

**SANDPIPER ENERGY, INC.**

**RULES AND REGULATIONS**

**GOVERNING THE DISTRIBUTION**

**AND SALE OF GAS**

**OF**

**SANDPIPER ENERGY, INC.**

**IN**

**WORCESTER COUNTY, MARYLAND**

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Issue Date: May 31, 2013

Effective Date: For Service Rendered on and after May 31, 2013

Authorization: Order No. 85622 dated May 29, 2013 in Case No. 9303

**NEWCO**

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## **RULES AND REGULATIONS**

### **SECTION I – GENERAL**

#### **1.1 FILING AND POSTING**

A copy of this Tariff, which is the rates, rules and regulations under which gas service will be supplied by NEWCO to its Customers, is on file with the Public Service Commission of Maryland, and is posted and open for inspection at the offices of the Company. The Tariff is supplementary to the "Regulations Governing Service Supplied by Gas Corporations" of this Commission.

#### **1.2 REVISIONS**

This Tariff may be revised, amended, supplemented and otherwise changed from time to time in accordance with the Public Service Commission Law of Maryland, and such changes, when effective, shall have the same force and effect as the present Tariff.

#### **1.3 APPLICATION OF TARIFF**

The Tariff provisions apply to any party or parties lawfully receiving gas service from the Company or to its successors and assigns, under the rates set forth therein, and the receipt of gas shall constitute the receiver a Customer of the Company as the term is used herein.

#### **1.4 RULES AND REGULATIONS**

The Rules and Regulations, filed as a part of this Tariff, are a part of every contract or agreement for service, whether written, oral or implied, made by the Company, and governs all classes of service where applicable. Subject to the approval of the Commission, the Company shall have the right to interpret and determine the applicability of such rules and regulations.

#### **1.5 STATEMENT OF AGENTS**

No agent or employee of the Company has authority to make any promise, agreement or representation inconsistent with the provisions of this Tariff.

## **RULES AND REGULATIONS**

### **SECTION II - CURTAILMENT**

#### **2.1 GENERAL**

In the event that the Company determines that there is insufficient gas supply to meet the demands of Customers on its distribution system, the Company may, at its sole discretion, curtail service to Customers. Curtailments will be made to maintain supply to its firm sales customers in the priorities set forth below. When curtailment is necessary, sufficient gas will be available to maintain a temperature which will keep the building pipes from freezing and other plant protection use, if possible. Prior to, or in conjunction with curtailment the Company may call for voluntary usage reductions on the part of all customers.

#### **2.2 DEFINITIONS**

*Essential Human Needs:* Includes residences, apartments, hotels, motels, dormitories, hospitals, nursing homes, police and other institutions essential to the public welfare.

*Plant protection use:* Minimum volumes of natural gas required to prevent physical harm to the plant facilities' processes or danger to plant personnel when such protection cannot be afforded through the use of an alternative fuel. Plant protection requirements include volumes necessary for the protection of such material in process as would otherwise be destroyed, but does not include deliveries required to maintain production.

#### **2.3 CURTAILMENT PRIORITIES**

Curtailment to the extent necessary as determined by the Company, up to and including complete curtailment shall be done in accordance with the following list of priorities, starting with the lowest priority, Priority 5.

Priority 1: Essential human needs customers.

Priority 2: All other customers other than priority 1 customers will be curtailed to the extent necessary as determined by the Company.

Priority 3: Commercial customers using above 4,000 Ccf per year.

Priority 4: Commercial customers using above 15,000 Ccf per year.

Priority 5: Commercial customers using above 100,000 Ccf per year.

## **RULES AND REGULATIONS**

### **SECTION II**

(Continued)

#### **2.4 CURTAILMENT OF CUSTOMER-OWNED GAS**

If adequate supply to priority essential human needs customers is threatened in the Company's judgment, Customer-owned gas may be curtailed in addition to system supply and in the same order of priorities. In the event that Customer-owned gas is diverted for use by essential human needs customers, the Company will reimburse the Customer by paying an amount equal to the purchase price paid by Customer for the Customer-owned gas plus the positive difference, if any, between the purchase price paid by Customer for such Customer-owned gas and the purchase price paid by Customer for Customer's alternative fuel on an equivalent basis. In the event Customer has no alternative fuel, the Company's payment to Customer is limited to the purchase price paid by Customer for the quantity of Customer-owned gas so diverted. In lieu of this provision, the Company may enter into contractual or informal arrangements with Transportation Customers or any other parties to obtain supplies to avoid such curtailments.

#### **2.5 LIABILITY**

The Company shall not be liable for any damages, loss of product, or other business losses suffered by Customers as a result of curtailed gas service. The Company shall not be liable for curtailment as a result of any action by any governmental agency with jurisdiction to regulate, allocate, or control gas supplies or the rendition of service and regardless of any defect in such law, regulation, or order.

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## RULES AND REGULATIONS

### SECTION II

(Continued)

#### 2.6 ADDITIONAL LOADS

In the event that additional gas supply becomes limited for any reason, the Company reserves the right to defer supplying gas for new loads in such manner as to cause the least hardship to present or prospective customers, taking into consideration the volume of gas available and the capacities of local mains and facilities. In each of the listed classes, present customers will be allowed to increase loads before new customers will be allowed to begin service.

During any period when gas supply is expected to be limited the Company will maintain a Register of New Loads applied for, but not already being served by the Company, in order to assist the Company in forecasting peak demands for its service, and to afford a basis of priority in supplying additional loads to existing as well as to new or prospective customers.

During any period of restricted gas supply the Company will not supply gas for any equipment unless application for such load was registered with the Company prior to the connection of such equipment, and approval thereof was given by the Company.

The priority in which additional loads will be accepted is:

	<u>DESCRIPTION</u>	<u>TYPE</u>
(1)	Non-space heating load Peak day less than 1,000 cu. ft.	Residential
(2)	Non-space heating load Peak day less than 1,000 cu. ft.	Commercial
(3)	Space heating load Peak day less than 2,000 cu. ft.	Residential Commercial
(4)	Dwelling Units - Home or Apartments Individually Billed Not to exceed 25 units at one location.	Residential
(5)	Dwelling Units - Home or Apartments Master Metered Not to exceed 25 units at one location	Commercial

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**RULES AND REGULATIONS**

**SECTION II**

(Continued)

2.6 ADDITIONAL LOADS (continued)

	<u>DESCRIPTION</u>	<u>TYPE</u>
(6)	Non-space heating load Peak day not to exceed 10,000 cu ft	Commercial
(7)	Space Heating Load Peak day less than 10,000 cu. ft.	Commercial
(8)	Same as (4) above except in increments of 26 to 100 units at one location.	
(9)	Same as (5) above except in increments of 26 to 100 units at one location.	
(10)	Same as (4) above except in increments of over 100 units at one location.	
(11)	Same as (5) above except in increments of over 100 units at one location.	
(12)	All other commercial loads.	

Company reserves the right to establish priority of loads in accordance with volume within each category above.

Company reserves the right to allocate gas to various priority categories listed above based on estimated gas sales and gas supply and to make adjustments as actual figures vary from the estimate.

When anticipated gas supplies are not sufficient to service all new loads applied for in one of the above categories, priority will be given in the order in which application was registered with the Company, provided the new load is connected within a reasonable time after notice from the Company that it may be served.

When the evidence available to the Company reasonably indicates that a customer has connected additional load without registering same or in violation of the Company's notice that it may not be connected, the Company will discontinue all service to such customer, upon ten days written notice, until such additional load has been disconnected.

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**RULES AND REGULATIONS**  
**SECTION III - APPLICATION FOR SERVICE**

**3.1 APPLICATION**

Application for gas service may be made through the local office of the Company or authorized agent with positive picture identification. At the option of the Office Manager and in unusual circumstances a written letter of application may be accepted.

**3.2 RIGHT TO REJECT**

The Company may place limitations on the amount or character of service it will supply, or may reject applications for any of the following reasons:

- a) Until the Customer complied with the state and municipal regulations governing gas service.
- b) If the Company does not have adequate facilities to render the service desired.
- c) If such service is of a character that it is likely to affect unfavorably service to other Customers.
- d) If in the judgment of the Company, the applicant's installation of piping or gas equipment is hazardous, or of such a character that satisfactory service cannot be rendered.
- e) If an extension of street main, except as set forth under Section VIII - Extensions, is required to furnish such service.
- f) When it is necessary to conserve the supply of gas (See Section II - 2.3 Curtailment Priorities and 2.6 Additional Loads.)
- g) Customer's failure to provide a deposit to insure payment of bills, where requested by the Company under the provisions of Section 6.2.
- h) Customer's failure to make such payment as may be required under Section VIII as a condition of extension of supply facilities.

**3.3 ACCEPTANCE**

Acceptance of service by the Customer shall constitute an agreement to accept service under these Rules and Regulations, as amended from time to time, the Orders or Rules of the Public Service Commission of Maryland, the Laws of the State of Maryland, and the Laws of the United States of America.

## **RULES AND REGULATIONS**

### **SECTION III**

(Continued)

#### **3.4 UNAUTHORIZED USE**

The use of service obtained from the Company without authority may be terminated by the Company without notice. The use of service without notifying the Company and enabling it to read its meter, will render the user liable for any amount due for service supplied to the premises from the time of the last reading of the meter, immediately preceding his occupancy, as shown by the books of the Company.

#### **3.5 CHARACTER OF GAS**

The natural gas to be served will be natural gas with a specific gravity of approximately .6, and a minimum BTU value per cubic feet of 1,000 or such other gas as may be approved by the Public Service Commission. The Company shall have the right to supply stand-by or peak shave gas of similar characteristics when necessary.

The propane gas to be served will be propane with a specific gravity of approximately 1.52, and a minimum BTU value per cubic feet of 2,500 or such other gas as may be approved by the Public Service Commission.

#### **3.6 RETURNED CHECKS**

Checks given in payment for gas service, Customer deposits, or reconnection charges which are returned unpaid by the Customer's bank will result in an additional charge of twenty dollars (\$20) per check, per occurrence, and will be charged against the Customer's account. Proper notice of the returned check and the charge will be mailed by first class mail or hand delivered to the Customer by the Company. The Company will make contact with the Customer for full payment or discontinuance of service. After the second returned check the Company reserves the right to notify the Customer that it will no longer accept a personal check from this Customer.

**RULES AND REGULATIONS**  
**SECTION IV – CUSTOMER’S INSTALLATIONS**

**4.1 INFORMATION FROM CUSTOMER**

Anyone desiring to equip his premises for the use of gas shall communicate with the Company personally, or through his contractor or agent, giving the exact location of the premises and details of all gas consuming equipment to be installed.

**4.2 POINT OF CONNECTION**

The Company will designate the point where the Customer would be required to terminate his piping for connection to the lines of the Company. The furnishing of such information does not constitute an agreement, or obligation, on the part of the Company to render service.

**4.3 METER SPACE**

The Customer shall provide, free of expense to the Company, a space satisfactory to the Company for meters, regulators or other equipment of the Company which may be necessary for the rendering of adequate service, the Company reserving the right to establish standards as to the location of such space in accordance with pressure conditions, volumes and other pertinent factors.

**4.4 METER LOCATION**

The Company shall have the right to determine the location of its meters, which must be placed where they will be easily accessible, and the Customer or Owner of building shall provide and at all times maintain free of expense to the Company proper space for the Company's meters. Likewise, the Customer is warned not to permit materials of any character to be piled up or heaped around the meter location. The Customer shall reimburse the Company for the loss of, or any damage to its meters and meter connections, or other property of the Company while located on the Customer's premises, arising out of or caused by Customer's negligence, carelessness, or that of his servants, agents, employees, members of his household, or any person upon his premises under or by authority of his consent or sufferance.

**4.5 METER CONNECTIONS**

The Company will own, furnish and maintain the meter, regulator and meter connection required to measure the gas supplied to Customer, and will supply gas only through a meter furnished and owned by it. The Company must be notified when Customer desires to have meter installed, changed or removed.

**4.6 TEMPORARY SERVICE**

The Customer shall pay the cost for all material, labor and all other necessary expense incurred by the Company in supplying gas service to the Customer for any temporary purpose or use, and shall pay the cost of removing material after service is discontinued, in addition to the regular payments for gas used. The Company will credit the Customer with the reasonable salvage value of any material recovered.

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## **RULES AND REGULATIONS**

### **SECTION IV** (Continued)

#### **4.7 SERVICE LINES**

The Company will install and maintain at its expense, the service line to the point of connection designated by the Company. (See 8.1 Service Connections).

#### **4.8 ADDITIONAL SERVICE LINES**

No additional tap or service lines shall be made or meter set for gas service to a garage, or other building on any lot where there already exists a service line to the residence or main building of the Customer.

#### **4.9 HOUSE PIPING**

Prior to the installation of house piping by the Customer in new or altered premises, inquiry should be made of the Company to determine the requirements, sizes of pipe, quality and other specifications.

#### **4.10 INTERFERENCE WITH FACILITIES**

The Customer shall not open, tamper or interfere with, in any manner, his service line or house piping, or with any regulators or safety appliances installed in connection with service to him, irrespective of ownership thereof.

#### **4.11 RESPONSIBILITY OF CUSTOMER**

The Company's ownership and responsibility terminates at the meter outlet. Customer is warned of the risk of damage to property and the possibility of fire or personal injury resulting from improper house piping and manner of attachment or use and maintenance of gas appliances, fixtures, and apparatus, and is advised to permit no one except experienced and capable fitters to install or to make any change, alteration, addition or repair to any part of Customer's installation. The Company will not be liable for any injury or damage caused by reason of defects in any portion thereof.

## **RULES AND REGULATIONS**

### **SECTION V - TESTING AND INSPECTION OF CUSTOMER'S PIPING**

#### **5.1 REQUIREMENT**

Prior to the introduction of gas, service line and house piping of the Customer must be tested and inspected in accordance with Company rules.

#### **5.2 APPLICATION FOR TESTS AND INSPECTION**

Application through the Company's office for test and inspection of service lines or house piping must be made by the owner of the premises or his authorized agent, setting forth when and where the inspection is desired.

#### **5.3 INSPECTION AND TESTING OF SERVICE LINE OR HOUSE PIPING**

All service lines and house piping and any alterations, additions or renewals thereof, are to be sight inspected by a Company representative and subjected to an air or gas pressure test, before service is commenced, or in case of alterations, additions or renewals, before service is resumed to the Customer.

#### **5.4 RESPONSIBILITY FOR MATERIAL OR WORKMANSHIP**

The Company will not be responsible for any imperfect material or defective or faulty workmanship or for any loss or damage arising from such imperfect material or defective or faulty workmanship, in any job of gas fitting inspected by its inspectors, but for protection, adequacy and safety of service to its Customers, has adopted these rules and regulations, and may refuse to turn gas into any premise(s) where the gas piping does not confirm to the rules and regulations.

## **RULES AND REGULATIONS**

### **SECTION VI - CREDIT**

#### **6.1 PRIOR DEBTS**

Service will not be furnished to a former Customer until amounts due for gas service at a previous location have been satisfied.

#### **6.2 DEPOSITS**

Deposits to guarantee final bills for service may be required from any Customer or prospective Customer in accordance with currently applicable regulations of the Public Service Commission of Maryland.

Upon request, the Company will furnish a copy of the Commission's Deposit Rules to an applicant for service or Customer from whom a deposit is required.

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## **RULES AND REGULATIONS**

### **SECTION VII - POINT OF DELIVERY OF GAS TO CUSTOMER**

#### **7.1 POINT OF DELIVERY**

In all cases, the point of delivery of gas to a Customer shall be at the inlet side of the meter connection at which point title to the gas shall pass to the Customer. The use of service at two or more separate properties will not be combined for billing purposes.

## **RULES AND REGULATIONS**

### **SECTION VIII - EXTENSIONS**

#### **8.1 SERVICE CONNECTIONS**

The Company will install the service line from its existing distribution main to the Customer's meter location. However, service connections are limited to the extent of new investment warranted by the anticipated revenues. Service connections, as used in this section, refers to the costs associated with the service line piping, meter installation and associated materials from the tap on the Company's gas distribution main system up to and including the Customer's meter.

#### **8.2 OBLIGATION TO EXTEND**

Main extensions, as used in this section, refer to the cost of gas distribution mains and associated materials that must be constructed along public streets, roads and highways, or on private property from the Company's existing gas distribution main system to the initiation of the service line. Main extensions are limited to the extent of new investment warranted by the anticipated revenues.

#### **8.3 SPECIAL EXTENSIONS**

Where the business in prospect does not warrant the expenditure required to serve it, the Company will determine, from the circumstances of each case, what guarantees of revenue, or what financing, shall be required of the applicant.

#### **8.4 EXTENSION REFUND**

The Company may provide, in a written agreement with the applicant, for refunds of all, or part, of the monies advanced by an applicant in connection with an extension. Refunds to the applicant shall extend over a term of years upon such basis or conditions as may be mutually agreeable to the Company and the applicant, and specified in the written agreement.

#### **8.5 OWNERSHIP AND MAINTENANCE**

The Company shall own, maintain and renew, when necessary, its main extension, service line between its main and the inlet side of meter connection.

#### **8.6 INTERFERENCE WITH FACILITIES**

The Company's main, service line, service cock and curb box shall not be opened, tampered or interfered with at any time.



## **RULES AND REGULATIONS**

### **SECTION IX - RIGHTS OF WAY**

#### **9.1 TERMS AND RENTALS**

When, to serve a Customer, it is necessary to extend the Company's facilities over the property of another, the Customer shall accept service for such term as is provided in the permit or agreement covering the location and maintenance of such facilities, and the Customer may be required to reimburse the Company for any and all special, or rental, charges that may be made for such rights by said permit or agreement.

#### **9.2 PROCUREMENT BY CUSTOMER**

Customers applying for the construction of an extension may be required to secure to, and for, the Company, all necessary and convenient rights-of-way and to pay the cost incident thereto.

#### **9.3 DELAYS**

Applications for service from an extension to be constructed where a right-of-way is not owned by the Company will only be accepted subject to delays incident to obtaining a satisfactory right-of-way.

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## **RULES AND REGULATIONS**

### **SECTION X - INTRODUCTION OF SERVICE**

#### **10.1 CUSTOMER TO SPECIFY TIME WHEN SERVICE IS CONNECTED**

As a safety precaution, the Customer, or an adult representative of the Customer, shall specify the time when gas service is to be turned on, and the Company will not turn on such service unless said Customer or adult representative so directs.

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## **RULES AND REGULATIONS**

### **SECTION XI - COMPANY EQUIPMENT ON CUSTOMER'S PREMISES**

#### **11.1 MAINTENANCE**

The Company shall keep in repair and maintain its own property installed on the premises of the Customer.

#### **11.2 PROTECTION BY CUSTOMER**

The Customer shall protect the equipment of the Company on his premises, and shall not permit any person, except a Company employee having proper Company identification, to break any seals upon, or do any work on, any meter, service pipe or other equipment of the Company located on the Customer's premises.

#### **11.3 TAMPERING**

In the event of the Company's meters or other property being tampered or interfered with, the Customer being supplied through such equipment shall pay the amount which may be reasonably estimated to be due for service used but not registered on the Company's meter, and for any repairs, replacements or changes in facilities required, as well as for costs of inspections, investigations and protective installations.

#### **11.4 ACCESS TO PREMISES**

The Company, or its authorized agents, shall have access at all reasonable times to the property or premises in or on which gas is used to determine if the gas is being carried, distributed and burned in a proper and safe manner and in accordance with these Rules and Regulations, or to read, inspect and test the meter or house lines and other appliances, equipment or facilities. Refusal on the part of the Customer to allow access to his premises shall constitute sufficient cause for turning off the gas supply to such premises.

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## **RULES AND REGULATIONS**

### **SECTION XII - SERVICE CONTINUITY**

#### **12.1 REGULARITY OF SUPPLY**

The Company will use reasonable diligence to provide a continuous, regular and uninterrupted supply of service; but does not guarantee a constant supply and should the supply be interrupted by the Company for the reasons set forth in Section II, entitled "Curtailement" or for the purpose of making repairs, changes, or improvements, in any part of its system for the general good of the service or the safety of the public, or should the supply of service be interrupted, or fail, by reason of accident, strike, legal process, State or municipal interference, lack of sufficient gas supply, mechanical failure, or any cause whatsoever, beyond its control, the Company shall not be liable for damages, direct or consequential, resulting from such interruption or failure.

#### **12.2 NOTICE OF TROUBLE**

The Customer shall notify the Company, immediately, should the service be unsatisfactory for any reason, or should there be any defects, leaks, trouble, or accident, affecting the supply of gas.

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**RULES AND REGULATIONS**  
**SECTION XIII - CUSTOMER'S USE OF SERVICE**

**13.1 PRECAUTIONS TO BE TAKEN BY CUSTOMER**

The responsibility of detection of defects and leaks on the Customer's premises and in the service line is upon the Customer; defects among other things shall mean failure or deficiency of gas, irregular supply, leakage and excessive pressure. In case of detection of a leak within his premises, the Customer shall immediately shut off the gas at the meter, extinguish all flames, or fires within the premises, open all doors and windows to permit the escape of gas, and at once notify the Company by telephone or messenger, so that the conditions existing may receive prompt and proper attention. When gas has been shut off because of leak in house lines or fixtures or other hazardous conditions of service, it shall not be turned on again until such leak or other hazardous conditions have been repaired and made safe either by a competent plumber or gas fitter. In the event of failure or deficiency of gas or excessive pressure, the Customer shall shut off gas at meter, notify Company and be governed by instructions or assistance received from the Company.

**13.2 WASTAGE OF GAS**

A Customer shall take due care to prevent waste of gas. If wastage of gas is caused by the Company's negligence, the Company will issue a credit for all gas wasted. If wastage occurred through no fault of the Company, no credit will be issued.

**13.3 SALES OF GAS BY CUSTOMER**

The Customer shall not sell gas purchased by him from the Company to other occupants of the premises or to other premises without the written permission of the Company.

**13.4 FLUCTUATIONS**

Gas Service must not be used in such a manner as to cause unusual fluctuations or disturbances in the Company's supply system and in the case of a violation of this rule, the Company may discontinue service, or require the Customer to modify his installation and/or equip it with approved controlling devices.

**13.5 LIABILITY FOR DAMAGES**

The Company shall not be liable for any injury to persons or damage to property arising or occurring in any manner whatsoever from the use of gas.

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## **RULES AND REGULATIONS**

### **SECTION XIV - MEASUREMENT**

#### **14.1 DEFINITION OF A CUBIC FOOT**

(A) Low Pressure Sales:

For sales from standard or low pressure distribution pipe lines, or where a displacement type meter not equipped with pressure gauges, or for which pressures are not recorded or taken, or not having incorporated into it devices to correct to a standard pressure or temperature base, is used, a cubic foot of gas shall be that amount of gas which occupies a volume of one cubic foot at the time metered and under the conditions existing at the customer's meter.

(B) Other Than Low Pressure Sales as Under (A) Above:

For sales at high or intermediate pressures or where an orifice type meter is used, or a displacement type meter, with pressure, volume or time device, or for which pressures are recorded or taken, or having incorporated into it, devices to correct to a standard pressure or temperature base, is used, a cubic foot of gas shall be that amount of gas which occupies one cubic foot at an absolute pressure of 14.95 lbs. per square inch and a temperature of 60° Fahrenheit. To determine the volume of gas delivered, required factors such as pressure, flowing temperature, specific gravity and deviations from Boyle's Law may be applied. The average absolute atmospheric pressure (barometric pressure) shall be assumed to be 14.73 lbs. per square inch, irrespective of actual elevation or location of the delivery point above sea level or variations, in actual barometric pressure from time to time. The temperature of the gas flowing through the meter or meters shall be the arithmetic average of the temperature record; or read from established tables of monthly averages for the location involved. The gas shall be measured in accordance with methods in use in the industry generally and recommended by the Gas Measurement Committee of the Natural Gas Department of the American Gas Association, applied in a practical manner.

#### **14.2 MEASUREMENT OF GAS**

Except as herein otherwise provided, the measurement of gas service shall be by meters furnished and installed by the Company. The Company will furnish each Customer with a meter of such size and type as the Company may determine will adequately serve the Customer's service requirements, and may from time to time, change or alter the equipment to provide for accurate measurement.

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## **RULES AND REGULATIONS**

### **SECTION XIV**

(Continued)

#### **14.3 METERS NOT AVAILABLE**

In cases where meters are not available due to circumstances beyond the control of the Company, and the necessity for rendering gas service to the Customer is urgent, the Company may, after proper authorization by the Commission and by written agreement with the Customer, commence service and render bills temporarily on the basis of estimated gas consumption.

#### **14.4 METER READING INTERVALS**

The Company will endeavor to make its regular meter reading and/or billing period as nearly as reasonably possible at scheduled monthly intervals.

#### **14.5 ESTIMATED USAGE**

The Company may render estimated bills when (1) no meter is installed, as provided above, or (2) when a meter is installed but the scheduled meter reading cannot be obtained due to the inability of the Company's agent or representative to gain access to the meter location at the time scheduled, or (3) in case any meter or measuring device for any reason fails to register for any period of time the full consumption by a Customer, (See Meter Tests 15.2 Non-Registering Meters), or (4) the Company is unable to obtain a meter reading for causes beyond its control.

Estimated readings shall be based upon prior consumption at the particular location for a similar period of time corrected for current conditions. The Customer shall be obligated to pay the bill based on the estimated consumption as though the same was based on an actual meter reading, and failure to so pay shall subject the Customer and his service to the penalties herein provided. Bills based on estimated readings shall be subject to adjustment for any unusual circumstances found to have affected the quantity of gas used, or for obvious errors in estimates, which adjustments shall be made not later than on the next subsequent bill rendered the Customer.

In those instances where the Company's agent or representative is unable to gain access to the Customer's premises, during the regular scheduled working hours, to obtain a meter reading, the number of estimated readings shall be limited to three consecutive months, and the Customer's service thereafter, is subject to discontinuance (See Disconnection by the Company - 18.2 Shut-off for Cause).

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Issue Date: May 31, 2013

Effective Date: For Service Rendered on and after May 31, 2013

Authorization: Order No. 85622 dated May 29, 2013 in Case No. 9303

## **RULES AND REGULATIONS**

### **SECTION XV - METER TESTS**

#### **15.1 METER TESTS**

The Company, at its expense, will make periodic tests and inspections of its meters, as required by the Regulations Governing Service Supplied by Gas Corporations of the Public Service Commission of Maryland.

#### **15.2 NON-REGISTERING METERS**

Whenever a meter is found to be stopped, the Company may estimate the consumption and bill the Customer for the estimated gas used during the period which the meter failed to register.

#### **15.3 REQUEST TESTS**

Upon request by a Customer, and at no charge, the utility shall make a test of the accuracy of registration of the meter serving him, providing that such tests need not be made more frequently than once in 18 months.



## **RULES AND REGULATIONS**

### **SECTION XVI - PAYMENT TERMS**

#### **16.1 BILLING PERIOD**

Rates are stated on a monthly basis and bills are rendered monthly following the supply of service based on meter readings to the nearest 100 or 1,000 cubic feet, depending on the applicable rate schedule, scheduled at approximate monthly intervals of 28 to 34 days.

An initial period of less than 10 days is included in the next month's billing. If the period is more than 10 days, a bill is rendered at the regular billing date. A final period of from 1 to 45 days is billed as one month.

#### **16.2 PAYMENT PERIOD**

Bills are due upon presentation. The rates are contingent upon prompt payment. The final date for payment will not fall on any Saturday, Sunday or holiday, and will be due within 10 days of their date of presentation. Failure to receive the bill will not excuse Customer from payment obligations, and payments must be made without regard to any counter claims whatsoever.

#### **16.3 DISPUTED BILLS**

In the event of a dispute between the Customer and the Company respecting any bill, the Company will forthwith make such investigation as may be required by the particular case and report the result thereof to the Customer. When the Company has made such a report to the Customer, either, (1) sustaining the bill as rendered or, (2) submitting a corrected bill, the date of the bill for the purposes of payment shall be considered to be as of the date of said report, and the Customer shall pay the amount due within the time provided in these rules and regulations, and failure to so pay shall render the Customer and his service liable to the penalties herein provided, except, that whenever a Customer has been billed incorrectly, as a result of incorrect reading of meters, incorrect application of rate schedule, or other similar reason, any undercharge billed to the Customer covering the period preceding the three months prior to the discovery of the error shall be subject to service denial for non-payment only after authorization by the Public Service Commission of Maryland. Any amounts received by the Company in excess of the amount disclosed to be due by the Company's investigation of the dispute shall be forthwith returned to the Customer if the error arose from any cause other than the incorrect estimating of a Customer's consumption for the period in dispute. Errors arising through the incorrect estimating of a Customer's consumption shall be adjusted in accordance with the provisions of rule 15.5 of these Rules and Regulations.

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## **RULES AND REGULATIONS**

### **SECTION XVI**

(Continued)

#### **16.4 BUDGET PLAN**

The purpose of the Budget Plan is to spread a residential heating customer's bill over a ten month period with equal monthly payments, to eliminate the necessity of a customer paying large bills during the heating season.

If a residential heating customer elects to use the budget plan, his bills for the period beginning in September and ending in June will be totaled and divided by 10 to produce his approximate budget payment, which will then be rounded off to the nearest \$1.

If a customer has no past history of gas use the Company will estimate the gas bill for the budget period and divide by 10 to produce the payments. The Company may adjust the budget payment, with the Customer receiving immediate notification of any adjustment.

To remain on the budget plan, a Customer must pay his gas bill by the due date each month and pay all balances due with his June bill.

The Company will normally require that the Customer begin the budget plan in September of each year. The Company may accept budget customers later in the heating season, with appropriate adjustments in the monthly payment.

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## **RULES AND REGULATIONS**

### **SECTION XVII - DISCONNECTION BY THE COMPANY**

#### **17.1 NON-PAYMENT SHUT-OFF**

The Company may disconnect its service on due notice and remove its equipment in case of non-payment of bill at the present or a former location. Such notice shall set forth the date service will be discontinued, unless payment is received at the office of the Company prior to the date, which date shall not be less than five days from the date of mailing such notice.

#### **17.2 SHUT-OFF FOR CAUSE**

The Company may disconnect on reasonable notice if entry to its meter or meters is refused, or if access thereto is obstructed or hazardous, or for other violation of these rules and regulations.

#### **17.3 SAFETY SHUT-OFF**

The Company may disconnect without notice if the Customer's installation has been found hazardous or defective.

#### **17.4 DEFECTIVE EQUIPMENT SHUT-OFF**

The Company may disconnect without notice if the Customer's equipment or use thereof might injuriously affect the equipment of the Company, or the Company's service to other Customers.

#### **17.5 SHUT-OFF FOR OTHER CAUSES**

The Company may disconnect without notice for abuse, fraud, or tampering with the connections, meters or other equipment of the Company.

#### **17.6 RECONNECTION CHARGE**

Whenever a Customer's gas shall be turned off or his meter disconnected by reason of non-compliance with these Rules and Regulations or the Rules, Regulations or Orders of the Public Service Commission of Maryland, a reconnection charge of thirty-five dollars (\$35) must be received by the Company or an agent of the Company before the gas will be turned on again. If the Customer desires a same day reconnection or to be reconnected outside the Company's normal business hours, then the reconnection charge will be sixty dollars (\$60).

Service interruptions may be avoided by paying the overdue amount prior to the past due date of the gas bill, or by paying the overdue amount plus a collection fee of seventeen dollars (\$17) to the Company or an authorized agent of the Company.

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## **RULES AND REGULATIONS**

### **SECTION XVII**

(Continued)

#### **17.7 NON-COMPLIANCE BY COMPANY**

Failure on part of the Company to enforce any of its rights at any time shall not be deemed a waiver of any of its rights.

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## **RULES AND REGULATIONS**

### **SECTION XVIII - TERMINATION OF SERVICE**

#### **18.1 TERMINATION BY COMPANY**

The Company obligation to serve a particular premise shall, at the option of the Company cease and terminate (1) in case the property served is vacated or a change of occupancy occurs; (2) in case of an assignment or the act of bankruptcy of the Customer; (3) in case of the illegal use of gas.

#### **18.2 TERMINATION BY CUSTOMER**

A Customer, who intends to vacate the premises, discontinue the use of gas, or terminate his liability to pay for the gas delivered to the premises, shall give at least twenty-four (24) hours' notice to the Company. The Company shall read the meter within 24 hours after receipt of termination notice from the Customer. If such a notice is not given, the Customer shall be liable for gas registered by the meter until the meter is read by the Company.

#### **18.3 FINAL BILL**

The Customer is liable for service taken after notice to terminate his service until the meter is read and gas shut off. The final bill for service is then due and payable immediately.

## **RULES AND REGULATIONS**

### **SECTION XIX - APPLICATION OF RATES**

#### **20.1 DEFINITION OF THE TERM "CUSTOMER"**

For the purpose of applying rate schedules in this natural gas tariff, the term "customer" is defined as any individual, firm, or organization purchasing natural gas or propane delivery service and gas sales service or transportation and balancing service in any one month at one location for one classification of service through one meter. Each individual customer shall be properly accounted for and identified in the Company's billing system through the combination of a Customer Account number and a Service Identification and Extension number. The schedule of rates is based on delivering and billing service to the end user for retail service only and does not permit resale or redistribution, unless otherwise specified in the tariff.

A "month" does not refer to a calendar month, but shall mean the period between any two scheduled consecutive readings of the meters by the Company.

In those cases where, at the Company's election, two or more meters are installed at a single metering location on the same premises for the same customer for the same class of service, the amount of gas supplied through all such meters will be combined in arriving at the total charge, and the customer charge will be the same as though one meter was installed.

Where a single commercial, industrial, or institutional customer occupies more than one unit of space in the conduct of the same business, each separate unit will be metered separately and considered a distinct customer, unless the customer makes the necessary provisions to permit metering of all gas used for each class of service in the various units at a single metering location. This rule shall apply only where the units are located on contiguous property with no intervening public property or private property controlled by others. Only one service connection will be provided for each class of service furnished, and the metering location shall be as close as possible to the point of service entrance.

**RATE SCHEDULE "RS"**

**RESIDENTIAL SERVICE**

**AVAILABILITY:**

This rate schedule is available to any individually billed or metered customer using natural or propane gas for residential purposes.

**DELIVERY SERVICE RATES:**

The following rates for delivering gas to the customer's location apply to all customers served under this rate schedule. The propane rates are applicable to those customers with meters reading in propane Ccf and the natural gas rates are applicable to those customers with meters reading in natural gas Ccf on an equivalent basis.

<b>Natural Gas Ccf Rates</b>		<b>Propane Ccf Rates</b>	
Customer Charge	\$4.50	Customer Charge	\$4.50
All Consumption	\$1.484	All Consumption	\$3.733

**GAS SERVICE:**

In addition to the above Delivery Service rates, customers served under this rate schedule are subject to the gas cost rate applicable to Rate Schedule "RS" provided on Sheet No. 34 and the system improvement rate applicable to Rate Schedule "RS" provided on Sheet No. 36.

**PAYMENT TERMS:**

Bills are due within ten (10) days of their date.

**MINIMUM BILL:**

The minimum monthly bill under this rate schedule is the customer charge.

**SPECIAL TERMS AND CONDITIONS OF SERVICE:**

- (1) Service under this rate schedule is subject to the standard terms and conditions of service as in effect from time to time under authority of the Public Service Commission of Maryland. It is also subject to the limitations stated under the "Availability" clause above.
- (2) Service purchased hereunder is for the use of the customer in one location only and is not to be shared or sold to others.
- (3) In addition to the above Delivery Service rates, customers served under this rate schedule may be subject to one or more riders containing additional charges applicable to the service received, such as MFTR.

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Authorization: Order No. 85622 dated May 29, 2013 in Case No. 9303

**RATE SCHEDULE "COM"**

**COMMERCIAL SERVICE**

**AVAILABILITY:**

This rate schedule is available to any customer using natural or propane gas for either commercial or industrial purposes.

**DELIVERY SERVICE RATES:**

The following rates for delivering gas to the customer's location apply to all customers served under this rate schedule. The propane rates are applicable to those customers with meters reading in propane Ccf and the natural gas rates are applicable to those customers with meters reading in natural gas Ccf on an equivalent basis.

<b>Natural Gas Ccf Rates</b>		<b>Propane Ccf Rates</b>	
Customer Charge (April – September)	\$13.95	Customer Charge (April – September)	\$13.95
Customer Charge (October – March)	\$11.95	Customer Charge (October – March)	\$11.95
All Consumption	\$0.998	All Consumption	\$2.512

**GAS SERVICE:**

In addition to the above Delivery Service rates, customers served under this rate schedule are subject to the gas cost rate applicable to Rate Schedule "COM" provided on Sheet No. 34 and the system improvement rate applicable to Rate Schedule "COM" provided on Sheet No. 36.

**PAYMENT TERMS:** Bills are due within ten (10) days of their date.

**MINIMUM BILL:**

The minimum monthly bill under this rate schedule is the customer charge.

**SPECIAL TERMS AND CONDITIONS OF SERVICE:**

- (1) Service under this rate schedule is subject to the standard terms and conditions of service as in effect from time to time under authority of the Public Service Commission of Maryland. It is also subject to the limitations stated under the "Availability" clause above.
- (2) Service purchased hereunder is for the use of the customer in one location only and is not to be shared or sold to others.
- (3) In addition to the above Delivery Service rates, customers served under this rate schedule may be subject to one or more riders containing additional charges applicable to the service received, such as MFTR.

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Issue Date: May 31, 2013

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Authorization: Order No. 85622 dated May 29, 2013 in Case No. 9303



**RATE SCHEDULE "NCR"  
NEGOTIATED CONTRACT RATE**

**AVAILABILITY**

This negotiated contract tariff provision enables the Company to respond to Customers competitive options in the energy services market. The Company shall use this negotiated contract tariff to compete with alternate pricing situations resulting from but not limited to fuel switching, facility relocation or expansion, partial or complete plant production shifting, potential physical bypass, or other options available to the Customer. The Company shall use the provisions of this tariff only after a determination by the Company and the Customer that other existing tariff options will not meet the Customer's needs.

**ELIGIBILITY**

This contract tariff is available to any qualifying Customer as specified herein. Customer qualification shall be based upon meeting each of the following criteria as determined solely by the Company:

- (1) The Customer's consumption is greater than 25,000 natural gas Ccf per year or 10,417 propane gas Ccf per year or the Customer is a Commercial Customer that had a contract rate with Eastern Shore Gas Company on May 31, 2013 that is below the Company's tariff rates as filed on May 31, 2013.
- (2) The Customer has an economic competitive alternative to full or partial service from the Company's standard tariff rates, as determined by the Company.
- (3) The Customer is likely to select said alternative if the Company does not provide a negotiated contract rate.
- (4) The Customer desires pricing for a term of one year or more which requires a gas supply tailored to the specified term and pricing conditions. For those customers who qualify for a Negotiated Contract Rate because they had contract rates with Eastern Shore Gas Company that were below the Company's tariff rates as filed on May 31, 2013, the contract term must not exceed the effective date of the rates resulting from the rate case that will be filed by the Company pursuant to Order No. 85622 in Case Number 9303.

The Company shall determine eligibility on a case-by-case basis based upon information supplied by the Customer and in accordance with the Company's internal pricing guidelines. The Company's decision on the application shall consider the economics of the competitive alternative, as well as the practical aspects of securing that alternative (e.g., ability to secure environmental permitting, feasibility studies, switching ability, ability to secure required capital).

**SERVICE OPTIONS**

If the Company concludes that the Customer meets all the eligibility requirements listed above, the Company shall enter into negotiations with the Customer for the purpose of offering such services as are believed to meet the Customer's requirements. Competitive offers may be made in a manner which provides the Customer with numerous choices for service. A menu of service options differentiated by contract term, quantity, pricing options, and service attributes may be made available to the qualifying Customer.

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Authorization: Order No. 85622 and Letter Order dated August 14, 2013

**RATE SCHEDULE "NCR"**

**NEGOTIATED CONTRACT RATE  
(Continued)**

**RATE**

Pricing for delivery service only, a combination of delivery service and gas supply, and balancing service shall be determined on a case-by-case basis according to the nature of the competitive situation. The final arrangements between the Company and the Customer shall be included in the Contract.

**TRANSPORTATION AND BALANCING SERVICE:**

Transportation service is available to customers under this rate schedule with meters that are measured in natural gas Ccfs that choose to have their own natural gas transported through the Company's distribution system. Customers purchasing natural gas from a supplier, other than the Company, must have the natural gas delivered to the Company's city gate in accordance with the Transportation and Balancing General Terms and Conditions provided on Sheet No. 37. In addition to the above Delivery Service rate, the Customer is subject to the following Balancing Service rate applied to all gas consumption.

Balancing Service Rate:       \$0.071 per Ccf of gas consumed

**CONTRACT TERM**

The contract term shall be specified in a contract between the Customer and the Company.

**SPECIAL TERMS AND PROVISIONS**

- (1) Upon agreement on service options, the Customer and the Company shall enter into a contract which specifies the services and the terms and conditions of providing the services. The Customer must sign the Contract prior to commencement of this service and any investment by the Company. Service under the contractual agreement will commence on the date specified in the contract.
- (2) The contract shall be considered a confidential document between the Company and Customer. By signing the contract, the Customer and the Company agree not to share the contract or information contained within the contract with anyone except the parties to the contract, the Maryland Public Service Commission and the Office of Peoples Counsel, unless given written consent from the other party. Violations by the Customer of the confidentiality agreement shall permit the Company to immediately terminate the contract with the Customer and serve the Customer under another rate schedule for which the Customer qualifies. The Customer shall also be responsible for the penalty provision described below and additional damages or prejudices to any other existing or potential contracts resulting from the breach of confidentiality.

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Issue Date: May 31, 2013

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Authorization: Order No. 85622 dated May 29, 2013 in Case No. 9303

**RATE SCHEDULE "NCR"**

**NEGOTIATED CONTRACT RATE  
(Continued)**

- (3) The contract between the Company and the Customer shall include penalty provisions for early contract cancellation. If at any time prior to the end of the contract term the Customer elects to terminate the contractual agreement with the Company without exercising a re-contracting option for continuing service, the Customer shall be obligated to the terms for cancellation as specified within the contract.
- (4) The Company may offer value-added services in conjunction with the contract. All service attributes agreed to between the Company and the Customer shall be included in the contract.
- (5) The Company shall file a copy of the contract with the Maryland Public Service Commission for informational purposes within 30 days of the executed Contract.
- (6) In addition to the Delivery Service rate, customers served under this rate schedule may be subject to one or more riders containing additional charges applicable to the service received, such as MFTR.

## RATE SCHEDULE "GSR"

### GAS SALES RATE

The Gas Sales Rate is a volumetric charge per Ccf (100 cubic feet) and applies to the respective sales service rate schedules listed below. The Gas Sales Rate will be calculated to the nearest tenth of a cent (.1¢) per Ccf. The propane rates are applicable to those customers with meters reading in propane Ccf and the natural gas rates are applicable to those customers with meters reading in natural gas Ccf on an equivalent basis.

Natural Gas Ccf Rates		Propane Ccf Rates	
All Consumption	\$1.9972	All Consumption	\$5.024

The purchased gas cost recovery mechanism will be based on a projected recovery period in order to reflect current market prices. The Company will file the Gas Sales Rate with the Maryland Public Service Commission on a quarterly basis ten (10) days before each quarterly effective date of October 1, January 1, April 1, and July 1. The projected twelve (12) month period for purchased gas cost recovery will be October through September. The twelve (12) month recovery period and the twelve (12) month period used for the calculation of the actual over or under recovery of gas costs will be the same.

#### OVERALL METHODOLOGY:

The overall cost of purchased gas used in the determination of the Gas Sales Rate shall include, but not be limited to, costs associated with propane and natural gas purchased from any supply source, and storage, transportation, and any other gas related costs. Fixed gas supply costs (demand costs) will be divided by projected firm sales for the respective projected recovery period to determine an annualized fixed cost per unit. The receipt of transportation balancing service revenue from any Negotiated Contract Rate Customers will be a reduction to the fixed gas supply costs. The commodity gas supply costs (variable costs) applicable to firm gas sales service will be estimated based on projected market prices and projected firm sales volumes for recovery period. The charge or credit for transportation service cash outs from any Negotiated Contract Rate Customers will be included as commodity gas supply costs. All supplier refunds received from the Company's suppliers will be a reduction to either the fixed gas supply costs or the variable costs depending upon the nature of the refund. The Gas Sales Rate shall be the amounts determined for the fixed and commodity cost; plus or minus

- (1) The Actual Cost Adjustment in effect as determined by the method under the heading of "Actual Cost Adjustment" on Sheet No. 35; plus or minus
- (2) Any other applicable gas cost adjustments.

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Issue Date: September 19, 2014

Effective Date: October 1, 2014

Authorization: Order No. 85622 dated May 29, 2013 in Case No. 9303

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**RATE SCHEDULE "GSR"**

**GAS SALES RATE**

(Continued)

**ACTUAL COST ADJUSTMENT**

An Actual Cost Adjustment (ACA), to recover actual gas cost under or over collections, shall be computed by taking the actual cost of purchased gas as recorded on the books of the Company during the recovery period of the twelve months ended September, and subtracting there from an amount equal to the Gas Sales Rate multiplied by the actual sales for which the rate is applicable during the recovery period recorded on the books of the Company during the recovery period and further subtracting or adding any material ACA over or under collections for the previous year. Therefore, the total ACA amount to be recovered will contain the over or under collection of gas costs for the current determination period as well as a final reconciliation of the ACA amount from the previous period. The derived amount shall be divided by the forecasted quantities of gas for the appropriate time period. The resulting unit rate per 100 cubic feet shall be reflected for a twelve (12) month period. The determination period to be used in the computation of the ACA shall be the twelve (12) months ended September 30 of each year.

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**RATE SCHEDULE "SIR"**

**SYSTEM IMPROVEMENT RATE**

The System Improvement Rate ("SIR") is a volumetric charge per Ccf (100 cubic feet) and applies to the Residential and Commercial rate schedules for the purpose of recovering the cost of bare steel replacement and the cost of distribution system conversion and customer conversions from propane to natural gas. The SIR will be calculated to the nearest tenth of a cent (.1¢) per Ccf. The propane rates are applicable to those customers with meters reading in propane Ccf and the natural gas rates are applicable to those customers with meters reading in natural gas Ccf on an equivalent basis.

<b>Natural Gas Ccf Rates</b>		<b>Propane Ccf Rates</b>	
All Consumption	\$0.117	All Consumption	\$0.295

The SIR cost recovery mechanism will be based on a projected twelve (12) month recovery period of June 1 to May 31. The Company will file the SIR with the Maryland Public Service Commission on an annual basis at least thirty (30) days prior to the June 1 effective date.

**OVERALL METHODOLOGY:**

The costs used in the determination of the SIR shall include the costs associated with: (1) the replacement of bare steel pipeline, as required under a Public Service Commission Consent Order, dated March 5, 2003; (2) the conversion of propane distribution facilities to natural gas distribution facilities; and (3) the conversion of customer-owned behind-the-meter piping and equipment. Conversion costs do not include the cost of converting customer-owned equipment located outside the home. Projected SIR costs will be divided by projected sales for the recovery period to determine an annualized cost per unit. The SIR will include a reconciliation of prior year projected costs with prior year actual costs to account for the difference between prior year projected customer conversions and prior year actual customer conversions and the difference between the prior year projected average cost of customer conversions and the prior year actual average cost of customer conversions.

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Issue Date: May 28, 2014

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## **TRANSPORTATION AND BALANCING**

### **GENERAL TERMS AND CONDITIONS**

#### **1 GENERAL**

- 1.1 Transportation service is available to Negotiated Contract Rate Customers with meters that are measured in natural gas Ccfs and with consumption greater than 25,000 natural gas Ccf per year. Transportation service is not available to Negotiated Contract Rate Customers that utilize propane. Transportation service is made up of several components with associated charges. Components of transportation service include delivery of gas to the Customer's metering point, balancing the difference between the volume of gas supplied and the volume of gas actually consumed by the Customer on a daily basis, and resolving imbalances that exist at the end of a billing month. Customers utilizing transportation service will be billed for delivery service, balancing, and other charges applicable for the rate schedule under which they are served.
- 1.2 Transportation service for all eligible customers shall begin on the first day of the next month provided that notice of enrollment is received twelve (12) days or more prior to the first day of the month. If notice of enrollment is received less than twelve (12) days prior to the first day of the month, the request will be processed on the first day of the subsequent month. Enrollments shall be processed on a first-in basis during any given month. All agreements will be in effect for a twelve (12) month period.
- 1.3 The Company shall drop a customer from its current supplier when another supplier enrolls the customer. The Company shall also process notice of enrollment regardless of whether the customer is currently supplied by another supplier or by the Company.
- 1.4 The Company shall compensate a retail supplier through a cash exchange, an adjustment of gas usage, or an adjustment of delivery volumes, at the Company's discretion, for the portion of the first month during which gas is delivered to a customer of the supplier within 90 days of the first supply of gas to the customer.
- 1.5 In order to be eligible to participate as a supplier, a new Supplier must meet the requirements set forth in the Gas Supplier Requirements Rate Schedule and must also be registered with the Public Service Commission of Maryland.
- 1.6 A supplier may drop a customer by sending a notice to the Company. A supplier drop is effective on the first day of the next month provided a drop is received by the Company more than twelve (12) days before the first day of the next month. If a drop is received by the Company less than twelve (12) days prior to the first day of the next month, the drop shall take effect on the first day of the next subsequent month.
- 1.7 The Company shall assign a customer who has been dropped by a supplier and not enrolled by another supplier to sales service.

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## TRANSPORTATION AND BALANCING

### GENERAL TERMS AND CONDITIONS

(Continued)

#### GENERAL (continued)

- 1.8 Suppliers with an aggregate firm Daily Contract Quantity, based on the highest nomination DCQ for each of its firm customers during the months of November through March, of at least 200 Dt shall be eligible for release of the Company's firm transportation capacity upstream of Eastern Shore Natural Gas Company. The upstream firm transportation capacity will be allocated in proportion to the Company's firm transportation capacity on upstream pipelines. All such capacity releases shall be for a twelve (12) month period.
- 1.9 All firm customers that choose a supplier other than the Company shall be released pipeline capacity on Eastern Shore Natural Gas Company based on the customer's highest nomination DCQ during the months of November through March. All such capacity releases shall be for a twelve (12) month period.
- 1.10 All capacity releases will be recallable if the customer for whom a capacity release is made decides to return to the Company's Blended Gas Service before the end of the twelve (12) month release period. For aggregate releases, the amount recalled will only be the amount originally designated for the customer that chooses to return to the Company's Blended Gas Service.
- 1.11 The Company will not be obligated to release any firm transportation capacity on any pipeline for new customers or existing customers with new loads. Only capacity committed to by the Company to meet existing customer requirements will be released.

## 2 DEFINITIONS

*British Thermal Unit (Btu)*: The amount of heat required to raise the temperature of one (1) pound of water by one (1) degree Fahrenheit at sixty (60) degrees Fahrenheit measured on a dry basis at fourteen and seventy-three hundredths (14.73) pounds per square inch absolute (psi).

*Daily Contract Quantity (DCQ)*: The amount of Customer-owned gas, for each calendar month, which is scheduled by the Customer to be delivered to the Company's distribution system each day of the month net of the shrinkage factor.

*Decatherm (Dt)*: The quantity of heat energy that is equivalent to one million (1,000,000) British Thermal Units.

*Decatherm (Dt) conversion to Mcf*: Dt divided by the thermal factor equals Mcf.



## TRANSPORTATION AND BALANCING

### GENERAL TERMS AND CONDITIONS

(Continued)

#### 2 DEFINITIONS (continued)

*Flowing Gas:* Means gas flowing from a supplier through an upstream pipeline system to the city gate and does not include gas taken out of storage.

*Gas Day:* The twenty-four (24) consecutive hours beginning at nine o'clock (9:00) a.m. Central Clock Time ("CCT")

*Imbalance:* Any difference between the volume supplied by the Customer and the volume consumed. Nominations are adjusted for thermal content and shrinkage to determine the volume supplied by the Customer.

*Nomination:* The quantity of gas, including shrinkage, which the Customer is having delivered on its behalf to a receipt point on the Company's system.

*Shrinkage Factor:* A percentage applied to nominated quantities for Company use, losses and unaccounted-for gas to determine the quantity actually delivered to the Customer. The shrinkage factor shall be determined annually and will be the five-year (5) average.

*Thermal Factor:* The amount of Btu's in one Mcf of natural gas divided by one million (1,000,000). The thermal factor for converting between Dt and Mcf shall be 1.035 unless otherwise specified by the Company.

#### 3 CONTRACT FOR SERVICE

A Service Agreement with a minimum term of one (1) year must be executed by each applicant as a condition to receiving transportation service. The Service Agreement shall specify the date on which service is to begin, receipt and delivery points, the rate schedule(s) under which service is to be provided and other conditions of receipt by the Company and delivery to the Customer. Transportation of gas will not begin until a fully executed Service Agreement is completed.

**TRANSPORTATION AND BALANCING**

**GENERAL TERMS AND CONDITIONS**

(Continued)

4 GAS TO BE TRANSPORTED BY THE COMPANY

The Customer is responsible for making all arrangements necessary for getting the gas to a receipt point on the Company's distribution system in compliance with pressure requirements established by the Company or any upstream pipeline for the receipt point. Gas received for one Customer will be commingled with the gas of other customers and suppliers. Gas transported by the Company shall be and remain the property of the Customer.

5 QUALITY OF GAS

Gas received by the Company for the account of the Customer shall be natural gas conforming to the quality specifications as provided for in the General Terms and Conditions of the tariff of the pipeline that is interconnected to the Company's distribution system. Any gas entering the Company's system at a receipt point that is not an interconnection with an interstate pipeline must also meet the "pipeline quality" standard set forth above.

6 TITLE TO GAS

The Customer shall have good title to all the gas delivered to the Company for transportation free and clear of all liens, encumbrances, and claims whatsoever. The Customer agrees to indemnify and hold the Company harmless against any loss or cost incurred by the Company on account of liens, encumbrances or claims resulting from any possession or transportation by the Company.

7 LIABILITY

The Company shall not be liable for any damages, costs, losses or expenses resulting from or arising out of transportation service under any rate schedule, including, without limitation, interruption or curtailment of service, unless caused by the gross negligence of the Company.

8 METERING AND ASSOCIATED EQUIPMENT

Transportation service utilizing the DCQ for delivery of Customer-owned gas to the Company's distribution system is not expected to require any special metering or communication equipment in excess of what would be needed to provide regular delivery and standard gas sales service. However, there may be situations, such as knowledge of daily usage by interruptible customers that will require additional equipment. If any additional metering or communication equipment is required to provide transportation service, the Customer will reimburse the Company for such equipment and its installation. The Customer shall provide any electrical supply or phone line needed for the operation of the additional equipment.

## **TRANSPORTATION AND BALANCING**

### **GENERAL TERMS AND CONDITIONS**

(Continued)

#### **9 AGENTS ACTING ON BEHALF OF THE CUSTOMER**

A Customer using an agent, such as brokers, marketers, or producers, to act on behalf of the Customer for the delivery of gas to the Company's system must notify the Company in advance in writing the identity of the Agent and what responsibilities have been delegated to the Agent. Notification to the Company must clearly state Customer and/or Agent responsibilities for nominations, deliveries, and scheduling of gas. Any notices provided to a Customer's Agent shall be deemed to have been provided to the Customer and the Company shall be held harmless from any actions taken by the Agent.

#### **10 DETERMINATION OF DAILY CONTRACT QUANTITY**

10.1 A Daily Contract Quantity (DCQ) for each calendar month shall be calculated annually by the Customer for a twelve (12) month period. The Customer, or Customer's Agent, will be obligated to deliver the Customer's DCQ each day of the month to the agreed upon receipt point on the Company's distribution system.

10.2 The DCQ determined in 10.1 in Ccf will be grossed up for shrinkage and converted to Dt using the thermal factor. The result will be rounded to the nearest Dt which will be the customer's nomination quantity. This DCQ in Dt will then be reduced by the shrinkage factor and converted to Ccf using the thermal factor. The result will be the monthly DCQ expressed in Ccf.

10.3 If actual customer usage for the entire month is more than 50% above or below the sum of the customer's DCQ for the entire month, a fee will be imposed that equates to 10% of the imbalance charge for the amount over or under utilized by the Customer and will be charged on the following month's bill.

#### **11 NOMINATIONS AND SCHEDULING**

11.1 The Company shall deliver a Customer's gas only upon receipt from the Customer, or Customer's Agent, of a properly completed and executed nomination form specified by the Company. The nomination form shall, among other things, specify the nomination quantity required during the requested period measured in Dt and the location at which the gas is to be delivered. A nomination form must be submitted at the time specified below for each calendar month that transportation service is desired.

11.2 The nomination given to the Company will be in Decatherms (Dt).

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## **TRANSPORTATION AND BALANCING**

### **GENERAL TERMS AND CONDITIONS**

(Continued)

#### **11 NOMINATIONS AND SCHEDULING (Continued)**

11.3 Nominated quantities shall be reduced by the shrinkage factor and converted to Ccf to determine the volume actually scheduled for delivery to the Customer's meter, which must be equal to the Customer's DCQ in Ccf for the month.

11.4 Customers or their Agents shall provide the Company daily nominations for the upcoming calendar month by 9:00 a.m. CCT on the sixth business day prior to the beginning of such month via mail or facsimile. If the nomination cannot be confirmed with the delivering pipeline(s) or other source(s), the nomination will be rejected.

#### **12 BALANCING SERVICE**

12.1 Balancing between the Customer's DCQ and the volume of gas consumed by the Customer is performed daily by the Company on a firm basis. Imbalances between the volume of gas supplied by the Customer and the volume of gas consumed by the Customer for a billing month will be cashed-out at the Company's weighted average cost at the city gate for flowing gas, including gas cost, variable transportation, and fuel for the calendar month in which most of the billing month occurs. Estimated costs will be used based on nominations made by the Company when the applicable calendar month is not completed before billing the Customer.

12.2 If the DCQ volume is not supplied by the Customer for any Gas Day, the Supplier shall be billed a fee of \$30.00 per Dt for the difference between the DCQ nomination, which is in Dt, and the quantity actually supplied by the Customer. Such penalty is in addition to any cash-out price paid by the Customer for monthly imbalances.

#### **13 OPERATIONAL FLOW ORDER**

At any time that transportation of Customer-owned gas may, in the sole judgment of the Company, result in adverse operating impacts on the Company's distribution system or its ability to serve firm sales service Customers, the Company may refuse delivery of Customer-owned gas or require such Customer to adjust its deliveries up or down. Operational Flow Orders will be issued by the Company eight (8) hours in advance of implementation, unless exigent circumstances dictate a shorter notice period.

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**RATE SCHEDULE "GLS"**

**GAS LIGHTING SERVICE**

**AVAILABILITY:**

This rate schedule is available for unmetered outdoor gas lights as herein specified where the Company's existing distribution mains and services are suitable to supply such service.

**DELIVERY SERVICE RATE:**

The following rate for delivering gas to the customer's location applies to all customers served under this rate schedule.

Each 2 cu. ft./hr. or less of natural gas or 1 cu. ft./hr or less of propane \$6.35 per month.

**GAS SALES SERVICE:**

In addition to the above Delivery Service rates, customers served under this rate schedule are subject to the Gas Sales Rate applicable to Rate Schedule "GLS" provided on Sheet No. 34.

**PAYMENT TERMS:**

Bills are due within ten (10) days of their date.

**SPECIAL TERMS AND CONDITIONS OF SERVICE:**

- (1) Service under this rate schedule is subject to the standard terms and conditions of service as in effect from time to time under authority of the Public Service Commission of Maryland. It is also subject to the limitations stated under the "Availability" clause above.
- (2) The Customer shall install and own the lighting devices.
- (3) In addition to the above Delivery Service rates, customers served under this rate schedule may be subject to one or more riders containing additional charges applicable to the service received, such as MFTR.

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## **RATE SCHEDULE "SUP"**

### **GAS SUPPLIER REQUIREMENTS**

#### **AVAILABILITY**

This rate schedule is for qualified gas suppliers that contract with a Customer to deliver the Customer's Daily Contract Quantity (DCQ) under the Transportation and Balancing General Terms and Conditions. A Supplier must submit an application to the Company to provide service to customers under this schedule, satisfy the Company's credit requirements set forth below, and be approved by the Maryland Public Service Commission.

#### **RESPONSIBILITY FOR GAS DELIVERY**

The Supplier shall make nominations and deliver, or arrange to have delivered, the Customer's DCQ in accordance with the Transportation and Balancing General Terms and Conditions. If the Supplier has more than one Customer, a nomination which is the sum for more than one Customer may be made on interstate pipelines but the quantity for each Customer must be identified on the nomination to the Company. Failure to deliver the required quantity of gas will make the Supplier subject to penalties as stated in the Transportation and Balancing General Terms and Conditions. During a period of supply interruption in which case the Supplier interrupts the Customer's gas supply for any reason, the Supplier shall notify the Company immediately providing pertinent information relating to the anticipated duration of such supply interruption.

#### **CREDIT WORTHINESS**

To become a qualified supplier, the Supplier must demonstrate to the Company's satisfaction that it has met and continues to meet the credit worthiness criteria of at least one non-affiliated interstate pipeline that delivers natural gas to the Company's city gate or to an interstate pipeline that is connected to Eastern Shore Natural Gas Company. Upon notification by the Company that the Supplier no longer satisfies the credit worthiness criteria or has failed to timely pay any bill rendered under this schedule, the Supplier is disqualified until such time as satisfactory evidence is provided by the Supplier that the Supplier's overall financial condition again meets the Company's credit worthiness criteria or an acceptable credit enhancement, including but not limited to a cash deposit, letters of credit or surety bonds, is furnished to the Company.

#### **TAXES**

Any applicable taxes including, but not limited to, the Gross Receipts and Public Service Commission Regulatory Assessment will be added to all charges.

#### **PAYMENT TERMS**

Bills are due within ten (10) days of their date.

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## **RATE SCHEDULE "SUP"**

### **GAS SUPPLIER REQUIREMENTS**

(Continued)

#### **LIABILITY LIMITS**

The Company shall not be liable for any loss, cost, damage or expense occasioned by the calculation of the DCQ. The Supplier shall warrant that, at the time of delivery of gas to the customer, it will have good title to deliver all gas volumes. The Company shall have no liability with respect to all gas delivered prior to its physical receipt by the Company or after its delivery to the Customer.

#### **CUSTOMER/SUPPLIER PRE-ENROLLMENT REQUIREMENTS**

- A. Before requesting customer information from the Company, the supplier shall notify the customer of its intention to request customer information from the Company, and obtain the customer's consent for release of the customer's information from the Company. The supplier notice shall specify the customer information to be requested.
- B. Upon the request of the supplier, the Company shall provide the following applicable customer information; account name, billing address, service address, utility account number, bill cycle, rate schedule, and the monthly historical consumption for the previous 12 months.

#### **CONTRACT REQUIREMENTS**

- A. The supplier and the Company shall provide written notice of enrollment to a Customer entering into a service agreement with the supplier on the next business day following the supplier's receipt of the Company's enrollment response. The supplier's presentation of a signed copy of the customer's contract at any time before enrollment shall constitute sufficient written notice to the customer.
- B. The supplier shall provide notice of enrollment to the Company and such notice shall include the following; customer account name, customer service address, billing name, billing address, utility name, utility account number, supplier name, supplier identifier, commodity provided, and effective date of the enrollment.

#### **CANCELLATION OF SUPPLY SERVICE**

- A. The Company may remove a Customer from supplier services only if directed by the supplier, subject to applicable bankruptcy law. The supplier shall process a Customer's request to cancel supply services not later than the end of the second business day after the Customer's cancellation request.
- B. After the third business day following a Customer request for a supplier to cancel supply service, the Customer may contact the Company to verify that the cancellation request submitted by the supplier has been processed by the Company. If a Customer's cancellation request has not been processed by the Company, and the Customer requests cancellation of supplier service, the Company shall process a cancellation. A Customer's request to cancel service with the Customer's current supplier does not limit cancellation provisions contained in the Customer's service agreement with the supplier.

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**RATE SCHEDULE "MFTR"**  
**MARYLAND FRANCHISE TAX RIDER**

**PROVISION**

In compliance with the Maryland 1999 Electric and Gas Utility Tax Reform Act ("Tax Reform Act"), effective January 12, 2000, this Maryland Franchise Tax Rider shall be applicable to Rate Schedule "RS" – Residential Service, Rate Schedule "COM" – Commercial Service, and Rate Schedule "NCR" – Negotiated Contract Rate. The Tax Reform Act permits the public service companies in Maryland to surcharge its customers to recover the public service company franchise tax.

**APPLICABILITY**

The Maryland Franchise Tax Rider is applicable to all Delivery Service customers of the Company based on the amount of natural or propane gas delivered to the customer for final consumption in the State of Maryland. Any individual industrial customer that uses natural or propane gas in a production activity at the same location in the State of Maryland may claim exemption from the Maryland Franchise Tax Rider.

**RATE**

As specified in the Tax Reform Act, the rate applicable to all firm Delivery Service customers' final consumption is \$0.00402 per therm. This is equivalent to a billing rate of \$0.0042 per natural gas Ccf using a Btu factor of 1.035 in the conversion of the per therm rate to the per Ccf rate. The billing rate applicable to a propane Ccf is \$0.0101 per propane Ccf using a conversion factor of 2.4 propane Ccf for every natural gas Ccf.