

Valley Energy, Inc.
New York Division

P.S.C. No. 1 Gas
Leaf No. 87.8
Revision No. 1
Superseding Revision No.

GENERAL INFORMATION

23. CREDITWORTHINESS: (Cont'd.)

D. Security Instruments (Cont'd.)

- (3) If the Marketer/Direct Customer's credit standing ceases to meet the Company's credit requirements or if its financial exposure changes due to increased usage during the period of service, then the Company has the right to require security or Prepayment. If the security is not tendered within five (5) calendar days after the request, then the Company may initiate a process to discontinue the Marketer/Direct Customer. The Company may not request additional security unless the credit exposure has increased by at least ten percent (10%), or other reasonable level specified by the Company. Similarly, if the Company's credit risk is determined to decrease by at least ten percent (10%), or other reasonable level specified by the Company, relative to the amount of security on deposit, the excess shall be refunded with accumulated interest within five (5) calendar days of the determination.
- (4) Deposits received in cash will accumulate interest at the applicable rate per annum approved by the New York State Public Service Commission for Other Customer Capital.
- (5) If the Marketer/Direct customer subsequently satisfies the credit appraisal without the need for some or all of the security requirement, the Company will return the appropriate portion of the Marketer/Direct Customer's advance deposit with accumulated interest.

E Direct Procurement of Energy Supplies

- (1) These creditworthiness standards shall be waived for a Direct Customer, provided that the Direct Customers account(s) are current and have been maintained current for twelve (12) months, and provided that the Direct Customer's long-term unsecured debt securities are, and remain, rated a minimum of BBB, Baa2, of BBB by S&P's, Moody's or Fitch, respectively. If the Direct Customer's debt is not rated, its account(s) with the Company must be current, and it must have a good payment history with the Company for the past 24 months.

F. Lockbox Mechanism

- (1) An alternative mechanism for Marketers shall be available in the form of a "lockbox" for any of the security requirements specified above. A lockbox will reduce any security requirements to 50% of what would otherwise be required.
- (2) Under the lockbox, a Marketer customers' payments will be made to a lockbox, which will be administered by a mutually agreed upon entity.
- (3) All costs associated with implementing and administering the lockbox will be the responsibility of the Marketer.

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