

Valley Energy, Inc.
New York Division

P.S.C. No. 1 Gas
Leaf No. 87.7
Revision No. 0
Superceding Revision No.

GENERAL INFORMATION

23. CREDITWORTHINESS: (Cont'd)

C. Credit Exposure/Security Calculation

- (1) If the Marketer meets the credit requirements in Section 23.B.(1) or 23.B.(2), or a Direct Customer receives a waiver as set forth in Section 23.E.1 below, no security will be required. If the Marketer does not meet the credit requirements in Section 23.B.(1) or 23.B.(2), or the requirements in Section 23.E.(1) cannot be met for Direct Customers, security in an amount equal to credit exposure may be sought and provided as set forth below.
- (2) The maximum security associated with natural gas balancing risk will be determined for each season. For purposes of this Section, Summer is defined as April 1 - October 31 and Winter is defined as November 1 - March 31.
- (3) The maximum security that may be requested is determined by:
 - (a) the maximum daily transportation quantity (MDTQ) of a Marketer's customers, projected aggregate consumption (or the Direct Customers projected consumption), based on the appropriate season of the past year; multiplied by
 - (b) the highest month's average daily closing NYMEX price, at the Henry Hub, plus upstream capacity charges to the city gate, for the appropriate season of the past year; multiplied by
 - (c) thirty (30) days.
- (4) The Marketer may, at its discretion, elect to have the security determined annually. In such an instance, the required security will be based on the winter season.

D. Security Instruments

- (1) A Marketer/Direct Customer, upon notification by the Company that it has failed to satisfy the credit requirements or, subsequently, while providing service to retail customers, it no longer satisfies the credit requirements, may still obtain or retain credit approval from the Company if it pays any outstanding balance due the Company for service rendered and elects to provide mutually agreeable security to the Company.
- (2) If the rating of a bank or other financial institution or an insurance Company with claims paying ability from whom a Marketer/Direct Customer has obtained a letter of credit or surety bond, for meeting the requirements set forth above, falls below an "A" rating, the Marketer/Direct Customer will have five (5) calendar days to obtain a substitute letter of credit or surety bond from an "A" rated bank or other financial institution with at least an "A" bond rating, or an insurance Company with claims paying ability.

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