

Valley Energy, Inc.
New York Division

P.S.C. No. 1 Gas
Leaf No. 87.2
Revision No. 1
Superseding Revision No.

GENERAL INFORMATION

21. NON-PERFORMANCE AND MARKETER CONDITIONS OF SERVICE (Cont'd.):

D. Upstream Capacity Requirements (Cont'd.):

For Customers designated as firm secondary, Marketers must notify each Customer in writing, with a copy to Company, that the Customer is firm secondary and may be subject to interruption if it is determined that the Marketer/Pool Operator is unable to provide sufficient quantities of natural gas. For Customers being designated as firm secondary, the Customer and the Marketer may agree to specific demand reductions. Such agreements will not reduce the Maximum Daily Transport Quantity used for billing purposes, or in any way limit the Company's ability to impose restrictions otherwise provided for pursuant to this Schedule.

If, during an Operational Flow Order ("OFO"), a Marketer is not providing sufficient quantities of natural gas to meet its Pool requirements, Company may interrupt Customers in the Marketer's/Pool Operator's Pool in the following order: (1) interruptible transportation Customers, and (2) firm transportation Customers with alternate fuel sources and firm transportation Customers subject to the firm secondary queue provided by their Marketer/Pool Operator. Customers failing to suspend gas use as directed by the Company will be subject to the unauthorized overrun penalties set forth in Section 13 of this Schedule.

E. Capacity Assignment: Capacity shall be assigned to a transportation Customer or their Marketer to meet operational and reliability needs. Such assignments shall be for successive one (1) year terms. The capacity assignment shall be recallable under any of the following four conditions: (1) the Customer requests firm sales service from the Company; (2) the Customer ceases to be a Customer of the Company; (3) the Customer switches to a new Marketer; or (4) the Customer's Marketer fails to perform

22. SYSTEM ALERTS (SAs) AND OPERATIONAL FLOW ORDERS (OFOs):

A. Description and Applicability

- (1) In response to a Critical Period, the Company may, at its sole discretion, take protective action through the issuance of a SA to Marketers and Direct Customers. In response to more extreme circumstances (Critical Day(s)) the Company may, at its sole discretion, take protective action through the issuance of an OFO to Marketers and Direct Customers. The Company will endeavor to provide Marketers and Direct Customers the opportunity to take corrective action, prior to the issuance of an OFO, by issuing a SA. However, the Company shall not be obligated to issue a SA prior to the issuance of an OFO.
- (2) When issued, a SA will set forth the voluntary corrective actions being requested at that time, as well as the corrective actions that may be mandated if the voluntary response to the System Alert is inadequate. However, the System Alert will in no way act to limit the corrective actions that may ultimately be mandated by the Company through an OFO. Marketers and Direct Customers shall respond to a SA by providing notification of their intended actions. In the event that voluntary actions taken in response to a SA are inadequate, or in circumstances where the Company considers a SA inadequate to respond to impending conditions that threaten the integrity of the Company's system, the Company, at its sole discretion, shall have the right to issue an OFO to Marketers and Direct Customers.

Date of Issue: January 31, 2005 Date Effective: February 1, 2005
Issued by: Robert J. Crocker, President & CEO, Sayre, PA 18840
Issued in compliance with order in Case 04-G-0821 dated January 21, 2005