

COVER PAGE FOR THE DELAWARE GAS TARIFF

CURRENT UPDATE

Date of this Internet update: November 1, 2005 AM

Tariff changes effective: November 1, 2005

Total Pages + Cover: 99; Total Leafs: 93

Reason for the Tariff Changes: Rate changes for the Gas Cost Rates (GCR) filing and for the Gas Environmental Surcharge Rider Rates.

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Leaf No.(s) changed in this update: Leaf Nos. 37, 38 , 39 and 55.

Processed By: Leonard J. Beck, MBA, Technical Consultant, Regulatory Affairs

LAST UPDATE

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Reason for the Tariff Changes: **Correction** to Leaf No. 37 (incorrect Revision Number) when filed in the Public Service Commission's Assessment Rate change request on August 26, 2005.

Case / Order / Docket Reference(s): Order No 6700, Docket No. 05-285

Leaf No.(s) changed in this update: Leaf Nos. 37 only

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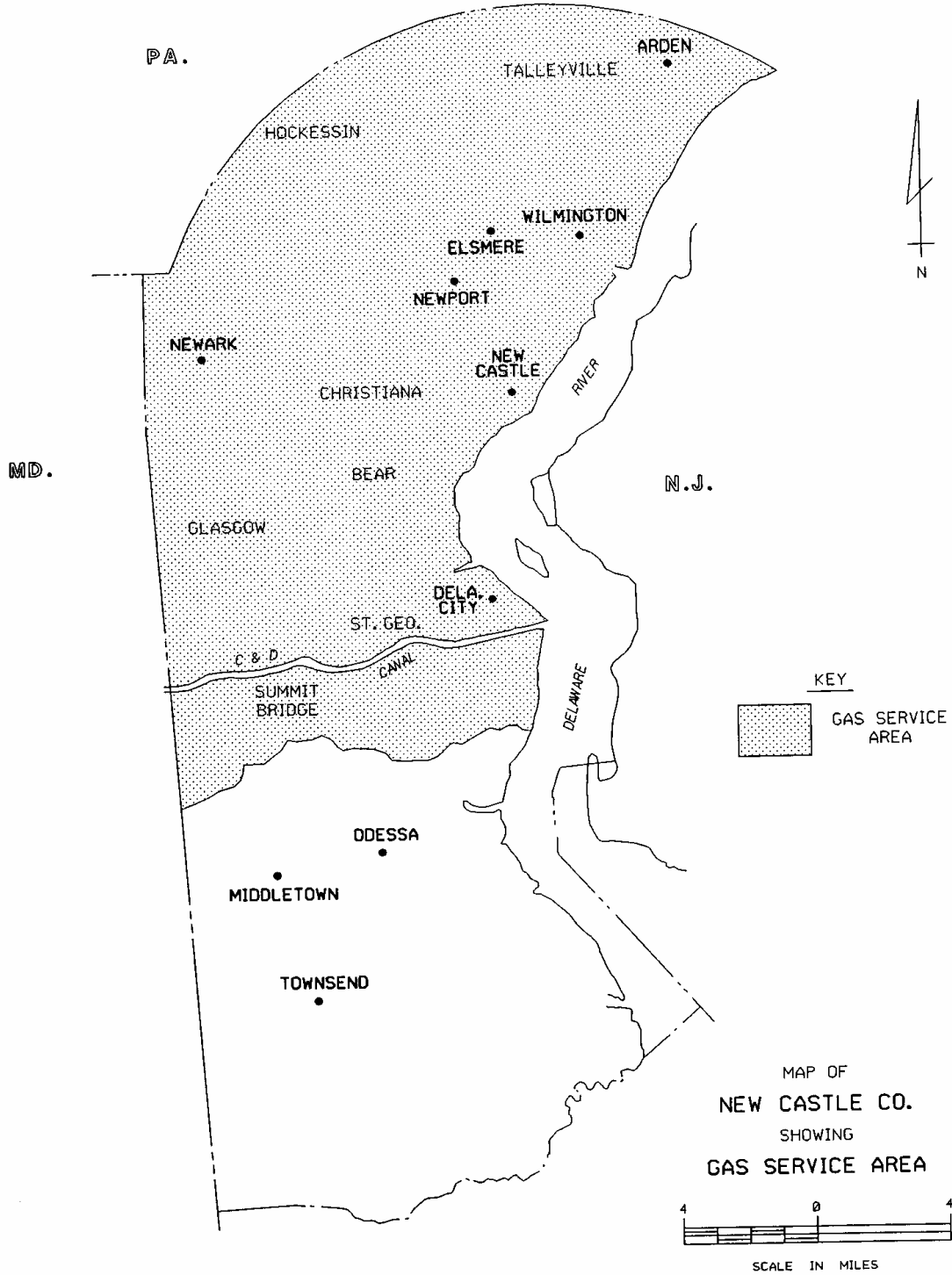
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MAP OF SERVICE TERRITORY



PMP/31

RULES AND REGULATIONS

SECTION I - GENERAL

A. Filing and Posting

This Gas Service Tariff comprises the Rules and Regulations of service and the Service Classifications under which gas service will be supplied to its Customers in New Castle County by Delmarva Power & Light Company (the "Company"). A copy of this Tariff is on file with the Public Service Commission of Delaware ("Commission") and open to inspection at all public Company offices within the gas service territory.

B. Revisions

This Tariff may be revised, amended, supplemented or otherwise changed from time to time, in accordance with rules and procedures of the Commission.

C. Statement by Agents

No representative has authority to modify any rule or provision of this Tariff, or to bind the Company by any promise or statement contrary thereto, unless the same shall be incorporated in a contract.

D. Rules and Regulations

The Rules and Regulations are a part of every contract for service and govern all classes of service unless otherwise specifically stated by a Service Classification.

E. No Prejudice of Rights

The failure by the Company to enforce or the decision not to enforce any of the provisions of this Tariff shall not be deemed a waiver of the right to do so.

F. Gratuities to Employees

The Company's employees are strictly forbidden to demand or accept any personal compensation, or gifts, for service rendered.

RULES AND REGULATIONS

SECTION II - APPLICATION AND CONTRACT FOR SERVICE

A. Application for Service

An application for the supply of service may be required from each Customer. This application when executed by the Company constitutes the contract between the Company and the Customer, subject to the terms of the applicable Service Classification, and these Rules and Regulations. Charges for service shall begin at the time service is made available to the Customer.

The Company reserves the right to require reasonable evidence of the Applicant's identity and service address satisfactory to the Company and to make a reasonable investigation of such prior to rendering service. The Company reserves the right to require a written application from any Applicant executed in a form satisfactory to the Company.

B. Right to Reject Application

The Company may reject any application for service if the Applicant does not meet all the requirements of the Rules and Regulations of this tariff. The Applicant shall be given reason or reasons for rejection of the application for service, in writing if requested.

C. One Point of Delivery

The Service Classifications of this Tariff, unless otherwise stated, are based upon the supply of service to one entire premises through a single delivery and metering point. The Company shall supply only one metering installation for each class of service. The use of service at two or more separate properties shall not be combined for billing purposes.

The Company reserves the right to deliver service to more than one point where the Customer's load or service requirements necessitate such delivery or if such action would result in lower overall installed and continuing operating cost of this service. This procedure is applicable to other public utilities and large industrial or commercial customers having extensive operations in a contiguous area.

D. Service at New Locations

Service at new locations shall be rendered only when all bills for service to the Customer at any other locations have been paid, or credit arrangements satisfactory to the Company have been made.

E. Service Contracts

Standard contracts shall be for terms as specified in the applicable Service Classification. Where large or special investment is necessary for the supply of service or where service is to be used for temporary or unusual purposes, contracts for terms other than specified in the Service Classification, or with special guarantees of revenue, or both, may be required.

RULES AND REGULATIONS

SECTION II - APPLICATION AND CONTRACT FOR SERVICE - (Continued)

F. Temporary Service

Temporary service is service, ordinarily not recurrent in nature, required for temporary structures or locations. Temporary service shall be rendered only when and where the Company has the necessary facilities available to render the service applied for, without detriment to the service of other Customers.

The Customer must pay the entire net cost of installation and removal of required facilities installed for the sole purpose of the temporary service. A deposit may be required, in advance, sufficient to cover the installation and removal, materials not returnable, and the estimated cost of gas usage. Where facilities are endangered by construction or proposed usage, the Customer may be required to own and maintain the facilities.

Temporary gas service is available only under Service Classifications "GG" and "MVG" on a short-term basis. The minimum monthly bill for this service will be as specified under the minimum charge provision of the Service Classification.

G. Rights-of-Way/Permits

1. General

An Applicant requesting service shall furnish, without expense to the Company, suitable rights-of-way or permits on forms provided by the Company for the installation of facilities on, under and across the premises of the Applicant for the purpose of providing gas utility service to the Applicant and to premises and other users in the vicinity.

If it is necessary to acquire such rights or permits from others, such as abutting property owners, lessors, railroads, etc., in order for the Company to serve the Applicant, then the Applicant shall be responsible for obtaining such rights or permits as the Company deems necessary.

Where, due to the nature of the property to be served, the Company finds that the exact boundaries are of critical importance, the Applicant shall locate and mark such boundaries to the reasonable satisfaction of the Company.

RULES AND REGULATIONS

SECTION II - APPLICATION AND CONTRACT FOR SERVICE - (Continued)

G. Rights-of-Way - (Continued)

1. General - (Continued)

The Applicant shall be responsible for clearing all obstructions from the construction area as designated by the Company, said clearing to be completed in reasonable time to meet service requirements.

The construction area as designated by the Company shall be graded to within six (6) inches of final grade before the Company will commence construction.

The Company shall construct, own, operate, and maintain underground distribution lines only along public streets, roads and highways which the Company has the legal right to occupy, and on public lands and private property across which rights-of-way and easements satisfactory to the Company may be obtained within a reasonable time and without cost or condemnation by the Company.

The Company may also purchase rights-of-way where necessary to avoid conflicts with the Delaware Department of Transportation.

If subsequent to construction start-up, the Company is required to relocate or adjust any of its installed facilities due to change in grade, adjustments of property lines or change in plans, the cost of such relocation shall be borne by Applicant, its successors or assigns.

2. Required Property Information

The Applicant shall furnish the Company as required, at no charge to the Company, property plans, other utility plans, grading plans, roadway profiles, property line stakes, grade stakes and other items showing details of proposed construction. This information is required in reasonable time to allow the Company to design and construct its facilities in a safe and efficient manner to meet service requirements and to comply with applicable laws, codes, and rules and regulations. The customer shall physically mark the horizontal location of any non-utility line (i.e. lawn sprinklers, private water services, dog fences, etc) within 18 inches of the non-utility line on the ground by means of stakes, paint or other suitable means prior to any notice of construction or maintenance activities on the customer's property. The cost of repair or replacement of any non-utility lines not marked will be the customer's responsibility.

H. Hazardous Conditions

The Applicant shall notify the Company of any hazardous conditions which employees may encounter on the Customer's property while installing or maintaining service. Where hazardous conditions exist which may affect the welfare of Company employees, the Company reserves the right to withhold service or require the Applicant to provide a non-hazardous route for necessary service facilities. The Applicant shall be responsible for all costs required of the Company to meet applicable environmental, or other hazardous condition laws required of employees specifically for installation of the Applicant's service.

RULES AND REGULATIONS

SECTION III - CUSTOMER'S DEPOSIT

A. Customer's Deposit to Guarantee Payment of Final Bills

The Company shall require a cash deposit from an Applicant or an existing Customer for each account until satisfactory credit is established to guarantee payment of final bills for service rendered. Such deposit shall not be more in amount than two-twelfths (2/12) of the estimated annual revenue or as may be reasonably required by the Company in cases involving a service for short periods. Service may be denied or terminated for failure to pay a deposit when requested. Deposits shall not be applied against current delinquent bills.

Deposits shall be collected in whole dollar amounts. A deposit shall not be required if the amount is less than fifty dollars (\$50).

Required Deposits may be deferred at the Customer's request to the first month's bill or may be paid in installments over three (3) consecutive monthly billings.

Simple interest on deposits at an annual rate equal to the average of the percent yields of the 1-year Treasury constant maturities for September, October, and November of the preceding year, shall be applied annually as a credit to the Customer's account and so indicated on the January bill. No interest shall be paid unless the deposit is held longer than ninety (90) days. For deposits paid in installment payments, interest shall begin to accrue from the date of final deposit payment. The deposit shall cease to draw interest on the date it is returned, on the date service is terminated or on the date notice is sent to the Customer's last known address that the deposit is no longer required.

Deposits shall be refunded after one (1) year for Residential deposits and after four (4) years for Non-Residential deposits if satisfactory credit has been established. Satisfactory credit is defined as payment of the last twelve (12) consecutive monthly bills without an unpaid previous balance and no detrimental credit information recorded against the Customer's account within the last twelve (12) months. Detrimental credit information is defined as adverse credit reports from recognized credit reporting services available to the general business community or from accounting records of the Company.

RULES AND REGULATIONS

SECTION IV - PAYMENT TERMS

A. Billing Period

Rates are stated on a monthly basis and bills are rendered monthly following the supply of service based on meter readings scheduled at approximate monthly intervals of from 27 to 33 days. Except as provided in the following sentence, the bill shall only be prorated if one of the following conditions are met: a) a final bill is being rendered for a termination of service; b) an initial bill is being rendered for a new customer; or c) a LVG customer requests a change in its meter reading route or billing cycle to which the Company has agreed. In addition to the foregoing, proration shall be permitted to the extent authorized or required by the Commission in conjunction with a change in rates that becomes effective for usage on and after a particular date or billing cycle.

B. When Bills are Payable

All bills are due and payable upon presentation.

C. Estimated Bills

When the Company's meter reader is unable, at any regular reading date, to read the Customer's meter, the Company may render an estimated bill in accordance with the Company's policy on file with the Commission.

D. Payment Posting Sequence

When a customer remits payment for services, the payment shall be applied as follows:

1. Arrears for the Company's combined Electric Supply & Delivery Service or Delivery Service, where applicable.
2. Arrears for the Company's Gas Utility Sales Service or Delivery Service.
3. Arrears by vintage priority for prior Electric Supplier or Gas Supplier charges, where applicable. For an Electric Supplier's arrearage and a Gas Supplier's arrearage with the same vintage, the Electric Supplier's arrearage has priority over the Gas Supplier's arrearage.
4. Current charges for the Company's combined Electric Supply & Delivery Service or Delivery Service, where applicable.
5. Current charges for the Company's Gas Utility Sales Service or Delivery Service.
6. Current charges for Electric Supplier charges, where applicable.
7. Current charges for Gas Supplier charges, where applicable.

E. Returned Checks

Checks given in payment for any bills or charges rendered which are returned unpaid by the Customer's bank, shall result in an additional charge of fifteen dollars (\$15) per check, per occurrence, which charge shall be levied against the Customer's account. Proper notice of the returned check and the charge shall be mailed to the Customer by first class mail. Where the returned check is for combined electric and gas service, this charge shall be assessed for only one of these services.

The Company shall automatically waive this charge provided the returned check was the first occurrence in the most recent twelve (12) months.

RULES AND REGULATIONS

SECTION IV - PAYMENT TERMS - (Continued)

F. Late Payment Charge

Bills are due and payable upon presentation. If payment for bills rendered is not received by the Company prior to the next meter reading date, a late payment charge of one and one-half percent (1-1/2%) of the unpaid balance, less applicable taxes, shall be added to the next billing. Payments shall be credited against the most delinquent charges.

The Company shall automatically waive the first late payment charge within the last twelve (12) consecutive billing months for Residential Customers. After an automatic waiver, the Residential Customer shall not be eligible for the next automatic waiver until the twelfth billing month following the billing month of the previous waiver.

G. Installment Payments

Any Customer may request an installment payment as an optional means for payment of charges and to avoid service termination resulting from delinquent charges. An installment payment agreement constitutes a contract between the Customer and the Company, which guarantees payment by the Customer for the amount of the agreement over the specified period. All requests for installment payment agreements are subject to Company approval and must be signed by the Customer and by a Company-authorized employee. A service charge of one-half percent (1/2%) per month shall be applied on the unpaid balance due under this agreement. The balance amount of the agreement is not subject to the provisions of the late payment charge.

Failure of the Customer to meet the conditions of this installment payment agreement including prompt payment of the current bill shall constitute a breach of this agreement and entitle the Company to pursue collection and termination procedures pursuant to the applicable rules and regulations of the Commission.

H. Budget Billing

Budget billing provides a payment plan which allows Customers to levelize their monthly bills. The Budget Billing Plan is available to all Residential Customers and to any Non-Residential, Firm Sales Customers whose maximum monthly use is less than 2,000 MCF. Non-Residential Customers may be initially placed on the Plan only in the billing months of April, May, October or November. Any such qualifying Customer who does not have a delinquent balance outstanding may elect to be placed on budget billing. Under this plan, the Customer shall be billed for eleven months on an estimated budget amount basis with the twelfth month as the settlement month. The billing for the settlement month shall consist of the difference between the actual amount due to date and the budget amount paid to date.

RULES AND REGULATIONS

SECTION V - ADMINISTRATION OF SERVICE CLASSIFICATION

A. Choice of Service Classification

When two or more Service Classifications are available for the same class of service, the Customer shall select the Service Classification to be applied to the Customer's service.

B. Company Assistance

The Company, upon request, shall assist the Customer in the selection of the most advantageous Service Classification, but the duty and responsibility of making the selection shall at all times rest with the Customer.

C. Changing Service Classifications

When a Customer has selected the Service Classification for the Customer's service, its application shall remain in effect for the contract term which the Service Classification specifies.

RULES AND REGULATIONS

SECTION VI - CUSTOMER'S INSTALLATION

A. Description of Installation

The Customer shall, before installing any equipment, notify the Company as to the devices which are to be attached to the Company's lines, giving location of the proposed installation so that the Company may advise the Customer of the character of the service the Company shall furnish and the point at which the service shall be connected and metered.

In those cases where the Company deems it necessary, the Customer shall present in writing complete specifications of equipment, loads, location plans, piping, regulators and other data required, so that the Company may advise the Customer of the character of the service it will furnish, the point at which it will be connected and metered and any other requirements associated with the special conditions of the service.

B. Customer's Equipment

Gas piping, fixtures, and appliances on the Customer's premises must be installed at the expense of the Customer or owner of the property unless a contribution to the cost of piping or fixtures would result in lower overall installed and continuing operating costs of the service to the Company. Such a contribution may not be made towards the cost of appliances.

The Company may delay the construction of an extension and/or service until the Applicant has completed the piping and installation of equipment necessary to receive and use service.

C. Inspection

All new piping and equipment, or changes in piping and equipment, shall conform to the standards of the National Fuel Gas Code and those of local public authorities in force at the time.

The Company shall render service only after receipt by the Company of a notice of approval issued by the duly recognized inspection agency.

RULES AND REGULATIONS

SECTION VII - SERVICE INSTALLATIONS

A. General

Services as used in this section refers to service piping and associated materials between the Company's gas main system and the point of connection with the Requester's gas line. The Company's system facility from which the service is installed may be on public or private right-of-way. Services shall be designed and constructed consistent with good engineering practice.

The Company shall install, own and maintain services, under the terms and conditions herein enumerated, to the point of connection with the Requester's gas line. Such point shall generally be near the corner of the building nearest the point at which the gas service enters the property to be served. Any modifications requested by the Requester must be approved by the Company and any additional costs resulting therefrom shall be borne by the Requester. Services shall not be installed or connected unless specifically requested by the Requester and until satisfactory payments or credit arrangements are made if required by the Company.

B. Service Installations

1. Residential Services

The Company shall install, own, maintain and replace residential services. If the portion of gas service on the Requester's property exceeds 100 feet, the Company's initial investment shall be limited to five (5) times the related estimated annual net base revenue excluding all fuel costs ("Estimated Revenue") from the Requester. All investment that exceeds both the 100 foot limit and the Estimated Revenue test shall be paid by the Requester based on the average installed cost per foot for residential services installed during the preceding calendar year. Such Contribution In Aid of Construction shall include all applicable taxes. Any such payments may be waived if the amount is less than \$50.

2. Non-Residential Services

The Company shall install, own and maintain non-residential services. The Company's initial investment in service installations shall be limited to three (3) times the Estimated Revenue from the Requester. Where such Estimated Revenue does not justify the estimated cost of installation, the Applicant shall pay for all additional installed costs not justified by the estimated revenue. Any such payments may be waived if the amount is less than \$50.

3. Non-Residential Dual Fuel Services

The Company shall install, own and maintain non-residential services. All Non-Residential Customers who desire service and who have the ability to continuously use an alternate fuel must sign an Application that holds the Customer liable for all estimated costs not covered by actual non-fuel revenues received and retained by the Company.

RULES AND REGULATIONS

SECTION VII - SERVICE INSTALLATIONS - (Continued)

C. Relocation of Services

Company-owned residential service facilities shall be relocated to a point of Company convenience at Company expense in order to correct or prevent a violation of applicable codes where such action requires no increase in the overall length of service piping.

In the Company's opinion, when such relocation or portion of such relocation is deemed to benefit the Company, the resulting cost will be prorated between the Company and the Customer accordingly.

In all other cases where the Customer requests relocation, or takes action which requires relocation of gas service piping and/or meters and pressure regulators, the entire cost of such relocation shall be paid by the Customer.

In the event the Company shall be required by any public authority to relocate any portion of the Company's gas system, the Customer, at the Customer's expense, shall make the necessary changes in the location of the Customer's facilities to accommodate such changes.

RULES AND REGULATIONS

SECTION VIII - METER INSTALLATIONS

A. Meters Supplied by the Company

The Company shall normally furnish, install, maintain and own one (1) set of metering equipment for measurement of the service supplied under each contract.

B. Meter Location

The Customer shall provide, without charge, a suitable place for the meters, pressure regulators or other equipment of the Company. Such place shall be of convenient access to the Company's personnel. The location of the meter shall be as near as possible to the point where the supply piping enters the Customer's building, and otherwise acceptable to the Company. Meter connections shall not be concealed by plaster, sheathing or any other means. All meter locations are subject to inspection and require periodic access to satisfy meter reading and equipment maintenance requirements.

Where multiple meters are required, each meter position shall be clearly and visibly marked so that each meter position is identified as to the location to which service is being supplied. Meters shall not be installed by the Company until this has been accomplished.

C. Right to Remove Company's Equipment

All meters, pressure regulators and other equipment supplied by the Company shall remain its property. The Company shall have the right to remove all its property from the premises of the Customer at any time after the termination of service, whatever may have been the reason for such termination.

D. Periodic Test Schedule

The Company shall test meters in accordance with a periodic test schedule acceptable to the Commission. Meter tests performed at the request of a Customer shall be made in accordance with Section IX-C.

E. Metering

The quantity of gas billed shall be the volume measured by the Company's meter, calibrated at or compensated to standard temperature (60°F) and barometric pressure (14.73 psia) conditions.

F. Volumes Defined

As used in this Tariff,
"CCF" = 100 Cubic Feet of Gas
"MCF" = 1,000 Cubic Feet of Gas

RULES AND REGULATIONS

SECTION VIII - METER INSTALLATIONS - (Continued)

G. Remote Reading Devices

The Company, at its discretion or upon request from a Customer, may install remote reading devices, subject to availability. Remote reading devices shall be owned, installed and maintained by the Company. When requested by the Customer and approved by the Company, such installation shall be made at cost payable by the Customer. The location of the remote reading device shall be subject to Company approval.

A periodic verification reading must be taken on the meter and the remote reading device. The Company shall notify the Customer when the periodic verification is required. The Company shall determine the frequency of verification required based on the technical characteristics of the installed equipment and its in-service performance. Service shall be subject to disconnection if the Customer fails to make arrangements with the Company for a verification reading within 60 days after written notice is provided.

In cases of dispute, the Company's meter shall be used as the final determinant in measuring consumption and in all cases shall take precedence over any reading or remote reading devices.

RULES AND REGULATIONS

SECTION IX - ADJUSTMENT OF CHARGES

A. Fast Meter

Whenever a meter in service is found to have a positive average error, upon test made by the Company or the Commission by over-registering in excess of two percent (2%), the Company shall credit or refund to the Customer an amount equal to the excess paid for the gas incorrectly metered. The refund shall be for the period that the Customer received service through the meter, but for not more than the periods established below:

1. Known Date of Error - If the date on which the error first developed or occurred can be established, the bills for service shall be recalculated from that time.
2. Unknown Date of Error - If the time at which the error first developed or occurred cannot be established, it shall be assumed that the over-registration existed for a period of three (3) years or a period equal to one-half of the time since the meter was last tested, whichever is less.

B. Slow or Stopped Meter

When a meter is found, upon test made by the Company or the Commission, to have a negative average error by under-registering in excess of two percent (2%) or to be stopped, and the error in registration or failure to operate is not attributable to the negligence of the Company, but is due to some unpredictable cause, such as tampering or unauthorized overload, the Company shall estimate the proper charge for the unregistered service by reference to the Customer's consumption during similar normal periods or by such methods as the Commission may authorize or direct. Except in cases of tampering, theft, inaccessibility to the meter, or unauthorized overload, such an estimate for a slow or stopped meter shall cover a period of not more than three (3) months.

RULES AND REGULATIONS

SECTION IX - ADJUSTMENT OF CHARGES - (Continued)

C. Requests for Meter Tests

Upon request by a Customer, the Company shall test the Customer's meter provided that such tests need not be made more frequently than once in thirty-six (36) months. If tests of meters at the Customer's request are performed more frequently than once in thirty-six (36) months, the Company shall charge the Customer twenty dollars (\$20) for testing the meter. No charge shall be made for testing meters which upon test are found to exceed the allowable accuracy limits as defined in this Section. The Customer, or the Customer's representative, may be present when the Customer's meter is tested. A written report of the results of the test shall be mailed to the Customer within ten (10) days after the completion of the test.

D. Adjustments for Incorrect Billings

Incorrect billings resulting from clerical error, incorrect meter installation or reading, incorrect application of the rate schedule, or other similar reasons, shall be corrected immediately upon discovery, and corrected bills rendered to the Customer; however, in no case may additional charges due from the Customer under the application of this paragraph be collected for more than three (3) years prior to the month of discovery. If the Customer has been overcharged, the Company shall refund the amount due or credit the Customer's account, at the Customer's election, to the date the error was made, not to exceed three (3) years prior to discovery. In the absence of an election by the Customer for a refund by check, the Company shall credit the Customer's account. In the event additional charges are due the Company, installment payments shall be offered for not less than the number of months the account was billed in error. An installment payment charge shall not be applied to such installment payments.

RULES AND REGULATIONS

SECTION X - CONTINUITY OF SERVICE BY COMPANY

A. Company Liability

The Company does not guarantee continuous uninterrupted gas service and shall not be liable for any loss, cost, damage, or expense to any person occasioned by any change in, interruption and/or resumption of the Company's gas service due to any cause beyond the reasonable control of the Company.

B. Notice of Trouble

The Customer shall notify the Company promptly of any defect in service or of any trouble or irregularity in the gas supply.

C. Prearranged Interruption of Service

Whenever it is necessary to interrupt service for work on mains or other equipment, such work shall be done, to the extent practical, at a time that will cause the least inconvenience to the Customer. The Customer(s) to be affected shall, if practical, be notified in advance of such interruptions.

RULES AND REGULATIONS

SECTION XI - CUSTOMER'S USE OF SERVICE

A. Resale Forbidden

The Customer shall not directly or indirectly sell, sublet, assign or otherwise dispose of natural gas provided by the Company or any part thereof except as authorized by Chapter 51, Title 25 of the Delaware Code.

B. Multiple Occupancy Buildings

Multiple occupancy buildings for which building permits are issued after June 2, 1980 shall not be master metered but shall be individually metered for each occupancy unit that is individually leased or owned and whose occupants have control over a portion of the natural gas used, unless the owners can provide evidence that the cost of installing separate meters exceeds the long-term benefits to the gas consumers derived from individual meters. For the purposes of this paragraph, individual meters include only meters installed and owned by the Company.

C. Fluctuations

Gas service must not be used by the Customer in such a manner as to cause unusual pressure fluctuations or disturbances in the Company's supply system. Should such fluctuation or disturbance be caused by the Customer, the Company may discontinue service or require the Customer to modify his installation and/or install approved controlling devices.

D. Use Other Than Stated In Contract

The Company's service shall not be used for any purpose or in any place other than that stipulated in the Customer's contract for service except by written consent of the Company.

E. Change of Installation

The Customer shall give immediate written notice to the Company of any proposed substantial increase or decrease in, or change of purpose, design characteristics (including but not limited to pressure, flow rate and gas quality) or location of the Customer's installation. The service connection, meters and equipment supplied by the Company for each Customer have definite design characteristics and no modifications or additions to the equipment or load connected thereto shall be permitted except by written consent of the Company. Failure to give notice of such modifications shall render the Customer liable for any damage to the meters or their auxiliary apparatus caused by the additional or changed installation. Regardless of whether the customer's modifications are consistent or inconsistent with the service provided, the Company shall be under no obligation to modify its equipment.

RULES AND REGULATIONS

SECTION XII - DEFECTS IN CUSTOMER'S INSTALLATION

A. Company's Right to Inspect

The Company shall have the right, but shall not be obliged, to inspect any installation before gas is introduced or at any later time, and reserves the right to reject any piping or appliances not in accordance with the Company's standard requirements; but such inspection, or failure to inspect, or to reject, shall not render the Company liable or responsible for any loss or damage resulting from defects in the installation, piping or appliances, or from violation of Company rules, or from accidents which may occur upon the premises of the Customer.

B. Defective Installations

If at any time the piping and appliances of the Customer are found to be defective or dangerous by the Company's representative or by the local public authorities, service may be refused or discontinued until the Customer has the condition corrected.

C. Customer's Responsibility

The Company assumes no responsibility for any damages done by or resulting from any defect in the piping or appliances of the Customer. In the event of any loss or damage to the property of the Company, or any accident or injury to persons or property is caused by or results from the negligence or wrongful act of the Customer, his agents, or employees, the cost of the necessary repairs or replacement shall be paid by the Customer to the Company and any liability otherwise resulting shall be assumed by the Customer.

D. Company Liability

The Company shall not be liable for damage resulting from the presence of gas or the Company's equipment on the Customer's premises, or from the use of the service of the Company by the Customer.

RULES AND REGULATIONS

SECTION XIII - ACCESS TO PREMISES

A. Access to Premises

The authorized agents or representatives of the Company, having the proper Company identification, shall have access at all reasonable times to the premises of the Customer for the purpose of reading the Company's meters, connecting and disconnecting service, operating, testing, inspecting, repairing, removing and replacing any or all of the Company's apparatus used in connection with the supply of gas. If the Company's meters or other equipment are located on the premises of someone other than the Customer, the Customer shall be responsible to arrange for access thereto by Company agents or representatives.

RULES AND REGULATIONS

SECTION XIV - TAMPERING WITH COMPANY'S PROPERTY

A. Tampering Expressly Forbidden

No person, except a duly authorized representative of the Company, shall make any connection (piping, electrical or otherwise) or disconnection, either temporary or permanent, at any point on the Company's distribution system up to the outlet of the Company's meter on the Customer's premises, or set, change, remove or interfere with the Company's meter, pressure regulator, tracer wire, cathodic protection system or other equipment.

B. Liability for Tampering

In the event of the Company's meters or other equipment being tampered or interfered with, the Customer being supplied through such equipment shall pay the amount which the Company may estimate is due for service used but not registered on the Company's meter, and for the cost of any repairs, replacements required, and any other changes in Customer's installations as may be required by the Company.

RULES AND REGULATIONS

SECTION XV - COMPANY'S RIGHT TO DISCONTINUE SERVICE

A. Right to Discontinue Service

The Company reserves the right to discontinue the supply of service for any of the following reasons:

1. Without Prior Notice
 - a. Unavoidable shortage or interruptions in Company's source of supply or other cases of emergency.
 - b. Whenever a hazardous gas or gas related condition is found to exist on the Customer's premises.
 - c. Interference or tampering with meters or Company equipment or diversion of service.
 - d. Whenever environmental or other hazardous conditions would expose Company employees to undue risk in the maintenance of customer service.
 - e. For providing a false name or social security number or for failing to disclose, upon request, that past services have been received and not paid for under a different name or social security number, if the Company has reported a theft of services to responsible authorities.

2. With Prior Notice
 - a. Failure to remedy conditions in violation of applicable codes or having detrimental effect on the service of others.
 - b. Nonpayment of any bill for gas service.
 - c. Violation of or non-compliance with these Rules and Regulations or the effective Service Classification or contract. The Company may refuse to supply any service until the Customer has corrected the conditions constituting such violation or non-compliance.
 - d. Failure to pay a deposit as requested.
 - e. Misrepresentation of or failure to disclose a material fact in an apparent attempt to defraud the Company or to avoid payment of any outstanding bill for service rendered.
 - f. Repeated refusal to grant access during reasonable working hours for maintenance, meter reading or removal of equipment, inspection or replacement of equipment.
 - g. Failure to pay service installation costs.

3. The notice provided for in Section XV-A-2 shall consist of not less than five (5) days' notice sent by first class prepaid mail deposited in a United States mailbox and addressed to the Customer at the Customer's last known mailing address appearing on the records of the Company.

RULES AND REGULATIONS

SECTION XV - COMPANY'S RIGHT TO DISCONTINUE SERVICE - (Continued)

A. Right to Discontinue Service - (Continued)

The notice shall state the date on which service will be disconnected and shall inform the Customer of the steps which may be taken to avoid such disconnection of service. A notice of disconnection for non-payment of a bill for gas service shall also state the date by which payment for the previous balance due must be received by the Company in order to avoid disconnection.

B. Restoration Charge

Service disconnected by the Company for any reason set forth in Section XV-A shall be restored only after payment of the appropriate restoration charge stated below in addition to the previous balance due under the Customer's contract, except when it has been necessary to excavate the service pipe or connection to effect discontinuance of service. In such cases, the actual costs of discontinuance and restoration shall be applicable in addition to the previous balance due.

Any Customer whose service has been disconnected may be required to post a deposit in order to have service restored.

<u>Time of Restoration</u>		<u>Restoration Charge</u>
8 a.m. to 5 p.m.	Monday - Friday Excluding Company Holidays	\$30.00
5 p.m. to Midnight	Monday - Friday Excluding Company Holidays	\$60.00
8 a.m. to Midnight	Saturday, Sunday and Company Holidays	\$60.00
Midnight to 8 a.m.	Any Day	\$90.00

C. Collection of Payment at the Premises

The Customer may avoid service termination for non-payment of bills by making payment of the previous balance due to a Company representative at the premises.

In addition to payment of the previous balance, there shall be a fee of fifteen dollars (\$15.00) per trip to the premises for collection of payments.

Installment payments or any other agreements shall be made through one of the Company's District offices.

D. Combination Services

Where service restoration or collection of payments at the premises under above Sections XV-B and C are performed for both electric and gas service to the Customer, the related charges shall be assessed for only one of these two utility services.

RULES AND REGULATIONS

SECTION XVI - DISCONTINUANCE OF SERVICE BY CUSTOMER

A. Notice to Discontinue

The Customer must give the Company at least ten (10) days' notice to discontinue service unless otherwise agreed upon. The Customer must grant access to the meter during reasonable working hours and shall be liable for service taken until the meter has been disconnected or read. Such notice prior to the expiration of a contract term shall not relieve the Customer from any minimum or guaranteed payment under any contract or Service Classification.

B. Completion of Term

If, by reason of any act, neglect or default of a Customer or his agent, the Company's service is suspended, or the Company is prevented from supplying service in accordance with the terms of any contract it may have entered into, the minimum charge for the unexpired portion of the contract term shall become due and payable immediately as liquidated damages in lieu of the anticipated returns from the said contract.

C. Final Bill

The final bill for service shall be based on an actual meter reading and is due and payable when rendered.

RULES AND REGULATIONS

SECTION XVII - EXTENSIONS

A. General

Extensions to the Company's gas system shall be provided, owned and maintained under the terms and conditions herein enumerated.

Extensions, as used in this section, refer to gas mains and associated materials that must be constructed along public streets, roads and highways, or on private property from the Company's existing gas system to the service.

Extensions shall be designed according to accepted industry practices to provide adequate service and shall be installed in accordance with the rules and regulations of the Commission. Modifications to the Company's design, requested by the Requester, shall be made when such modifications are acceptable to the Company in its sole judgment.

Where a Requester requests the Company to install facilities which are more costly than those proposed to be furnished by the Company, the Requester shall pay the Company the difference in cost between the requested installation and that deemed necessary by the Company.

B. Residential Extensions - New Developments

1. If the estimated investment in the extension exceeds five (5) times the related estimated annual net base revenue, excluding all fuel costs ("Estimated Revenue") from Customers to be initially served from the extension, the Applicant shall provide a financial guarantee in accordance with Section XVII-H. This financial guarantee may be waived if the amount is less than \$50.

2. For the purpose of definition, those Customers to be initially served shall include houses or multiple occupancy buildings under construction at the time the contract for the extension is signed. As additional facilities are needed to serve additional Customers, the Applicant may be required to make additional financial guarantees or may receive a refund accordingly.

C. Residential Extensions - Existing Subdivisions

1. The procedure used to determine whether a Contribution in Aid of Construction ("CIAC") including all applicable taxes will be required from Applicants will be on file with and approved by the Commission. The CIAC may be waived if the amount is less than \$50.

2. Applicants included in the procedure must provide a Refundable Qualifying Deposit ("RQD") of \$200. The RQD will be refunded to the Applicant if gas heating equipment is installed and connected within five (5) years of the date that gas service is first available to that Applicant. If gas heating equipment is not installed and connected within five (5) years of the date that gas service is first available, the RQD will not be refunded, but will be applied as a CIAC.

D. Residential Extensions Less than 500 Feet

If the estimated investment in the extension exceeds five (5) times the Estimated Revenue, each Applicant shall provide a CIAC including all applicable taxes for the excess amount. This CIAC may be waived if the amount is less than \$50. If any Applicant is not connected to Delmarva's system within one year of the time that gas service is available to an Applicant, that Applicant must pay the RQD to the Company. Such payment shall be credited as a CIAC.

RULES AND REGULATIONS

SECTION XVII - EXTENSIONS

E. Non Residential Extensions

If the estimated investment in the extension exceeds three (3) times the Estimated Revenue, the Applicant will be required to provide a CIAC including all applicable taxes for the excess amount. This CIAC may be waived if the amount is less than \$50.

When a line extension and service are both required, the Estimated Revenue shall be compared to the total estimated investment in both the line extension and the service.

F. Non Residential Dual Fuel Extensions

All Non-Residential Customers who desire service and who have the ability to continuously use an alternate fuel must sign an Application that holds the Customer liable for all estimated costs not covered by actual non-fuel revenues received and retained by the Company.

When a line extension and service are both required, the Estimated Revenue shall be compared to the total estimated investment in both the line extension and the service.

G. Infrastructure Improvements

The Company may make investments in infrastructure for reasons of timing, convenience, reliability, safety or other reasons as may be appropriate, independent of extension or service requests from Customers. Investments in infrastructure will be undertaken consistent with engineering planning studies and financial analysis. Infrastructure is defined as gas transmission and distribution systems necessary to increase pipeline flow capacity and/or pressures, system reliability or service availability.

The intent of the preceding paragraph is not to avoid the extension rules contained in this Section, nor the service installation rules contained in Section VII.

H. Financial Guarantees

Financial Guarantees may be made by payment, deposit, Letter of Credit or other financial instruments at the Company's discretion.

Should the Applicant provide a deposit it will be returned to the Applicant (without interest) in an amount equal to five (5) times the estimated revenue, excluding all fuel cost, from new Customers as each new Customer completes its permanent service connection directly from the extension for which the deposit was required. In no case shall the total refund be greater than the Applicant's deposit. Any portion of the deposit remaining unrefunded after five (5) years from the date the Company is first ready to render service from the extension shall be retained by the Company and credited as a CIAC.

Should the Applicant provide a Letter of Credit or other Financial Instrument, the estimated revenue attributable to the extension shall be examined prior to the Letter's or other Instrument's expiration. The Company may either draw on the Letter of Credit or Instrument or require that it be renewed, where a continued financial guarantee is still required. Such draw shall then be considered a deposit under the above section. The Company shall also have the right to require a Financial Guarantee where it determines that the recovery of the investment is questionable.

RULES AND REGULATIONS

SECTION XVIII - CURTAILMENT POLICY

A. Curtailment Priority

In the event the Company determines that it will be unable to satisfy the demands of all existing Customers because, in its sole judgment, it deems its gas supply to be insufficient, the Company shall curtail service to its Customers. Curtailments will be made to ensure adequate supply for priority Customers and to maintain the integrity of the Company's gas distribution system. The extent of curtailment, including complete curtailment, shall be determined by the Company. If operationally feasible, the curtailment shall be instituted in the following order:

1. Flexibly Priced Gas Volumes
2. Interruptible Transportation Gas Volumes
3. Firm sales or standby volumes in the following order:
 - a. Industrial Customers with gas usage over 1,000 Mcf per day.
 - b. Industrial Customers with gas usage over 100 Mcf per day.
 - c. Industrial or Commercial Customers with gas usage over 50 Mcf per day.
 - d. All other Commercial Customers other than those listed below.
4. Apartments, hotels, motels, dormitories and residences.
5. Hospitals, nursing homes, institutions for the aged and infirm and institutions essential to the public welfare.

B. Curtailment Procedure

Curtailments within curtailment priorities 1, 2, and 3 will be implemented first on the basis of operational benefit to the system, and second on the basis of the level of Customers sales margins, storage or transportation charges. In this curtailment priority, the Company has the discretion to determine the order and extent of curtailment. Those Customers paying the lowest rates (i.e., contributing the smallest margins or net revenues) will be curtailed first and those paying the highest rates will be curtailed last. Curtailments within curtailment priorities 4 and 5 will be implemented on a pro-rata basis where operationally feasible. For Customers within a curtailment priority that are paying the same charge, curtailment will be on a non-discriminatory, pro-rata basis. In the event of complete curtailment, the Company will endeavor to provide the gas required for protection of physical plant.

RULES AND REGULATIONS

SECTION XVIII - CURTAILMENT POLICY - (Continued)

C. Curtailment of Customer-Owned Gas

Customers with confirmed Customer-owned supplies, delivered to the Company's city-gate, will not be curtailed unless the Company experiences: (1) a transmission or distribution system constraint at or downstream from the city-gate, or (2) a gas supply emergency that would result in a curtailment of high priority Customers (e.g. curtailment priority 4 or 5 Customers). Interruptible Transportation Service is subordinate to both Quasi-Firm and Firm Transportation Service. Quasi-Firm Transportation Service is subordinate to Firm Transportation Service. In the event that Customer-owned gas is diverted for higher priority Customers, the Company will reimburse the Customer for volumes used, paying a value-based price, tied to the Customer's alternative fuel. For Customers lacking an alternate fuel, reimbursement will be made at a price equivalent to No. 2 fuel oil.

D. Curtailment Enforcement

A Customer failing to comply with a curtailment notice may result in the services to that Customer being discontinued permanently. In addition, Customers will be subject to all applicable unauthorized overrun provisions that apply to the service classification(s). The Company reserves all rights to physically limit gas service should a Customer fail to comply with the Company's curtailment order.

E. Liability

The Company shall not be liable for any damages, loss of product, or other business losses suffered by Customers as a result of curtailed gas service, other than the compensation provided in Paragraph C above. The Company shall not be liable for curtailment as a result of any action by any governmental agency with jurisdiction to regulate, allocate, or control gas supplies or the rendition of service, and regardless of any defect in such law, regulation, or order.

F. Conflicts with other Service Classifications and/or Service Agreements

Each of the gas rate classifications or Customer service agreements shall be deemed amended to the extent that they are or may be inconsistent or in conflict with the Company's Curtailment Priority. Transportation Customers are also subject to any provisions regarding operating limitations, special provisions or other transportation provisions contained in the Transportation Service Terms and Conditions or the applicable transportation service classification. Nothing contained in this policy shall prohibit the Company from managing and scheduling interruptions of service as the Company may deem necessary or appropriate.

G. Special Provision

Nothing herein shall prevent the Company from entering into an agreement with a Customer that provides for a non-pro rata curtailment priority lower than the Customer would otherwise receive.

RULES AND REGULATIONS

SECTION XIX - GENERAL COST ADJUSTMENT

A. General Cost Adjustment

This General Cost Adjustment is applicable to all Service Classifications of the Tariff under the conditions enumerated below.

1. Bills rendered under all Service Classifications of the Tariff shall be increased to offset any new or increased special taxes, licenses, franchise fees, rentals or assessments imposed by any governmental authority against the Company's property used in the production, transmission, distribution or sale of gas or its operations or production or sale of gas or the receipts or earnings therefrom.
2. Such special taxes as outlined above shall, on the basis of Customer's consumption, or billing, be apportioned pro-rata among Customers within the limits of any political entity which imposes any such special taxes, licenses, franchise fees, rentals or assessments, to offset such special levies and to relieve Customers outside of such political entity of the burden of payment for such special levies.
3. Any such cost adjustment shall continue in effect only for the duration of the specified levies, and shall not be instituted prior to approval by the Commission.
4. When Customers are required under the Rules and Regulations, Service Classifications, and Riders of this Tariff to provide a contribution in aid of construction, the amount of the contribution shall include an allowance for any taxes to which said contribution may be subjected.

RULES AND REGULATIONS

SECTION XX - GAS COST RATE CLAUSE

A. Gas Cost Rate Clause

The monthly rates contained in Service Classifications RG, GG, GL, MVG, and LVG shall include a gas cost rate each month to reflect total purchased gas costs. Total purchased gas costs will be separated into purchased gas commodity costs and upstream demand-related gas costs. Total gas cost recovery will occur as the result of the application of a purchased gas commodity cost recovery component and a demand-related cost recovery component to Customer billing determinants.

Total gas cost shall consist of:

- (1) The amounts charged to FERC Accounts 803, 804, and 804.1, which includes commodity purchases, transportation, demand, storage and capacity charges; plus
- (2) The amounts charged to FERC Account 808.1, which includes the cost of gas withdrawn from storage; less
- (3) The amounts credited to FERC Accounts 804.1 and 808.2, which includes the cost of gas delivered to storage; plus
- (4) The amounts charged to FERC Account 728, which includes liquid petroleum gas and unmixed propane gas; plus
- (5) All additional charges paid to the Company's suppliers for prior periods; plus
- (6) The costs paid to third parties as part of a gas price hedging program approved by the Commission, including payments to obtain an option, whether or not exercised, payments to obtain a price band or cap, swap transaction costs, and other similar costs, less revenues or payments received for the sale of an option, swap transaction revenues, or similar revenues or payments received; less
- (7) Revenues received for the Company's Balancing, Firm Storage, and Standby Services; less
- (8) All refunds received from the Company's suppliers for prior periods.

Gas Costs specifically exclude expenses associated with operation and maintenance of Company Owned Liquefied Natural Gas facilities.

The Determination Period concerning the Gas Cost Rate shall be the twelve (12) month period ended October 31 of each year. The Application Period shall be the twelve (12) month period beginning with the November billing month following the close of the Determination Period and continuing through the following October billing month.

In August of each year, the Company shall file with the Commission a statement of its annual estimated gas costs for the next Application Period calculated in accordance with this Clause, and the Commission shall set a new Commodity Cost Rate and a Demand Cost Rate for that year as provided in this Section

RULES AND REGULATIONS

SECTION XX - GAS COST RATE CLAUSE - (Continued)

B. Commodity Component

1. Monthly Commodity Cost Rate (“Monthly CCR”)

The Monthly CCR shall apply to Customers served under Service Classification LVG and is an option for Customers served under Service Classification MVG. On or before August 1 of each year all MVG Customers must elect whether to be charged the annual or monthly commodity cost rate for each 12 month planning period beginning with November billing. No MVG Customer will be permitted to change its election once the application period has begun.

The Monthly CCR shall be determined each month as an estimate of the weighted average commodity cost of gas (“WACCOG”), adjusted for unaccounted-for gas. The estimate shall be based on expected volume requirements and supplier prices. The Monthly CCR shall be applied to all gas quantities used by Customers served under the Monthly CCR provision. There will be no true-up of the monthly WACCOG commodity pricing under this Monthly CCR mechanism unless the annual (July 1-June 30) net difference between the actual monthly WACCOG incurred and the monthly WACCOG price charged (both of which are multiplied by the applicable monthly volumes delivered to Monthly CCR Customers) exceeds the lesser of \$250,000 or 5% of the aggregated gas commodity costs assigned to Monthly GCR Customers. This determination will be filed annually in the GCR.

If this threshold is exceeded, a volumetric factor (either positive or negative) will be calculated by dividing the annual net differences attributed to Monthly GCR Customers by the projected sales for Monthly GCR Customers over the next GCR period. This factor would be applied to all Monthly CCR Customers for the upcoming GCR period in addition to the commodity price that would otherwise apply (the monthly WACCOG) until the amount to be trued up has been reached. At that point, the true-up factor will be eliminated. If the \$250,000 or 5% threshold described above is exceeded, the difference trued-up with respect to Monthly GCR Customers shall be excluded from the Annual Commodity Cost Rate calculation as described below.

2. Annual Commodity Cost Rate (“Annual CCR”)

All Customers in Service Classifications RG, GG and GL, and all MVG customers not electing the Monthly CCR will be subject to the "Annual Commodity Cost Rate", to be billed on a volumetric basis. The development of the Annual CCR is based on the cost components defined below, divided by sales to the appropriate Customer classes.

The Annual commodity gas cost shall consist of all costs not recovered by the Demand Gas Cost component, including but not limited to:

- (1) The total commodity portion of the gas costs listed in Paragraph A; less
- (2) The commodity cost of gas, adjusted for losses and unaccounted - for gas, for LVG and MVG Customers served under the Monthly CCR and any such amount resulting from a reconciliation of actual commodity expenses to estimates; less
- (3) Streamed gas supplies; less

RULES AND REGULATIONS

SECTION XX - GAS COST RATE CLAUSE - (Continued)

- (4) The commodity cost of gas, adjusted for unaccounted - for gas, for Delmarva's electric generation and any such amount resulting from a reconciliation of actual commodity expenses to estimates; less
- (5) The commodity cost of gas, valued at the system WACCOG and adjusted for unaccounted-for gas, provided to the non-firm Customers served under the Flexibly Priced Gas Sales Service; less
- (6) A credit for company use gas, valued at the system WACCOG adjusted for unaccounted-for gas; plus
- (7) An adjustment for under-collections or over-collections of commodity gas costs as provided for in this Section; plus
- (8) Interest on under-collections or over-collections of commodity gas costs as provided for in this Section.

The Annual CCR shall be calculated by dividing the above commodity cost by the projected sales to all Customers served under the Annual CCR.

C. Demand Cost Rate ("DCR")

The demand gas cost recovery component will be recovered from all firm gas sales customers and is derived as follows:

$$\text{Total Demand Component} = \text{FC} - \text{ADR} - \text{FPS} - \text{ISS} - \text{CROS} - \text{IT} - \text{ONF} + \text{PP} - \text{SA}$$

Where: FC = Total fixed gas supply costs

ADR = 100% of contributions from electric generation toward fixed costs

FPS = 80% of the margins from "Flexibly Priced Service" gas sales

ISS = 80% of the margins from interruptible storage services *

CROS = 100% of the first \$1.7 Million in margins attributable to combined capacity release transactions and off system sales, with margins in excess of \$1.7 Million credited 80% to the GCR

IT = 80% of the margins from interruptible transportation services *

ONF = 80% of the margins of other non-firm services not otherwise classified and provided under contracts executed on or after April 1, 1996 *

PP = Prior period over or under-recovery of the demand component, including Interest

SA = 100% of an amount equal to \$0.15 per Mcf multiplied by the annual average throughput for a customer who is a firm sales service customer of Delmarva and who switches to delivery service and begins receiving gas supply from a Delmarva affiliate

* Excludes non-gas revenues from Customers that were firm Customers as of March 31, 1996, until the effective date of the next base rate case.

Other Definitions:

Design Day Load is as projected by the Company, subject to modification by the Commission. Total Contract MDQ will be used for the MVG and LVG classes.

RULES AND REGULATIONS

SECTION XX - GAS COST RATE CLAUSE - (Continued)

Annual upstream demand-related costs (“Upstream Demand Cost”) = 365 or 366 day upstream pipeline capacity and supply related charges divided by the related daily capacity entitlement.

Average Day Load = Forecasted annual sales divided by 365 or 366.

Excess Day Load = Design Day Load minus Average Day Load.

The demand cost rate consists of two components: the annual demand-related costs and the excess demand-related costs. The annual portion of the demand rate is derived by the allocation of the Annual Upstream Demand-related cost on the basis of the Average Daily Load of the respective class. This total is then subtracted from the Total Demand Component. The remaining demand costs are allocated to each firm customer class based upon the relationship of the respective class excess load to total excess load.

A single demand cost rate for the MVG and LVG classes is calculated by dividing the sum of the total demand costs allocated to these two classes using the above methods by the sum of the Contract MDQ for these two classes. This is then divided by 12 to arrive at a single monthly demand cost rate.

The demand component to be recovered from firm sales customers other than MVG and LVG is the difference between the Total Demand Component and the amount projected to be collected through application of the monthly demand cost rate to the MVG and LVG classes. The DCR is this difference divided by the projected annual firm sales to the RG, GG and GL classes as well as the inter-departmental sales. The DCR is added to the Annual CCR to arrive at a single, volumetric rate which is applied to all gas quantities used by Customers in the RG, GG and GL service classifications.

For the Gas Cost Period ending October 31, 1996, the demand cost rate for all MVG and LVG Customers shall be \$8.45 per Mcf of Billing MDQ. The demand component of all other Customers will be the remainder of all demand costs not projected to be collected from the MVG and LVG Customers, divided by the projected annual sales to these classes.

The DCR shall be in effect and apply to billings during each month of the Application Period. Any over or under-recovery of the upstream demand-related costs shall be incorporated into the development of the demand component of the Annual Gas Cost Rate in the subsequent period, including interest on those over or under-collections as provided for in paragraph D below.

D. Interim Gas Cost Rate Changes

The GCR as so determined shall be in effect and apply to billings during each month of the Application Period unless the GCR is changed as hereinafter provided:

RULES AND REGULATIONS

SECTION XX - GAS COST RATE CLAUSE - (Continued)

If it appears at any time during the Application Period that the use of the GCR then in effect for the remainder of that period will result in a net under-collection of the Company's gas cost by more than 6% of the latest estimate of the Application Period's gas cost calculated using the actual gas costs incurred to date and the Company's latest estimate of the gas costs and firm sales for the remainder of the Application Period, or a net over-collection of such gas costs by more than 4-1/2% of such estimate, the Company shall apply to the Commission for a change in the GCR and the Commission shall fix a new GCR for the balance of the Application Period which will correct for over- or-under-recoveries by amortizing them over a twelve-month period instead of zeroing them out by the end of the current Application Period.

In the case of a projected over-collection of firm gas costs by more than 4-1/2% of the latest estimate of firm gas costs, the Company may apply to the Commission for approval of alternative treatments of such over-collections, including bill credits, in conjunction with or as an alternative to reducing the GCR and amortizing the projected over-collection over a future period.

An adjustment for over or under-collection of purchased gas costs under the CCR and the DCR, and the calculation of interest thereon, will be included in the GCR factors. This adjustment shall be determined as follows:

- (1) By calculating for the Determination Period the commodity cost component as recorded on the Company's books and as estimated by the Company for the remainder of the period, and subtracting therefrom an amount equal to the gas commodity revenues received from all customers gas sales;
- (2) By calculating for the Determination Period the total demand cost component as recorded on the Company's books of purchased gas costs allocable to the DCR and as estimated by the Company for the remainder of the period and subtracting therefrom an amount equal to the gas demand revenues received from all customers.
- (3) Interest will be calculated on the total average deferred gas cost balance. Over-recoveries up to 4 1/2% of the applicable GCR costs shall accrue monthly interest at the applicable refund rate issued by the Federal Energy Regulatory Commission. Over-recoveries in excess of 4 1/2% of the applicable costs shall accrue monthly interest at the applicable refund rate issued by the Federal Energy Regulatory Commission plus 200 basis points. Under-recoveries shall accrue monthly interest at the applicable refund rate issued by the Federal Energy Regulatory Commission.

RATES AND CHARGES
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>GAS COST</u>		<u>TOTAL</u>	<u>BASIS</u>
	<u>BASE RATE</u>	<u>RATE</u>		
<u>Residential Gas Sales Service ("RG")</u>				
Customer Charge	\$8.40	--	\$8.40	per month
Commodity Charge	\$0.35817	\$1.18384	\$1.54201	per CCF
Space Heating Commodity Charge 1/ Over 50 CCF	\$0.30561	\$1.18384	\$1.48945	per CCF
Environmental Surcharge Rider	\$0.00138		\$0.00138	per CCF
<u>General Gas Sales Service ("GG")</u>				
Customer Charge	\$19.00	--	\$19.00	per month
Commodity Charge First 750 CCF	\$ 0.32320	\$1.18384	\$1.50704	per CCF
Over 750 CCF	\$ 0.23470	\$1.18384	\$1.41854	per CCF
Environmental Surcharge Rider	\$0.00138	--	\$0.00138	per CCF
<u>Gas Lighting Sales Service ("GL")</u> (Estimated Usage - 15 CCF per month)				
Monthly Charge	\$ 6.82	\$ 17.76	\$24.58	per gas light
<u>Medium Volume Gas Sales Service ("MVG")</u>				
Customer Charge	\$315.00	--	\$315.00	per month
Demand Charge	\$ 10.21	\$ 6.20	\$ 16.41	per MCF of Billing MDQ
Commodity Charge 2/	\$ 0.45599	\$11.0279	\$11.48389	per MCF
Environmental Surcharge Rider	\$0.01377		\$0.01377	per MCF
<u>Large Volume Gas Sales Service ("LVG")</u>				
Customer Charge	\$500.00	--	\$500.00	per month
Demand Charge	\$ 7.04	\$ 6.20	\$ 13.24	per MCF of Billing MDQ
Commodity Charge 2/	\$ 0.12959	Varies	Varies	per MCF
Environmental Surcharge Rider	\$0.01377		\$0.01377	per MCF
<u>Public Utilities Tax</u>		4.25%	Charged on all non exempt services, including the GCR	
<u>City of Wilmington Local Franchise Tax</u>		2.00%	Charged on all non exempt services in the City of Wilmington, including the GCR	

1/ Gas used by Customers with permanently installed gas-fired space heating equipment qualifies for the space heating commodity rate for all gas used in excess of 50 ccf for the billing months of October through May, inclusive.

2/ All LVG and "Electing" MVG Customers pay a monthly Commodity Charge GCR based upon the system Weighted Average Commodity Cost of Gas ("System WACCOG"). "Non-Electing" MVG Customers pay the annual GCR Commodity Charge listed here.

RATES AND CHARGES

CORE TRANSPORTATION RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>NON-BASE RATE</u>	<u>BASIS</u>
<u>General Volume Firm Transportation</u>			
<u>Service ("GVFT")</u>			
Customer Charge	\$294.00		per month
Delivery Charge			
First 750 CCF	\$ 0.32320		per CCF Redelivered
Over 750 CCF	\$ 0.23470		per CCF Redelivered
Balancing Fee		\$ 0.2161	per CCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00138		per CCF
<u>Medium Volume Firm Transportation</u>			
<u>Service ("MVFT")</u>			
Customer Charge	\$590.00		per month
Demand Charge	\$ 10.21		per MCF of Billing MDQ
Delivery Charge	\$ 0.45599		per MCF Redelivered
Balancing Fee		\$ 0.2161	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.01377		per MCF
<u>Large Volume Firm Transportation</u>			
<u>Service ("LVFT")</u>			
Customer Charge	\$775.00		per month
Demand Charge	\$ 7.04		per MCF of Billing MDQ
Delivery Charge	\$ 0.12959		per MCF Redelivered
Balancing Fee		\$ 0.2161	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.01377		per MCF
<u>Standby Service ("SBS")</u>			
Demand Charge		\$6.20	per MCF of Standby MDQ
Commodity Charge			Monthly System WACCOG per MCF (adjusted for losses and unaccounted-for)
<u>Public Utilities Tax</u>			
		4.25%	Charged on all non exempt services, including the GCR
<u>City of Wilmington Local Franchise Tax</u>			
		2.00%	Charged on all non exempt services, in the City of Wilmington, including the GCR

RATES AND CHARGES

NON-CORE RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>MIN RATE</u>	<u>MAX RATE</u>	<u>NON-BASE RATE</u>	<u>BASIS</u>
<u>Flexibly Priced Gas Service ("FPS")</u>					
Commodity Charge 1/ No Notice Swing Charge	\$ 0.15000	Varies	N/A		per MCF per MCF Redelivered
<u>Medium Volume Interruptible Transportation Service ("MVIT")</u>					
Customer Charge	\$590.00				per month
Delivery Charge (2)					
Option 1	\$ 1.30000				per MCF Redelivered
Option 2		\$0.01	\$3.27		per MCF Redelivered
Option 3	Negotiable				per MCF Redelivered
Balancing Fee				\$0.2161	per MCF of Imbalance Volumes
<u>Large Volume Interruptible Transportation Service ("LVIT")</u>					
Customer Charge	\$775.00				per month
Delivery Charge (2)					
Option 1					
First 5,000 MCF	\$ 1.30000				per MCF Redelivered
Over 5,000 MCF	\$ 0.36000				per MCF Redelivered
Option 2		\$0.01	\$1.00		per MCF Redelivered
Option 3	Negotiable				per MCF Redelivered
Balancing Fee				\$0.2161	per MCF of Imbalance Volumes
<u>Quasi-Firm Transportation Service ("QFT")</u>					
Customer Charge	Negotiable				per Month
Demand Charge	Negotiable				per MCF of MDQ
Delivery Charge (2)	Negotiable				per MCF Redelivered
Balancing Fee				\$0.2161	per MCF of Imbalance Volumes
<u>Public Utilities Tax</u>					
				4.25%	Charged on all non-exempt services, including the GCR
<u>City of Wilmington</u>					
<u>Local Franchise Tax</u>					
				2.00%	Charged on all non-exempt services, in the City of Wilmington, including the GCR

1/ Minimum Rate is the monthly system WACCOG plus losses and unaccounted-for, unless gas is acquired specifically for, plus \$0.01 per Mcf.

2/ Minimum and maximum rates do not include the applicable \$0.00000/Mcf charge on QFT, MVIT and LVIT.

SERVICE CLASSIFICATION "RG"
RESIDENTIAL GAS SALES SERVICE

A. Availability

This firm sales service is available to any Customer for household and other related uses in a single private dwelling or dwelling unit or estate and pertinent detached buildings.

B. Rates and Charges:

The rates and charges under this classification are shown on Tariff Leaf No. 37.

C. Space Heating Service

Gas used by Customers with permanently installed gas-fired space heating equipment which is the primary heating source for the space in which it is installed shall qualify for the space heating commodity charge for all gas used in excess of 50 CCF for the billing months of October through May, inclusive.

D. Gas Cost Rate Clause

All gas billed under this rate shall be subject to the Gas Cost Rate Clause as provided in Section XX of the Rules and Regulations.

E. Minimum Monthly Bill

The Minimum Monthly Bill rendered under this rate shall be the Customer Charge.

F. Rules and Regulations

The Rules and Regulations set forth in this Tariff shall govern, where applicable, the supply of service under this Service Classification.

G. City of Wilmington Local Franchise Tax

In addition to the charges provided for in this Service Classification, City of Wilmington Local Franchise Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

SERVICE CLASSIFICATION "GG"

GENERAL GAS SALES SERVICE

A. Availability

This firm sales service is available to any Customer for non-residential gas use with a Monthly Use of less than 20,000 CCF and a Maximum Daily Quantity of less than 5,000 CCF. Any Customer whose monthly use equals or exceeds 20,000 CCF and/or whose Maximum Daily Quantity equals or exceeds 5,000 CCF in any three consecutive billing months may be transferred to Service Classification "MVG" or "LVG", as applicable.

B. Transition Charge

A transition charge shall be assessed upon any Customer that switches to any transportation service on less than twelve (12) months advance written notice. This charge is intended to provide compensation for any and all costs deemed to have been incurred to supply firm sales services to the Customer in accordance with procedures approved by the Commission.

In addition, concerning any Customer subject to the Annual GCR Commodity Charge that switches to any transportation or non-firm service at a time when the gas deferred fuel balance is other than zero, a transition charge or refund shall be paid by or returned to the Customer. Such transition charge or refund shall be computed by multiplying the gas deferred fuel balance as of the end of the calendar month preceding the change in service by the ratio of that Customer's usage during the prior twelve-month period to the total usage of all sales Customers subject to an Annual GCR Commodity Charge for the same twelve-month period. Transition refunds shall be paid in a lump sum; transition charges shall be paid by the Customer either in a lump sum or in twelve equal monthly payments at the Customer's option.

C. Rates and Charges:

The rates and charges under this classification are shown on Tariff Leaf No. 37.

D. Gas Cost Rate Clause

All gas billed under this rate shall be subject to the Gas Cost Rate Clause as provided in Section XX of the Rules and Regulations.

E. Minimum Monthly Bill

The Minimum Monthly Bill rendered under this rate shall be the Customer Charge.

SERVICE CLASSIFICATION "GG"

GENERAL GAS SALES SERVICE

F. Maximum Daily Quantity (MDQ)

The MDQ shall be the greatest amount of gas delivered to the Customer during any day (10:00 a.m. to 10:00 a.m., E.S.T. and E.D.S.T.) of the current billing month.

If the Customer's present metering equipment does not include recording device metering, the Customer's MDQ may be determined, at the Company's option, by measurement, by assessment after test, or by estimation. When a Customer's MDQ is estimated, it shall be the MDQ resulting from dividing the total MCF of gas used during the billing month by the number of days in that billing month and then multiplying that result by 1.5.

G. Public Utilities Tax

In addition to the charges provided for in this Service Classification, the Delaware State Public Utilities Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

H. Rules and Regulations

The Rules and Regulations set forth in this Tariff shall govern, where applicable, the supply of Service under this Service Classification.

I. City of Wilmington Local Franchise Tax

In addition to the charges provided for in this Service Classification, City of Wilmington Local Franchise Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

SERVICE CLASSIFICATION "GL"

GAS LIGHTING SALES SERVICE

A. Availability

This firm sales service is applicable to unmetered residential outdoor gas lights that were installed and receiving service prior to November 9, 1978.

This rate is not available for service to new gas lights or to reconnected lights.

B. Rates and Charges

The rates and charges under this classification are shown on Tariff Leaf No. 37.

C. Gas Cost Rate Clause

All gas billed under this rate shall be subject to the Gas Cost Rate Clause as provided in Section XX of the Rules and Regulations. The Gas Cost Rate shall be the GCR multiplied by 15 ccf, which represents the estimated monthly usage of one gas light.

D. Minimum Monthly Bill

The minimum monthly bill shall be the number of gas lights multiplied by the sum of the base rate and the GCR.

E. Lighting Devices

The Customer shall install, own and maintain the lighting devices.

F. Public Utilities Tax

In addition to the charges provided for in this Service Classification, the Delaware State Public Utilities Tax shall apply to all service, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

G. Rules and Regulations

The Rules and Regulations set forth in this Tariff shall govern, where applicable, the supply of service under this Service Classification.

H. City of Wilmington Local Franchise Tax

In addition to the charges provided for in this Service Classification, City of Wilmington Local Franchise Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

SERVICE CLASSIFICATION "MVG"

MEDIUM VOLUME GAS SALES SERVICE

A. Availability

This firm sales service is available to any Customer with a Monthly Use of at least 2,000 MCF and a Contract Maximum Daily Quantity of less than 500 MCF. Any Customer whose Billing Maximum Daily Quantity is equal to or exceeds 500 MCF in any three consecutive billing months may be transferred to Service Classification "LVG". Any Customer served under this Service Classification shall remain on this classification for at least 12 billing months, unless the Customer chooses to switch to a transportation service. After such 12 billing months as an "MVG" Customer, at the Company's option, the Customer may be transferred to the appropriate core sales Service Classification. Availability of this rate to Customers taking service under a non-core or transportation Service Classification shall be subject to availability of the Company's gas supply and adequate gas transmission and distribution system capabilities. This rate is not available for gas used in electric generation facilities exceeding 1 megawatt gross electric output capacity unless expressly permitted by the contract between the Company and the Customer.

B. Contract Term

Service for an MVG Customer as of April 1, 1996 shall be provided under an executed contract with a minimum initial term of three (3) years. Beginning January 1, 1997, the minimum initial contract term will be two (2) years and as of January 1, 1998, the minimum initial contract term is one (1) year. The contract shall be automatically extended for one year on each anniversary date of the executed contract unless the Company or the Customer gives one year's advance written notice of termination. This notice provision may be reduced or eliminated if the Customer agrees to pay the Company a Transition Charge as described below.

If the Customer fails or refuses to execute a contract, the Company may, at its option, refuse to continue providing service or elect to continue service with the Customer deemed to be taking service under a one (1) year contract.

C. Transition Charge

A transition charge shall be assessed upon any Customer that switches to any transportation service on less than twelve (12) months advance written notice, or that switches to a monthly Commodity Gas Cost Rate. This charge is intended to provide compensation for any and all costs deemed to have been incurred to supply firm sales services to the Customer in accordance with procedures approved by the Commission.

In addition, concerning any Customer subject to the Annual GCR Commodity Charge that switches to any transportation or non-firm service, or to a monthly Commodity Gas Cost Rate at a time when the gas deferred fuel balance is other than zero, a transition charge or refund shall be paid by or returned to the Customer. Such transition charge or refund shall be computed by multiplying the gas deferred fuel balance as of the end of the calendar month preceding the change in service by the ratio of that Customer's usage during the prior twelve-month period to the total usage of all sales Customers subject to an Annual GCR Commodity Charge for the same twelve-month period. Transition refunds shall be paid in a lump sum; transition charges shall be paid by the Customer either in a lump sum or in twelve equal monthly payments at the Customer's option.

SERVICE CLASSIFICATION "MVG"

MEDIUM VOLUME GAS SALES SERVICE - (Continued)

D. Rate and Charges

The rates and charges under this classification are shown on Tariff Leaf No. 37.

E. Gas Cost Rate Clause

All gas billed under the Commodity Charge of this rate shall be subject to the Gas Cost Rate Clause as provided in Section XX of the Rules and Regulations.

F. Minimum Monthly Bill

The Minimum Monthly Bill rendered under this rate shall be the Customer Charge plus the Billing MDQ multiplied by the sum of the MVG Base Rate Demand Charge and the Gas Demand Rate.

G. Maximum Daily Quantity

The Maximum Daily Quantity ("MDQ") shall be the greatest amount of gas delivered to the Customer during any day (10:00 a.m. to 10:00 a.m. E.S.T. and E.D.S.T.) of the current billing month.

H. Contract Maximum Daily Quantity

The Customer's Contract Maximum Daily Quantity ("Contract MDQ") shall be set initially at the Customer's MDQ in effect as of April 1, 2003. Contract MDQ's shall be subsequently adjusted according to the following criteria, unless specified otherwise in the Customer's contract with the Company: 1. Written requests for an increase in Contract MDQ to serve additions to firm load will be evaluated by the Company against available delivery system firm capacity. 2. If Customer billing demand exceeds the existing Contract MDQ and sufficient firm capacity is available, the Company may increase Contract MDQ to the highest recorded MDQ since the most recent date that the Customer's MDQ was reset, effective with the billing month in which the change is made by the Company. No prior written notice is required. If insufficient capacity is available, the Company will determine if any increase in Contract MDQ is appropriate. 3. The Company will consider written requests to reduce Contract MDQ based upon evidence of a permanent change in the Customer's process or facility loads which, in the sole judgement of the Company, indicate a material reduction in demand likely to continue for three years after considering an extrapolation of the Customer's recorded load and growth history to the Company's design weather conditions.

SERVICE CLASSIFICATION "MVG"

MEDIUM VOLUME GAS SALES SERVICE - (Continued)

Any reduction made in Contract MDQ will be determined by the Company and agreed to in writing. Reductions, if any, will be effective in November of the heating season following satisfaction of the above conditions. Once Contract MDQ is reduced, any subsequent instances in which the Customer exceeds Contract MDQ or any request for an increase in Contract MDQ will not automatically result in an allocation of additional capacity. No firm capacity will be offered unless it is available, and if Contract MDQ is not increased the Customer will be liable for all penalties that may be associated with exceeding Contract MDQ.

The Company will have no obligation to provide an increase to Contract MDQ if, in the Company's sole judgment, the system-wide firm capacity projected to be available to the Company during the following three heating seasons is inadequate to support both such higher Contract MDQ and to supply the requirements of all existing customers and expected growth in requirements from existing and new residential and other high-priority customers.

I. Billing Maximum Daily Quantity

The Billing Maximum Daily Quantity ("Billing MDQ") shall be the higher of the Customer's actual MDQ in the current billing month or the Customer's Contract MDQ.

J. Metering

Metering shall include a recording device, which shall be furnished and installed by the Company. The Customer shall furnish an independent dedicated electrical supply and phone line for the operation of this equipment, in an area acceptable to the Company. Separate metering may be required, at the Customer's expense, where necessary to determine the quantities of gas being delivered under this rate class.

In the interim period until the Customer's present metering equipment is converted to recording device metering, the Customer's MDQ under Section G of this Service Classification may be determined, at the Company's option, by measurement, by assessment after test, or by estimation. When a Customer's MDQ is estimated, it shall be the MDQ resulting from dividing the total MCF of gas used during the billing month by the number of days in that billing month and then multiplying that result by 1.5.

SERVICE CLASSIFICATION "MVG"

MEDIUM VOLUME GAS SALES SERVICE - (Continued)

K. Unauthorized Overrun

Any quantity of gas taken for this service on any day of the month in excess of 110% of the Contract MDQ shall constitute unauthorized overrun volumes for such day. For all such unauthorized overrun volumes, a charge of twenty dollars (\$20.00) per Mcf will be applied, in addition to other charges specified in this Service Classification. For all such unauthorized overrun volumes used after notification of curtailment, Operational Flow Order ("OFO") or discontinuance of service, a charge of thirty-five dollars (\$35.00) per Mcf will be applied, in addition to the other charges specified in this Service Classification. For any unauthorized overrun, the penalty shall not exceed thirty-five dollars (\$35.00) per Mcf. If an OFO has been issued by the Company, the maximum quantity of gas taken by the Customer shall generally be limited to 105% of the Contract MDQ. The Company may waive unauthorized overrun charges on a nondiscriminatory basis should circumstances so warrant.

L. Authorized Overrun

If during any day, upon advance authorization from the Company, the Customer uses in excess of 110% of the Contract MDQ, such usage shall be billed under this Service Classification.

M. Exit Fee

All Customers must provide at least one (1) year's written notice when discontinuing gas service. If a Customer fails to provide any notice, the Company shall charge an Exit Fee to the Customer which equals the sum of one (1) year's Customer charges plus the sum of the current Base and Gas Demand Charges times the Contract MDQ times twelve (12) months. If a Customer provides some notice, but less than the required amount, the Exit Fee shall be prorated based on the number of months of notice divided by 12.

N. Commodity Gas Cost Rate

All gas billed under this Service Classification shall be subject to the annual Gas Cost Rate and the Gas Cost Rate Clause as provided in Section XX of the Rules and Regulations. However, all Customers in this Service Classification have the option to elect a monthly Commodity Gas Cost Rate as described in Section XX – Gas Cost Rate Clause. For customers who elect the monthly Commodity Gas Cost Rate at a time when the gas deferred fuel balance is other than zero, a transition charge or refund shall be paid by or returned to the Customer. Such transition charge or refund shall be computed by multiplying the gas deferred fuel balance as of the end of the calendar month preceding the change in service by the ratio of that Customer's usage during the prior twelve-month period to the total usage of all sales Customers subject to an Annual GCR Commodity Charge for the same twelve-month period. Transition refunds shall be paid in a lump sum; transition charges shall be paid by the Customer either in a lump sum or in twelve equal monthly payments at the Customer's option.

O. Public Utilities Tax

In addition to the charges provided for in this Service Classification, the Delaware State Public Utilities Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

SERVICE CLASSIFICATION "MVG"

MEDIUM VOLUME GAS SALES SERVICE - (Continued)

P. Rules and Regulations

The Rules and Regulations set forth in this Tariff shall govern, where applicable, the supply of service under this Service Classification.

Q. City of Wilmington Local Franchise Tax

In addition to the charges provided for in this Service Classification, City of Wilmington Local Franchise Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

SERVICE CLASSIFICATION "LVG"
LARGE VOLUME GAS SALES SERVICE

A. Availability

This firm sales service is available to any Customer with a Contract Maximum Daily Quantity of 500 MCF or greater. Any Customer served under this Service Classification shall remain on this classification for at least 12 billing months, unless the Customer chooses to switch to a transportation service. After such 12 billing months as an "LVG" Customer, at the Company's option, the Customer may be transferred to the appropriate core sales Service Classification. Availability of this rate to Customers taking service under a non-core or transportation Service Classification shall be subject to availability of the Company's gas supply and adequate gas transmission and distribution system capabilities. This rate is not available for gas used in electric generation facilities exceeding 1 megawatt gross electric output capacity unless expressly permitted by the contract between the Company and the Customer.

B. Contract Term

Service for an LVG Customer as of April 1, 1996 shall be provided under an executed contract with a minimum initial term of three (3) years. Beginning January 1, 1997, the minimum initial contract term will be two (2) years and as of January 1, 1998, the minimum initial contract term is one (1) year. The contract shall be automatically extended for one year on each anniversary date of the executed contract unless the Company or the Customer gives one year's advance written notice of termination. This notice provision may be reduced or eliminated if the Customer agrees to pay the Company a Transition Charge as described below.

If the Customer fails or refuses to execute a contract, the Company may, at its option, refuse to continue providing service or elect to continue service with the Customer deemed to be taking service under a one (1) year contract.

C. Transition Charge

A transition charge shall be assessed upon any Customer that switches to any transportation service on less than twelve (12) months advance written notice. This charge is intended to provide compensation for any and all costs deemed to have been incurred to supply firm sales services to the Customer in accordance with procedures approved by the Commission.

D. Rate and Charges

The rates and charges under this classification are shown on Tariff Leaf No. 37.

SERVICE CLASSIFICATION "LVG"

LARGE VOLUME GAS SALES SERVICE - (Continued)

E. Gas Cost Rate Clause

All gas billed under the Commodity Charge of this rate shall be subject to the Gas Cost Rate Clause as provided in Section XX of the Rules and Regulations.

F. Minimum Monthly Bill

The Minimum Monthly Bill rendered under this rate shall be the Customer Charge plus the Billing MDQ multiplied by the sum of the LVG Base Rate Demand Charge and the Gas Demand Rate.

G. Maximum Daily Quantity

The Maximum Daily Quantity ("MDQ") shall be the greatest amount of gas delivered to the Customer during any day (10:00 a.m. to 10:00 a.m. E.S.T. and E.D.S.T.) of the current billing month.

H. Contract Maximum Daily Quantity

The Customer's Contract Maximum Daily Quantity ("Contract MDQ") shall be set initially at the Customer's MDQ in effect as of April 1, 2003. Contract MDQ's shall be subsequently adjusted according to the following criteria, unless specified otherwise in the Customer's contract with the Company: 1. Written requests for an increase in Contract MDQ to serve additions to firm load will be evaluated by the Company against available delivery system firm capacity. 2. If Customer billing demand exceeds the existing Contract MDQ and sufficient firm capacity is available, the Company may increase Contract MDQ to the highest recorded MDQ since the most recent date that the Customer's MDQ was reset, effective with the billing month in which the change is made by the Company. No prior written notice is required. If insufficient capacity is available, the Company will determine if any increase in Contract MDQ is appropriate. 3. The Company will consider written requests to reduce Contract MDQ based upon evidence of a permanent change in the Customer's process or facility loads which, in the sole judgement of the Company, indicate a material reduction in demand likely to continue for three years after considering an extrapolation of the Customer's recorded load and growth history to the Company's design weather conditions.

Any reduction made in Contract MDQ will be determined by the Company and agreed to in writing. Reductions, if any, will be effective in November of the heating season following satisfaction of the above conditions. Once Contract MDQ is reduced, any subsequent instances in which the Customer exceeds Contract MDQ or any request for an increase in Contract MDQ will not automatically result in an allocation of additional capacity. No firm capacity will be offered unless it is available, and if Contract MDQ is not increased the Customer will be liable for all penalties that may be associated with exceeding Contract MDQ.

SERVICE CLASSIFICATION "LVG"

LARGE VOLUME GAS SALES SERVICE - (Continued)

The Company will have no obligation to provide an increase to Contract MDQ if, in the Company's sole judgment, the system-wide firm capacity projected to be available to the Company during the following three heating seasons is inadequate to support both such higher Contract MDQ and to supply the requirements of all existing customers and expected growth in requirements from existing and new residential and other high-priority customers.

I. Billing Maximum Daily Quantity

The Billing Maximum Daily Quantity ("Billing MDQ") shall be the higher of the Customer's actual MDQ in the current billing month and the Customer's Contract MDQ.

J. Metering

Metering shall include a recording device, which shall be furnished and installed by the Company. The Customer shall furnish an independent dedicated electrical supply and phone line for the operation of this equipment, in an area acceptable to the Company.

SERVICE CLASSIFICATION "LVG"

LARGE VOLUME GAS SALES SERVICE - (Continued)

K. Unauthorized Overrun

Any quantity of gas taken for this service on any day of the month in excess of 110% of the Contract MDQ shall constitute unauthorized overrun volumes for such day. For all such unauthorized overrun volumes, a charge of twenty dollars (\$20.00) per Mcf will be applied, in addition to other charges specified in this Service Classification. For all such unauthorized overrun volumes used after notification of curtailment, Operational Flow Order ("OFO") or discontinuance of service, a charge of thirty-five dollars (\$35.00) per Mcf will be applied, in addition to the other charges specified in this Service Classification. For any unauthorized overrun, the penalty shall not exceed thirty-five dollars (\$35.00) per MCF. If an OFO has been issued by the Company, the maximum quantity of gas taken by the Customer shall generally be limited to 105% of the Contract MDQ. The Company may waive unauthorized overrun charges on a nondiscriminatory basis should circumstances so warrant.

L. Authorized Overrun

If during any day, upon advance authorization from the Company, the Customer uses in excess of 110% of the Contract MDQ, such usage shall be billed under this Service Classification.

M. Exit Fee

All Customers must provide at least one (1) year's written notice when discontinuing gas service. If a Customer fails to provide any notice, the Company shall charge an Exit Fee to the Customer which equals the sum of one (1) year's Customer charges plus the sum of the current Base and Gas Demand Charges times the Contract MDQ times twelve (12) months. If a Customer provides some notice, but less than the required amount, the Exit Fee shall be prorated based on the number of months of notice divided by 12.

N. Commodity Gas Cost Rate

All Customers in this Service Classification are subject to the monthly Commodity Cost Rate as described in Section XX - Gas Cost Rate Clause.

O. Public Utilities Tax

In addition to the charges provided for in this Service Classification, the Delaware State Public Utilities Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

P. Rules and Regulations

The Rules and Regulations set forth in this Tariff shall govern, where applicable, the supply of service under this Service Classification.

Q. City of Wilmington Local Franchise Tax

In addition to the charges provided for in this Service Classification, City of Wilmington Local Franchise Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

"PM" RIDER

PEAK MANAGEMENT RIDER

A. Availability

This Rider shall be available to any Customer taking service under Service Classifications MVG or LVG that has a Contract MDQ of 100 Mcf or more and who agrees to reduce its daily load to a level at least 100 Mcf below its Contract MDQ upon the request of the Company as set forth herein. This reduction would be for a maximum of ten (10) days. The Company reserves the right to limit the total manageable demand available under this Rider on the Company's gas system. Availability of this Rider is subject to the economic and technical feasibility of the installation of required Company equipment. The Company shall determine how much, if any, peak management control it will contract for in any period.

B. Peak Management Contract and Term

The Customer shall execute a contract for service provided under this Rider, with an initial term of two years. On each annual anniversary date of the executed contract, the contract term shall be extended automatically for a year, unless 18 months written notice of termination is given by either party.

C. Guaranteed Load Reduction

Customer shall contract for a Guaranteed Load Reduction by specifying a minimum daily load reduction of at least 100 Mcf. This is the amount by which the Customer agrees to reduce daily quantities below that Customer's Contract Maximum Daily Quantity ("Contract MDQ"). The Customer shall stand ready to reduce daily takes by at least this amount for up to ten (10) days during the months of December through February. This reduction shall occur whenever the Company declares a Peak Management Period as described below.

D. Peak Management Bill Credit

During the months of December through February, the Customer's monthly bill shall include a "Peak Management Credit" based upon the level of the Customer's Peak Management Guaranteed Load Reduction. The Peak Management credit will be the applicable GCR demand charge times the amount of the Guaranteed Load Reduction and shall be credited in each of these three months, whether or not the Customer is called upon to reduce load.

Credits to be paid to the Customer under this Rider shall be applied, before applicable taxes, as part of the Customer's regular monthly bill.

"PM" RIDER

PEAK MANAGEMENT RIDER - (Continued)

E. Peak Management Compliance

The Company shall provide a minimum of four hours notice prior to initiating a Peak Management Period, unless determined otherwise in the Customer's contract. The maximum recorded demand of the Customer must be reduced to a level at or below the Customer's Contract MDQ less the Guaranteed Load Reduction by the beginning of the Peak Management Period. The Customer's demand must be maintained at or below this level until the end of the Peak Management Period. The Company is solely responsible for determining the need for initiating a Peak Management Period.

F. Penalty for Non-Compliance

If the Customer fails to effect the Guaranteed Load Reduction when requested by the Company, the Customer shall be subject to a penalty as follows: there will be no credit applied to Customer's regular monthly bill and each Mcf in excess of the Contract MDQ less the Guaranteed Load Reduction during each Peak Management Period(s) shall be billed at an unauthorized overrun rate as specified in the otherwise applicable Service Classification. In addition, the Company may immediately discontinue offering this Peak Management Rider to any Customer that fails to comply with the Company's request to reduce load more than one time during the period of the contract.

G. Company Equipment

The Customer will allow the Company to install, own and maintain the equipment required for the purpose of administering this Rider. Such equipment shall be installed by the Company at no direct cost to the Customer.

TRANSPORTATION SERVICE

TERMS AND CONDITIONS

A. Applicability

These general terms and conditions are applicable to all gas transportation Customers being served under any of the Company's transportation Service Classifications as well as all Customers being served under the Company's storage services.

B. Transportation to the Company's Gas Distribution System

The Customer is responsible for making all arrangements necessary for delivering gas to the Company's interconnection with the delivering pipeline supplier. To be eligible for transportation service, Customer must hold clear and marketable title to gas that is made available for redelivery to Customer's facility on the Company's gas distribution system. Further, delivery must be made at an acceptable point of connection and in compliance with the delivering pipeline's measurement, pressure and quality provisions. If requested, gas transportation Customers may, as a condition of service, be required to provide adequate documentation as to holding clear and marketable title to gas or compliance with a delivering pipeline's conditions of service.

C. Contract Requirements

The Customer shall execute a Service Agreement with the Company which shall specify, among other things, the Maximum Daily quantities of gas to be transported. The minimum contract term for all transportation services shall be for one (1) year, except for Quasi-Firm Transportation Service, which shall have a minimum contract term negotiated between the Company and the Customer.

D. Provisions For Customers Using Agents

For a Customer utilizing an Agent (e.g. gas marketer, broker or producer) as the supplier of gas to the Company's gas distribution system, the Customer must notify the Company in writing of the Agent(s) to be used for any month and what responsibilities have been delegated to the Agent on behalf of the Customer. Once notified, the Company will rely upon information provided by Customer's Agent as to deliveries, nominations, scheduling and any other duties so assigned. Further, any notices provided by the Company to Customer's Agent shall be deemed to have been provided to the Customer and the Company shall be held harmless from any actions taken by the Agent in regard to the information that was provided. All Agents must comply with the terms and conditions of the Company's tariffs and operating procedures.

Only one agent may be used for any single Transportation account in any given billing month, unless the agent ceases services to the Customer during the billing month and the Company agrees to a substitution for the remainder of the billing month. The Company shall have no obligation to assist a Customer in obtaining the services of an Agent at any time.

TRANSPORTATION SERVICE

TERMS AND CONDITIONS - (Continued)

D. Provisions For Customers Using Agents (Continued)

An Agent for two or more Customers is permitted by the Company to aggregate, or "Pool", the natural gas supplies for those Customers who are members of the Agent's Pool. The Company's Transportation Terms and Conditions (e.g., transportation scheduling, balancing, unauthorized overrun, monthly cash-outs) shall be applicable to the entire Pool and not to individual Customers who are members of the Pool. The intent of this provision is to allow aggregation only of gas supplies and related functions such as transportation scheduling, balancing, and cashouts, but not at the meter for the purpose of qualifying for a different Service Classification or other such purpose not directly related to gas supplies. The Agent shall provide the Company with a written list of the members of its Pool at least five (5) calendar days prior to the beginning of the month. Prior to causing the delivery of such aggregated natural gas to Delmarva for redelivery to the transportation Customers, the Agent shall provide in writing a pre-determined allocation between the Customers in order to assign the volumes of gas to be redelivered and any charges for gas supply, cash-outs, or other charges that may be incurred. The Agent shall have actual authority to make such designated allocations, which shall be binding on the transportation Customers. Agents must provide the final allocations to Delmarva by the second business day after the end of the preceding month. This provision is not intended to permit individual Customers who are members of a pool to exceed their individual Contract MDQ without obtaining individual authorization from the Company, or to avoid otherwise applicable overrun charges related to daily takes in excess of Contract MDQ.

The Company will not bill third parties that are acting as Agent for the Customer.

E. Maximum Daily Quantity

The Maximum Daily Quantity ("MDQ") shall be the greatest amount of gas redelivered to the Customer during any gas day (10:00 a.m. to 10:00 a.m. E.S.T. and E.D.S.T.) of the current billing month.

F. Contract Maximum Daily Quantity

The Customer's initial Contract Maximum Daily Quantity ("Contract MDQ") must be specified in the transportation Service Agreement. The Company shall be under no obligation to redeliver any transportation quantities greater than the Contract MDQ, or to receive quantities in excess of the Contract MDQ plus adjustment for thermal content and losses and unaccounted-for gas.

G. Billing Maximum Daily Quantity

The Billing Maximum Daily Quantity ("Billing MDQ") shall be the higher of the Customer's actual MDQ in the current billing month and the Customer's Contract MDQ.

TRANSPORTATION SERVICE

TERMS AND CONDITIONS - (Continued)

H. Stand-by Maximum Daily Quantity

The Stand-by Maximum Daily Quantity for "Human Needs" firm transportation Customers shall equal their firm transportation MDQ. For all other firm transportation Customers the Stand-by Maximum Daily Quantity shall be specified in the contract.

I. Standby Service

Standby service, as provided under Service Classification "SBS", is required for any "Human Needs" Customer that does not maintain complete dual fuel capabilities for the load being served under any transportation Service Classification. Human Needs Customers are defined as those falling in the Standard Industrial Code ("SIC") 805-807 designations.

J. Metering

Metering shall be provided by the Company at its own expense. All firm transportation Customers shall have daily metering and interruptible Customers shall have hourly metering devices. The Customer shall provide an independent dedicated electrical supply and phone line for the operation of this equipment, in an area acceptable to the Company. A separate meter may be required by the Company, at the Customer's expense, where the Customer is taking service under more than one Service Classification at the same facility. When separate metering is not feasible, redeliveries shall be specified in the Service Agreement. The Company is under no obligation to install separate or additional metering for transportation Customers or their Agents and any remote access to the Company's meters will be at the Customer's expense.

K. Transportation Scheduling

The Company and Customer shall have scheduling personnel available 24 hours per day, seven days per week. Any notices provided to the Customer's gas supplier or Agent shall be deemed to have been made to the Customer, unless otherwise instructed in advance by the Customer.

The Company's transportation operating procedures, as modified from time-to-time, will be provided to each transportation Customer prior to the initiation of transportation service. The Company shall not be obligated to redeliver gas on any gas day that such gas is not received from the transporting pipeline(s). The business day is defined as being from 10:00 a.m. to 10:00 a.m. E.S.T. and E.D.S.T.

The quantity of gas tendered by the Customer for transportation shall be adjusted monthly for thermal content and reduced by two and one-half percent (2.5%) for losses and unaccounted-for gas. The thermal correction factor will be determined by dividing the average BTU content per MCF of gas received by the Company for transportation by the average BTU content per MCF of gas for the Company's system for that month.

TRANSPORTATION SERVICE

TERMS AND CONDITIONS - (Continued)

K. Transportation Scheduling (Continued)

Customers or their Agents shall provide the Company, via facsimile or mail, with Monthly Nominations by 4 p.m. on the calendar day prior to the beginning of each month. If the Monthly Nomination cannot be confirmed with the delivering pipeline(s), the nomination will be rejected and a new nomination required. The Company shall notify Customers or their Agents that the Monthly Nomination is rejected no later than 9:00 a.m. immediately preceding the first gas day of the month.

Customers or their Agents shall provide the Company, via facsimile or mail, with Daily Nominations no later than 4 p.m. the calendar day before gas is scheduled to flow. If the Daily Nomination does not agree with the confirmation from the delivering pipeline(s), the amount of unconfirmed volumes will be considered invalid. The Company shall notify Customers or their Agents by 9:00 a.m. immediately preceding the gas day the gas is scheduled to flow if the Daily Nomination cannot be confirmed by the delivering pipeline(s) and the unconfirmed volume of gas considered invalid. Customers or their Agents shall make a good faith estimate of expected use that would differ from the Daily Nomination.

The Company shall permit Intraday Nominations if confirmed by the delivering pipeline(s) and such Nominations can be handled without impacting gas system supplies.

If available, the Company shall automatically schedule a portion or all of a Customer's cumulative daily imbalances during any month (excess deliveries or excess takes) in order to eliminate or minimize an imbalance created on any gas day. The redelivery of any Customer's cumulative daily imbalances during any month is wholly interruptible. The Company shall notify Customers or their Agents, by phone or facsimile if it cannot redeliver any cumulative daily imbalances during any month no later than 9:00 a.m. immediately preceding the gas day in which the gas is scheduled to flow. In addition, the Company, in its sole discretion, has the right to limit the amount of excess gas that it can redeliver to a Customer on any day curtailment is not in effect.

L. Balancing of Transportation Volumes

Any imbalances between Customer's deliveries of gas for transportation and Customer's daily takes shall be kept to a minimum. On any gas day, when Customer's daily deliveries do not equal Customer takes, an imbalance results. If Customer's deliveries are less than Customer's takes, an excess takes or redeliveries imbalance is created. If Customer's deliveries are greater than Customer's takes, an excess deliveries imbalance is created. These imbalances are cumulative. If the Customer's cumulative monthly imbalance is in an excess takes position at the end of the month, this excess takes imbalance is subject to the Monthly Cash Out Provision hereunder.

TRANSPORTATION SERVICE

TERMS AND CONDITIONS - (Continued)

L. Balancing of Transportation Volumes (Continued)

If the Customer's cumulative monthly imbalance at the end of the month is an excess deliveries position, an amount up to five (5) percent of the Customer's deliveries, net of fuel and losses, shall be carried forward as the beginning imbalance in the following month. All excess deliveries at the end of the month greater than five (5) percent of the Customer's deliveries, net of fuel and losses, are subject to the monthly cash out provision hereunder.

The maximum allowable cumulative daily imbalances during any month (excess deliveries or excess takes) shall be two times the Contract MDQ. On any day, if a Customer's cumulative daily imbalances during any month (excess deliveries or excess takes) exceeds two times the Customer's Contract MDQ, the Company may issue an Operational Flow Order (OFO) to require adjustments to Customer's daily scheduling of deliveries or takes over a reasonable period of time to maintain a concurrent balance or remedy an imbalance.

On any gas day, if an excess takes imbalance causes Customer's cumulative daily imbalances during any month to exceed two times the contract MDQ, such excess shall be cashed out at the higher of the relevant *Gas Daily* posting for Texas Eastern, M-3 or Transco, zone 6 N.Y., plus the applicable transportation rate and all taxes and surcharges, unless Delmarva notifies the Customer that the excess takes will not be cashed out, but will be accumulated.

On any gas day, if an excess deliveries imbalance causes Customer's cumulative daily imbalances during any month to exceed two times the Contract MDQ at any time during the month, such excess shall be immediately cashed out for all excesses above two times the MDQ at a price equal to one ninety percent (90%) of the lower of the relevant *Gas Daily* posting for Texas Eastern, M-3 or Transco, zone 6 N.Y., unless Delmarva notifies the Customer that the excess will not be cashed out but will be accumulated.

M. Transportation Balancing Fee

A balancing fee shall be applicable to all Transportation Services and assessed on the customer's total monthly throughput adjusted for thermal content and reduced by two and one half percent (2.5%) for losses and unaccounted-for gas and daily takes, either excess deliveries or excess takes.

N. Unauthorized Overrun

An unauthorized overrun is defined as the occurrence, without authorization from the Company, of one of the following three conditions:

- (1) Any quantity of gas taken hereunder on any gas day in excess of 110% of the Customer's actual gas deliveries for that gas day, net of fuel and losses, shall be considered unauthorized overrun volumes.

TRANSPORTATION SERVICE

TERMS AND CONDITIONS - (Continued)

N. Unauthorized Overrun (continued)

(1) In the event that the Company issues an OFO under these Transportation Service Terms and Conditions, any quantity of gas taken that exceeds the quantity tendered for delivery (net of losses and unaccounted-for gas) by an amount greater than that permitted under the OFO shall be considered unauthorized overrun volumes.

(2) On a gas day when the Company has notified the Customer (by 9 AM immediately prior to the gas day) that FPS Gas is unavailable, any quantity of gas taken shall be considered unauthorized overrun volumes.

For all such unauthorized overrun volumes, a charge equal to the higher of the *Gas Daily* posting for Texas Eastern, M-3 or Transco, zone 6 N.Y., or \$20 per Mcf will be applied, in addition to the charges payable under the applicable transportation service classification, unless the unauthorized overrun volumes were consumed in violation of a notice of curtailment or an OFO, or a notice that FPS is not available in which cases a charge equal to the higher of the *Gas Daily* posting for Texas Eastern, M-3 or Transco, zone 6 N.Y., or thirty-five dollars (\$35.00) per Mcf will be applied in lieu of the twenty dollar (\$20.00) per Mcf charge.

The Company may waive unauthorized overrun charges on a nondiscriminatory basis should circumstances warrant. Without limiting such circumstances, one example of such circumstance may include instances of meter inaccuracy.

O. Authorized Overrun

If, during any day, upon authorization from the Company, the Customer delivers and takes in excess of the Contract MDQ, such usage shall be billed under the applicable transportation Service Classification.

Obtaining authorization from the Company means the Customer adhering to the Company's Transportation Scheduling provision hereunder. The Company may authorize excess takes during or after the gas day on a nondiscriminatory basis should circumstances warrant.

TRANSPORTATION SERVICE

TERMS AND CONDITIONS - (Continued)

P. Operational Flow Orders

"Operational Flow Orders", or "OFOs", are defined as notices issued by the Company to transportation Customers or their Agents, via facsimile or telephone, or other electronic means as deemed acceptable by the Company, that limit the quantity of gas taken by the Customer. An OFO shall generally limit the quantity of gas to no more than one hundred and five percent (105%) of the volumes of gas tendered for delivery (net of losses and unaccounted-for gas) by the Customer. When reasonably necessary, the Company may also issue a more restrictive OFO that would apply to all transportation Customers whose gas is delivered on a particular upstream pipeline to match the balancing tolerances permitted by such pipeline on that day. The Company may also issue Operational Flow Orders to require adjustments to one or more Customers daily scheduling of deliveries or redeliveries over a reasonable period to maintain a concurrent balance, remedy a current imbalance, or to reduce an accumulated imbalance.

OFOs shall be issued in the Company's sole judgment to a) protect the integrity of the Company's gas system; b) assure deliveries of gas supplies to all of the Company's firm sales Customers; c) adhere to the various interstate pipeline companies' balancing or delivery requirements; or d) remedy operational or other problems, where necessary. Failure to comply with an OFO will result in an unauthorized overrun as described above, or in the case of over-deliveries, a cash out at a price equal to one hundred percent (100%) of the Reference Spot Price (defined in paragraph Q below) less ten cents (\$.10) per Mcf.

Q. Monthly Cash Out Provision

Except for the first five percent (5%) of an excess deliveries position, the Customer's Imbalance Volume (the difference between total deliveries to the Company and total redeliveries to the Customer) will be "cashed out" at the end of the month. The Company will pay the "Buy" price for excess deliveries and the Customer will pay the "Sell" price for excess takes based on a Reference Spot Price (RSP). The RSP shall be the simple average of the available weekly spot prices published in Natural Gas Week * plus the cost of transportation, which will be the one-hundred percent (100%) load factor charge (including fuel) under Transcontinental Gas Pipe Line Corporation's (Transco) Rate Schedule "FT" during the months of November through April. The cost of transportation during the months of May through October will be the Transco Rate Schedule "FT" Commodity charges, including fuel. The Reference Spot Price shall be adjusted based on the Imbalance Volume for the month as follows:

<u>Imbalance Volume</u>	<u>"BUY"</u> <u>Excess Deliveries</u>	<u>Imbalance Volume</u>	<u>"SELL"</u> <u>Excess Redeliveries</u> <u>or Takes</u>
0% up to 5%:	No Cash Out	0% up to 10%:	100% of RSP
5% up to 10%:	100% of RSP	10% up to 15%:	120% of RSP
10% up to 15%:	80% of RSP	15% up to 20%:	130% of RSP
15% up to 20%:	70% of RSP	20% and over:	150% of RSP
20% and over:	50% of RSP		

(Determined as a percentage of total monthly deliveries by an upstream pipeline for the account of the Customer.)

TRANSPORTATION SERVICE

TERMS AND CONDITIONS - (Continued)

Q. Monthly Cash Out Provision (Continued)

Customers may trade monthly imbalance volumes for netting out monthly over and underdelivery volumes. The Company must be notified of any such trades within two (2) business days of the end of the billing month.

All cash out charges or credits, as determined above, will be applied to the Customer's monthly transportation invoice and will be adjusted to an MCF equivalent using a standard conversion factor of 1.035 mmbtu per MCF, unless such factor is not representative of the monthly energy content of gas received by the Company.

* Natural Gas Week is published by the Oil Daily, Inc. Suite 500, 1401 New York Avenue, N.W., Washington, D.C. 20005. For purposes of establishing the Reference Spot Price and the Monthly Available Reference Spot Price the Company shall utilize the Table labeled "Spot Prices On Interstate Pipeline Systems" published each week for gas delivered-to-pipeline at Transco Stations No. 50, 62, 65 (South La/Zone 3). In the event that Natural Gas Week no longer publishes the RSP, or the reference price is no longer representative of spot prices on the Transco pipeline, an acceptable substitute publication will be used.

R. Liability

The Company shall not be liable for curtailment of service or loss of gas as a result of action taken by any governmental agency with jurisdiction to regulate, allocate, or control gas supplies or the rendition of service hereunder, and regardless of any defect in such law, regulation, or order.

Gas shall be and remain the property of the Customer while being transported and delivered by the Company. The Customer shall be responsible for maintaining all insurance it deems necessary to protect its property interest in such gas before, during and after delivery to the Company.

The Company shall not be liable for any loss to the Customer arising from or out of service by the Company or any actions taken by the Customer's gas supplier or Agent, including loss of gas in the possession of the Company or any other cause, except gross or willful negligence of the Company's own employee's or Agents. The Company reserves the right to commingle gas of the Customer with other gas system supplies.

TRANSPORTATION SERVICE

TERMS AND CONDITIONS - (Continued)

S. Special Provisions

The Customer bears sole responsibility for all costs incurred to deliver Customer owned gas to the Company's gas distribution system.

The Company's ability to receive Customer owned gas at the specific point(s) of receipt is subject to the operating limitations of the Company and/or the limitations of the upstream party at such point(s).

The Customer shall be responsible for all reasonable costs incurred by the Company in connection with the initiation and rendering of transportation services, including costs required to make suitable facilities available.

The Company will not accept gas for delivery that will adversely impact the integrity of the Company's pipeline system, limit its rights to current or future supply or capacity entitlements, or impose any financial or administrative burdens that would not have existed without acceptance of Customer's transportation volumes.

Customers may be directed by the Company to deliver a portion of or all of their daily nomination to a specific delivery point to facilitate operation of the Company's system and / or ensure system reliability. The Company will be under no obligation to accept or redeliver gas delivered to points other than those specified by the Company in these instances.

T. Public Utilities Tax

The Delaware State Public Utilities Tax shall apply to all transportation services rendered hereunder, unless the Customer is exempt from such tax.

U. Transition Charge

Notwithstanding any provision to the contrary in the tariff provisions applicable to a firm service classification, a firm sales customer taking service under the "LVG", "MVG" or "GG" service classifications may transfer service to a transportation service by providing 12 months prior notice of transfer or by paying a transition charge of \$0.11 per Mcf. The applicable Mcf figure will be the larger of a Customer's firm natural gas commodity volumes used in the 12 months prior to the transfer or the average annual use of firm natural gas over the prior three years ending in the most recent July prior to the transfer. If 12 months notice is given prior to the transfer, no transition charge will be owed. The transition charge will be prorated for notices of transfer of less than 12 months.

If a Customer had previously provided a three year notice, as permitted by Commission Order No. 6327 3709, such notice remains operative unless superseded by a new notice as provided above. Unless superseded, no transition charge will be applicable after the end of the three-year period. If the remaining period of the three-year notice is less than 12 months, the Customer may transfer to a transportation service by paying a prorated transition charge based on the number of months remaining in the three-year period divided by 12.

TRANSPORTATION SERVICE

TERMS AND CONDITIONS - (Continued)

U. Transition Charge (Continued)

In addition, concerning any Customer subject to the Annual GCR Commodity Charge that switches to any transportation or non-firm service at a time when the gas deferred fuel balance is other than zero, a transition charge or refund shall be paid by or returned to the Customer. Such transition charge or refund shall be computed by multiplying the gas deferred fuel balance as of the end of the calendar month preceding the change in service by the ratio of that Customer's usage during the prior twelve-month period to the total usage of all sales Customers subject to an Annual GCR Commodity Charge for the same twelve-month period. Transition refunds shall be paid in a lump sum; transition charges shall be paid by the Customer either in a lump sum or in twelve equal monthly payments at the Customer's option.

V. Rules and Regulations

The Rules and Regulations set forth in this Tariff shall govern, where applicable, the supply of service under these Transportation Service Terms and Conditions.

W. City of Wilmington Local Franchise Tax

In addition to the charges provided for in this Service Classification, City of Wilmington Local Franchise Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

SERVICE CLASSIFICATION "GVFT"

GENERAL VOLUME FIRM TRANSPORTATION SERVICE

A. Availability

This firm transportation service is available to any Customer with a Monthly Use of less than 2,000 Mcf, who has a Billing Maximum Daily Quantity (Billing MDQ) of less than 500 MCF and who has an annual consumption of greater than 5,000 Mcf annually. Any Customer whose monthly use equals or exceeds 2,000 MCF and/or whose Maximum Daily Quantity equals or exceeds 500 MCF in any three consecutive billing months may be transferred to Service Classification "MVFT" or "LVFT", as applicable. The Customer must own and deliver gas to the Company at an acceptable point of connection for redelivery by the Company to the Customer's regular point of service. To be eligible for service, a Customer must hold clear and marketable title to gas that is made available for redelivery to Customer's facility on the Company's gas system.

The Company reserves the right to limit the total amount of service offered under this Service Classification. Availability of service is subject to availability of adequate gas transmission and distribution system capabilities. This rate is not available for gas used for electric generation facilities exceeding one (1) megawatt gross electric output capacity unless expressly permitted by the contract between the Company and the Customer.

B. Character of Service

Transportation Service provided under this Service Classification shall be on a firm basis and shall not be subject to reduction or interruption except as permitted under the General Terms and Conditions of the Company's Tariff.

C. Rates and Charges

For transportation service rendered to Customer each month, Customer shall pay a minimum of the sum of the GVFT Customer Charge, and, if applicable, the Transition Cost Adjustment Charge. The rates and charges which apply to this Service Classification are shown in Tariff Leaf No. 38. In addition, the Customer will pay all applicable delivery charges, authorized and unauthorized overrun charges, imbalance cash-out charges, balancing fees, taxes and any surcharges that may apply

D. Transportation Terms and Conditions

The Customer shall comply with all terms and conditions regarding transportation of gas on the Company's system as specified under the "Transportation Terms and Conditions" section of the Company's Tariff. These include, but are not limited to: Contract Requirements, Provisions for Customers Using Agents, Contract Maximum Daily Quantity, Billing Maximum Daily Quantity, Standby Service, Metering, Transportation Scheduling and Balancing, Transportation Balancing Fee, Unauthorized Overruns, Authorized Overruns, Operational Flow Orders, Monthly Cash Out Provision, Liability, Special Provisions, Public Utilities Tax, City of Wilmington Local Franchise Tax, Transition Charges, and Rules and Regulations.

SERVICE CLASSIFICATION "MVFT"

MEDIUM VOLUME FIRM TRANSPORTATION SERVICE

A. Availability

This firm transportation service is available to any Customer with a Monthly Use of at least 2,000 MCF and a Contract Maximum Daily Quantity ("MDQ") of less than 500 MCF. Any Customer whose Billing Maximum Daily Quantity is equal to or exceeds 500 MCF in any three consecutive billing months may be transferred to Service Classification "LVFT". The Customer must own and delivers gas to the Company at an acceptable point of connection for redelivery by the Company to the Customer's regular point of service. To be eligible for service, a Customer must hold clear and marketable title to gas that is made available for redelivery to Customer's facility on the Company's gas system.

The Company reserves the right to limit the total amount of service offered under this Service Classification. Availability of service is subject to availability of adequate gas transmission and distribution system capabilities. This rate is not available for gas used for electric generation facilities exceeding one (1) megawatt gross electric output capacity unless expressly permitted by the contract between the Company and the Customer.

B. Character of Service

Transportation Service provided under this Service Classification shall be on a firm basis and shall not be subject to reduction or interruption except as permitted under the General Terms and Conditions of the Company's Tariff.

C. Rates and Charges

For transportation service rendered to Customer each month, Customer shall pay a minimum of the sum of the MVFT Customer Charge, the Billing MDQ during a month times the MVFT Demand Charge, and, if applicable, the Transition Cost Adjustment Charge. The rates and charges which apply to this Service Classification are shown in Tariff Leaf No. 38. In addition, the Customer will pay all applicable delivery charges, authorized and unauthorized overrun charges, imbalance cash-out charges, balancing fees, taxes and any surcharges that may apply.

D. Transportation Terms and Conditions

The Customer shall comply with all terms and conditions regarding transportation of gas on the Company's system as specified under the "Transportation Terms and Conditions" section of the Company's Tariff. These include, but are not limited to: Contract Requirements, Provisions for Customers Using Agents, Contract Maximum Daily Quantity, Billing Maximum Daily Quantity, Standby Service, Metering, Transportation Scheduling and Balancing, Transportation Balancing Fee, Unauthorized Overruns, Authorized Overruns, Operational Flow Orders, Monthly Cash Out Provision, Liability, Special Provisions, Public Utilities Tax, City of Wilmington Local Franchise Tax, Transition Charges, and Rules and Regulations.

SERVICE CLASSIFICATION "LVFT"

LARGE VOLUME FIRM TRANSPORTATION SERVICE

A. Availability

This firm transportation service is available to any Customer with a Maximum Daily Quantity ("MDQ") of 500 MCF or greater. The Customer must own and deliver gas to the Company at an acceptable point of connection for redelivery by the Company to the Customer's regular point of service. To be eligible for service, a Customer must hold clear and marketable title to gas that is made available for redelivery to Customer's facility on the Company's gas system.

The Company reserves the right to limit the total amount of service offered under this Service Classification. Availability of service is subject to availability of adequate gas transmission and distribution system capabilities. This rate is not available for gas used for electric generation facilities exceeding one (1) megawatt gross electric output capacity unless expressly permitted by the contract between the Company and the Customer.

B. Character of Service

Transportation Service provided under this Service Classification shall be on a firm basis and shall not be subject to reduction or interruption except as permitted under the General Terms and Conditions of the Company's Tariff.

C. Rates and Charges

For transportation service rendered to Customer each month, Customer shall pay a minimum of the sum of the LVFT Customer Charge, the Billing MDQ during a month times the LVFT Demand Charge, and, if applicable, the Transition Cost Adjustment Charge. The rates and charges which apply to this Service Classification are shown in Tariff Leaf No. 38. In addition, the Customer will pay all applicable delivery charges, authorized and unauthorized overrun charges, imbalance cash-out charges, balancing fees, taxes and any surcharges that may apply.

D. Transportation Terms and Conditions

The Customer shall comply with all terms and conditions regarding transportation of gas on the Company's system as specified under the "Transportation Terms and Conditions" section of the Company's Tariff. These include, but are not limited to: Contract Requirements, Provisions for Customers Using Agents, Contract Maximum Daily Quantity, Billing Maximum Daily Quantity, Standby Service, Metering, Transportation Scheduling and Balancing, Transportation Balancing Fee, Unauthorized Overruns, Authorized Overruns, Operational Flow Orders, Monthly Cash Out Provision, Liability, Special Provisions, Public Utilities Tax, City of Wilmington Local Franchise Tax, Transition Charges, and Rules and Regulations.

SERVICE CLASSIFICATION "SBS"

STAND-BY GAS SUPPLY SERVICE

A. Availability

Stand-by service is an unbundled city gate gas supply service available to any transportation Customer and is mandatory for any "Human Needs" Transportation Customer who does not have proven alternate fuel capability for 100% of its transportation Contract Maximum Daily Quantity ("MDQ"). A transportation Customer other than a "Human Needs" Customer may select any Stand-by MDQ up to its transportation Contract MDQ. The Stand-by MDQ shall represent the maximum quantity of gas the Company shall be obligated to provide to the Customer during any day over the term of the contract.

Stand-by service shall be used in conjunction with the customer's own gas supplies.

The Company may, at its option, with advance written notice being provided no later than 9:00 a.m. on the calendar day prior to the gas day on which service would otherwise have been provided, limit the amount of stand-by service available if the Customer cannot demonstrate that it has procured a reasonable amount of its own gas supplies for redelivery to the Customer's facility on the Company's gas system.

B. Character of Service

Stand-by service is intended for use by a Customer to a) provide an emergency backup supply in times where the Customer's own gas supply cannot be delivered in quantities sufficient to meet the Customer's requirements, b) minimize daily imbalances, and c) avoid month-end cashouts of excess takes.

During periods of time when a Transportation Customer does not receive its own gas supply in quantities sufficient for its firm requirements, the Company will use its system resources and supplemental supplies to provide gas to the Customer, up to the Stand-by MDQ.

Stand-by Gas provided under this Service Classification shall be on a firm basis and shall not be subject to reduction or interruption except as permitted under Paragraph A herein or under the General Terms and Conditions of the Company's Tariff.

Stand-by volumes shall be the last gas through the meter on any day, after the scheduled redelivery of the Customer's own confirmed transportation and/or storage gas.

C. Contract Term

Service hereunder shall be provided under an executed contract with an initial contract term of at least one (1) year. On each annual anniversary date of the executed contract, the contract term will be automatically extended for another year. The contract may be terminated by either party with at least 6 months advance written notice. Unless agreed to in writing by the other party, notice of termination cannot be subsequently revoked or withdrawn. If the Customer fails or refuses to execute a contract, the Company may, at its option, refuse to continue providing service or elect to continue service with the Customer deemed to be taking service under a one (1) year contract.

SERVICE CLASSIFICATION "SBS"

STAND-BY GAS SUPPLY SERVICE - (Continued)

D. Rates and Charges

The minimum monthly bill shall be the Demand Charge times the Stand-by MDQ. The rates and charges which apply under this Service Classification are shown in Tariff Leaf No. 38. In addition, the customer will pay any taxes and surcharges that may apply.

E. Billing Maximum Daily Quantity

The Billing Maximum Daily Quantity ("Billing MDQ") for Stand-by Service shall be the higher of the Customer's Stand-by MDQ or the actual daily MDQ experienced during the month.

F. Stand-by Maximum Daily Quantity

The Stand-by Maximum Daily Quantity for "Human Needs" transportation Customers shall equal their transportation MDQ. For all other transportation Customers the Stand-by Maximum Daily Quantity shall be specified in the contract.

G. Public Utilities Tax

In addition to the charges hereunder, the Delaware State Public Utilities Tax shall apply to all services rendered, unless the Customer is exempt from such tax.

H. Rules and Regulations

The Rules and Regulations set forth in this Tariff shall govern, where applicable, the supply of service under this Service Classification.

I. City of Wilmington Local Franchise Tax

In addition to the charges provided for in this Service Classification, City of Wilmington Local Franchise Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

SERVICE CLASSIFICATION "QFT"
QUASI-FIRM TRANSPORTATION SERVICE

A. Availability

Quasi-Firm Transportation Service is available hereunder to any Customer who has a Minimum Monthly Use of more than 2,000 Mcf and who owns and delivers gas to the Company at an acceptable point of connection, for redelivery by the Company to the Customer's regular point of service. To be eligible for service, a Customer must hold clear and marketable title to gas that is made available for redelivery to Customer's facility on the Company's gas system.

The Company reserves the right to limit the total amount of service offered under this Service Classification. Availability of service is subject to availability of adequate gas transmission and distribution system capabilities. This rate is not available for gas used for electric generation facilities exceeding one (1) megawatt gross electric output capacity unless expressly permitted by the contract between the Company and the Customer.

B. Character of Service

Transportation service provided under the Service Classification shall be as stated in the QFT contract, which contract shall specify that the service is firm for no more than 265 days per year and shall also specify the permissible number of days of interruption.

C. Rates and Charges

For transportation service rendered to Customer each month, Customer shall pay a minimum of the sum of the applicable QFT Customer Charge, the Billing MDQ times the QFT Demand Charge as specified in the contract, and, if applicable, the Transition Cost Adjustment Charge. The rates and charges which apply to this Service Classification are shown in Tariff Leaf No. 39. In addition, Customer will pay all applicable delivery charges, authorized and unauthorized overrun charges, imbalance cash-outs, balancing fees, taxes and surcharges. The maximum QFT Demand Charge for each Customer shall be the applicable MVFT or LVFT demand charge.

D. Transportation Terms and Conditions

The Customer shall comply with all terms and conditions regarding transportation of gas on the Company's system as specified under the "Transportation Terms and Conditions" section of the Company's Tariff. These include, but are not limited to: Contract Requirements, Provisions for Customers Using Agents, Contract Maximum Daily Quantity, Billing Maximum Daily Quantity, Standby Service, Metering, Transportation Scheduling and Balancing, Transportation Balancing Fee, Unauthorized Overruns, Authorized Overruns, Operational Flow Orders, Monthly Cash Out Provision, Liability, Special Provisions, Public Utilities Tax, City of Wilmington Local Franchise Tax, Transition Charges, and Rules and Regulations.

SERVICE CLASSIFICATION "MVIT"

MEDIUM VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE

A. Availability

This service is available hereunder to any Customer who has a monthly use of 2,000 Mcf or greater and who owns and delivers gas to the Company at an acceptable point of connection for redelivery by the Company to the Customer's regular point of service. To be eligible for service, a Customer must hold clear and marketable title to gas that is made available for delivery to Customer's facility on the Company's gas system.

B. Character of Service

Transportation service provided under this Service Classification shall be on a best efforts basis. Customers with No. 6 fuel oil as their alternate fuel are subject to interruption on four (4) hours notice. All other Customers are subject to interruption on two (2) hours notice. For good cause shown, a Customer without No. 6 fuel oil as alternate fuel may be interrupted on four (4) hours notice, if the Customer and the Company enter into a written agreement in advance with such a provision.

C. Rates and Charges

The Customer and the Company shall enter into an interruptible transportation agreement with a minimum term of one (1) year. Among other items, this agreement shall specify a Delivery Charge Option. There are three Delivery Charge pricing options:

1. A fixed rate as shown in Tariff Leaf No. 39.
2. A flexible rate that varies within a minimum and maximum as shown in Tariff Leaf No. 39.
3. A fixed rate between the minimum and maximum, with further terms and conditions (such as minimum throughput requirements) to be negotiated.

Options 1 and 2 are available to the Customer at the Customer's sole discretion. Option 3 is available only by mutual agreement between the Company and the Customer.

Thirty days prior to the expiration or rollover of the contract, the Customer may change its option. If Option 1 is chosen, the Customer may subsequently elect to switch to Option 2 on three (3) months notice. If necessary, there shall be an automatic contract term extension so that the remaining term is at least twelve (12) months from the date the switch to Option 2 is made. If no selection is made, the Customer is deemed to have selected Option 1. At the Company's sole discretion, the Customer may be allowed to switch from Option 1 to Option 2 on less than three (3) months notice. A Customer that selects Option 2 shall remain on Option 2 for a minimum of 12 months. A customer that selects Option 3 shall remain on Option 3 for a minimum of 12 months, unless a different period is agreed to by the Company.

In addition, the Customer will pay all applicable delivery charges, authorized and unauthorized overrun charges, balancing fees, imbalance cash-out charges, taxes and any surcharges that may apply.

SERVICE CLASSIFICATION "MVIT"

MEDIUM VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE - (Continued)

D. Transportation Terms and Conditions

The Customer shall comply with all terms and conditions regarding transportation of gas on the Company's system as specified under the "Transportation Terms and Conditions" section of the Company's Tariff. These include, but are not limited to: Contract Requirements, Provisions for Customers Using Agents, Contract Maximum Daily Quantity, Billing Maximum Daily Quantity, Standby Service, Metering, Transportation Scheduling and Balancing, Transportation Balancing Fee, Unauthorized OVERRUNS, Authorized OVERRUNS, Operational Flow Orders, Monthly Cash Out Provision, Liability, Special Provisions, Public Utilities Tax, City of Wilmington Local Franchise Tax, Transition Charges, and Rules and Regulations.

SERVICE CLASSIFICATION "LVIT"

LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE

A. Availability

This service is available hereunder to any Customer with a demonstrable Contract MDQ of 500 Mcf or greater and who owns and delivers gas to the Company at an acceptable point of connection for redelivery by the Company to the Customer's regular point of service. To be eligible for service, a Customer must hold clear and marketable title to gas that is made available for delivery to Customer's facility on the Company's gas system.

B. Character of Service

Transportation service provided under this Service Classification shall be on a best efforts basis. Customers with No. 6 fuel oil as their alternate fuel are subject to interruption on four (4) hours notice. All other Customers are subject to interruption on two (2) hours notice. For good cause shown, a customer without No. 6 fuel oil as alternate fuel may be interrupted on four (4) hours notice, if the Customer and the Company enter into a written agreement in advance with such a provision.

C. Rates and Charges

The Customer and the Company shall enter into an interruptible transportation agreement with a minimum term of one (1) year. Among other items, this agreement shall specify a Delivery Charge Option. There are three Delivery Charge pricing options:

1. A fixed rate as shown in Tariff Leaf No. 39.
2. A flexible rate that varies within a minimum and maximum as shown in Tariff Leaf No. 39.
3. A fixed rate between the minimum and maximum, with further terms and conditions (such as minimum throughput requirements) to be negotiated.

Options 1 and 2 are available to the Customer at the Customer's sole discretion. Option 3 is available only by mutual agreement between the Company and the Customer.

Thirty days prior to the expiration or rollover of the contract, the Customer may change its option. If Option 1 is chosen, the Customer may subsequently elect to switch to Option 2 on three (3) months notice. If necessary, there shall be an automatic contract term extension so that the remaining term is at least twelve (12) months from the date the switch to Option 2 is made. If no selection is made, the Customer is deemed to have selected Option 1. At the Company's sole discretion, the Customer may be allowed to switch from Option 1 to Option 2 on less than three (3) months notice. A Customer that selects Option 2 shall remain on Option 2 for a minimum of 12 months. A customer that selects Option 3 shall remain on Option 3 for a minimum of 12 months, unless a different period is agreed to by the Company.

In addition, the Customer will pay all applicable delivery charges, authorized and unauthorized overrun charges, imbalance cash-out charges, balancing fee, taxes and any surcharges that may apply.

SERVICE CLASSIFICATION "LVIT"

LARGE VOLUME INTERRUPTIBLE TRANSPORTATION SERVICE - (Continued)

D. Transportation Terms and Conditions

The Customer shall comply with all terms and conditions regarding transportation of gas on the Company's system as specified under the "Transportation Terms and Conditions" section of the Company's Tariff. These include, but are not limited to: Contract Requirements, Provisions for Customers Using Agents, Contract Maximum Daily Quantity, Billing Maximum Daily Quantity, Standby Service, Metering, Transportation Scheduling and Balancing, Transportation Balancing Fee, Unauthorized OVERRUNS, Authorized OVERRUNS, Operational Flow Orders, Monthly Cash Out Provision, Liability, Special Provisions, Public Utilities Tax, City of Wilmington Local Franchise Tax, Transition Charges, and Rules and Regulations.

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SERVICE CLASSIFICATION "FPS"
FLEXIBLY PRICED GAS SUPPLY SERVICE

A. Availability

This city gate gas supply service is available hereunder to any transportation Customer for use 1) as an interruptible service of gas supply, 2) to replace third-party procured gas supply that was scheduled but not delivered to the Company's citygate station, or 3) to provide the Customer with a source of supply for incremental energy needs.

The Company shall notify Customers or their Agents no later than 9 a.m. immediately preceding the gas day of the volumes, if any, are available for use.

This rate is not available for gas used in electric generation facilities exceeding one (1) megawatt gross electric output capacity unless expressly permitted by the contract between the Company and the Customer.

B. Character of Service

Unbundled Sales Service provided under this Service Classification shall be on a best efforts basis and shall be subject to interruption upon at least a four (4) hours advance notice.

C. Contract Term

The Customer shall execute a service agreement with the Company which shall specify, among other things, the Maximum Daily Quantity ("MDQ") of gas required. The minimum contract term shall be one (1) day and maximum contract term shall be negotiated.

D. Rates and Charges

The Customer shall pay the commodity rate per Mcf as specified in the contract. This commodity rate shall be a negotiated, market-based charge. If system supply is used, the Customer shall pay at a minimum a price per Mcf equal to the monthly WACCOG, plus losses and unaccounted-for gas, plus one (1) cent per Mcf.

SERVICE CLASSIFICATION "FPS"

FLEXIBLY PRICED GAS SUPPLY SERVICE - (Continued)

E. Liability

The Company shall not be liable for curtailment of service or loss of gas as a result of any governmental agency with jurisdiction to regulate, allocate, or control gas supplies or the rendition of service hereunder, and regardless of any defect in such law, regulation, or order.

The Company shall not be liable for any loss to the Customer arising from or out of service by the Company, except gross or willful negligence of the Company's own employees or agents. The Company reserves the right to commingle gas of the Customer with other gas supplies.

F. Public Utilities Tax

In addition to the charges hereunder, the Delaware State Public Utilities Tax shall apply to all services rendered, unless the Customer is exempt from such tax.

G. Rules and Regulations

The applicable Rules and Regulations set forth in the Company's Tariff, of which this Service Classification is a part, shall govern the provision of services under this Service Classification. The General Terms and Conditions of the Company's Tariff are incorporated into this Service Classification and shall be interpreted in accordance therewith.

H. City of Wilmington Local Franchise Tax

In addition to the charges provided for in this Service Classification, City of Wilmington Local Franchise Tax shall apply to all services, including the Gas Cost Rate, rendered hereunder, unless the Customer is exempt from such tax.

SERVICE CLASSIFICATION

NEGOTIATED CONTRACT RATE "NCR"

A. Purpose

The Company is offering this negotiated contract tariff provision to enable the Company to respond to Customer needs and the increasingly competitive forces in the energy services market. This contract tariff provision shall be used by the Company as a vehicle for responding to competitive pricing situations resulting from but not limited to fuel switching, facility relocation or expansion, partial or complete plant production shifting, and potential physical bypass. The Company shall use the provisions of this tariff only after a determination by the Customer that other existing tariff options will not meet the Customer's needs.

B. Eligibility

This contract tariff is available to any qualifying Customer as specified herein. Customer qualification shall be based upon meeting each of the following criteria as determined solely by the Company:

- (a) The Customer has an economic competitive alternative to full or partial service from the Company's standard tariff rates, as determined by the Company;
- (b) The Customer is likely to select said alternative if the Company does not provide a negotiated contract rate offer, verified by an affidavit to that effect signed by a qualified representative of the Customer;
- (c) The price to the Customer will provide net revenues above the incremental costs to provide service under this negotiated contract rate; and
- (d) The Customer is not eligible to take Residential Gas Service and has an average monthly consumption of at least 2,000 Mcf.

The Company shall determine eligibility on a case-by-case basis based upon information supplied by the Customer. The Company's decision on the application shall consider the economics of the competitive alternative, as well as the practical aspects of securing that alternative (e.g., ability to secure environmental permitting, feasibility studies, switching ability, ability to secure required capital).

SERVICE CLASSIFICATION

NEGOTIATED CONTRACT RATE "NCR" - (Continued)

C. Service Options

If, after reviewing the Customer's application for service, the Company concludes that the Customer meets all the eligibility requirements listed above, the Company shall enter into negotiations with the Customer for the purpose of offering such services as are believed to meet the Customer's requirements. Competitive offers may be made in a manner which provides the Customer with increased choices for service. A menu of service options differentiated by contract term, quantity, pricing options, and service attributes may be made available to the qualifying Customer. The agreed upon services shall be specifically described within the Customer Service Agreement ("CSA").

D. Contract

Eligible Customers requesting this Service Classification will be presented with a CSA, which specifies the terms and conditions of the contractual agreement between the Company and Customer. The CSA shall establish the otherwise applicable Service Classification for the Customer. The Customer must sign the CSA prior to commencement of this service and any investment by the Company. Service under the contractual agreement will commence on the date specified in the CSA.

E. Confidentiality

The CSA shall be considered a confidential document between the Company and Customer. By signing the CSA, the Customer and the Company agree not to share the CSA or information contained within the CSA with anyone except the parties to the contract, the Commission and the Office of the Public Advocate, unless given written consent from the other party. Violations by the Customer of the confidentiality agreement shall permit the Company to immediately terminate the contract with the Customer and subsequent reclassification to the appropriate Service Classification (as determined by the Company). The Customer shall also be responsible for the penalty provision (described below) and additional damages or prejudices to any other existing or potential contracts resulting from the breach of confidentiality.

F. Public Notice

The Company shall make publicly available the conditions that define a similarly situated Customer. Similarly situated means having characteristics including, but not limited to, similar supply economics and similar economic impacts on the Company. The Company shall make the same terms, prices and conditions available to any other Customer, new or existing, which the Company determines, at its sole discretion, to be similarly situated.

G. Pricing Options

Pricing shall be determined on a case-by-case basis according to the nature of the competitive situation. The final arrangements between the Company and Customer shall be included in the CSA.

SERVICE CLASSIFICATION

NEGOTIATED CONTRACT RATE "NCR" - (Continued)

H. Service Attributes

The Company may offer value-added services in conjunction with the contract. All service attributes agreed to between the Company and Customer shall be included in the CSA.

I. Contract Termination Clause

The contract between the Company and Customer shall include penalty provisions for early contract cancellation. If at any time prior to the end of the contract term the Customer elects to terminate the contractual agreement with the Company without exercising a recontracting option for continuing service, the Customer shall be obligated to the terms for cancellation as specified within the CSA.

J. Increase In Rates And Charges

Unless specifically stated within the CSA, commodity charges under this Service Classification shall be subject to the Gas Cost Rate Clause as described in the Tariff.

Customers subscribing to this Service Classification shall be assessed all surcharges of the otherwise applicable Service Classification (the standard classification to which the Customer would be subscribed to absent this contract tariff). All applicable surcharges which apply under this Service Classification shall be administered in accordance with the corresponding rules of this schedule.

The rates and charges under this Service Classification, including the Gas Cost Rate Clause and all applicable surcharges, shall be increased by the applicable Delaware State Public Utilities Tax and the Local City of Wilmington Franchise Tax, unless the Customer is exempt from such tax.

K. Contract Terms Filed With The Commission

The Company shall file the Contract terms with the Commission at least 30 days prior to the effective date of the Contract.

RIDER "ESR"

ENVIRONMENTAL SURCHARGE RIDER

A. Purpose

The purpose of this rider is to recover reasonable costs associated with the clean up of the Manufactured Gas Plant site in Wilmington. Applicable environmental costs are those incurred as a result of, but are not limited to investigating, testing, monitoring, remediation, land acquisition, legal costs related directly to the site remediation, and disposal sites. These costs must be actually incurred, incremental "out-of-pocket" remediation related expenses and must exclude such as internal labor and overhead expenses. The remediation costs must be offset by an remediation costs reimbursements received by the Company from insurance carriers and or other Potentially Responsible Parties. The costs recovered by this Rider shall not include expenses incurred in connection with litigation by third parties claiming personal injury or by third parties claiming damage to their property as a result of the operation or decommissioning of the site or as a result of the migration of material from the site.

B. Applicability

This rider is applicable to all firm delivery service customers, including Service Classifications "RG", "GG", "GL", "MVG", "LVG", "GVFT", "MVFT", "LVFT".

C. Operation of the Rider

The Company will file with the Commission a copy of the environmental surcharge rider computation at least 30 days prior to the proposed effective date of November 1.

The calculation filed will be supported by all bills and receipts relating to the amount of any environmental costs incurred in the preceding Environmental Cost Year for which the Company seeks to begin recovery. In the same filing, the Company shall include similar material and information to support any expenses and/or recoveries resulting from Third Party claims.

D. Rate

The rate for this Rider is listed under the applicable classifications shown on Tariff Leaf No. 37 and Tariff Leaf No. 38.

E. Determination of the Rate

The Rider rate shall be comprised of an Amortization Factor and a Reconciliation Factor as follows:

(1) Amortization Factor: Recovery of net environmental costs incurred during an Environmental Cost Year (ECY) will be accomplished through a five year amortization, offset by the tax benefit associated with those environmental costs as defined below. A net annual amortization amount will be calculated for each of the five years of amortization scheduled for the Environmental Cost Year. The amortization factor for any year will be comprised of the total net annual amount scheduled for that year.

RIDER “ESR” (continued)

ENVIRONMENTAL SURCHARGE RIDER

E. Determination of the Rate continued

(2) Reconciliation Factor: The reconciliation factor shall be equal to the over/under collection of the environmental cost rider. Over/under collection is the accumulated experienced net over or under recovery of the environmental costs during the twelve-month period ending with the month of July immediately preceding the beginning of the next recovery year.

(3) Rider Rate: The rider rate shall be equal to the sum of the amortization and reconciliation factors divided by projected firm sales over the next recovery period of November 1 through October 30.

F. Definitions

Environmental Cost Year (ECY) - is the time period over which environmental costs are incurred and any payments from other parties are netted against those costs. For purposes of this rider, the ECY is from June 1 through May 30. The ECY will include actual data recorded for the year. Recovery of environmental costs for an ECY will begin with the Recovery year that starts immediately following the end of the ECY.

Recovery Year – is each November 1 through October 30 and is the time period which the annually calculated environmental rider will be billed to firm customers.

Tax benefit (TB) – associated with environmental expenditures shall be calculated as follows:

$$Tb_n = AEC_n * [(5-x)/5] * 0.1118 * 0.40655$$

Where:

AEC_n = Actual Environmental Costs incurred in ECY “n”

X = The number of years that the Actual Environmental Costs (AEC) incurred in Year “n” have been subject to amortization (x= 1, 2, 3, and 4)

0.1118 = Before Tax Cost Rate

0.40655 = Effective Combined Federal and State Income Tax Rate.

The Before Tax Cost Rate of 0.1118 and the Effective Combined Federal and State Income Tax Rate of 0.40655 are the rates at the time of implementation of this rider and are subject to change. Any change in the Before Tax Cost Rate will be implemented starting with the next Rider Rate is calculated for the next Recovery year. Any change in the Effective Combined Federal and State Income Tax Rate will be implemented starting with the recovery calculation for the next ECY that ends after the rate changes.

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