

Valley Energy, Inc.
New York Division

P.S.C. No. 1 Gas
Leaf No. 87.10
Revision No. 1
Superseding Revision No.

GENERAL INFORMATION

23. CREDITWORTHINESS: (Cont'd.)

H. Prepayments and Deposits:

If a Marketer, or its parent guarantor, has submitted evidence of: (1) a minimum bond rating of "BBB" from S&P, "Baa 2" from Moody's or "BBB" from Fitch; or (2) an escrow account; or (3) a letter of credit, the Marketer may accept deposits from its customers. A Marketer may accept prepayments from its customers, only if it, or its parent guarantor, has submitted evidence of a minimum bond rating as set forth in the preceding sentence.

Marketers seeking to collect prepayments or deposits from their customers shall submit the required evidence described in the preceding paragraph to the Company on August 1, 2004 and on August 1 of each subsequent year to show appropriate evidence of financial viability.

A Marketer that has appropriately secured deposits by showing evidence of an escrow account or a letter of credit from an "A" rated financial institution may secure customer deposits, request deposits from its customers, and negotiate appropriate deposit amounts.

A Marketer must provide a notice describing, among other things, the methods used to secure customer deposits and prepayments to a new customer before the customer makes a deposit or prepayment. A Marketer shall notify its existing customers of its methods used to secure customer deposits and prepayments by providing copies of revised disclosure statements and/or contracts that contain the information in the notice. Marketers are required to file an example of the revised disclosure statement and/or contract with PSC Staff prior to distribution to customers.

Consistent with Case Nos. 00-M-0504 (Order issued May 9, 2002, and Notice issued May 9, 2001) and 98-M-1343 (Order issued April 15, 1999), the PSC's consumer protections regarding prepayments and deposits extend to small commercial customers and small nonresidential customers as well as residential customers.

Date of Issue: January 31, 2005 Date Effective: February 1, 2005
Issued by: Robert J. Crocker, President & CEO, Sayre, PA 18840
Issued in compliance with order in Case 04-G-0821 dated January 21, 2005