

Valley Energy, Inc.
New York Division

P.S.C. No. 1 Gas
Leaf No. 87.3
Revision No. 0
Superceding Revision No.

GENERAL INFORMATION

22. SYSTEM ALERTS (SAs) AND OPERATIONAL FLOW ORDERS (OFOS): (Cont'd)

B. Notification and Issuance

- (1) The Company will use best efforts to provide at least twenty-four (24) hours notice prior to invoking an OFO through issuance of an SA. Marketers will be notified via electronic mail. An OFO may be invoked twenty-four (24) hours after the issuance of the SA. In such event, the Company will provide a minimum of eight (8) hours notice that the SA is being converted to an OFO.
- (2) The Company may issue an OFO, effective on less notice than set forth above, during periods of extraordinary operational stress.

C. Implementation

- (1) The Company shall issue a SA or OFO as localized as is reasonably practicable based on the Company's good faith and reasonable judgment concerning the situations requiring remediation such that a SA or OFO will be directed:
 - (a) first to Marketer(s) causing the operational problem necessitating the SA or OFO, or to the Marketer(s) and Direct Customer(s) in the area in which there is an operational problem necessitating the SA or OFO; and
 - (b) second to Marketer(s) and Direct Customer(s) in a area of the system where action is required to correct the operational problem.
- (2) System Alerts or Operation Flow Orders may take, but are not limited to the following forms:
 - (a) Limitation on Marketer(s)/Direct Customer(s) to deliver to specific points, as determined by the Company.
 - (h) Directing a Marketer/Direct Customer to correct Imbalances or operate within specified tolerance levels of +2% for positive imbalances or -2% for negative imbalances on an hourly and/or daily basis, as determined by the Company. The Company will use best efforts to limit initial tolerance reductions to +5% for positive imbalances or -5% for negative imbalances on an hourly and/or daily basis. However, the Company may immediately reduce tolerance levels to +2% for positive imbalances or -2% for negative imbalances on an hourly and/or daily basis if such action is warranted to maintain the integrity of the system. The Company will not issue an OFO simultaneously for under deliveries and over deliveries.
- (3) Upon issuance of an OFO notice, the Company will make authorized personnel available on a twenty-four (24) hour basis to facilitate compliance by Marketers/Direct Customers.

D. Charges and Penalties

- (1) Marketers(s) and Direct Customer(s) who fail to comply with the OFO shall be subject to:
 - (a) The Non-Performance provisions of General Information Section 21.A. of this Schedule; and
 - (b) A penalty of \$2.50 per therm for all quantities determined to be in non-compliance with the OFO requirements.

Date of Issue: July 1, 2004 Date Effective: November 1, 2004

Issued by: Robert J. Crocker, President & CEO, 523 S. Keystone Ave., Sayre, PA 18840