

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: 243.1
REVISION: 0
SUPERSEDING REVISION:

SERVICE CLASSIFICATION No. 16 (Cont'd)

BYPASS RESPONSE - INDIVIDUALLY NEGOTIATED CONTRACTS
FOR TRANSPORTATION SERVICE
FOR CUSTOMERS OPERATING LARGE COGENERATION FACILITIES - Continued

DELIVERIES OF SURPLUS IMBALANCES DURING SUBSEQUENT MONTHS:

The Company shall have the right to purchase, without further notice, the amount of gas above the in excess of 5% of the volume of SC 16 service gas transported to the Customer by the Company in the billing month 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 Customer will have the opportunity to elect that the Company cash out its imbalance at the end of the trading period. The Customer 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.

When operationally feasible, and only if, in the sole judgment of the Company, such transaction will not jeopardize or impair service to firm service Customers, the Company may allow a transportation Customer to receive net surplus imbalances of a SC 16 Customer for transportation to the Customer within Company's territory in later months. The Customer must elect this option in writing or the Company may purchase said surplus volumes.

IMBALANCE RESOLUTION THROUGH ESS TRANSFER

A non-aggregated Customer is permitted to reduce or eliminate a burner tip deficiency imbalance by transferring gas from the account of the party that nominates supply deliveries on behalf of the Customer (the "Supplier") for Enhanced Storage Service ("ESS") on NFGSC to the Company's ESS account, provided that the Supplier has met its ESS end of the month target during the month of such deficiency and the transfer transaction results in an inventory balance above the end of the month target. Further, the Supplier will be responsible for reimbursing the Company for any NFGSC trading fees as well as the applicable shrinkage and commodity transportation and storage withdrawal costs associated with the transfer of gas to the Company's ESS storage account.

CITY GATE BALANCING:

1. Supplier Responsibility

City Gate balancing requirements shall be the responsibility the Supplier. If the Supplier is not the Customer hereunder, service under this Service Classification shall be contingent on the Company's receipt of the Supplier's signed acknowledgment of the rules and regulations governing City Gate balancing as set forth below.

2. City Gate Balancing Services, Rules and Regulations

Receipt of natural gas under this Service Classification shall be limited to the DDQ for individual transportation service Customers or, in the case of aggregation, the ADDQ for all

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