

PSC NO: 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 8/01/05
ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 04-G-1047 DATED 7/22/05.

LEAF: 263
REVISION: 5
SUPERSEDING REVISION: 3

SERVICE CLASSIFICATION No. 19

SUPPLIER TRANSPORTATION, BALANCING AND AGGREGATION - Continued

The inventory requirement for March 15 is 12.00%, as long as total STBA throughput is equal to or less than 20% of the eligible level. If throughput exceeds 20% of the total eligible level, the Company may petition the Commission to restore the inventory requirement to 17% or some other level. The Company will normalize winter EOM inventory percentages to accommodate colder-than-normal (CTN) weather. The following table identifies the incremental flexibility for CTN weather:

<u>Month</u>	<u>Month</u> <u>15% CTN</u>	<u>Month</u> <u>20% CTN</u>
November	2.00%	3.00%
December	1.50%	2.00%
January	1.00%	1.50%
February	0.50%	1.00%
March	0.00%	0.00%

The Company will not be obligated to sell gas to Suppliers that fail to meet the EOM inventory requirements or for transportation Customers that switch Marketers. Instead, the following provisions will apply:

When Suppliers enroll Customers after the capacity allocation effective April 1, they will be allocated incremental storage capacity. If the quantity of incremental capacity does not increase a Supplier's total capacity allocation by at least 2%, then the capacity allocation will be unchanged. The incremental capacity is assigned at the SOM during which the Supplier will begin to serve the Customer. For Company sales Customers enrolled after April 1, Suppliers receive the capacity together with associated storage gas inventory through a mandatory transfer and purchase of gas in storage from the Company. When Suppliers enroll existing transportation Customers (i.e. Customers served by another Supplier), the Suppliers are responsible for "filling" (i.e. injecting) the storage capacity itself but will not have an explicit SOM inventory requirement. Suppliers will not have an option to purchase additional inventory from the Company beyond what is initially transferred to Suppliers from the Company.

When a Supplier fails to meet an EOM percentage level ("target"), the Supplier shall have five (5) days to correct the resulting inventory deficiency. The Company will report a Supplier's initial and final (i.e. five (5) days after the initial deficiency is determined) deficiency to Staff and Supplier. If after five (5) days the Supplier fails to meet the EOM target, Supplier's STBA Agreement will be in default and the Supplier will be subject to the involuntary discontinuance of service procedures under the UBPs. In addition, the Company shall have the right to terminate service to any Supplier that fails to meet its EOM target more than twice during the previous 12-month period. Upon termination, the Supplier shall be prohibited from receiving service under STBA Service for a period of three (3) months.

Issued by D. J. Seeley, President, 6363 Main Street, Williamsville, NY 14221
(Name of Officer, Title, Address)