

PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES GOVERNING THE FURNISHING
OF SERVICE
TO NATURAL GAS SUPPLIERS AND
TRANSPORTATION SERVICE CUSTOMERS

Issued: March 15, 2002

Effective: May 14, 2002

Natural gas emergency plan filing
in compliance with Pa. Code §59.72
through §59.74

ISSUED BY:

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The currently effective Southern Union Tariff Gas Pa P.U.C. No. 5 and all pending supplements thereto can be accessed through the Company's website at www.pgenenergy.com.

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LIST OF CHANGES MADE BY THIS SUPPLEMENT

Rule 5. Operational Flow Orders and Operational Alerts has been changed to Operational Flow Orders and Balancing Alerts. The order on the page has been changed to be consistent with the order that will be issued. Duties and actions during emergencies have been further clarified. Tariff filing has been made in compliance with 52 Pa. Code §59.72-59.74.

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DEFINITIONS

(Unless otherwise specified, definitions apply to service under both FTS and RTS/GTS schedules)

1. "Allowable Delivery Range" shall mean an amount of gas within +/-2.5% of Customer's or Pool's actual gas usage. The Allowable Delivery Range shall be determined daily based on that day's actual usage. (FTS only)
2. "Allowable Negative Imbalance" shall mean a volume equal to or less than 2.5% of the Customer's Gas Usage for the Billing Month. (FTS only)
3. "Billing Month" shall mean the period between regularly scheduled meter reading dates.
4. "Commission" shall mean the Pennsylvania Public Utility Commission.
5. "Company" shall mean PG Energy.
6. "Company Designated Representative" shall mean a person designated by the Company to receive, process and approve the Company's Nomination Form.
7. "Company Transportation Allocation Form" shall mean the form designated by the Company for the purpose of receiving a Billing Month delivery volume accounting from (1) a qualified individual Customer or (2) a Pool Operator. (FTS only)
8. "Customer" shall mean a residential, commercial or industrial end user of natural gas. Where such entity receives service through multiple meters, each meter will be considered as a separate Company customer account.
9. "Customer Agency Authorization Form" shall mean a signed document designating a third party to serve as a Customer representative in making changes to a Customer's account.
10. "Excess Negative Imbalance" shall mean any Monthly Negative Imbalance greater than the Allowable Negative Imbalance of 2.5%. (FTS only)
11. "Gas Deliveries" (FTS only) shall mean the sum of
 - (i) the volume of gas received by the Company for the Customer's account during the Billing Month, less the retainage for gas loss and unaccounted for in Company operations, and
 - (ii) the volume of gas, if any, nominated by or for the Customer for withdrawal from storage during the Billing Month, less the actual retainage of gas for fuel shrinkage assessed by the interstate pipeline and/or storage operator for storage withdrawals, and
 - (iii) Standby Service or any other gas supply provided by the Company.

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DEFINITIONS (continued)

12. "Gas Usage" (FTS only) shall mean the sum of
 - (i) any prior period Allowable Negative Imbalance, and
 - (ii) the volume of gas actually used by the Customer during the Billing Month, and
 - (iii) the volume of gas, if any, nominated by or for the Customer for injection into storage during the Billing Month, less the actual retainage of gas for fuel shrinkage assessed by the interstate pipeline and/or storage operator for storage injections.
13. "Imbalance" shall mean (i) the difference between Gas Deliveries and Gas Usage with respect to Customers served under Schedule FTS or (ii) the difference between gas deliveries made by the Customer or Pool Operator and the gas deliveries specified by the Company with respect to Customers served under Schedules RTS and GTS.
14. "Maximum Daily Transportation Quantity" or "MDTQ" shall mean the maximum daily volume of gas that shall be delivered to the Company's system for use by the Customer, as determined by the Company.
15. "Natural Gas Supplier" shall mean any person, corporation or other entity that has received a license from the Commission determining that it is eligible and licensed to supply natural gas supply services to Customers in the Company's service territory under and pursuant to the Natural Gas Choice and Competition Act and that has met the additional criteria established by the Company to permit it to provide natural gas supply service to Customers.
16. "Negative Monthly Imbalance" shall mean any Imbalance which is a result of the Customer's Gas Usage exceeding the Customer's Gas Deliveries during the Billing Month. (FTS only)
17. "Nomination Form" shall mean the form, written or electronic, provided by the Company which the Customer or Pool Operator uses to notify the Company about the quantity of gas scheduled to be used by the Customer or Pool during each day of the following Billing Month.
18. "Pool" shall mean a Customer or group of Customers served by a Pool Operator.
19. "Pool Operator" shall mean any licensed natural gas supplier that a Customer contracts to represent them in matters related to transportation of gas. See the Qualifications of Pool Operators section of this tariff.
20. "Positive Monthly Imbalance" shall mean any Imbalance which is a result of the Customer's Gas Deliveries exceeding the Customer's Gas Usage during the Billing Month. (FTS only)
21. "Positive Daily Imbalance" shall mean any amount delivered by the Customer or its Pool Operator to the Company on a specific day which is more than the

amount used by the Customer or Pool. (FTS only)

(ii) sewage treatment plants.

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DEFINITIONS (continued)

22. "Priority One Customers" shall mean Customers whose gas usage is for
- (i) a building where persons normally live including, but not limited to, homes, apartment buildings, dormitories, hotels, hospitals and nursing homes, or
23. "Standby Service Daily Demand" shall mean the maximum daily volume that can be provided to the Customer by the Company under the Standby Service provisions of this tariff. (FTS only)
24. "Storage Capacity" shall mean the volume of storage reserved for the Customer's or Pool Operator's use under the Storage Service provisions of this tariff.
25. "Storage Demand" shall mean the maximum daily volume that can be withdrawn from storage and delivered to the Customer by the Company under the Storage Service provisions of this tariff.
26. "Storage Service" shall mean the combined services of Storage Capacity and Storage Demand.
27. "Supplier of Last Resort" shall mean the Company or another entity that provides natural gas supply services to customers that do not elect another supplier or choose to be served by the supplier of last resort, customers that are refused service from another natural gas supplier, or customers whose natural gas supplier fails to deliver the required gas supplies. Currently, the Company is the supplier of last resort for all customers under the terms of this tariff. Each customer may only have one supplier of last resort with one exception. The Company shall be under no obligation and shall have no duty to serve as Supplier of Last Resort to any FTS Customer who does not have Standby Service or capacity released/storage capacity equal to meet its MDTQ.
28. "Transportation Agreement" shall mean a contract between the Company and a FTS Customer which provides for service under the Company's FTS rate schedule and which specifies the terms and conditions governing such transportation service. A form of Transportation Agreement is attached hereto as Appendix A (See pages 32-36). (FTS only)

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RULES AND REGULATIONS

RULE 1. POOL OPERATOR OBLIGATIONS

1.1 Qualifications of Pool Operators

.1 Financial Information - In order for the Company to consider and accept the Pool Operator as a supplier of gas to Customers of the Company, the Pool Operator must provide the following financial information, provided, however, that such financial information will not be required by the Company if the Pool Operator has obtained a Natural Gas Supplier License from the Pennsylvania Public Utility Commission within one year prior to the date it submits an application to the Company for approval to become a supplier of gas to Customers of the Company and that such information has been provided to the Company:

The Pool Operator shall provide the following financial information:

- a. Audited financial statements, annual report or Form 10-K for the most recent fiscal year-end.
- b. Current interim financial statements.
- c. Listing of parent company, affiliates and subsidiaries.
- d. Names, addresses and telephone numbers of three trade references.
- e. Dun and Bradstreet credit report.
- f. If audited financial statements are not available, the last three years' federal income tax returns, including all schedules and attachments.

.2 The Pool Operator shall deliver a certificate of a duly elected officer or authorized representative certifying the following:

- a. The Pool Operator is not operating under any chapter of the bankruptcy laws and is not subject to liquidation under any state law.
- b. The Pool Operator is not subject to the uncertainty of pending or threatened litigation in state or federal courts or regulatory proceedings which could (i) cause a substantial deterioration in its financial condition, (ii) cause a condition of insolvency, or (iii) endanger its ability to exist as an ongoing business.
- c. The Pool Operator does not have outstanding lawsuits, actions or judgments, which, individually or in the aggregate, could jeopardize its ability to remain solvent.

- d. The Pool Operator has the power and authority to transact the business it transacts and proposes to transact, has obtained and holds a Natural Gas Suppliers License from the Pennsylvania Public Utility Commission and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be in good standing would not, individually or in the aggregate, reasonably be expected to jeopardize its ability to transact the business it transacts or to remain solvent.

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RULES AND REGULATIONS

RULE 1. POOL OPERATOR OBLIGATIONS (Continued)

- e. The Pool Operator indemnifies and holds harmless the Company and each of its directors, officers, agents, employees and controlling persons (within the meaning of the Securities Act of 1933, as amended) for any and all liability related to or arising from the Pool Operator's failure to (i) provide service to the Company's Customers and (ii) fulfill its obligations to the Company and its Customers. The Pool Operator agrees to reimburse the Company for any and all payments made by the Company and each of its directors, officers, agents, employees and controlling persons on account of such liability.
- f. The Pool Operator will maintain pipeline and storage capacity necessary to perform its obligations to the Company and its Customers on an ongoing basis.
- .3 The Pool Operator has a continuing obligation to notify the Company in writing, within 5 days, of the occurrence of any event which would render the Pool Operator unable to provide the certificates required under this "Qualification of Pool Operators" Section 1.1.2 as of the date such event occurred and within 5 days of any other significant deterioration in its financial fitness or creditworthiness. The Pool Operator shall also provide the Company a copy of the financial statements specified in this "Qualifications of Pool Operators" Section 1.1.1(a) within 90 days after the end of each of its fiscal years, and, upon request by the Company, as soon as practicable, other updated financial information specified in this "Qualifications of Pool Operators" Section 1.1.1(b) through 1.1.1(f)
- .4 Evaluation Process to Determine Creditworthiness - The Company will base its evaluation of a Pool Operator's creditworthiness on the financial information provided in response to this "Qualifications of Pool Operators" Section or from the license application. The Company shall perform such evaluation on a non-discriminatory basis to determine if a Pool Operator's financial condition meets its creditworthiness standards. The Company shall have sole discretion to determine creditworthiness of a Pool Operator and to determine the amount and form of security, if any, that is required of the Pool Operator, but will not deny creditworthiness without reasonable cause.
- A fee of \$100.00 will be assessed for the initial evaluation. The Company reserves the right to reevaluate creditworthiness when information received by the Company indicates that the financial condition of a previously approved Pool Operator has deteriorated.

- .5 In addition to proof of creditworthiness, Pool Operators providing service to a Pool consisting of Customers receiving service under rate schedules RTS and/or GTS shall be required to provide the Company with one of the following forms of security or credit enhancements. Pool Operators providing service to a Pool consisting of Customers receiving service under rate schedule FTS may be required to provide the Company with one of the following forms of security or credit enhancements as the Company shall determine on a non-discriminatory basis:

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RULE 1. POOL OPERATOR OBLIGATIONS (Continued)

- a. A security deposit equal to \$4.00 times the Pool Operator's Maximum Daily Transportation Quantity times 30 days for all Customers represented by the Pool Operator.
- b. An irrevocable standby letter of credit in an amount equal to the amount calculated in "Qualifications of Pool Operators" Section 1.1.5(a) above, which is issued in favor of the Company and drawn upon a financial institution acceptable to the Company.
- c. A guarantee by a person or another entity which satisfies the creditworthiness criteria outlined by the Company.
- d. Other security mutually agreed upon by the Company and the Pool Operator.

The Company will monitor the Pool Operator's Maximum Daily Transportation Quantity for all of the Customers it represents on a monthly basis to ensure that adequate security is in place at all times.

- .6 All information submitted or provided to the Company will remain confidential.

1.2 Communications Protocol

All communications between the Company and the Pool Operator regarding service to customers under rate schedules RTS, GTS and FTS shall conform to the standards as set forth in the Company's Communications Protocol. All Company information available to Pool Operators and Customers shall not be disclosed to third parties without appropriate authorization or consent from the Company. The Company will maintain a copy of the currently effective Communications Protocol on its website.

The Company may periodically modify the communications standards due to operational necessity or to adhere to Commission rules and regulations. The Company will not change standards as set forth in the Communications Protocol without first providing at least seven days advance notice of the changes via email and posting to the website. The Company will make a good faith effort to consult with Pool Operators and to provide as much advance notice as possible.

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RULE 1. POOL OPERATOR OBLIGATIONS (Continued)

1.2 Communications Protocol (Continued)

The Company may release, but is not obligated to release, certain private Customer information to a Pool Operator and only after informing Customer of its intent to release such information. Each Customer may notify the Company of their desire to permit or restrict the release of that private information. Customers may request to restrict the release of information at any time and the Company shall then honor that request until and unless the Customer requests otherwise. Customers may restrict information according to one of the following two restrictions: (i) restrict the release of only the Customer's historical billing data in \$/ccf, or (ii) restrict the release of all private Customer information including name, billing address, service address, rate class, rate schedule, account number and historical billing data in \$/ccf. The Company will make available to Pool Operators a list of all Customers who have not restricted release of all or a portion of their private information. Under no circumstance will the Company release Customer telephone numbers.

The Pool Operator shall keep all Customer information supplied by the Company confidential unless the Pool Operator has the Customer's written authorization to do otherwise.

1.3 Right of First Refusal

If the storage or transportation capacity held by the Pool Operator were acquired from a party or parties other than the Company, and there was not sufficient notice given to the Company prior to cessation of service by the Pool Operator, or if there is not alternative storage or transportation capacity available which is operationally sufficient to serve the Pool which the Pool Operator was serving, then the Company shall be provided with a right to use such storage or transportation capacity at the contract price to serve a Pool until the Company is able to acquire replacement capacity sufficient to serve such customers.

If the storage or transportation capacity held by the Pool Operator to serve a Pool were acquired from a party or parties other than the Company, and part or all of the Pool Operator's customers are reverting back to the Company, and if

there is not alternative storage or transportation capacity available which is operationally sufficient to serve the aforementioned lost customers, then the Company shall be provided with a right to use such storage or transportation capacity at the contract price until the Company is able to acquire replacement capacity sufficient to serve such customers.

1.4 Applicable Rules and Regulations

The Pool Operator shall adhere to all applicable Pennsylvania Public Utility Commission rules and regulations, including but not limited to, standards for credit determination, deposits, initiation and disconnection of service, as well as disclosure of the terms of service, marketing, advertising and sales practices and privacy of customer information. The Pool Operator shall adhere to all provisions of this tariff.

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RULES AND REGULATIONS

RULE 1. POOL OPERATOR OBLIGATIONS (Continued)

1.5 Miscellaneous

- .1 Each Pool Operator shall assign its Customers to a Pool. A Customer may not belong to more than one Pool. A Pool shall be restricted to Customers receiving service under the same rate schedule, with the exception that a Pool may include Customers receiving service under Schedules RTS and GTS. A Pool Operator may administer more than one Pool.
- .2 The Pool Operator has the responsibility, pursuant to this tariff, for all day-to-day coordination of dispatch scheduling and any administrative communication between the Company and members of the Pool. In addition, payment for penalties incurred by the Pool Operator or a member of its Pool shall be the responsibility of the Pool Operator.
- .3 Transportation service will be made available to the Pool and its Pool Operator within thirty (30) days from the acceptance of a Pool Operator's Pool list. If at any time a Pool Operator fails to maintain the requirements for transportation service, the Pool Operator will be notified by the Company. Except in the event of an emergency that threatens the integrity of the Company's system, a Pool Operator will have five calendar days to remedy any such failure. If the Pool Operator has not taken corrective action within the time period prescribed, the Company may notify the Pool Operator that the Pool Operator is suspended from providing transportation service; said suspension to become effective in ten (10) days. Any Pool Operator so notified may petition the Commission for an Emergency Order requesting a stay or said suspension, pursuant to the regulations of the Commission. Absent a stay, a suspension will become permanent after 45 days unless the Pool Operator remedies the failure which occasioned the suspension, and provides reasonable assurances to the Company that such failure will not occur in the future. A Pool Operator that has been suspended from providing transportation service must immediately stop the transportation of natural gas and notify Pool members that they must select another Pool Operator or return to the supplier of last resort.

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RULES AND REGULATIONS

RULE 2. COMPANY OBLIGATIONS

2.1 Applicable Rules and Regulations

The Company shall adhere to all applicable Pennsylvania Public Utility Commission rules and regulations and to the provisions of this tariff.

2.2 Natural Gas Choice Information

As directed by the Pennsylvania Public Utility Commission, the Company will participate in education efforts to inform customers of their ability to elect alternate suppliers of natural gas. The Company will provide new distribution service customers with information concerning their ability to elect alternate suppliers of natural gas along with a listing of available suppliers.

2.3 Customer Switching under Rate Schedules RTS and GTS

Requests to switch suppliers must originate from the Pool Operator who shall submit them to the Company in accordance with the Communications Protocol. Customers who contact the Company directly will be referred to the appropriate Pool Operator, except for requests to return to the Company's sales service. On the next business day after the receipt of a switch request, the Company shall mail a confirmation notice to the customer indicating the switch request, the designated Pool Operator, the estimated service start date and the option for the Customer to cancel the switch by contacting the Company during a 10-day waiting period. The supplier switch will occur on the first meter reading date following the expiration of the 10-day confirmation waiting period plus a 5-day Company processing period.

The Company and Pool Operator shall adhere to all applicable Pennsylvania Public Utility Commission rules and regulations to protect Customers from unauthorized supplier switches.

2.4 Complaint Handling and Resolution

Customers shall directly contact the Company or the Pool Operator responsible for the service in question as an initial step for complaint and problem resolution. In the event of an unexpected loss of firm gas service, the Customer shall be directed to the Company. Inquiries and complaints from any Customer will be received and processed in a timely manner. Residential Customer inquiries and complaints will be handled in conformance with Chapter 56 of the Commission's Rules. When a Customer inquiry or complaint relates to services provided by a Pool Operator, the Company will refer the Customer to the Pool Operator for a response. If the Customer inquiry or complaint involves issues or services provided by both the Company and the Customer's Pool Operator, the Company will maintain a system of tracking and coordinating the response to the Customer inquiry or complaint from both parties. If a Customer is dissatisfied with the Company's response, or indicates dissatisfaction with the Pool Operator response to the Customer with respect to the Pool Operator service, the Company will inform the Customer of the right to file an informal appeal with the Bureau of Consumer Services at the Commission and provide the Customer with the toll-free telephone number and mailing address of the Commission.

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RULE 2. COMPANY OBLIGATIONS (Continued)

The Company and Pool Operators shall give the Commission access to disclosure statements, billing and other Customer information resources for compliance reviews as deemed necessary by the Commission. When complaints arise and are brought before the Commission for resolution, the obligation of the Pool Operator shall be extended to the provision of pricing information.

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RULES AND REGULATIONS

RULE 3. DISPUTE RESOLUTION PROCEDURE

- 3.1** Any dispute arising under this tariff between the Company and any Pool Operator will be managed according to the following dispute resolution procedure.
- .1 Either the Company or the Pool Operator may initiate the dispute resolution process by presenting a written notice of dispute to the other party in a manner that will verify the receipt of the notice of dispute by the other party. At a minimum, the notice of dispute must contain a clear description of the matters in dispute and the contact names for the disputing party.
 - .2 Within five (5) days of the Company's or Pool Operator's receipt of a notice of dispute, a designated senior representative of each of the parties shall attempt to resolve the dispute on an informal basis.
 - .3 In the event the designated representatives are unable to resolve the dispute by mutual agreement within thirty (30) days of said referral, the dispute shall be referred for mediation through the Commission's Office of Administrative Law Judge. A party may request mediation prior to that time if it appears that informal resolution is not productive.
 - .4 If mediation is not successful, then the matter shall be converted to a formal proceeding before a Commission Administrative Law Judge.
 - .5 Any party may file a complaint concerning the dispute with the Commission under relevant provisions of the Public Utility Code, with a copy provided to the other party involved in the dispute.
- 3.2** Said procedure is in addition to any other right of either party to use any

other legal process for resolution of disputes.

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RULES AND REGULATIONS

RULE 4. FORCE MAJEURE

The term "force majeure" as employed herein means any cause not reasonably within the control of the Customer or Pool Operator, as further defined below. Force majeure events shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected areas, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather-related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption of firm transportation and/or storage by the interstate pipeline(s) delivering the Customer's or Pool Operator's supply; (iv) acts of others, such as strikes, lockouts, or other industrial disturbances, riots, sabotage, insurrection or wars; and (v) governmental action such as necessity for compliance with any court order, law, statute, ordinance or regulation promulgated by a governmental authority having jurisdiction. The Customer or Pool Operator shall make reasonable efforts to avoid the adverse impact of a force majeure event and to resolve the event or occurrence, if possible, once it has occurred, in order to effectuate deliveries. The Customer or Pool Operator shall not be entitled to claim force majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary in-path, firm transportation is also curtailed; (ii) the Customer or Pool Operator failed to remedy the condition and resume deliveries with reasonable dispatch; or (iii) economic hardship. The Customer or Pool Operator, whose deliveries are prevented by force majeure, must provide notice to the Company. Initial notice must be given orally, immediately upon discovery; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification,

the Customer or Pool Operator will be relieved of its obligation for underdelivery penalties, to the extent and for the duration of the force majeure event. However, the Customer and/or Pool Operator shall still be responsible for reimbursing the Company for any and all costs and penalties incurred by the Company as a result of the Pool Operator and/or Customer's failure to deliver.

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RULE 5. OPERATIONAL FLOW ORDERS AND BALANCING ALERTS

If events occur that could develop into system emergencies or lead to a threatening of system integrity, the Company may issue Operational Flow Orders (OFO) or Balancing Alerts (BA) requesting and/or requiring Pool Operators or Customers to take certain actions to protect, maintain or reestablish the safe operation of the Company's distribution system. The Company shall notify the Customer or Pool Operator of a BA or an OFO by posting on the Company's Bulletin Board, and when possible by telephonic, facsimile or other electronic method. All Pool Operators shall be responsible for making their Customer's aware of a BA or OFO. The Company shall not notify individual Customers served by a Pool Operator.

A Balancing Alert (BA) may be called during periods of projected increased or decreased consumer demand for, or supply of, natural gas which may cause system stress or threaten applicable storage or other pipeline contract limitations. An BA is a request for specific action on the part of an individual Customer or Pool Operator, or all Customers and Pool Operators. The Customers and Pool Operators are expected to respond to an BA within 2 hours after the Company provided notice, informing the Company of their intended action. Where possible, an BA may be used to avoid an OFO but shall not be required as a condition to the issuance of an OFO.

In the event the Company issues an OFO, each Customer or Pool Operator receiving service under Schedules RTS, GTS or FTS shall (i) in the event of system deliveries being less than projected end use customer requirements, be required to continue delivering on a daily basis, for the duration of the OFO, the volumes of gas that had otherwise been scheduled for delivery to the Company's

system by such Customer or Pool Operator or (ii) in the event of system deliveries being greater than projected end use customer requirements, be required to reduce deliveries on a daily basis, for the duration of the OFO, to a level equal to their projected (C) demand. Customers or Pool Operators serving Customers under Schedules RTS or GTS may also be required to increase or decrease their daily deliveries pursuant to Rule 8.3(.1). Customers or Pool Operators serving Customers under Schedule FTS may alternatively be required to adjust their deliveries or usage so that daily usage does not exceed daily deliveries. Failure to continue deliveries in case (i) will subject the Customer or Pool Operator to a charge of twenty-five dollars (\$25.00) per Mcf for the difference between the previously established volumes and the actual daily deliveries. Failure to reduce deliveries in case (ii) will subject the Customer or Pool Operator to a charge of twenty-five dollars (\$25.00) per Mcf for the difference between aggregate Customer or Pool Operator daily usage and the actual total Customer or Pool Operator deliveries less the greater of two and one half percent (2½%) of the aggregate Customer or Pool Operator daily usage or one hundred Mcfs (100). In addition to the \$25.00 charge applicable in either case (i) or case (ii) the Customer or Pool Operator will be responsible for the payment of all other charges incurred by the Company that result from the Customer's or Pool Operator's failure to deliver or reduce the required volumes, including a proportionate share of any pipeline penalties incurred by the Company, plus any daily balancing penalties the Customer or Pool operator may have incurred. Gas that is delivered to the Company, but not used by the Customer or Pool as a result of an OFO shall be sold by the Customer or Pool Operator to the Company at a rate equal to the higher of the respective Customer's or Pool Operator's total purchase cost (including pipeline transportation charges) or the weighted average commodity cost of all gas purchased by the Company for the month in which the OFO occurs and otherwise in accordance with the curtailment provisions of this tariff.

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES AND REGULATIONS

RULE 6. RETAINAGE

The Company shall retain a percentage of the gas received for the Customer's account as gas lost or unaccounted for in Company operations. See the Loss and Unaccounted for Percentage referenced in the Company's end-user tariffs.

The Company shall retain a percentage of the gas injected into or withdrawn from storage based on the actual percentage of fuel shrinkage realized by the operators of the storage facility to the Company.

The Company shall inform all Pool Operators providing service on its system of any changes in the lost and unaccounted for percentage or fuel shrinkage percentage. No penalty shall be assessed against any Pool Operator if underdelivery or overdelivery of supply occurs due to the failure of the Company to inform a Pool Operator of such change.

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES AND REGULATIONS

RULE 7. SERVICE UNDER RATE SCHEDULE FTS

7.1 Availability

This service is available at one location for the total requirements of any Municipal, Commercial or Industrial Customer, as such terms are defined in the Company's end-user tariffs, who: (i) (a) used in excess of 10,000 MCF during the previous twelve-month contract period or (b) the Company has estimated its previous or future twelve-month period consumption to be in excess of 10,000 MCF, and (ii) has executed a Transportation Agreement (a form of Transportation Agreement is attached hereto as Appendix A. See pages 32-36). The gas supply for each Customer served under this rate schedule must enter the Company's distribution system at the specified delivery point(s). Customers served under this rate schedule prior to April 1, 2000, who do not meet the minimum usage requirements set forth above will continue to qualify for service under this rate schedule.

A Pool Operator may not represent a Customer unless the Customer has completed and filed with the Company a Customer Agency Authorization Form at least 30 days prior to the Pool Operator assuming such duties.

The Company reserves the right, as a condition of service under Rate Schedule FTS, to install, at the Customer's expense, remote read devices for the purposes of monitoring and/or billing Customer volumes, at every single meter or multimeter location served under this rate schedule. The

Customer shall at all times maintain, at its expense, a phone connection and electric lines to the device which will allow the Company unlimited remote access to the remote read device.

7.2 Scheduling of Receipts and Deliveries

With respect to Customers served under Schedule FTS, the Customer or the Pool Operator shall notify the Company Designated Representative, by use of the currently effective Nomination Form, as to the quantity of gas expected to be used by the Customer or Pool and the quantity of gas scheduled to be delivered to the Company during each day of the following Billing Month. Such notification shall be delivered to the Company Designated Representative two (2) business days prior to the Billing Month of scheduled delivery or as may otherwise be deemed satisfactory by the Company. Daily and intraday nominations changes will be allowed in accordance with a schedule which will be published in the nomination section of the Company's website. All times concerning nominations are Eastern Time. Nomination Forms may be rejected by the Company Designated Representative when sufficient pipeline or source information is not provided with the Nomination Form.

By 12:00 noon on the first business day following the Billing Month, each Customer served individually under Schedule FTS and each Pool Operator for Customers served under that Schedule shall deliver to the Company Designated Representative a complete written transportation volume allocation of gas by contract for the individual Customer or each Customer within a Pool, as the case may be. Failure to do so will result in the suspension of deliveries of gas for fourteen (14) days. The Company has the right to waive or shorten this time period for good cause shown.

The Company shall determine acceptable delivery points on the Company's distribution system in conjunction with the physical or operational restrictions of the system.

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES AND REGULATIONS

RULE 7. SERVICE UNDER RATE SCHEDULE FTS (Continued)

7.3 Provision of Additional Gas Supplies by the Company

If the Customer or Pool Operator is unable to schedule sufficient quantities of gas to meet its needs, the Customer or Pool Operator may request additional gas supplies from the Company for one or more days or for an entire Billing Month. The Company may, in its sole discretion, supply such additional gas. The Customer or Pool Operator will make a nomination to the Company Designated Representative, at least 24 hours in advance, reflecting the amount of additional gas being requested. The Company will then determine, in its sole discretion, whether to honor all requests for additional supplies on the requested date(s). If the Company determines it is unable to meet all such requests for additional gas, each request will be fulfilled on a pro rata basis. Each Customer or Pool Operator provided additional gas by the Company under the terms of this subsection of this tariff will be charged for such gas based on the average spot price for all gas so purchased plus the actual charges to deliver the gas to the Company's system, plus an administrative charge. The Customer or the Pool Operator will still be responsible for any balancing charges that may be applicable. If, as determined by the Company,

such service cannot be provided, the Company shall notify the Customer or Pool Operator that service is not available.

7.4 Daily Balancing

All Customers' deliveries under Schedule FTS shall be balanced daily. Customers represented by Pool Operators shall be balanced daily based on their Pool Operator's total deliveries for the day.

If the Customer's or Pool Operator's actual delivery falls outside the Allowable Delivery Range, the difference between the Allowable Delivery Range and the actual delivery will be assessed a daily balancing charge. If the Company has issued an Operational Flow Order, its requirements take precedence over the daily balancing requirements stated in this Section 7.4.

The daily balancing charge shall be calculated by taking the difference between the Allowable Delivery Range and the actual delivery and multiplying such amount by the daily balancing rate as indicated in the Company's end-user tariffs. For the purpose of this calculation, the difference between the Allowable Delivery Range and the actual delivery will be treated as a positive number.

At the end of the Billing Month, the Customer or the Pool Operator will be billed for the total of all daily balancing charges accrued during that Billing Month. All payments shall be in accordance with the Company's end-user tariffs.

7.5 Monthly Balancing

In addition to Daily Balancing, all Customers' deliveries under Schedule FTS, shall be balanced monthly at the end of the Billing Month. Customers represented by a Pool Operator shall be balanced monthly based on the Pool Operator's total deliveries and usage.

Customers or their Pool Operator will be allowed a 2.5% Negative Monthly Imbalance at the end of each Billing Month.

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES AND REGULATIONS

RULE 7. SERVICE UNDER RATE SCHEDULE FTS (Continued)

If a Negative Monthly Imbalance occurs, the Company shall notify the Customer or Pool Operator as to the amount of such Negative Monthly Imbalance. The Allowable Negative Imbalance shall be maintained for the duration of the subsequent Billing Month unless reduced or eliminated. During the subsequent Billing Month, the first gas received by the Company for the Customer's account shall be charged against the prior Billing Month's Allowable Negative Imbalance and, if sufficient in quantity, shall eliminate and terminate the Allowable Negative Imbalance.

Any Excess Negative Imbalance shall be billed to the Customer or Pool Operator as provided for in Section 7.7.2, Schedule B, of the Load Management for FTS Customers Section of this tariff.

When a Customer or Pool Operator has caused a Positive Monthly Imbalance as the result of using less gas than was delivered to the Company, any Positive Monthly Imbalance at the end of the Billing Month shall be subject to the

terms of Section 7.7.1, Schedule A, of the Load Management for FTS Customers Section of this tariff.

Beginning with the month of termination of service under any of the Company's transportation rate schedules, a Customer or Pool Operator shall have a one (1) month period to eliminate any Imbalance condition.

7.6 Other Balancing and Billing-related Provisions

- .1 In any Billing Month, the volume of gas used by the Customer shall be billed as if the gas were delivered in the following sequence unless otherwise agreed to by the Company and the Customer or Pool Operator:
 - a. volumes received by the Company during the current Billing Month less (i) the retainage for gas lost or unaccounted for in Company operations; (ii) any Allowable Negative Imbalance from a prior Billing Month; and (iii) the volume, if any, nominated by or for the Customer or the Pool Operator for injection into storage, less any retainage for fuel shrinkage assessed by the interstate pipeline or storage operator for storage injections;
 - b. storage withdrawals during the current Billing Month, if any, nominated by or for the Customer or Pool Operator, less any retainage for fuel shrinkage assessed by the interstate pipeline or storage operator for storage withdrawals;
 - c. any volume of gas provided by the Company to the Customer during the Billing Month; and
 - d. Positive Imbalances or Excess Negative Imbalances for the current Billing Month as determined under the Load Management section of this tariff (Section 7.7).
- .2 Standby Service Daily Demand shall be billed at the rates included in the regular sales rate schedule under which service would otherwise be provided, less the Standby Credit.

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES AND REGULATIONS

RULE 7. SERVICE UNDER RATE SCHEDULE FTS (Continued)

- .3 If any provisions regarding balancing cause the Company to incur penalties from its interstate pipeline supplier(s) for Customer deliveries, then the Customer or Pool Operator causing the penalty shall be billed for such penalty.
- .4 Payment for any Excess Negative Imbalance under the Load Management Section of this tariff (Section 7.7) and the payment or waiver of any related penalty shall terminate and eliminate such Excess Negative Imbalance.
- .5 If a Balancing Charge is applicable, it shall be calculated according to the Daily Balancing provision of this tariff (Section 7.4).

7.7 Load Management for FTS Customers and Pools

- .1 Should there be any Positive Monthly Imbalance remaining at the end of the Billing Month, the Customer or Pool Operator shall have the right to transfer such imbalance to another transportation Customer or Pool Operator. Any Positive Monthly Imbalance which is transferred to another Customer or Pool Operator shall be subject to an administration fee of \$0.25 per MCF of imbalance transferred. The Company shall have the right to waive any such administration fee on a non-discriminatory basis. If a transfer of the Positive Monthly Imbalance does not occur or the transfer does not completely clear the Positive Monthly Imbalance, then the Company shall pay the Customer or Pool Operator in accordance with Schedule A below for the remaining Positive Monthly Imbalance.

Schedule A

% Imbalance	% of Index Price
0 - 2.5%	100%
> 2.5 - 10%	95%
> 10 - 15%	90%
> 15%	85%

The Index Price shall equal the Company's average commodity cost of gas for the Billing Month in which the Positive Monthly Imbalance occurs.

- .2 Any Excess Negative Imbalance shall be billed the rates contained in Schedule B below. Any Excess Negative Imbalance greater than 15% shall also be subject to a penalty of \$25.00 per MCF. The Company reserves the right to waive any such penalty on a non-discriminatory basis providing there is no cost or detriment to any other Customer.

Schedule B

% Imbalance	% of Index Price
> 2.5 - 10%	105%
> 10 - 15%	110%
> 15%	115%

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES AND REGULATIONS

RULE 7. SERVICE UNDER RATE SCHEDULE FTS (Continued)

The Index Price shall equal the sales rate billed under the applicable tariff rate schedule, based upon the Customer's total consumption in the Billing Month in which the Excess Negative Imbalance occurs. No additional transportation charges shall be added to the sales rate billed under the applicable tariff rate schedule.

- .3 For the purpose of determining the level at which an Imbalance shall be eliminated, the escalating or declining percentage of the Index Price will apply only to the portion of the Imbalance outside each tolerance level.
- .4 The amounts due hereunder shall be paid in accordance with the terms and conditions of the Company's end-user tariffs.

7.8 Standby Service for FTS Customers

To ensure that a supply of gas will be available to the Customer in the event that the Customer's transportation service is interrupted or curtailed by any third-party transporter or if gas production ceases for any reason, the Customer or Pool Operator of a Pool receiving service under Schedule FTS may request that the Company provide Standby Service Daily Demand. If, in its sole judgment, the Company determines that such service can be provided without impairing service to other Customers served by the Company, the Company and the Customer or Pool Operator shall agree upon the Standby Service Daily Demand to be provided. The Standby Service Daily Demand shall be stated in the Transportation Agreement. The Standby Service Daily Demand agreed upon shall remain in full force and effect from year-to-year unless reduced or canceled by either (i) the Company or (ii) the Customer or Pool Operator, in either case upon thirty (30) days written notice. Should the Customer or Pool Operator request an increase in Standby Service Daily Demand, the Company shall endeavor to obtain the supply of gas necessary to serve the requested increase. The increase shall be granted only if, in the Company's sole judgment, the total supply available to the Company is sufficient to serve the increased Standby Service Daily Demand without impairing service to other Customers served by the Company.

Each Priority One Customer receiving service under Schedule FTS must either (i) have an alternate fuel source which will act as a standby fuel source for the Customer's metered load (ii) contract for Standby Service Daily Demand equal to its MDTQ as specified in its Transportation Agreement or (iii) acquire adequate firm pipeline and storage demand equal to its MDTQ specified in the Transportation Agreement, either from the Company or otherwise. If this pipeline and storage capacity is acquired from a party other than the Company, the Customer or Pool Operator must provide an affidavit to the Company stating: (i) the capacity is firm; (ii) the capacity is not subject to recall and; (iii) the capacity will not be released without being recallable to the Customer, Pool Operator or Company.

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES AND REGULATIONS

RULE 7. SERVICE UNDER RATE SCHEDULE FTS (Continued)

A Priority One Customer who chooses pipeline release and storage allocation by the Company in lieu of Standby Service shall have pipeline capacity released and Storage Capacity allocated in a manner consistent with the pro rata portion determined by the Company to enable the Customer to meet its MDTQ. When a Customer requests pipeline capacity and Storage Capacity in lieu of Standby Service and the available Storage Demand is less than the Customer's MDTQ requirements, the MDTQ requirements deficiency will be satisfied with Company released pipeline capacity, if available.

7.9 Standby Charge

- .1 The monthly charge for Standby Service Daily Demand shall be the product of the Standby Rate and the Standby Service Daily Demand as stated in the Transportation Agreement less any Standby Credit. Any increase or addition to Standby Service Daily Demand during the contract period shall remain in full force and effect for a period of no less than twelve (12) months.
- .2 The Standby Rate shall be equal to the sum of the monthly contract demand rates charged by the Company's interstate pipeline suppliers divided by the sum of the daily contract demands.
- .3 The Standby Credit shall be equal to the product of the Standby Credit Rate and the volume billed at tariff rates under the Standby Service provision.
- .4 The Standby Credit Rate shall be equal to the Standby Rate divided by the number of days in the Billing Month.
- .5 The Standby Rate shall be subject to increase or decrease whenever any of the Company's interstate pipeline suppliers make changes in their contract demand rates. Any change in the Standby Rate shall become effective on the first day of the month following the date on which the change in the pipeline contract demand rate becomes effective.

7.10 Storage Service for FTS Customers

- .1 In order to provide for the storage of gas by the Company during the summer period (April-October) for use by Customers during the following winter period (November -March), the Company shall provide a Storage Service. The Company shall, each year, determine in its sole judgment, the volume of Storage Service that can be provided without impairing service to other Customers or Pool Operators served by the Company. The Company shall notify all Customers served under rate schedule FTS as to the total volume of Storage Service which will be available. Customers desiring Storage Service shall submit a written request to the Company for Storage Services. In the event that a Customer becomes a transportation Customer under Schedule FTS and requests Storage Service, and the Company approves such request, the Customer must purchase from the Company the quantity of gas relative to the Customer's Storage

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES AND REGULATIONS

Rule 7. SERVICE UNDER RATE SCHEDULE FTS (Continued)

Capacity in storage on the date that the Customer commences to receive transportation service. The price to be paid by the Customer in such instances will be the average cost of the Company's gas in the storage facility on the date the Customer commences to receive transportation service. A Non Priority One Customer desiring Storage Service cannot request Storage Demand which exceeds the Customer's contracted MDTQ. Should the sum of the requested Storage Capacity exceed the volume made available by the Company, allocations shall be made in the following sequence:

- a. All Priority One Customers.
- b. Customers that contracted for Storage Service in the previous year shall be allocated Storage Capacity based on their previous storage year's quantities. Customers that did not use their previous year's total Storage Capacity, or failed to inject their previous year's total Storage Capacity, will be allotted quantities of storage equal to the previous year's Storage Capacity quantity, minus any previous year's Storage Capacity either not withdrawn and/or not injected by March 31st of the previous contract year.
- c. For Customers initially requesting Storage Service, the available Storage Service up to their requested volumes shall be allocated on a pro-rata basis.
- d. Any remaining available Storage Capacity shall be allocated on a pro-rata basis for the increased portion of the nominations of Customers who have currently contracted for Storage Service.
- e. Customers requesting Storage Service after April 1, must purchase in place all volumes injected by the Company subsequent to April 1 and up to the date such request is approved.

Storage Capacity shall not exceed the product of the number of possible storage withdrawal days, one hundred and fifty one (151), multiplied by the Customer's Storage Demand.

- .2 The Storage Demand and the Storage Capacity shall be stated in the Transportation Agreement.
- .3 Storage injections shall normally be made only during the months of April through October. Daily injection rates shall not exceed 60% of the contracted Storage Demand during the period of April 1 through July 31 and 50% of the contracted Storage Demand during the period of August 1 through October 31.
- .4 Storage withdrawals shall occur during the period of November 1 through April 15 of each year. All storage shall be withdrawn by the end of business on April 15 of each year. Any Storage Capacity remaining after April 15 shall be treated as a Positive Imbalance. Storage quantities shall be withdrawn at rates in accordance with the following schedule:
 November 1 through February 14 - 100% of contracted Storage Demand
 February 15 through March 14 - 80% of contracted Storage Demand
 March 15 through April 15 - 65% of contracted Storage Demand

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RULES AND REGULATIONS

RULE 7. SERVICE UNDER RATE SCHEDULE FTS (Continued)

7.11 Storage Charge

- .1 The monthly Storage Charge shall be the sum of the Storage Demand Charge, Capacity Charge, Injection Charge, and the Withdrawal Charge.
- .2 The monthly Storage Demand Charge shall be the product of the Storage Demand

Rate and the Storage Demand as stated in the Transportation Agreement.

- .3 The Storage Demand Rate shall be equal to the sum of the monthly Storage Demand charges billed by the Company's storage suppliers divided by the sum of the suppliers' Storage Demand quantities.
- .4 The monthly Capacity Charge shall be the product of the Capacity Rate and the Storage Capacity as stated in the Transportation Agreement.
- .5 The Capacity Rate shall be equal to the sum of the monthly Storage Capacity charges billed by the Company's storage suppliers divided by the sum of the suppliers' Storage Capacity.
- .6 The Injection Charge shall be the product of the Injection Rate and the volume injected by or on behalf of the Customer into storage during the Billing Month.
- .7 The Injection Rate shall be equal to the weighted average of the storage injection rates charged by the Company's storage suppliers.
- .8 The Withdrawal Charge shall be the product of the Withdrawal Rate and the volume withdrawn by or on behalf of the Customer or Pool Operator during the Billing Month.
- .9 The Withdrawal Rate shall be equal to the weighted average of the storage withdrawal rates charged by the Company's storage suppliers.
- .10 The Storage Charge components shall be subject to increase or decrease whenever any of the Company's storage suppliers increase or decrease their rates to the Company. Any change in the Storage Rates shall become effective on the first day of the month following the date on which the change in the suppliers' storage rates becomes effective. The Company shall provide notice of any such change to all Pool Operators promptly upon notice from the Company's storage suppliers.
- .11 The Standby Credit shall be equal to the product of the Standby Credit Rate and the volume billed at regular rates under the Standby Service provision.

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RULES AND REGULATIONS

RULE 7. SERVICE UNDER RATE SCHEDULE FTS (Continued)

7.12 Curtailment

- .1 Service under all transportation rate schedules is subject to interruption or curtailment in accordance with the provisions of the Company's end-user

tariffs during periods of gas supply shortages when service is threatened to Customers classified as Priority One Customers. However, if, a non Priority One Transportation Customer or a Priority One Transportation Customer with alternate fuel burning equipment has chosen less than the full Standby Service or released pipeline or storage capacity allocated by the Company required to meet its MDTQ, then, service above the Customer's Standby Service or Company released Pipeline or allocated Storage Capacity shall be considered interruptible in accordance with the Company's end-user tariffs. During the duration of a gas supply shortage, non Priority One transportation Customers and Pool Operators for such Customers, must agree to sell, on a daily basis, the volumes of gas scheduled or nominated for delivery to the Company. Such sales shall continue only for the duration of the gas supply shortage and shall not be required unless service to all Customers other than Priority One Customers is interrupted or curtailed. Customers or Pool Operators must agree to sell their supply of gas to the Company at a rate equal to the higher of the respective Customer's or Pool Operator's total purchase cost (including pipeline transportation charges) or the weighted average commodity cost of all gas purchased by the Company for the month.

- .2 Payment by the Company shall be made within ten (10) days after receipt of an invoice and supporting documentation from the Customer or Pool Operator.
- .3 Service for non Priority One Transportation Customers and Priority One Transportation Customers having alternate fuel burning equipment may be interrupted or curtailed, whenever the Company's pipeline capacity is insufficient to meet the needs of all Customers in the area in which the Transportation Customer is located.
- .4 Should it become necessary, as a result of a gas supply shortage noted in Section 7.12.1 above, for the Company to use gas held in allocated storage for the Customer or Pool Operator under the Storage Service provisions of this tariff, the Company shall not buy the gas from the Customer or Pool Operator but shall be obligated to replace the gas at no charge to the Customer or Pool Operator as soon as practicable. For billing purposes, the Customer or Pool Operator shall be entitled to receive its contractual storage volumes immediately at the end of the curtailment as if the storage volumes were in place.

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RULES AND REGULATIONS

RULE 7. SERVICE UNDER RATE SCHEDULE FTS (Continued)

7.13 Miscellaneous Provisions under Rate Schedule FTS

- .1 The Company shall be under no obligation and shall have no duty to provide retail service to any FTS Customer who does not have Standby Service or capacity released/storage capacity equal to meet its MDTQ.
- .2 The Company makes no guarantees against, and accepts no responsibility or liability for, the interruption or curtailment of transportation service caused by parties other than the Company, its agents or contractors.
- .3 Schedule FTS Customers who wish to transfer to retail sales service may do so if the Company, in its sole judgment, determines that (i) such service can be provided without impairing service to other Customers and (ii) the transfer of the Customers will not materially affect any over or undercollection of gas costs which would otherwise be applicable to retail sales Customers.

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

RULES AND REGULATIONS

RULE 8. SERVICE UNDER RATE SCHEDULES RTS AND GTS

8.1. Availability - Schedule RTS

This service is available at one location for the total requirements of any Residential Customer, as such term is defined in the Company's end-user tariff, Southern Union Tariff Gas Pa. P.U.C. No. 3, meeting the following conditions:

- .1 The Customer does not take service under any other rate schedule.
- .2 The Customer is a member of a Pool and does not belong to more than one Pool.

8.2. Availability - Schedule GTS

This service is available at one location for the total requirements of any Municipal, Commercial or Industrial Customer, as such terms are defined in the Company's end-user tariff, Southern Union Tariff Gas Pa. P.U.C. No. 3, meeting the following conditions:

- .1 The Customer does not take service under any other rate schedule.
- .2 The Customer: (a) did not exceed a maximum individual annual usage of 10,000 MCF during the previous contract period or (b) the Company has estimated its previous or future twelve-month period consumption to be no greater than 10,000 MCF.
- .3 The Customer must be a member of a Pool and may not belong to more than one Pool.
- .4 The Company, at its discretion, may require Customers who are eligible to receive service under this rate schedule to be served under Rate Schedule FTS due to operational restrictions on its city gate or distribution system.

8.3. Scheduling of Receipts and Deliveries for RTS and GTS Customers

- .1 Customers served under Schedules RTS or GTS, or the Pool Operator for such Customers, shall be notified by the Company of the fixed quantity of gas that they are required to deliver to the Company for each day of the Billing Month and the delivery points to which such quantities are to be delivered. Such quantities shall not exceed the quantities released to the Pool Operator under provisions of Section 8.4. The Company will provide this information no later than seven (7) business days prior to the month of the scheduled deliveries. The Customer or the Pool Operator will confirm the quantity to be delivered for its use or its Pool through the Company's Nomination Form. The Nomination Form must be returned to the Company Designated Representative no later than two (2) business days prior to the month of the scheduled deliveries. Nomination Forms may be rejected by the Company Designated Representative when sufficient pipeline or source information is not provided with the Nomination Form. If, during the month, the Company determines that the fixed quantity of gas that is required on a particular day or days should be adjusted due to weather or system operating conditions, it will notify the Customer or the Pool Operator at least 48 hours prior to the change being required.

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RULES AND REGULATIONS

RULE 8. SERVICE UNDER RATE SCHEDULES RTS AND GTS (Continued)

- .2 For Customers served under Schedules RTS or GTS, the Company will only accept daily deliveries less than or equal to the amount specified by the Company; provided, however, that such deliveries may be reduced by the Company if they conflict with the Company's daily gas system operations.

8.4. Pipeline Capacity Release for RTS and GTS Customers

The Company will release, and the Pool Operator will accept, sufficient interstate pipeline firm transportation capacity to serve each Customer who migrates to rate schedules RTS and GTS to the Customer's Pool Operator. The amount of pipeline capacity to be released to each Pool Operator will be determined on a volumetric basis. First, a ratio will be computed that is equal to the total amount of design day capacity (both pipeline and storage) held to serve the RS/GS customer group divided by the normalized annual consumption of the RS/GS group. This ratio is the amount of design day capacity per Mcf of normalized annual consumption. This ratio will then be multiplied by the normalized 12-month historic consumption of the Pool Operator's customers, to determine the amount of total capacity to be assigned to the Pool Operator. The amount of pipeline capacity to be released to the Pool Operator shall equal 32% of the total capacity assigned, based on the relative proportions of pipeline and storage capacity held to serve the RS/GS customer group. This percentage shall be subject to redetermination annually in the Company's section 1307(f) proceeding. The release will be at the maximum rates paid by the Company, and subject to recall in the event the Pool Operator ceases to serve the Company's customers or fails to deliver the specified amounts to the Company.

8.5. Storage Service Allocation for RTS and GTS

In order to serve each Customer who migrates to Rate Schedules RTS and GTS, the Company will allocate sufficient Storage Service to the Customer's Pool Operator. Storage will be administered by the Company on behalf of RTS and GTS Customers and/or their Pool Operators. The amount of Storage Demand to be allocated to the Pool Operator shall equal 68% of the total capacity assigned to the Pool Operator as determined in the preceding paragraph, Section 8.4, including annual redeterminations of the percentage. The Company shall charge the Customer's Pool Operator for storage at the Company's as-billed weighted average cost, which costs shall include any swing or no-notice service which the Company utilizes to provide Storage Service. In the event that a Customer served under Rate Schedules RS or GS becomes a transportation Customer served under Rate Schedules RTS or GTS, the Customer or Pool Operator must purchase from the Company the quantity of gas relative to the Customer's or Pool Operator's Storage Capacity in storage on the date that the Customer commences to receive transportation service. The price to be paid by the Customer or Pool Operator in such instances will be the average cost of the Company's gas in the storage facility on the date the Customer or Pool Operator commences to receive transportation service.

(C) Indicates Change (D) Indicates Decrease (I) Indicates Increase

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RULES AND REGULATIONS

RULE 8. SERVICE UNDER RATE SCHEDULES RTS AND GTS (Continued)

8.6. Daily Underdelivery Penalty under Schedules RTS and GTS

On a daily basis, the Company will reconcile the Customer's or Pool's actual deliveries under rate schedules RTS and GTS with the Company's specified delivery amounts. Unless excused by "force majeure", any actual deliveries which are less than the Company specified amount by more than 2.5% will be charged to the Customer or Pool Operator at \$25.00 per Mcf plus any costs and penalties incurred by the Company to cover such imbalance. At the end of the Billing Month, the Customer or Pool Operator will be billed for all charges so accrued during the month.

8.7. Pool Operator Final Reconciliation for RTS and GTS Customers

Accounts of Pool Operators who exit the system for any reason will be reconciled. Any Imbalance remaining will be balanced to zero. Positive Imbalances may either be transferred to another Pool Operator for an administration fee of \$.25 per Mcf or purchased by the Company at the lower of the Customer's or Company's average commodity cost of gas for the Billing Month. Negative Imbalances will be reconciled by selling the Pool Operator gas at the Company's average cost of gas for the Billing Month. At its sole discretion, the Company reserves the right to waive the administration fee on a non-discriminatory basis.

8.8. Curtailment

- .1 Service under rate schedules RTS and GTS is subject to interruption or curtailment in accordance with the provisions of the Company's end-user tariff, Southern Union Tariff Gas Pa. P.U.C. No. 3, during periods of gas supply shortages when service is threatened to Customers classified as Priority One Customers. During the duration of a gas supply shortage, non Priority One Transportation Customers and Pool Operators for such Customers must agree to sell, on a daily basis, the volumes of gas scheduled or nominated for delivery to the Company. Such sales shall continue only for the duration of the gas supply shortage and shall not be required unless service to all Customers other than Priority One Customers is interrupted or curtailed. Customers or Pool Operators must agree to sell their supply of gas to the Company at a rate equal to the higher of the respective Customer's or Pool Operator's total purchase cost (including pipeline transportation charges) or the weighted average commodity cost of all gas purchased by the Company for the month.
- .2 Payment by the Company shall be made within ten (10) days after receipt of an invoice and supporting documentation from the Customer or Pool Operator.
- .3 Service for non Priority One transportation Customers and Priority One transportation Customers having alternate fuel burning equipment may be interrupted or curtailed, whenever the Company's distribution pipeline capacity is insufficient to meet the needs of all Customers in the area in which the transportation Customer is located.

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RULES AND REGULATIONSRULE 8. SERVICE UNDER RATE SCHEDULES RTS AND GTS (Continued)

- .4 Should it become necessary, as a result of a gas supply shortage noted in Section 8.8.1 above, for the Company to use gas held in storage for the Customer or Pool Operator under the Storage Service provisions of this tariff, the Company shall not buy the gas from the Customer or Pool Operator but shall be obligated to replace the gas at no charge to the Customer or Pool Operator as soon as practicable. For billing purposes, the Customer or Pool Operator shall be entitled to receive its contractual storage volumes immediately at the end of the curtailment as if the storage volumes were in place.

8.9. Miscellaneous Provisions under Rate Schedules RTS and GTS

- .1 To the extent a transportation Customer, who is served by capacity other than that which has been released to such Customer from the Company, transfers back to retail sales service, the Company shall have right of first refusal on the use of such capacity.
- .2 The Company will allocate to the Pool Operator for each Customer who migrates to Rate Schedules RTS and GTS a pro rata portion of the natural gas which the Company is obligated to purchase pursuant to gas supply contracts in existence as of the time the Customer migrates. The Company shall charge the Pool Operator the Company's weighted average cost of the gas that the Company is obligated to purchase under all such contracts.
- .3 The Company makes no guarantees against, and accepts no responsibility or liability for, the interruption or curtailment of transportation service caused by parties other than the Company, its agents or contractors.
- .4 If a Pool Operator terminates service to a Customer or group of Customers, the Company shall recall storage and associated pipeline capacity that has been released to the Pool Operator to serve such Customers. The Company shall have the right but not the obligation to purchase the remaining storage gas with respect to the Customers at the lesser of (a) 95% of the Company's lowest monthly weighted average commodity cost of gas during the previous injection period (April through October), plus associated variable transportation costs (C) to the Company's City Gate and a proportionate share of storage demand capacity charges on such volumes since April 1; or (b) 95% of the Market Price of gas for that day which shall be determined by reference to the Gas Daily Index, "Daily Price Survey" for "Transco Zone 6 (Non-NY)" plus associated variable transportation costs to the Company's City Gate and proportionate storage demand capacity charges on such volumes since April 1. The Pool Operator shall be responsible for all taxes and pipeline fees associated with moving or transferring the storage gas to the Company.

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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

Appendix A

**PG Energy / CUSTOMER
TRANSPORTATION AGREEMENT**

Account No. _____

THIS AGREEMENT, made this 1st day of _____ 2000, by and between PG Energy, A Division of Southern Union Company (Company), a Delaware Corporation, having offices at One PEI Center, Wilkes-Barre, PA and _____ (Customer) a _____ corporation, _____ having offices at _____.

W I T N E S S E T H

WHEREAS Customer has access to available quantities of natural gas, which quantities have been purchased by Customer for use in its facilities located at _____, and ;

WHEREAS Customer desires to have such quantities of natural gas transported to such facilities by Company; and

WHEREAS Company is willing to receive, transport and deliver equivalent quantities (less quantities retained for company-use and unaccounted for gas as provided herein) to an existing point of delivery between Company and Customer all on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements herein contained, and pursuant to the terms and provisions of Company's Southern Union Tariff - Gas Pa. P.U.C. No. 7 or superseding issues thereof, the parties hereto agree as follows:

a. Term of Agreement

This Agreement shall become effective on the date first above written, and shall remain in force and effect for a minimum twelve (12) month period from the date above written, and thereafter until cancelled by either party. The Customer or Company, upon thirty (30) days written notice may cancel this agreement.

b. Maximum Daily Transportation Quantity

The maximum daily Transportation Quantity shall be _____ MCF. The maximum daily Transportation Quantity shall be subject to review prior to the anniversary date of the contract.

c. Standby Service Volume

The Standby Service Volume shall be _____ MCF per day. The Standby Service Volume shall be subject to review prior to the anniversary date of the contract.

PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

Appendix A (Continued)**PG Energy / CUSTOMER
TRANSPORTATION AGREEMENT****d. Storage Demand Volume**

The Storage Demand Volume shall be _____ MCF per day. The Storage Demand Volume shall be subject to review prior to the anniversary date of the contract.

e. Storage Capacity Volume

The Storage Capacity Volume shall be _____ DTH. The Storage Capacity Volume shall be subject to review prior to the anniversary date of the contract.

f. Rate

Customer agrees to pay Company for gas transportation services provided hereunder in accordance with the **Firm Transportation Service Agreement - Schedule FTS** in Southern Union Tariff - Gas Pa. P.U.C. No. 7 or superseding issues thereof.

g. Incorporation of Tariff

Customer agrees to be bound by the provisions of all of Company's applicable tariff and rate schedules of Southern Union Tariff-Gas Pa. P.U.C. No. 7 which are incorporated herein by reference and made a part hereof.

h. Delivery

The gas to be transported hereunder will be delivered by Company to Customer at an existing interconnection of Company and Customer facilities located at _____. Deliveries shall commence on the 1st day of the month following the date first above written.

i. Retainage

Company will retain a percentage of the gas delivered for the Customer's account based upon the lost and unaccounted provisions of Southern Union Tariff - Gas Pa. P.U.C. No. 7 which are incorporated herein by reference and made a part hereof.

j. Scheduling

Company will monitor the Customer's daily consumption and make adjustments to the Customer's delivery schedule in order to maintain an approximate balance between Customer's deliveries and consumption. Company will inform the customer at least twenty-four hours in advance of any such adjustment.

k. Penalties

Any penalties directly incurred by Company because of over or under deliveries by the intermediate transporter for the Customer's account, will be charged to the Customer.

PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

Appendix A (Continued)

**PG Energy / CUSTOMER
TRANSPORTATION AGREEMENT**

l. Delivery Obligation

This Agreement shall be expressly contingent upon Company's receipt of Customer deliveries under this Agreement.

m. Payment

Company will render to Customer a statement of the total quantity of natural gas delivered for the account of Customer hereunder and the charges due thereon. All bills are rendered at the unit price and that amount is due on bills paid on or before the due date shown on the bill. After that date the "total amount payable after due date", which includes a late payment charge, becomes due. If a bill is validly disputed by Customer, Customer shall timely pay the portion of such bill not in dispute.

n. Warranty of Title

Customer warrants that it will have good and lawful title to all natural gas delivered to Company for transportation hereunder, and that such gas will be free and clear of all liens, encumbrances and claims whatsoever, and that it will indemnify Company and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons to said gas.

o. Governing Law

This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

p. Termination of Agreement

It is understood and agreed that in case the premise of the Customer supplied hereunder, or the personal property thereon, shall be levied upon under execution, or in the case of the assignment, bankruptcy or any act of insolvency on the part of the Customer, this Agreement at the option of the Company shall become null and void and the Company shall have the right to remove any or all of its property on the premises of the Customer. If the Agreement shall be cancelled or terminated for any cause, all claims for gas previously supplied shall forthwith become due and payable without notice from the Company, and the Customer covenants and agrees to pay the same on demand.

PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

Appendix A (Continued)

**PG Energy / CUSTOMER
TRANSPORTATION AGREEMENT**

q. Force Majeure

Neither of the parties hereto shall be liable in damages to the other for any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, storms, floods, washouts, arrests and restraints of rulers, and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting the performance hereunder by either party hereto, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve Customer from its obligations to make payments of amounts due hereunder.

r. General Non-Liability

Company shall not be liable for any loss, cost, damage, injury, or expense that may result either directly or indirectly from any shortages, interruptions, curtailment, or discontinuance of the supply of gas.

s. Regulatory Approvals

This Agreement shall be expressly contingent upon the receipt of such regulatory approvals or authorizations as may be required. Both parties agree to cooperate to obtain all required approvals or authorizations. In the event such approvals or authorizations terminate or are withdrawn, then this Agreement shall terminate.

(C) Indicates Change (D) Indicates Decrease (I) Indicates Increase
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PG ENERGY, A DIVISION OF SOUTHERN UNION COMPANY

Appendix A (Continued)

**PG Energy / CUSTOMER
TRANSPORTATION AGREEMENT**

t. Notices

All notices, invoices and other correspondence sent pursuant to this Agreement shall be addressed to the following parties unless notified in writing by either party of a change in contact person:

PG Energy
One PEI Center
Wilkes-Barre, PA 18711-0601
Attention: Manager Gas Utilization

Customer Representative

u. Assignment

This Agreement shall be binding upon the successors and assigns of Company and Customer. No assignment of this Agreement shall be valid without the prior written consent of the parties hereto.

IN WITNESS WHEREOF, the parties have hereunto executed this Agreement the day and year first above written.

ATTEST: _____

PG Energy
By: _____

ATTEST: _____

CUSTOMER
By: _____
(Name)

(Title)

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