

PSC NO. 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 02/01/11

LEAF: 148.14
REVISION: 1
SUPERSEDING REVISION: 0

GENERAL INFORMATION (Cont'd)

b. Cash Out of Imbalances

To resolve a Surplus Imbalance, the Company will purchase a volume of gas from the Imbalance Holder to reduce the imbalance volume to zero ("Cash Out Purchase"). To resolve a Deficiency Imbalance, the Company will sell a volume of gas to the Imbalance Holder to reduce the imbalance volume to zero ("Cash Out Sale"). The actual cash out volumes will be based upon ending imbalance volume following application of prior period adjustments and exchange of imbalances as described below. The cash out pricing tiers are as follows:

Tier	Transaction	Imbalance Position	Rate
Surplus Pricing Tier 3	Purchase	>20 % long	60 % of Index
Surplus Pricing Tier 2	Purchase	15% to 20 % long	85 % of Index
Surplus Pricing Tier 1	Purchase	5% to 15 % long	90 % of Index
Market Pricing Tier	Purchase or Sale	5% long to 5% short	100% of Index
Deficiency Pricing Tier 1	Sale	5% to 15% short	110% of Index
Deficiency Pricing Tier 2	Sale	15% to 20% short	115% of Index
Deficiency Pricing Tier 3	Sale	>20% short	140% of Index

The Company will sum the ISIV and TMC for all Imbalance Holders into system totals. A System Imbalance Position ("SIP") will be computed by dividing the system total ISIV by the system total TMC and converting the quotient into a percentage. If the SIP is within the range 5% long to 5% short, then all Imbalance Holders will be assigned to the Market Pricing Tier.

The Index in each tier is the Average Monthly Index set forth in General Information Section 51.

Based upon its initial system imbalance position, the Imbalance Holder will be assigned to an initial pricing tier. Before the start of imbalance trading, an Imbalance Holder's Pre-Trading System Imbalance Volume ("PSIV") will be calculated by applying prior period adjustments, if any, to its ISIV. The Imbalance Holder's pre-trading imbalance position is calculated by dividing its PSIV by its TMC and converting the quotient into a percentage. If the resulting imbalance percentage moves closer to zero, the Imbalance Holder will be assigned to a pre-trading pricing tier based upon the adjusted percentage. If the resulting imbalance percentage moves further from zero, the Imbalance Holder will be assigned to a pre-trading pricing tier equal to the initial pricing tier. If the direction of imbalance reverses (Surplus Imbalance to Deficiency Imbalance or Deficiency Imbalance to Surplus Imbalance), the pre-trading pricing tier assigned to the Imbalance Holder will be the Market Pricing Tier.

c. Exchange of Month End Imbalances

The Company will provide Imbalance Holders with the means to exchange Month End Imbalances. Trading sessions will be scheduled to begin on the 10th business day following the end of the month (approximately on the 15th of the month). Morning and afternoon trading sessions will be conducted over a three business day period. Notice of any delay or alteration of the trading schedule will be posted on the Company's web site. Upon request of the Imbalance Holder, the Company will provide other Imbalance Holders with information regarding the Imbalance Holder's imbalance status for the month.

Issued by A.M. Cellino, President, 6363 Main Street, Williamsville, NY 14221
(Name of Officer, Title, Address)