PIEDMONT NATURAL GAS COMPANY
SOUTH CAROLINA SERVICE REGULATIONS

1. Foreword. Piedmont Natural Gas Company, Inc. (the "Company") is a natural gas distribution company and is engaged in the business of selling and transporting natural gas for various customers. The purpose of these Service Regulations is to set forth the respective obligations of the Company and its South Carolina customers.

2. Definitions. As used in these Service Regulations, the following terms shall have the meanings assigned below:

(a) The "Commission" shall mean the Public Service Commission of South Carolina, which regulates gas utilities operating within the State of South Carolina.

(b) The "Company" shall mean Piedmont Natural Gas Company, Inc.

(c) "Customer" shall mean any person, firm, association, or corporation, or any agency of the Federal, State or local government receiving gas service from the Company.

(d) "Dekatherm" is the basic energy unit purchased by the Company and shall mean the unit of energy equivalent to 1,000,000 BTU.

(e) "Force Majeure" shall mean acts of God, extreme weather conditions, strikes, lockouts, or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakages or accidents to machinery, lines of pipe or the Company's peak shaving plants, freezing of wells or lines of pipe, partial or complete curtailment of deliveries to the Company by its suppliers, reduction in gas pressure by its suppliers, inability to obtain rights-of-way or permits or materials, equipment or supplies for use in the Company's peak shaving plants, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the Company and which by the exercise off due diligence the Company is unable to prevent or overcome. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Company, and the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts when such course is inadvisable in the discretion of the Company.

(f) "Gas" shall mean undiluted natural gas, or a substitute for or mixture thereof, as delivered by the Company.

(g) Gas Service Line" shall mean the pipe that runs between a main or a pipeline and a Customer's meter.

(h) "Main" shall mean a gas pipe, owned, operated or maintained by the Company, which is used for the purpose of transmission or distribution of gas, but does not include "Gas Service Line".

(i) "Margin" for curtailment purposes shall mean the filed tariff rate per unit of gas or negotiated rate per unit of gas for a Customer, less the per unit cost of gas, where applicable, as determined in the Company's last general rate case or Purchased Gas Adjustment proceeding, adjusted for any temporary decrements or increments in the filed tariff rate.

(j) "Meter", without other qualification, shall mean any device, or instrument which is used by the Company in measuring a quantity of gas.

(k) "Meter assembly" shall mean Company's meters, regulator, piping, valves, vents, relief valves, gauges and/or other apparatus required to meter and control flow or pressure of gas.

(l) "Operating Conditions" shall mean any modification, test or scheduled or unscheduled repair to the Company's distribution system which in the Company's discretion is necessary to maintain the integrity of the Company's distribution system or to provide for the safety of the Company or the public.

(m) "Premise(s)" shall mean a piece of land or real estate, including buildings and other appurtenances thereon.

(n) "Therm" is the basic billing unit of the Company and shall mean the unit of energy equivalent to 100,000 BTU.

(o) "Transportation" shall mean the receipt of natural gas supplies that have been arranged by the Customer for delivery to the Company's city gate and the redelivery of such natural gas supplies to the Customer's premise.

3. Applicable Documents Defining Obligations of the Company and its Customers. The obligations of the Company to provide service and the obligations of the customer upon receipt of service are set forth in (a) the applicable statutes as set forth in Section 58 of the Code of Laws of South Carolina, (b) the applicable Rules and Regulations of the Commission, (c) the applicable rate schedule(s), (d) these Service Regulations and (e) any written application or other document executed by the Company and the customer pertaining to such service. Copies of these documents described in (b)-(e) above are

available for inspection at each of the district offices of the Company. Upon request of any customer, the Company will provide the customer with a copy of the applicable rate schedule(s), these Service Regulations and any written application for service or other documents executed by the Company and the customer pertaining to such service. No promise, statement or representation by an employee or agent of the Company or by any other person shall bind the Company to provide service or to change the terms and conditions upon which service will be rendered unless the same is in writing and is executed by an authorized representative of the Company. In no event shall the customer be relieved from its obligation to pay in full the amount due for service received from the Company by the customer. In the event there is a conflict between these Service Regulations and the provision of the applicable currently effective rate schedule, the provisions of the rate schedule shall govern.

4. Delivery Pressure. The Company will provide to residential Customers a delivery pressure of either 7 inches water column (approximately 1/4 psig) or 2 psig. Commercial and Industrial Customers can be provided a delivery pressure of up to 5 psig. Delivery pressures of higher than 5 psig will be considered only if l) requested in writing 2) justified by requirements of the fuel burning equipment. Documentation of such requirements must also be provided. Approval will be conditioned on the Company's distribution system pressure availability. Exceptions are subject to the approval of the Company.

5. Applicable Documents Subject to Change. All of the documents defining the obligations of the Company to provide service and the obligations of the customer upon the receipt of service are subject to change from time to time upon approval of the Commission and by other duly constituted governmental authorities. The Company does not undertake to advise any customer of any such change except as may be required by the Commission or other duly constituted governmental authority.

6. Non-Waiver. The failure of the Company to enforce any provision of any applicable documents defining the obligations of the Company and its customers shall not be deemed to be a continuing waiver of such provisions for any customer or a waiver of any other provision of any of the applicable documents.

7. Application for Initial Service. The Company shall not be required to supply service to any customer unless and until the customer has executed an application for service which, among other things, contains the date of the application, the name of the applicant, the location of the premises for which service is requested, the type of service applied for and estimated gas consumption. The Company may, at its sole option, waive the requirement for a written application, in which event the obligations of the Company to provide service and the obligations of the customer upon receipt of service shall be

controlled by the other applicable documents defining the obligations of the Company and its customers.

8. Application to Increase Gas Load. Residential customers receiving gas service from the Company will be permitted to increase their residential gas loads at the same premises without application to the Company. All other customers shall make application to the Company before increasing their gas load and before changing the purpose for which they use gas. The application will contain, among other things, the date of the application, the name of the applicant, the location of the premises for which service is requested, the type service applied for and estimated monthly gas consumption. If, in the Company's opinion, the Company has the capability to provide the additional or changed gas service without interfering with the Company's ability to provide service to its other customers, the Company will permit the customer to increase its load or to change the purpose for which it uses gas.

9. Non-Assignability of Right to Service. Any rights which accrue to the customer under any of the applicable documents defining the obligations of the Company and its customers are personal and may not be transferred or assigned without the written consent of the Company.

10. Vacated Premises. The customer will notify the Company before quitting or vacating the premises served and will pay upon presentation all bills due the Company.

11. Right-of-Way. The customer shall at all times furnish the Company a satisfactory and lawful right-of-way, at no cost to the Company, over the customer's premises for the Company's mains, services, and apparatus necessary or incidental to the furnishing of service. The obligation of the Company to supply service is dependent upon the Company securing and retaining all necessary rights-of-way, privileges, franchises or permits, for the delivery of such service, and the Company shall not be liable to the customer for any failure to deliver service because of the Company's inability to secure or retain such rights-of-way, privileges, franchises or permits.

12. Access to Customer's Premises. The Company shall at all reasonable times have the right of ingress to and egress from the premises of the customer for any and all purposes connected with the provision of service. The Company shall have the right, at its option and at its own expense, to place demand meters, pressure gauges, or other instruments on the premises of the customer for billing, testing, or other purposes with respect to the customer's service.

13. Installation and Maintenance of Facilities. The Company will install and maintain the necessary mains, gas service lines, valves, regulators, meters, over-pressure devices, indexes, gauges, and/or other equipment or facilities required to provide service. All

facilities from the point of connection at the outlet of the meter assembly shall be installed and maintained by and at the expense of the customer. The Company may specify the content and pressure of the gas to be furnished, the location of the meter and the point where the service connection shall be made.

14. Service Line Policy. The facilities to be installed by the Company in accordance with the foregoing paragraph will be at no cost to the Residential Customer if (1) at a minimum the Customer will be installing central gas heating, (2) the gas service line extends along the route selected by the Company and (3) the gas service line is no more than 100 feet. In the event that the above conditions are not met, the service rendered to the Customer must provide a reasonable return to the Company. If the Customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas service line is more than 100 feet and/or the service to be rendered to the Customer will not produce a reasonable return to the Company, the Company may require the Customer to pay the excess cost of constructing the facilities along the alternate route or in excess of 100 feet and/or to make a contribution which will permit the Company to earn a reasonable return.

15. Relocation of Facilities. After a service connection has been made, it may be relocated on the customer's premises by the Company upon request of the customer, but the customer must bear the expense of the relocation, and the relocation will not be made where it will interfere with or jeopardize the Company's service either to the customer desiring the change or to any other customer or customers. The customer must also agree to change the location of the right-of-way and to bear the expense of the change. In no event, however, will the Company be required to relocate facilities if the relocation would interfere with or jeopardize the Company's service, either to the customer requesting the change or to any other customer or customers. All privileges of the Company incident to the original location shall apply to the new location.

16. Title to the Facilities. The title to all facilities including mains, gas service lines, meters and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the customer for extending service.

17. Responsibility Beyond Delivery Point.

(a) Before installing gas pipes or appurtenant facilities and before purchasing gas equipment, the customer shall give the Company notice, and shall ascertain the character of service available at such premise. The Company may specify the content and pressure of gas to be furnished, consistent with Commission rules.

(b) Before permitting the initial use of gas at any location, a certificate of inspections and tests of customer owned piping shall be furnished the Company by the customer or by the local inspecting authority.

(c) All piping and equipment installed by or on behalf of the customer must by installed and maintained in accordance with the requirements of the local, county, state, and federal authorities, and the customer shall keep in good and safe repair and condition all such piping and equipment from the point of connection of the meter assembly with the facilities of the Company.

(d) If the customer's equipment might create either a vacuum or a back pressure, a device must be installed and maintained by the customer to protect the Company's facilities.

(e) Equipment which will operate in one locality may be useless in another due to difference in gas pressure or content; therefore, before piping a premises or purchasing equipment, the customer shall give the Company notice, and shall ascertain the character of service available at such premises.

(f) The Company is merely a furnisher of gas at the point where it passes from the Company's mains and services to the piping of the customer, and the Company shall not be responsible for any damage or injury to the buildings or other property of the customer due to gas installations, defective equipment, or other causes not due to the negligence of the Company. The Company shall not be in any way responsible for the transmission, use, or control of gas beyond the delivery point, and the Company shall not be liable for any damage or injury to any person or property whatsoever, or for the death of any person or persons arising, accruing, or resulting in any manner from the receiving or use of gas.

18. Interference with Company Property. The customer shall not interfere with or alter the Company's meters or other property or permit the same to be done by any person other than the Company's authorized agents or employees. Damages caused or permitted by the customer to said property shall be paid for by the customer. South Carolina law makes it unlawful to alter, tamper with or by-pass a gas meter. This law provides for fines and/or imprisonment at the discretion of the court for this offense. In addition, this statute provides for recovery in a civil action by the Company for losses and damages sustained.

19. Excavation in Proximity of Company's Facilities. The customer shall inform the Company of planned excavation activities in the proximity of the Company's facilities by calling the toll free number 1-800-922-0983 at least 72 hours in advance of the planned excavation activities. The customer will notify the Company prior to any additions or changes in his or her facilities which will extend over, under, or in close proximity to the Company's facilities.

20. Prohibition Against Resale of Gas. Gas is sold and delivered upon the express condition that the customer shall not directly sell or resell, assign, or otherwise dispose of gas, or any part thereof, to any person, firm, or corporation, except where service is supplied under a rate schedule specifically providing for resale. Under no circumstances will the Company supply gas for resale in competition with the Company.

21. Curtailment or Interruption of Service. In the event of a curtailment or interruption of service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such curtailment or interruption due to accidents, force majeure, extreme weather conditions, operating conditions or causes beyond its control.

22. Action to Maintain System Integrity. When the Company in its discretion determines that it is necessary to curtail service to maintain the integrity of its distribution system or to provide for its or the public's safety, the Company shall have the right to curtail delivery of gas to any customer.

23. Discontinuance of Service. The Company, subject to the rules of the Commission, shall have the right to suspend or discontinue its service for (a) repairs or other necessary work on its mains or systems, (b) for nonpayment of bill in accordance with the R103-452 of the Commission's Rules and Regulations, as the same may be amended from time to time, and (c) for any of the following reasons:

(a) For any misrepresentation as to the identity of the customer making the application for service.

(b) For violation by the customer of any terms or conditions of the documents defining the obligations of the Company to provide service and the obligations of the customer upon the receipt of service.

(c) For the reason that the customer's use of the Company's service is detrimental to the service of other customers.

(d) For the reason that the customer's use of the Company's service conflicts with or violates orders, ordinances or laws of the State of South Carolina, or any subdivision thereof, or of the Commission or of any

other governmental agency having jurisdiction over the Company or the customer.

(e) For the reason that piping, equipment, appliance or device is installed or in use on the customer's premises which permits the gas to be used without passing through the Company's meter, or which prevents or interferes with the accurate measuring of the gas by the Company's meter other than when such gas use is authorized under a non-metered rate schedule.

(f) For failure of the customer to make, restore, or increase his or her deposit as required.

(g) In the event of a condition determined by the Company to be hazardous.

(h) In the event of tampering with the equipment furnished and owned by the Company.

Where the service has been discontinued for any reason except for the failure to pay for repairs or other necessary work by the Company, the Company shall have the right to refuse service at the same premises to any other applicant who is a member of the family of the former customer, or who resided on said premises until the reason for discontinuance has been resolved. The Company may require reasonable proof of identity of the applicant of service.

24. Removal of Equipment. In the event of such discontinuation of service, the Company may enter the premises of the customer at any reasonable time and remove the Company's meters, apparatus, appliances, fixtures or other property.

25. Non-Waiver of Default. Any delay or omission on the part of the Company to exercise its right to discontinue or suspend service, or the acceptance of a part of any amount due, shall not be deemed a waiver by the Company of such right so long as any default in whole or in part or breach of contract on the part of the customer shall continue, and whenever and as often as any default or breach of contract shall occur.

26. Establishment of Credit by Customer. The Company may require an applicant for service to satisfactorily establish credit pursuant to R103-431 of the Commission's Rules and Regulations.

27. Deposits. Pursuant to R103-431 of the Commission's Rules and Regulations the Company may require from any customer or from any prospective customer, a cash deposit intended to guarantee payment of bills for service. Interest paid on deposit and

deposit retention will be in accordance with R103-433 and R103-436 of the Commission's Rules and Regulations.

28. Billing Procedure.

(a) Meters will be read and bills rendered monthly on a cycle basis of not less than 28 days nor more than 34 days. All bills are due and payable at the office of the Company during regular business hours when rendered and become past due after twenty-five (25) days in the case of residential customers and fifteen (15) days in the case of customers other than residential, from the date the bill is rendered.

(b) A late payment charge of one and one-half percent (1½%) per month will be applied to all customers' balances not paid within twenty-five (25) days from the billing date.

(c) The Company will endeavor to deliver to the Customer a monthly bill of the amount due to the Company by mailing said bill by first-class mail to the mailing address furnished by the Customer or, at the Customer's election, by sending the bill electronically by way of computer internet connection. Failure to receive a bill will not entitle the Customer to any extension of time for payment beyond the past due date.

(d) Where a meter for any reason is not read at the regular reading date, the Company may estimate the amount of service used by referring to the Customer's consumption for a similar prior period. To the extent practicable, the Company will avoid sending a Customer two successive estimated bills; however, in cases of force majeure, as defined under Section 2(e) Definitions, bill estimates may be permitted for two successive billing periods, or greater. The Company will bill the Customer on the basis of the estimated use and will make any necessary adjustments when the meter is next read.

(e) No claim or demand which the customer may have against the Company shall be offset or counterclaimed against the payment of any sum of money due the Company by the customer for services rendered, and all such sums shall be paid in accordance with the agreement regardless of such claim or demand.

29. Adjustment of Bills Due to Failure or Inaccuracy of Meter. Bills which are incorrect due to meter or billing errors will be adjusted as provided in R103-440 of the Commission's Rules and Regulations.

30. Returned Check Charge. Where the customer makes payment for service by check which is not honored or paid by the bank, full payment will immediately be due and payable, and the Commission approved handling charge will be made.

31. Curtailment of Service. It is contemplated that the Company will from time to time find it necessary to curtail gas service to those customers who purchase gas from the Company under interruptible rate schedules. In addition, unavailability of gas supplies, requirements of public safety or other factors beyond the control of the Company may make curtailment of any customer necessary. In all such events, to the extent practicable, the Company will curtail those customers paying the least margin per dekatherm first. If it is necessary or interrupt some but not all of the customers paying the same margin per dekatherm, then, to the extent practicable, service shall be curtailed to the customers paying the same margin per dekatherm on a pro rata basis.

32. Reconnection Fees. When service has been discontinued at the request of the Customer or a member of a Customer's family residing at the same residence, or for nonpayment of bills, and if reconnection is requested by the same Customer or a member of such Customer's family residing at the same residence, on the same premises within one year after date of discontinuance, the Commission-approved Reconnection Fees will be charged.

33. Applicable Rate Schedules. The Company will at all times have current rate schedules on file with the Commission. The rates contained in these rate schedules are subject to change from time to time as permitted by Commission.

34. Residential Rate Service Classification. Residential rate service classification under the Company's Rate Schedules 201 and 221 shall be based on the following criteria:

A. Definitions: As used in residential rate service classification, the following terms shall have the meanings assigned below:

(1) "Residential Base Load Period" shall mean the cycle billing months of July and August.

(2) "Base Load Usage" shall mean the amount of natural gas used by a customer as reflected by the Company's invoices for that Customer during the cycle billing months of July and August.

B. Procedure:

Step 1. During the month of September of each year, the Company will determine for each customer served under Rate Schedules 201 and 221 the customer's Base Load Usage during each month of the Company's Residential Base Load Period.

Step 2. A Rate Schedule 201 Customer whose base load usage during each month of the Residential Base Load Periods of the most recent two years is less than 15 therms will be transferred to Rate Schedule 221. A Rate Schedule 221 Customer whose base load usage is equal to or greater than 15 therms in either month of the Residential Base Load Period of the most recent past year will be transferred to Rate Schedule 201.

All changes in rate classification under this section shall be effective on the first day of November following the most recent Residential Base Load Period.

C. Exceptions:

(1) New Customers will be assigned a Residential Rate Classification according to their reasonably anticipated base load usage associated with the type and number of appliances installed at the customer's premise prior to the gas meter being set and turned on.

(2) Existing Customers currently being billed under Rate Schedule 221 who add a piece of natural gas equipment that will clearly increase the Customer's base load usage to a level that will qualify that Customer for Rate Schedule 201 may, upon notification to the Company and subject to verification by the Company, be transferred to the new Rate Schedule prior to November 1.

35. Commercial Rate Service Classification. Commercial Rate Service Classification under the Company's Rate Schedules 202, 232, 252 and 262 shall be based on the following criteria:

A. Definitions: As used in Commercial Rate Service Classification, the following terms shall have the meanings assigned below:

(1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year.

(2) "Actual Annual Usage" shall mean the actual natural gas volumes consumed by the Customer during the Annual Review Period as

reflected on the Company's invoices for the Customer.

(3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive service under a rate schedule. The classification usage for Rate Schedule 202 and Rate Schedule 232 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 252 and Rate Schedule 262 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day.

(4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Annual Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.

(5) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days.

(6) "Average Daily Usage" shall be the Customer's Actual Annual Usage divided by the number of Service Days within the Annual Review Period.

(7) "Summer Load Percentage" (SLP) shall mean the percentage of the Customer's Actual Annual Usage that occurs during the seven (7) month summer period of April through October in a given calendar year.

B. Procedures:

(1) At the conclusion of the Annual Review Period of each year and prior to June 1st of the ensuing year, the Company will determine for each customer served under Rate Schedule 202, Rate Schedule 232, Rate Schedule 252, and Rate Schedule 262 that Customer's Average Daily Usage and their SLP.

(2) Those customers currently receiving service under Rate Schedule 202 or Rate Schedule 232 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 252 or Rate Schedule 262 as applicable, effective on the first day of June following the most recent Annual Review Period.

(3) Those customers currently receiving service under Rate Schedule 202 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP is greater than 30% will be transferred to Rate Schedule 232 effective the first day of June following the most recent Annual Review Period.

(4) Those customers currently receiving service under Rate Schedule 232 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 202 effective the first day of June following the most recent Annual Review Period.

(5) Those customers currently receiving service under Rate Schedule 252 or Rate Schedule 262 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 202 or Rate Schedule 232 as applicable, effective on the first day of June following the second, and most recent, Annual Review Period.

(6) Those customers currently receiving service under Rate Schedule 252 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP exceeds 30% will be transferred to Rate Schedule 262 effective the first day of June following the most recent Annual Review Period.

(7) Those customers currently receiving service under Rate Schedule 262 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 252 effective the first day of June following the most recent Annual Review Period.

(8) Those customers currently receiving service under Rate Schedule 202, 232, 252, or 262 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater than 110% of 50 dekatherms per day will be transferred to Rate Schedule 203, 204, 213, or 214 as applicable.

C. Exceptions: If a customer currently being billed under Rate Schedule 202 or Rate Schedule 232 adds natural gas equipment that increases the Customer's Average Daily Usage to the point where the customer will

qualify for Rate Schedule 252 or Rate Schedule 262, the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year.

36. Industrial Rate Service Classification. Rate service classification under the Company's Rate Schedules, 203, 204, 213 and 214 shall be based on the following criteria:

A. Definitions: As used in rate service classification, the following terms shall have the meanings assigned below:

(1) "Actual Annual Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company as reflected on the Company's bills for that Customer.

(2) "Average Dekatherm per Day" shall mean the Actual Annual Usage of a Customer divided by the number of Service Days within the Review Period.

(3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive service under any rate schedule. For existing Customers, the classification usage for Rate Schedule 202 shall not exceed an average usage of 50 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 203, 204, 213 and 214 shall exceed an average usage of 50 dekatherms per day.

(4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.

(5) "Review Period" shall mean the twelve (12) months ended on December 31, or the regularly scheduled meter reading nearest December 31.

(6) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.

B. Procedure:

Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules, 203, 204, 213 and 214 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.

Step 2. A Rate Schedule 202, 232, 252 or 262 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 203, 204, 213 or 214, as applicable. A Rate Schedule 203, 204, 213 or 214 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Medium General Service Rate Schedule. Customers receiving service under Rate Schedules 203 or 204 shall be eligible to elect transportation service to be effective with the rate reclassification.

All changes in rate classification under this section shall be effective on the first day of June following the review.

Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive a copy of the tariff sheets applicable to his old and new rate schedules at least 21 days prior to the effective date of the change.

C. Exceptions: If a Customer adds or retires a major piece of gas-burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the retirement is completed, and the first meter reading reflects the higher anticipated usage resulting from the new equipment or the lower anticipated usage resulting from the retirement. Any reclassification pursuant to this paragraph is

subject to correction if actual experience so warrants. If the reclassification results in qualification for service under Rate 203 or 204, the Customer shall provide an election form one week prior to reclassification if a transportation election is desired. Otherwise, service will be provided under Rate Schedule 203 or 204, dependent upon rate qualification.

D. Requirements: Upon reclassification from Rate 202, 232, 252 or 262 to either Rate 203, 204, 213, or 214, Customer will be responsible for installing and maintaining, at the Customer's expense, a dedicated 110v electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.

37. Limitation on Liability for Rendering Service on an Incorrect Rate Schedule. If it is determined that a customer has been placed on an incorrect rate schedule, the customer shall be placed immediately on the correct rate schedule and the customer's bill shall be adjusted for such period (not to exceed 6 months) that the customer was on the incorrect rate schedule. The customer and/or Company shall have 90 days in which to pay any such adjustment. Except as herein provided, neither The Company nor the customer shall have any liability to the other party with respect to the purchase and/or sale of gas under an incorrect rate schedule.