

Valley Energy, Inc.
New York Division

P.S.C. No. 1 Gas
Leaf No. 103
Revision No. 2
Superseding Original

SERVICE CLASSIFICATION NO. 5 (Cont'd.)

TAKE OR PAY SURCHARGE:

The rate per Mcf as provided herein shall be subject each month to a surcharge to recover Take or Pay surcharges being directly billed to the Company pursuant to General Information Rule 15 (F). The Take or Pay surcharge shall be reflected each month in the Statement of Adjustments to Transportation Rate and shall be filed with the Commission.

INCREASE IN RATES AND CHARGES:

The rates and charges under this Service Classification are increased by tax factors pursuant to General Information Rule 16.

ALLOWANCE FOR LOSSES:

The Company shall retain 2.5% of all gas received for fuel used and unaccounted for.

BALANCING OF DELIVERIES:

The volume of natural gas metered monthly at the customer's location shall be considered gas delivered pursuant to this schedule except that when metered volumes exceed those delivered into the Company's facilities, the excess shall be billed at \$3.00 per Ccf multiplied by the excess quantity withdrawn or the amount set forth in Rule 13 B, whichever is more.. Any excess deliveries into the Company's facilities shall be the first gas consumed in the next billing cycle. The customer shall consider this excess when nominating gas for the next billing cycle and shall attempt to balance natural gas deliveries with natural gas requirements. If deliveries into the Company's facilities exceed the customer's metered volumes in any month, the Company may, at its option, terminate receipt of gas pursuant to this schedule. For customers served according to Service Classification No. 4 the Company is not obligated to deliver any daily volume of natural gas. Any volume taken in excess of that authorized by the Company shall constitute an unauthorized overrun and is subject to the overrun provisions of Service Classification No. 4.

GENERAL TERMS AND CONDITIONS OF SERVICE:

To the extent not inconsistent with the provisions of this service classification, service hereunder is provided in accordance with the General information Sections of this Schedule.

SPECIAL PROVISIONS:

- A. The quantity to be billed under this service classification is the quantity delivered to the Company less the allowance for losses in accordance with this service classification.
- B. Daily imbalances, under runs and overruns under this service classification will be calculated and reconciled as set forth below.

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