

PSC NO: 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 10/01/03
ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 00-G-1858 DATED 9/18/03.

LEAF: 258
REVISION: 2
SUPERSEDING REVISION: 1

SERVICE CLASSIFICATION No. 18 (Cont'd)

~~CUSTOMER BALANCING AND AGGREGATION - Continued~~

a. Imbalances Resulting in Net Surplus

For CBA Imbalances which result in a net surplus of volumes of gas by a Monthly CBA Group during the month, the Company shall have the right to purchase, without further notice, the amount of gas above the no charge surplus imbalance tolerance level included in the transportation services of the Aggregator's CBA Customers at a rate equal to the lowest commodity price the Company offers to pay for monthly spot purchases of gas produced directly into the Company's system.

The Monthly CBA group will have the opportunity to elect that the Company cash out its imbalance at the end of the trading period. The Supplier must nominate the cash out choice each month if it desires month-end imbalance positions to be cashed out. The Company may elect not to satisfy cash-out purchase requests or cash out sales requests during a month.

For CBA imbalances which result in a net surplus of volumes by a Daily CBA Group for the month, the Company shall cash out such surplus imbalances at the month-end surplus imbalance provisions found in in Rate Schedule SC 13D.

b. Imbalances Resulting in Net Deficiency

For CBA Imbalances which result in a net deficiency of volumes of gas by a Monthly CBA Group during the month, the Company shall charge the Aggregator under the Standby Sales Service Rate Schedule if the Aggregator has entered into a Standby Service Agreement or under the Deficiency Imbalance Sales Service Rate Schedule if the Aggregator has not entered into a Standby Sales Service Agreement.

For CBA imbalances which result in a net deficiency of volumes of gas by a Daily CBA Group for the month, the Company will cash out such deficiency imbalances at the month-end deficiency imbalance provisions found in Rate Schedule SC 13D.

c. Exchange of Net Imbalances

An Aggregator may exchange a month end imbalance due the Company under its CBA Service Agreement with an imbalance due from another Aggregator under another CBA Service Agreement. Exchange of imbalances shall be accomplished upon notification of the exchange by the applicable Aggregator before the CBA Imbalance resolution due dates. Upon request of the Aggregator, the Company will provide other Aggregators with information regarding the Aggregator's imbalance status for the month.

The net effect of all trades conducted during a monthly trading period must improve the Aggregator's relative imbalance position. That is, the net result of Aggregator's imbalance trading activity will achieve an imbalance position closer to zero, i.e. the absolute value of the volume owed to the Company (negative position) or owed to the Aggregator (positive position) is smaller after all trades have been completed. If, at the conclusion of the trading period, an Aggregator's positive position is larger than its position at the initiation of trading, the Company will charge the Monthly CBA Delivery Charge for each Mcf in excess of the initial imbalance level. In no event will the Company process trades that result in a larger negative position for the Aggregator.

Issued by ~~D. F. Smith, President, 10 Lafayette Square, Buffalo NY 14203~~
(Name of Officer, Title, Address)