as determined above, will be applied to the Marketer's monthly invoice for the Aggregation Pool.

Designated Marketers may arrange with another of Company's Marketers providing

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service to the same Point of Receipt to exchange, purchase or sell daily or monthly imbalance gas. The Company will notify each Marketer of its monthly imbalance following the close of the billing month in which the imbalance occurs. Marketers will have three business days following such notification to notify Company of any imbalance exchange or sale and to confirm such transaction.

2.03.3 Pass-Through of Upstream Imbalance Charges:

In addition to other charges provided for in this Section, Marketer will be responsible for any imbalance charge or penalty imposed on Company by an upstream pipeline as a direct result of an imbalance, scheduling error, unauthorized overrun or other similar charges caused by Marketer. The Company shall assign imbalance penalties assessed to the Company by upstream pipelines to sales and transportation customers based on the extent that each group caused such penalties, as determined by the Company. The portion of any such penalty assigned to transportation service shall be further assigned to individual Marketers based on the extent to which each Marketer's Aggregation caused such penalties, as determined by the Company.

2.04.0 Default Transportation Service:

Default Transportation Service is available to any Commercial or Industrial customer account classified as Large or Extra Large that subscribes to FT-1 Transportation Service and that does not have pipeline capacity assignment from the Company. Customers will receive this service as a result of their marketer no longer delivering gas on their behalf. Such service will continue in effect until either service is established with a new marketer through the execution of a new Transportation Application per Item 1.03.1 above or service is terminated.

This service provides for a continuous supply of gas of not less than 1,000 Btu per cubic foot, and is provided on a best efforts basis with as little as 24 hours advance notice. Where notification is at least 24 hours in advance but less than three business days before the start of a calendar month, the service provided will be Short-Notice Default Transportation Service. Where notice is provided at least three business days prior to the start of a calendar month, the service provided will be Advance-Notice Default Transportation Service. Short-Notice Default Transportation Service will be switched to Advance-Notice Default Transportation Service at the start of a subsequent month once the service has been in effect for the three business day period before the start of such month.

Default Transportation Service is a temporary surrogate for provision of gas to a customer that would otherwise be provided by a marketer, hence it includes nominating and balancing. Customer must maintain an operational telemetering device as required in Item 2.02.0 above.

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2.04.1 Rates:

As indicated in Item 2.04.0 of Section 6, Schedule C of the Company's Transportation Terms and Conditions, two Default Transportation Services are available in the event that a marketer stops delivering gas on behalf of Large and Extra Large FT-1 customers who have elected to forgo the Company's assignment of pipeline capacity:

Short-Notice Service:

The commodity charge for Short-Notice service shall be the higher of:

a. The Company's applicable firm sales rate

OR

b. Winter (November – March) – 135% of the Daily Algonquin Citygates average price or 135% of the Daily Tennessee Zone 6 (delivered) average price published in Gas Daily. The citygate (Algonquin or Tennessee) used for pricing shall be based on the customer's location, load characteristics and distribution system requirements in accordance with Item 1.08.1 of the Company's Transportation Terms and Conditions. The published price will be adjusted for Company Fuel Allowance and GET as appropriate.

   Summer (April – October) – 115% of the Daily Algonquin Citygates average price or 115% of the Daily Tennessee Zone 6 (delivered) average price published in Gas Daily. The citygate (Algonquin or Tennessee) used for pricing shall be based on the customer's location, load characteristics and distribution system requirements in accordance with Item 1.08.1 of the Company's Transportation Terms and Conditions. The published price will be adjusted for Company Fuel Allowance and GET as appropriate.

Advance-Notice Service:

The commodity charge for Advance-Notice service shall be the higher of:

a. The Company's applicable firm sales rate

OR

b. Winter (November – March) – 135% of the Algonquin Citygates Monthly Contract Index price or 135% of the Tennessee Zone 6 (delivered) Monthly Contract Index price published in the Gas Daily Price Guide. The citygate

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(Algonquin or Tennessee) used for pricing shall be based on the customer's location, load characteristics and distribution system requirements in accordance with Item 1.08.1 of the Company's Transportation Terms and Conditions. The published price will be adjusted for Company Fuel Allowance and GET as appropriate.

Summer (April – October) – 115% of the Algonquin Citygates Monthly Contract Index price or 115% of the Tennessee Zone 6 (delivered) Monthly Contract Index price published in the Gas Daily Price Guide. The citygate (Algonquin or Tennessee) used for pricing shall be based on the customer's location, load characteristics and distribution system requirements in accordance with Item 1.08.1 of the Company's Transportation Terms and Conditions. The published price will be adjusted for Company Fuel Allowance and GET as appropriate.

3.0 FT-2 TRANSPORTATION SERVICE:

3.01.0 Character of Service:

This service provides firm, 365 day transportation of Customer purchased gas supplies to customers without the requirement for recording daily Gas Usage at the Customer's Point of Delivery. Daily Nominations are calculated by the Company on the basis of a consumption algorithm, and the Marketer is obligated to deliver to the city gate and/or nominate the purchase of underground storage and peaking supplies at the city gate sufficient to meet the forecasted daily usage of its FT-2 pool customers.

The Customer's designated Marketer shall be allocated a quantity of Company contracted underground storage and peaking resources which, when combined with the pipeline capacity released, will be sufficient to meet the Customer's calculated Peak Day Use. The Marketer may purchase supplies delivered to the Company's city gate based on the Company's storage and peaking supply capabilities and costs. The ability to purchase supplies is made available to the Marketer pursuant to a written agreement with the Company, for the purpose of meeting the Company forecasted daily usage under the operational parameters described below. Additional Marketer requirements and obligations are described in Item 5.0 below.

3.02.0 Storage And Peaking Resources:

As described in Section 6, Schedule C. 1.07.0 above, the Company will annually calculate a Customer's total storage and peaking resource requirements based on the Customer's calculated Peak Day Use. It will then multiply the storage and peaking percentage applicable to the Customer's rate class times the Customer's Peak Day Use to determine the amount of capacity to be assigned to the Marketer for storage and peaking, respectively.

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3.02.1 Maximum Daily Quantity (MDQ):

The result of the calculations above will establish the Customer's Maximum Daily Quantity (MDQ-P) and (MDQ-U). These parameters represent the maximum storage and peaking quantities available to the Marketer each day for meeting the Customer's Gas Usage needs.

3.02.2 Maximum Storage Quantity (MSQ):

The Customer's Maximum Underground Storage Quantity (MSQ-U) is calculated as the maximum storage quantity from underground storage over the course of the November to March withdrawal season and is calculated by the Company by multiplying the Customer's MDQ-U times the weighted average number of days of service available to the Company under its various underground storage agreements.

The Customer's Maximum Peaking Storage Quantity (MSQ-P) is calculated as the maximum amount of peaking storage over the course of the November to March withdrawal season and is calculated by multiplying the MDQ-P times the number of days that the Company's available LNG, net of amounts required for pressure support, boil-off and any heel quantities, could be used at 100% output. These quantities serve to define the maximum quantities that can be nominated for purchase by a Marketer and are a component of the operational parameters for the service.

3.02.3 Operational Parameters:

The available for the Underground Storage and Peaking accounts shall be tracked by the Company and made available to the Marketers via electronic means. These balances will be updated each Gas Day to reflect Marketer nominations for purchase.

The Company will establish monthly maximum purchase levels reflective of the Company's available resources and the Marketers Maximum Storage Quantities, MSQ-U and MSQ-P. There will be separate purchase levels for each month for both Underground Storage and Peaking Resources. Such levels will be as provided in the annual Gas Cost Recovery Filing.

In addition to operational parameters for monthly purchase levels, there are daily maximums established for the quantities which the Marketer can nominate for purchase. These factors vary by month and as the Marketer's entitlement level changes. Such factors will be based on the Marketer's total MDQ, the Company's storage contracts and peaking supply capabilities and will be as provided in conjunction with the annual Gas Cost Recovery Filing.

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3.02.4 Purchases:

The Company will update an FT-2 aggregation pool's MSQ-U, MSQ-P, MDQ-U and MDQ-P assignments in total and for each month concurrent with the Customer's initiation of transportation service with the designated Marketer.

Marketer will then be entitled to purchase from the Company the available amount of underground storage for the month on any day up to its allowed MDQ for the month until the cumulative purchases for the month equal the monthly limit. The purchases will be at a rate calculated as indicated below. The estimated rate will be provided to the marketers by the second business day of the month in which the purchase is being made.

The Company shall develop a price for the purchases based on the Company's underground storage inventory price at the beginning of the month and for the variable costs associated with the withdrawal of the gas from storage and the transportation of the gas to the system.

The price per Dt at the Company's city gate shall be calculated using the following formula:

$/Dt = (((IP/(1-SLF) + WWCC)/(1-PLF)) + PCC)

Where:

$/Dt	cost per Dekatherm charged to Marketers for underground storage inventory at the Company's city gate
IP	Underground Storage Inventory Price at Beginning of the month
SLF	Weighted Average Loss Factor on Storage Withdrawals
WWCC	Weighted Average Withdrawal Commodity Charges
PLF	Weighted Average Pipeline Loss Factor
PCC	Weighted Average Pipeline Commodity Charge and Weighted Average commodity charge of pipeline supplies designated by Company as peaking resource.

The rate components SLF, WWCC, PLF and PCC are as calculated in the Company's most recent Gas Cost Recovery Filing.

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Marketers will be entitled to purchase peaking inventory at the Company's cost of LNG inventory.

3.02.5 Demand Rates:

The FT-2 Demand Rate is designed to recover the fixed costs and other miscellaneous costs associated with the provision of the underground storage and peaking resources and is billed to the Marketer:

$/DT cost per Dekatherm charged to Marketers per unit of MDQ where MDQ = MDQ-U plus MDQ-P.

The FT-2 demand rate is as calculated in the Company's most recent Gas Cost Recovery Filing. The calculation is in Section 2, Gas Charge, Schedule A, Item 3.3.

3.03.0 Nominations:

The Company shall calculate the Forecasted Daily Usage (FDU) of the aggregation pool using a Consumption Algorithm for each of the customers in the aggregation pool. The Company shall have sole responsibility for such Consumption Algorithm and by selecting FT-2 service, Marketer agrees to abide by the results of such algorithm. The algorithm is:

FDU = Base Load + (HU factor * FDD)

Where:

FDU an individual customer account's forecasted daily usage for the next gas day

Base Load average daily consumption for the most recent July and August billing cycles

HU Factor most recent billing cycle consumption, minus the base load, divided by the heating degree days for the billing cycle

FDD forecasted heating degree days for the gas day starting at 10:00 AM the next day

FDU will be adjusted for any Company fuel allowance.

The Company will provide to the Marketer no later than 9:30 AM each day using an electronic posting or via facsimile the FDU for the next gas day which would start at 10:00 AM the next day. If the Company is unable to provide to the Marketer the FDU using an electronic posting or via facsimile before 9:30 AM, the default FDU will be the prior day's FDU. The Marketer shall be obligated to nominate any combination of pipeline,

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underground storage or peaking equal to the FDU for the next gas day. Such nomination is to be posted on the Company's Electronic Bulletin Board in the timely cycle before the start of the next gas day. The Company shall not accept or confirm any nominations that are greater than the FDU of the aggregation pool and any nominations for storage and peaking resources must be in accordance with the applicable operational parameters. When the Marketer's cumulative storage or peaking use for the month reaches the Marketer's maximum storage or peaking use for the month, the Marketer will not be able to nominate storage or peaking quantities to satisfy the FDU nomination requirement.

3.03.1 Critical Days:

To satisfy the FDU nomination requirement on Critical Days, the Marketer is required to fully utilize upstream capacity that it received from Company through Capacity Release so as to help avoid restricting the Company's ability to provide efficient and reliable firm transportation and sales service. Notice of Critical Days will be posted on the EBB no later than concurrent with the posting of the FDU nomination requirement.

3.03.2 Over- and Under-deliveries:

If the Company declares an OFO or critical day condition reducing the tolerance for under-deliveries, any under-deliveries of the aggregation pool's gas requirements, up to the FDU, will be treated as Unauthorized Use and subject to penalty charges as provided in Item 1.05.0 above. Under-deliveries at times when an OFO or critical day have not been declared will be cashed out at 120% of daily index.

If the Company declares an OFO or critical day condition reducing the tolerance for over-deliveries, any over-deliveries of the aggregation pool's gas requirements, above the FDU, will be cashed out at 40% of the daily index. In addition, the Company reserves the right to reject such a nomination. Over-deliveries at other times will be cashed out at 80% of Daily Index.

3.03.3 FDU Weather True-up Cash Out:

Each month, the forecasted daily use (FDU) for each day will be recalculated and the change in consumption attributable to differences between the original forecasted degree days and actual degree days will be calculated. Each day's change in consumption will be cashed out at that day's published Daily Index.

3.04.0 Billing Imbalances:

Imbalances between customer Gas Usage and the Forecasted Daily Usage (FDU), adjusted for actual weather, will be cashed out at the average of the Algonquin and Tennessee city

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gate delivered monthly indexes. The Company will prorate the imbalance amount between the months billed based on the customer's base load and heating use factors and apply the average monthly index to the corresponding month's imbalance quantity, calculated as follows:

MU = (Base Load * Number of billed days in month) + (HU Factor * ADDM)

Where:

MU	Usage attributable to that individual month
Base Load	average daily consumption for the most recent July and August billing cycles
HU Factor	most recent billing cycle consumption, minus the base load, divided by the heating degree days for the billing cycle
ADDM	actual degree days for the billing period

The imbalance amount will be a credit if deliveries exceed the customer's use and a debit if deliveries are less than the customer's use. The billed imbalance amount for any billing will be the sum of the imbalance charges or credits attributable to each individual month included in the bill. The charges or credits for the individual months will be calculated as follows:

IBM = (MU – FDUM) * (AGTI + TGPI) / 2

Where:

IBM	Individual Billing Month charge/credit
AGTI	Algonquin Pipeline published price Index for the month
TGPI	Tennessee Pipeline published price Index for the month

All quantities will be adjusted for Company Fuel Allowance.

4.0 NFT SERVICE:

4.01.0 Character Of Service:

This service provides interruptible transportation of Customer purchased gas supplies to customers with telemetering equipment and that are eligible to be classified under Section 6, Schedule A of the Company's Tariff. The Customer shall identify on the Transportation

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Service Application a Marketer that it has designated to perform initial and subsequent nominations, to receive scheduling and other notices from the Company, and to do balancing. Such Marketer may assign Customer to an Aggregation Pool with other Customers electing NFT or FT-1 transportation service or establish a one-customer Aggregation Pool. Specific Marketer requirements and obligations are described in Item 5.0 below. A Customer receiving NFT service does not have pipeline capacity assignment from the Company.

4.02.0 Nominations:

The nomination requirements in Item 1.04.0 above apply to the provision of NFT Service.

4.03.0 Imbalances:

The Daily and Monthly Imbalance provisions in Items 2.03 above apply equally here.

4.04.0 Curtailments:

Customer will curtail or discontinue service when, in the sole opinion of the Company, such curtailment or interruption is necessary in order for it to continue to supply the gas requirements of its firm customers at such time. The Company will attempt to give the customer and customer's marketer three (3) working days' notice of such curtailment, except in emergency situations, when at least one hour's notice shall be given.

For any period that a customer fails to curtail the use of gas as requested by the Company, the charge for gas consumption will be equal to the non-firm transportation service customer charge plus Gas Usage at a penalty of five (5) times the Daily Index. Such use of gas under these circumstances shall be considered an "unauthorized use" of gas purchased from the Company, and billed to the customer's account.

In the event where the Company, in its sole discretion, grants the customer an exemption from the curtailment, the use of gas under these circumstances shall be referred to as an "authorized use of gas." Authorized use of gas during a curtailment will be for a limited time period and will be purchased from the Company. The charge for gas consumed under these conditions will be billed to the customer and based on the non-firm transportation service customer charge plus the Company's highest cost gas required to meet demand during the applicable curtailment period, plus the current firm sales service rate excluding the firm customer charges. Payments for this use, whether authorized or unauthorized, shall not preclude the Company from turning off the customer's supply of gas in the event of the failure to interrupt, or curtail, the use thereof when requested to do so.

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5.00 MARKETER AGGREGATION SERVICE:

5.01.0 Character of Service:

This service allows Marketers to aggregate customer accounts and form Aggregation Pools for the purpose of making initial and subsequent nominations, making delivery to a designated Point of Receipt, and for balancing of Actual Transportation Quantity with Gas Usage on Customer's behalf. The Company will transport gas, owned by the Customers of the Aggregation Pool, to the Point(s) of Delivery for each Customer included in such pool. A Marketer shall be designated by each Customer on the Transportation Service Application, and each such customer must be assigned by the Marketer to an Aggregation Pool of one or more customers. Changing the designated Marketer is allowed under the conditions in Item 1.02 above and is accomplished through the execution of a new Transportation Service Application. Once so designated, the Company will rely on information provided by the Customer's Marketer for nomination, balancing and scheduling purposes and all notices provided by the Company to Customer's Marketer shall be deemed to have been provided to the Customer.

5.02.0 Aggregation Pools:

The aggregation of Customer accounts into an aggregation pool is limited by the transportation service of the respective Customers.

The Customer's transportation service restriction requires that Customers subscribing to non-daily metered FT-2 Service must be aggregated in a separate pool from Customers subscribing to daily metered FT-1 or NFT Service. Customers subscribing to FT-1 or NFT can be combined in a single Aggregation Pool. A separate Marketer Account will be established for each Marketer Aggregation Pool.

The Marketer Aggregation Pool Service Agreement have an initial term through the following November 1. Thereafter, the Pool Service Agreement shall be automatically renewed for successive one year terms, unless notice of termination is provided by the Marketer on or before October 1 or if the Company has terminated the agreement under its collection procedures. Marketers may assign their Aggregation Pool Service Agreements to another certified Marketer with the Company's consent.

5.03.0 Marketer Qualifications:

In order to be designated hereunder as a Marketer, the Marketer must meet the following qualifications:

(1) The Marketer must be authorized by the PUC in accordance with PUC Regulations for Utility Interaction with Gas Marketers;

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(2) The Marketer must demonstrate to the Company that it meets the following creditworthiness standards:

A. The Marketer, or a guarantor, maintains a minimum rating from one of the rating agencies and no rating below the minimum from one of the other two rating agencies. For the purposes of this Section, minimum rating shall mean "BBB" from Standard & Poor's, "Baa2" from Moody's Investor Service, or "BBB" from Fitch Ratings (minimum rating)

B. If a Marketer or a guarantor, is not rated by Standard & Poor's, Moody's Investor Service or Fitch Ratings, it shall satisfy the Company's creditworthiness requirements if the Marketer, or a guarantor maintains a minimum "1A2" rating from Dun & Bradstreet (Dun and Bradstreet minimum rating) and the Marketer maintains 24 months good payment history with the Company

C. In the event that the Marketer has not met the credit standards above, then the Marketer must so notify the Company and the Marketer will be required to use one of the financial vehicles specified in 5.03.3 to satisfy the Company's credit standards.

(3) Marketers must have an executed Marketer Aggregation Pool Service Agreement with the Company and accepted its designation as the marketer for each customer by countersigning the applicable Transportation Service Application.

(4) Marketers must provide the Company with a copy of their GET exemption certificate, state sales tax exemption certificate or other appropriate exemption certificate(s) in order to be exempt from the applicable taxes.

5.03.1 Marketer Disqualification:

A Marketer may be disqualified from participating in the transportation program for any of the following conditions:

(1) Failure to continue to meet all the conditions set forth in Section 5.03.0 with respect to authorization by the PUC and the credit standards set out in 5.03.0, and abide by the terms and conditions of the Marketer Aggregation Pool Service Agreement set forth in Section 6.0.

(2) Failure to pay an invoice from the Company on the due date or maintain sufficient credit. If Marketer fails to pay an invoice on the due date or the Marketer's credit limit or security is insufficient to cover the unpaid amount, the Company may discontinue participation in the customer transportation program; provided however, that at the Marketer's request, the Company will allow up to

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10 business days for the Marketer to cure any failure to pay or any shortfall provided such action, as determined solely by the Company, will not result in harm to its customers or the gas system.

(3) If a Marketer, through its actions, causes a significant risk or condition that compromises safety, system security or operational reliability and fails to eliminate that risk or condition when notified, the Company may immediately discontinue the Marketer's participation in the customer transportation program.

(4) If the Marketer fails to provide supply at a level that reasonably matches its customers' daily requirements for its daily balanced pool or, when directed by the Company to deliver a certain quantity under the FT-2 service it fails to deliver the required amount, the Company may discontinue the Marketer's participation in the customer transportation program.

5.03.2 Calculation of Credit Risk and Security for Natural Gas Imbalance Risk:

The Company may require a Marketer to provide security equal to three times the highest month's gas usage of the Marketer's Aggregation Pool at the firm sales rate applicable to the upcoming peak period. This amount may be updated at the Company's discretion

5.03.3 Security Instruments:

The following financial arrangements are acceptable methods of providing security:

(1) Deposit or prepayment, which shall accumulate interest at the applicable rate per annum approved by the Rhode Island Public Utilities Commission;
(2) Standby irrevocable letter of credit or surety bond issued by a bank, insurance company or other financial institution with at least an "A" bond rating;
(3) Security interest in collateral; or,
(4) Guarantee by another party or entity with a credit rating of at least "BBB" by S&P, "Baa2" by Moody's, or "BBB" by Fitch; or
(5) Other means of providing or establishing adequate security.

The Company may refuse to accept any of these methods for just cause provided that its policy is applied in a nondiscriminatory manner to any Marketer.

If the credit rating of a bank, insurance company, or other financial institution that issues a letter of credit or surety bond to a Marketer falls below an "A" rating, the Company shall allow a minimum of five business days for a Marketer to obtain a substitute letter of credit or surety bond from an "A" rated bank, insurance company, or other financial institution.

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The Marketer agrees that the Company has the right to access and apply the deposit, letter of credit or other financial vehicle to any payment obligations, not in dispute, which are deemed by the Company to be late. The Company may review and determine the status of a Marketer's creditworthiness at its sole discretion. If Marketer is unable to maintain the Company's credit approval or otherwise ceases to meet the Marketer Qualifications, the Company may terminate the Marketer Aggregation Pool Agreement as of the first day of the month following written notice to Marketer.

5.04 Intentionally Left Blank

5.05 Billing:

Billing for monthly customer charges and transportation charges for quantities actually delivered shall be based on the readings at each individual meter for the Customer and billed on a billing cycle basis to the Customer. The Customers and Marketers shall be liable for all rates, charges and surcharges allowed for in the Company's Rate Schedules related to transportation services provided to each customer individually.

Calculation of charges applicable to the Aggregation Pool will be based on aggregated Gas Usage, MDQ's, etc. of all Customers in the Aggregation Pool. Billing for charges applicable to an Aggregation Pool, e.g., imbalance charges, credits or penalties, and FT-2 Throughput charges shall be billed to the Marketer on a calendar month basis.

All bills rendered to the Marketer are due within ten (10) days from the date of the invoice. A late payment charge, in accordance with regulations of the Rhode Island Public Utilities Commission and the Rhode Island Division of Public Utilities and Carriers, shall accrue after ten (10) days.

6.0 SERVICE AGREEMENTS: (See Attached Sheets)

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The Narragansett Electric Company, Transportation Service Application

This Transportation Service Application ("Application") must be completed by the customer and the marketer prior to the commencement of the requested Transportation Service.

NG:	The Narragansett Electric Company d/b/a National Grid 175 East Old Country Road Hicksville, NY 11801 Attn: Supplier Services	Customer:	_____ _____ _____ ( ) _____
Notice to:	Customer Contact Center: 1-800-870-1664	Notice to:	_____ ( ) _____

The Customer hereby requests Transportation Service subject to the NG General Terms and Conditions, Section 1 of RIPUC NG-GAS No. 101, its Transportation Terms and Conditions, Section 6, Schedule C and, under the terms and conditions set forth herein. NG shall review this Application and notify the Customer of its approval or rejection by way of a Confirmation Letter that shall set forth the terms and conditions of the Customer's Transportation Service. Upon Customer's and Marketer's fulfillment of all conditions set forth in the Confirmation Letter, such Confirmation shall represent an Agreement by NG to provide Transportation Service consistent with this Application and the Transportation Terms and Conditions set forth in Section 6, Schedule C of RIPUC NG-GAS No. 101.

Account Number	Meter Number	Service Address	FT-1	NFT
1)				
2)				
3)				

1. Transportation Service shall commence in accordance with Item 1.02, Section 6, Schedule C of RIPUC NG-GAS No. 101
2. FT-1 and NFT Services require telemetry. A telemetering device and related equipment installed by NG shall remain NG property at all times. The Customer shall provide NG with access to a phone line that meets NG specifications for telemetering purposes. The customer is financially obligated for the costs to acquire, install and operate the telemetering device and related equipment.
3. Provision of transportation service based on this Application shall have an initial term through the following November 1st, unless sooner terminated in accordance with the terms and conditions of NG's Tariff, and shall continue thereafter from year to year unless terminated by customer, Marketer, or NG upon not less than 30 days prior written notice.

Public Regulation

The Narragansett Electric Company is a public utility subject to regulation by the Rhode Island Public Utilities Commission ("Commission"). The provision of transportation service as a result of this Application is subject to any limitations, modifications or amendments ordered by the Commission, regardless of whether said order resulted from a petition, request or other solicitation directed to the Commission by a party to this Application. Compliance by NG with any order, rule, regulation or policy statement of the Commission, or of any other federal, state or local governmental authority, whether issued before or after the commencement of transportation service, shall relieve NG of its obligations hereunder as a result of such compliance. In the event of the issuance of any order of the Commission which materially modifies the provisions of such service, either NG, the customer, or the Marketer shall have the option to terminate transportation service by giving written notice of termination to the other party at any time within thirty (30) days after the issuance of said order.

Customer Signature	Title	
Print or Type Name	Date	Phone #
Contact in event of telecommunications issue : Print or Type Name		Phone #

This section to be filled out by the Marketer

By signing below and pursuant to its separate Marketer Aggregation Pool Service Agreement, the Marketer (i) accepts the designation as the customer's marketer and (ii) agrees to pay all applicable Marketer charges in accordance with NG's tariff, including its Transportation Terms and Conditions

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Marketer	Marketer Signature	Title
Phone #	Print or Type Name	Date

THE NARRAGANSETT ELECTRIC COMPANY
MARKETER AGGREGATION POOL SERVICE AGREEMENT

This Agreement ("Agreement") is entered into this _____ day of _____, 20__, by and between The Narragansett Electric Company, d/b/a National Grid, a subsidiary of National Grid USA with a principal place of business in the State of Rhode Island at 280 Melrose Street, Providence, Rhode Island (herein called "NG" or the "Company") and _____ (herein called "Marketer.")

WITNESSETH THAT:

WHEREAS, the Company's tariff, RIPUC NG-GAS No. 101, Section 6, Schedule C, provides for and establishes terms and conditions for a Marketer Aggregation Pool; and

WHEREAS; Marketer desires to establish an Aggregation Pool and desires Company to provide pool aggregation services pursuant to such Schedule C and to transport quantities of gas delivered by Marketer for use at the locations of customers belonging to the Aggregation Pool (hereafter called "Points of Delivery"); and

WHEREAS: Company, is willing to provide such service to Marketer.

NOW, THEREFORE, Company and Marketer agree that Company, subject to the Company's General Terms and Conditions, Transportation Terms and Conditions, limitations and provisions hereof, commencing _____ 1, 20__, will transport and deliver to customers of Marketer's Aggregation Pool such quantities of Marketer's gas delivered by Transporting Pipeline to Company's distribution facilities (hereafter called "Point of Receipt").

1.0 AGGREGATION POOL:

1.1 Marketer is establishing a single Aggregation Pool as indicated by an X:

Daily Metered _____
Non-daily Metered _____

1.2 Marketer hereby subscribes to Company's Marketer Aggregation Service pursuant to Item 5.00 of the Company's Transportation Terms and Conditions, Section 6, Schedule C.

1.3 Marketer represents and warrants that Marketer has met and will continue to meet the Marketer qualifications in Item 5.03 of Company's Transportation Terms and Conditions, Section 6, Schedule C.

1.4 Marketer agrees to provide to Company no later than 30 days before the above identified commencement date Transportation Service Applications for all end user customers in Marketer's Aggregation Pool identified in 1.1 above. Such list is to include: Customer Name; Billing Address; NG account #; and, name and telephone number of customer contact person.

1.5 Marketer agrees to notify Company in writing of any changes in the makeup of an Aggregation Pool as provided in the Company's Transportation Terms and Conditions.

1.6 Marketer represents and warrants that it has accepted the designation as the Marketer of each customer of the Aggregation Pool and agrees in each case to be bound by, perform, and pay all charges applicable to transportation service to the Customer's account in accordance with the provisions of the Company's tariff.

2.0 PIPELINE CAPACITY RELEASE:

2.1 Company agrees to provide to Marketer no later than 15 days before the above identified commencement date, the quantity of interstate pipeline capacity allocated for Marketer's FT-1 and FT-2 Aggregation Pool(s) broken down by individual customer.

2.2 Marketer agrees to accept assignment of such firm interstate pipeline capacity in accordance with the Company's Transportation Terms and Conditions, Schedule C, Item 1.07.

2.3 Company agrees to update the calculation of the quantity of interstate pipeline capacity annually based on customers' most recent historical usage in accordance with the Company's Transportation Terms and Conditions, Schedule C, Item 1.07.

3.0 PUBLIC REGULATION:

3.1 Company is a public utility subject to regulation by Rhode Island Public Utilities Commission ("Commission"). This Agreement is subject to any limitations, modifications or amendments ordered by the Commission, regardless of whether said order resulted from a petition, request or other solicitation directed to the Commission by a party to the Agreement. Compliance by Company with any order, rule, regulation or policy statement of the Commission, or of any other federal, state or local governmental authority, whether issued before or after the effective date of this Agreement, shall relieve Company of any liability for its failure to perform any of its obligations hereunder as a result of such compliance. In the event of the issuance of any order of the Commission which materially modifies the provisions of this Agreement, either Company or Marketer shall have the option to terminate this Agreement by giving written notice of termination to the other party at any time within thirty (30) days after the issuance of said order.

3.2 This Agreement shall be subject to Company's General Terms and Conditions and Transportation Terms and Conditions on file with the Commission to the extent those Terms and Conditions are not inconsistent with the provisions of this Agreement.

4.0 GOVERNING LAW:

This Agreement is entered into and shall be construed in accordance with the laws of the State of Rhode Island and any actions hereunder shall be brought in the appropriate forum within the State of Rhode Island.

IN WITNESS WHEREOF, the parties hereto have signed and sealed this Agreement by their duly authorized officers:

By _____

Signature: _____

Name: _____

Title: _____

_____ Date: _____

Witness

By The Narragansett Electric Company

Signature: _____

Name: _____

Title: _____

_____ Date: _____

Witness

THE NARRAGANSETT ELECTRIC COMPANY
STORAGE AND PEAKING RESOURCE AGREEMENT

This Agreement ("Agreement") is entered into this _____ day of _____, 20__, by and between the Narragansett Electric Company, d/b/a National Grid, a subsidiary of National Grid USA with a principal place of business in the State of Rhode Island at 280 Melrose Street, Providence, Rhode Island (herein called "NG" or the "Company") and _____ (herein called "Marketer.")

WITNESSETH THAT:

WHEREAS, Marketer seeks to obtain service respecting a quantity of the Company's contracted underground storage and peaking resources pursuant to the terms and conditions for FT-2 Transportation Service in the Company's tariff, RIPUC NG-GAS No. 101, Section 6, Schedule C; and

WHEREAS; Marketer desires that the Company transport quantities of gas delivered by Marketer for use at the locations of customers belonging to an FT-2 Aggregation Pool (hereafter called "Points of Delivery"); and

WHEREAS: Company, is willing to provide such storage and transportation service to Marketer.

NOW, THEREFORE, Company and Marketer agree that Company, subject to the Company's General Terms and Conditions, Transportation Terms and Conditions, limitations and provisions hereof, commencing _____ 1, 20__, will provide to Marketer storage and peaking services in association with Marketer account number _____ under the terms and conditions set forth below.

1.0 SCOPE OF AGREEMENT:

1.1 The Company will calculate the Maximum Storage Quantities for both Underground Storage and for Peaking services ("MSQ-U" and "MSQ-P" respectively) as well as the Maximum Daily Quantities for both Underground Storage and Peaking services ("MDQ-U" and "MDQ-P" respectively) in accordance with Item 3.02 in Section 6, Schedule C of the Company's tariff. Such calculated quantities can change during the term of the agreement to the extent that the makeup of the Marketer's FT-2 Aggregation Pool changes.

1.2 Marketer hereby agrees to utilize and manage such services and inventories attributed to its account in accordance with the Operational Parameters described in Item 3.02.3 of the Company's Transportation Terms and Conditions, Section 6, Schedule C and as on file with the Public Utilities Commission as part of the Company's annual Gas Cost Recovery filing.

2.0 INVENTORY SERVICES:

2.1 All nominations for purchases from storage will take place at the Company's city gate.

2.2 Purchases of inventory service from the Company will be as stated in the Company's currently effective tariff.

2.3 Purchase of any storage inventory service from the Company will require payment via electronic transfer of funds within ten days of the invoice date.

2.4 Marketer acknowledges that it shall bear no ownership interest in any other storage or peaking assets or inventory of the Company.

3.0 SUCCESSORS AND ASSIGNS:

3.1 This Agreement shall be binding on the parties hereto and their respective successors and assigns. This Agreement may not be assigned by Marketer without the prior written consent of the Company.

4.0 PUBLIC REGULATION:

4.1 Company is a public utility subject to regulation by Rhode Island Public Utilities Commission ("Commission"). This Agreement is subject to any limitations, modifications or amendments ordered by the Commission, regardless of whether said order resulted from a petition, request or other solicitation directed to the Commission by a party to the Agreement. Compliance by Company with any order, rule, regulation or policy statement of the Commission, or of any other federal, state or local governmental authority, whether issued before or after the effective date of this Agreement, shall relieve Company of any liability for its failure to perform any of its obligations hereunder as a result of such compliance. In the event of the issuance of any order of the Commission which materially modifies the provisions of this Agreement, either Company or Marketer shall have the option to terminate this Agreement by giving written notice of termination to the other party at any time within thirty (30) days after the issuance of said order.

4.2 This Agreement shall be subject to Company's General Terms and Conditions and Transportation Terms and Conditions on file with the Commission, including provision thereof limiting the Company's liability, to the extent those Terms and Conditions are not inconsistent with the provisions of this Agreement. Upon request of the Marketer, Company shall provide the Marketer with a copy of Company's complete filed Tariff and Terms and Conditions.

5.0 GOVERNING LAW:

This Agreement is entered into and shall be construed in accordance with the laws of the State of Rhode Island and any actions hereunder shall be brought in the appropriate forum within the State of Rhode Island.

IN WITNESS WHEREOF, the parties hereto have signed and sealed this Agreement by their duly authorized officers:

By _____

Signature: _____

Name: _____

Title: _____

Witness _____ Date: _____

By The Narragansett Electric Company

Signature: _____

Name: _____

Title: _____

Witness _____ Date: _____

NATURAL GAS VEHICLE SERVICE
RATE 70

This service has been eliminated as of May 7, 2012 in pursuant of Docket 4271 that was approved by the PUC.

GAS LAMPS
RATE 80

1.0 AVAILABILITY:

This service is available for gas lamps, without meters, to customers of record on July 1, 2002 throughout the Company's service territory and is not available to new commercial accounts.

2.0 CHARACTER OF SERVICE:

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

3.0 RATES: On a monthly basis: $9.52 per lamp

4.0 GENERAL RULES AND REGULATIONS:

The Company's General Rules and Regulations, in Section 1 of RIPUC NG-GAS No. 101, as in effect from time-to-time and where not inconsistent with any specific provisions hereof, are a part of this Schedule.

5.0 RHODE ISLAND GROSS EARNINGS TAX:

The application of the above rates is subject to the Rhode Island Gross Earnings Tax provisions in Section 1, Schedule C.

6.0 LIHEAP ENHANCEMENT:

The application of the above rate is subject to the Low Income Home Energy Assistance Enhancement Plan (LIHEAP) provisions in Section 7, Schedule C.

OTHER MISCELLANEOUS CHARGES

OPTIONAL CREDIT CARD PAYMENT PROVISION

1.0 AVAILABILITY:

Customers of National Grid (National Grid or Company) have the option of paying their bills issued by National Grid through the use of a payment-processing agent (Third Party Vendor). Residential and non-residential customers, as determined by the Company's rate schedule designations, have the option to make payments by telephone or web page. The availability of this option will be subject to the Company's ability to arrange for such an option. This payment option is available to all of the Company's customers choosing to make payments to the Company through use of the Third Party Vendor-sponsored telephone or web page system. If there is a conflict between the PUC's Rules Governing the Acceptance of Credit Card Payments (the Rules) and this provision, the Rules shall govern.

2.0 PAYMENT TYPES:

The following payment methods shall be accepted under this provision:

1. Visa;
2. Mastercard;
3. American Express;
4. Discover;
5. Debit Cards issued by a financial institution which include a card association symbol such as Visa or MasterCard; and
6. Electronic Checks

3.0 FEES:

Customers choosing to make payments under this option will be assessed a fee directly by the Third Party Vendor for each payment the customer initiates. The fee to be charged by the Third Party Vendor is based on whether the customer making the payment is a residential customer or a non-residential customer and the number of payment transactions made. The customer must initiate each payment transaction. Initiating one payment transaction does not establish future payment transactions for a customer.

Residential Fees:

The residential fee per payment transaction, up to a maximum transaction amount of $600 is $2.00. The Third Party Vendor will assess a fee of $2.00 per transaction for any additional payment transactions up to $600 each.

OTHER MISCELLANEOUS CHARGES

OPTIONAL CREDIT CARD PAYMENT PROVISION

Non-Residential Fees:

The non-residential fee per payment transaction, up to a maximum transaction amount of $1,000, is $6.95. The Third Party Vendor will assess a fee of $6.95 per transaction for any additional payment transactions up to $1,000 each.

4.0 PAYMENT AMOUNT:

Customers who choose to make payments under this provision shall have the ability to make partial payments. Additionally, the Company shall not deny a customer's use of these payment options because the customer's account with the Company is past due.

5.0 COMPANY OBLIGATION:

The payment transaction shall occur between the customer and the Third Party Vendor. The Company shall provide information regarding the Third Party Vendor's payment systems to assist its customers who choose to make payments by telephone or web page. The Company shall assist its customers in the resolution of any disputes between customers and the Third Party Vendor involving the credits posted by the Company to customers' accounts as a result of the processing of customer payments under this provision. The Company has no obligation, however, to participate in any dispute involving matters strictly between the customer and the Third Party Vendor or the customer's bank or card issuer.

6.0 TERMS & CONDITIONS:

The Company's Terms & Conditions, as may be amended from time to time, where not inconsistent with any specific provisions hereof, are a part of this provision.

OTHER MISCELLANEOUS CHARGES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM ENHANCEMENT PLAN CHARGE

7.0 LOW INCOME HOME ENERGY ASSISTANCE ENHANCEMENT PLAN (LIHEAP) CHARGE:

In accordance with R.I.G.L. § 39-1-27.12, commencing January 1, 2012 and for every month thereafter the Company shall bill to all customers a Low Income Home Energy Assistance Enhancement Plan charge ("LIHEAP Charge") approved by the PUC, provided however that the annual charge shall not exceed ten ($10) dollars per customer, per year. For purposes of this section a "customer" is defined as any person taking service at a single point of gas delivery or gas meter.

The monthly rate for the LIHEAP Charge is $0.73 per customer and shall appear as a separate line item on a customer's bill.

7.1 LIHEAP Enhancement Fund:

The Company shall establish a LIHEAP Enhancement Plan fund that shall be used to account for the combined funds collected through the LIHEAP Charge from both gas and electric service customers. The State Office of Energy Resource shall designate to the Company the qualifying customer accounts and the amounts to be credited from the LIHEAP Enhancement Plan fund. The cumulative amount of credits applied to customer bills will be limited to an amount no greater than the cumulative aggregate projected LIHEAP Charges billed through the end of the current calendar year. Once the aggregate credits applied to customer bills equals the aggregate projected LIHEAP Charges billed through the end of the current calendar year, including interest as defined below, the application of the LIHEAP Enhancement Plan credits would cease. Any difference in aggregate cumulative actual LIHEAP Charges billed and aggregate cumulative credits applied to customer bills, will accrue interest at the customer deposit interest rate.

The projected annual revenue in the LIHEAP Enhancement Plan fund collected through the gas and electric service LIHEAP Enhancement Plan charges shall not exceed seven million five hundred thousand dollars ($7,500,000) and shall not be less than six million five hundred thousand dollars ($6,500,000).

7.2 LIHEAP Eligible Customer:

For purposes of receiving funds from the LIHEAP Enhancement fund in subpart 2.0 above, a qualifying LIHEAP eligible customer shall be a household with a combined gross income equal to or less than sixty percent (60%) of the state median household income as calculated by the U.S. Bureau of Census and as adjusted for family or group

OTHER MISCELLANEOUS CHARGES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM ENHANCEMENT PLAN CHARGE

size by the U.S. Department of Health and Human Services regulation 45 CFR Sec. 96.85 or its successor regulation.

OTHER MISCELLANEOUS CHARGES

PAPERLESS BILL CREDIT

8.0 PAPERLESS BILL CREDIT:

Customers receiving bills may elect to receive their bill electronically. Customers electing to receive their bills electronically will receive a paperless billing credit of $0.34 each month per account.