

**PIVOTAL UTILITY HOLDINGS, INC. d/b/a
ELKTON GAS**

GAS SERVICE TARIFF

GAS – P.S.C. – MD NO. 13

PIVOTAL UTILITY HOLDINGS, INC. d/b/a
ELKTON GAS

Gas Service Tariff

Effective in

Cecil County: Town of Elkton

and Election District Nos.

3, 4 and 5

Date of Issue: May 1, 2008

Effective: May 1, 2008

Issued by: Jodi Gidley
Sr. Vice President, Mid-Atlantic Operations
125 East High Street
Elkton, Maryland 21921

Pursuant to Maryland Public
Service Commission Letter
Dated April 10, 2008

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RULES AND REGULATIONS

A copy of the rates, rules and regulations under which gas service will be supplied is on file with the Public Service Commission of the State of Maryland, and is posted and open to inspection at the office of the Company.

This Tariff and all its provisions and the Maryland Public Service Commission Law and Regulations are a part of every contract for service. The benefits and obligations of the contract inure to and are building upon the successors, personal representatives and assigns of the parties and the contract may not be assigned by the Customer without prior written consent from the Company. This Tariff and any of its provisions may be changed or revised from time to time in accordance with the provisions of the Maryland Public Service Commission Law, and all contracts are subject to such changes or revisions. The failure of the Company to enforce any provision of this Tariff shall not be deemed a waiver of its right to do so.

1. CONTRACT FOR METER AND SUPPLY OF GAS

a. A written, electronic or telephonic application for meter installation and supply of gas, stating the Service Classification under which gas service shall be billed, will be required from each Customer and for each meter installed. This application when accepted by the Company constitutes the Contract between the Company and the Customer provided, however, that the Company shall have the right to reject any such application.

b. The rates named in this Tariff are based upon the supply of service to one Customer at one premise. When service is rendered for different premises and points of consumption, each separate supply will be billed as a separate Customer under this Rate Tariff.

2. CONTRACT TERMS AND CONDITIONS

a. Standard contracts for service shall be for a term of not less than one (1) year, unless otherwise agreed to by the Company.

b. Any Customer starting the use of gas without first making an application and enabling the Company to read the meter will be held responsible for any amount due for gas supplied to the premises from the last reading of the meter, immediately preceding Customer's occupancy, as shown by the Company's books.

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3. GUARANTEE OF PAYMENT

a. A deposit or suitable guarantee or security may be required of any Customer to insure payment of final bill and compliance with the Company's rules and regulations. The minimum deposit shall be five dollars (\$5.00) and the maximum shall not exceed more than two-twelfths of the estimated charge for service for the ensuing twelve (12) months. Cash deposits shall bear simple interest at the rate of interest established by the Maryland Public Service Commission, payable when deposit is refunded or credited to the Customer's bill, when service is terminated, or when notice is sent to the Customer that the deposit is no longer necessary. A Customer who has made no deposit, or whose deposit is inadequate in the opinion of the Company, upon becoming delinquent in bill payment on more than two occasions during a twelve (12) month period, may be required to furnish a satisfactory deposit before the Company will continue the service. Cash deposits may be applied to unpaid accounts at termination of contract or discontinuance of service, or guarantor shall then become liable.

Upon request by a residential Customer, the Company shall allow a deposit between fifty dollars (\$50) and one-hundred and fifty dollars (\$150) to be paid in installments over eight (8) weeks. If the deposit exceeds \$150, the installment period will be twelve (12) weeks. Service will not be provided until the greater of \$50 or one-third (1/3) of the deposit has been paid.

b. Application for gas service in new locations will be accepted only when all bills for service to the Customer at any other location have been paid.

4. TERMS OF PAYMENT

The rates are net. If the bill is not paid on or before 5:00 p.m. on the twentieth (20th) day after date of rendition of the bill, a late charge equal to one and one-half percent (1-1/2%) of the net bill will be added. At the end of the next billing period an additional charge equal to one and one-half percent (1-1/2%) of any portion of the original amount which remains unpaid will be added. At the end of the next billing period an additional charge equal to two percent (2%) of any portion of the original amount which remains unpaid will be added. The total of the charge will not exceed five percent (5%) of the original unpaid amount.

5. PRORATION OF MONTHLY CHARGES

The monthly service charges for all initial bills, all final bills, and all bills for periods more than five (5) days or less than the regular monthly billing period shall be prorated on the basis of a thirty (30) day month or the actual number of days in the billing period.

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6. MAIN EXTENSION AND SERVICE PIPE CONNECTION

a. A written application and contract will be required for each new service pipe connection to the Company's supply mains. The Company will install free of charge a combined one hundred and fifty feet (150) of main and/or service pipe for a new single family residence ready to take service, except that a cooking only installation would be for a combined amount of fifty (50) feet of installation. The Company may at its discretion apply its cost benefit analysis to new residences whose main and service exceeds the footage allowances, if the results are more favorable to the Customer. Allowances for builders, land developers, commercial and industrial installations would be determined by the Company using its cost benefit analysis.

b. When the required extension exceeds the allowance the Customer shall advance the cost of the excess length of extension to the Company. When there are no Customers ready for service at the time the extension is requested, no main or service construction will be furnished at the cost of the Company. The amount advanced by the Customer will be repaid in accordance with a contract for Extension of Gas Mains.

c. Changes in location of service pipe, meter and connections, or additional services to the same property, for the accommodation of the Customer, shall be at the expense of the Customer. Payment of the amount of cost, as estimated by the Company, shall be made in advance.

d. When supply mains are in place, service pipe will be installed to the curb line ahead of paving, at the option of the Company, provided the owners of the abutting property shall request and pay for such stub services. The cost of any such stub service will be repaid by the Company if within five (5) years gas supply is taken from an extension of it.

e. New supply mains of standard distribution size along any public street or road will be extended provided the Customer contracts to take service for five (5) years at the Company's filed Tariff of Rates.

f. The extra cost of an installation due to frozen ground and winter conditions, streets not having been brought to grade, or other unusual causes, shall be paid by the Customer and shall not be refundable.

7. PERMIT AND RIGHT OF WAY CONDITIONS

a. When a permit is required for street opening to install service pipe, or a charge is made for repaving, payment therefore will be made by the Company.

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7. PERMIT AND RIGHT OF WAY CONDITIONS (Continued)

b. When Customers are so located that they can be served only by facilities extending through private property, they shall pay for the construction on said private property and they shall accept service for such term as is provided in the permit or agreement covering the location and maintenance of such facilities. Customers shall assume the obligation of any special or rental charges that may be made for such rights by said permit or agreement provided the Company is unable to secure the proper easement over said private property.

8. CUSTOMER'S INSTALLATION

Piping fixtures and appliances on the Customer's premises must be installed at the expense of the Customer or owner of the property. The Company shall have the right, but shall not be obliged to examine the Customer's installation at the time service is first supplied or at any later time. If at any time the installation is found defective or dangerous by the Company's employees, service may be refused or discontinued until the Customer has the condition corrected.

9. METER INSTALLATION

a. The Customer shall provide, without charge, a suitable place for the meter or meters, governor or governors, or other equipment of the Company. Such place shall be of ready and convenient access to the Company's meter readers or inspectors, as near as possible to where the supply piping enters the Customer's building, dry and warm. The place shall not be adjacent to a furnace or oven, subject to sudden changes in temperature, subject to damage by steam or acid fumes, or where the meter connection may be concealed by plaster or sheathing.

b. The Company will furnish, install, maintain and own any meter or meters, governor or governors required in the supply of service. All meters or other service equipment supplied by the Company shall remain its exclusive property. The Company shall have the right to remove all of its property from the premises of the Customer at any time after the termination of service, regardless of the reason for such termination.

10. CUSTOMER'S DUTY TO METER INSTALLATION

Customers shall be responsible for meters, governors, and their connections and shall reimburse the Company for any damage done to them while they are on the Customer's premises.

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11. MAINTENANCE OF SERVICE BY COMPANY

The Company will use reasonable diligence to provide a regular and uninterrupted supply of gas. Should the supply of service be interrupted by the Company for the purpose of making repairs, changes or improvements in any part of its system for the general good of the service or the safety of the public; or should the supply of service be interrupted or fail by reason of accident, strike, legal process, state or municipal interference; or any other cause whatsoever beyond its control, the Company shall not be liable for damage, direct or consequential, resulting from such interruption or failure. The Company shall notify the Customer of any interruption whenever it is possible to do so.

12. ACCESS TO PREMISES

a. The authorized agents or employees of the Company shall have free access (at reasonable times) to the premises of the Customer, for the purpose of inspecting, removing or repairing any of the property of the Company situated therein. Such agents or employees shall identify themselves by Company badge, upon request.

b. No one but authorized representatives of the Company have the right to connect or disconnect the meter or service pipes. Such workers, on request, shall identify themselves by Company badge.

c. The Company's employees are strictly forbidden to demand or accept any personal compensation for service rendered by them while working for the Company on the Company's time.

13. RESPONSIBILITY FOR DEFECT IN CUSTOMER'S INSTALLATION

Company assumes no responsibility for any damage done by or resulting from any leak from the pipes, fixtures, or appliances of the Customer. In the event that any loss or damage to the property of the Company, or any accident or injury to person or property is caused by or results from the negligence or wrongful act of the Customer, the Customer's 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.

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14. USE OF GAS BY CUSTOMER

a. All gas service on the premises of the Customer shall be supplied exclusively by the Company during the term of contract. This gas service shall be exclusively for the individual use of the Customer, and shall not be sold or sublet by the Customer without the written consent of the Company.

b. Gas must not be used in such a manner as to cause unusual disturbance in the Company's distribution system or interfere with service to others in the locality of the Customer. The mains, services, governors and meters supplied by the Company have a definite capacity and no large additions to the equipment or load connected thereto will be allowed except by consent of the Company.

15. LEAK OR DEFECT IN SERVICE

a. The Customer should notify the Company promptly of any defect in service, any trouble or accidents to the gas supply, and particularly of any gas leak. The Company gives precedence to the repair of leaks, and will locate leaks on appliances and pipes inside the Customers' houses, at no charge. No light or flame should be taken near any escaping gas.

b. No deduction will be made from bills rendered for gas registered by meter because of leak from the Customer's installation.

16. ADJUSTMENT OF METER ERROR

a. The Customer shall accept as standard of measurement the meter installed by the Company. Should the meter become defective or fail to register correctly, the quantity of gas consumed shall be determined by a test of the meter or by rendering an estimated bill. Any adjustment of charges shall be made in accordance with the Public Service Commission Regulations.

b. Each meter is tested by the Company at the time of installation and at regular intervals thereafter. The Company will, upon written request of the Customer, test the accuracy of a meter at any time, provided that these tests are not more than once in eighteen (18) months, under the Rules and Rates established by the Public Service Commission.

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17. PAYMENT RULES

a. Bills will be rendered and be payable once each month. When the Company is unable, for any reason, to read the meter the Company reserves the right to estimate the amount of gas supplied to determine an amount to bill. Estimated readings shall be based on prior consumption at the particular location for a similar period of time corrected for current conditions. The Customer shall be obligated to pay the bill based on the estimated consumption as though the same was based on an actual meter reading, and failure to so pay shall subject the Customer and his service to Rule 4. Bills based on estimated readings shall be subject to an adjustment for any unusual circumstances found to have affected the quantity of gas used, or for obvious errors in estimates, which adjustments shall be made not later than on the next subsequent bill rendered the Customer.

In those instances where the Company's agent or representative is unable to gain access to the Customer's premises during regular scheduled working hours to obtain a meter reading, the number of estimated meter readings shall be limited to five consecutive months, and the Customer's service, thereafter, is subject to discontinuance. (Rule 18) In the case of an estimated reading, the Company may accept a Customer read and reissue a bill.

b. The net rates are contingent upon payment of bills on or before the last day for payment as specified on the bill and should payment not be made before the close of the Company's office, or other place designated by the Company, on that day a late charge shall apply. When the last day for payment falls on a Sunday or a holiday, the day following shall be considered as the last day.

c. Remittances of net amount in payment of bills sent by mail will be accepted by the Company as a tender of the payment within the payment period if the enclosing envelope bears U.S. Post Office date stamp prior to midnight on the last day of the specified period.

18. DISCONTINUANCE OF SERVICE BY COMPANY

The Company may remove its meters and interrupt or discontinue its service for any of the following reasons:

- (a) For non-payment of any bill due under the Customer's contract with the Company.
- (b) For violation of the Company's Rules and Regulations.
- (c) For abuse, fraud or tampering with meter and connections.

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18. DISCONTINUANCE OF SERVICE BY COMPANY (Continued)

- (d) For leaks or defects in meter and connection or in the Customer's installation.
- (e) For failure to provide access to the Company's meter and equipment.
- (f) For failure to provide a meter deposit.
- (g) For routine or other test of meter or installation.
- (h) For refusal to furnish service equipment, permits, certificates or rights-of-way specified as a condition to obtaining service.
- (i) Because the Customer's use of gas interferes with service in the Customer's locality.

19. RECONNECTION CHARGE

If the Company shuts off service to a premise, for other than Company related service, service will not be restored unless a reconnection charge has been paid in advance. This charge shall be thirty dollars (\$30.00) for restoration of service between the hours of 8:00 a.m. and 5:00 p.m. Monday through Friday and forty-five dollars (\$45.00) between the hours of 5:00 p.m. and 8:00 a.m. and on weekends and holidays.

20. OTHER CHARGES

Field Collection in Lieu of Disconnection	\$10.00
Administrative - Account Set Up Fee	\$15.00
Returned Check Charge	\$25.00

21. DISCONTINUANCE OF SERVICE BY CUSTOMER

The Customer must give at least 72 hours written or telephonic notice to discontinue service and shall be liable for gas consumed during that time until meter shall have been shut off. The final bill for gas consumed is immediately due and payable.

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22. CUSTOMER'S WORK DONE BY COMPANY

Construction or maintenance work done by the Company upon the property of the Customer, at the Customer's request, shall be at the sole cost and responsibility of the Customer, and the Company's liability shall be that of a contractor only. Acceptance of and payment for such work by the Customer shall be a discharge and release to the Company for any consequential damages arising from the performance of such work.

The Company will provide, at the Customer's request, the adjustment of appliance burners, pilots and controls on the Customer's appliances, at no charge.

23. REPRESENTATION BY EMPLOYEES

No statement or representation of any employee of the Company shall be binding unless the same is in writing and signed by a manager or an executive of the Company.

24. CURTAILMENT

The following classification sets forth the rules of the Company governing the curtailment or discontinuance of gas service to the various classes of Customers in the event of gas shortage. The Company may curtail or discontinue gas service in accordance with this classification without incurring liability for any subsequent loss or damage which the Customer may sustain through such curtailment or discontinuance.

a. Preferred Customers

Customers using gas in Private Dwellings, Boarding and Rooming Houses, Apartment Buildings, Hotels (exclusive of cooking purposes), Hospitals and Sanitariums, or similar institutions, for such purposes as space heating, water heating, cooking and refrigeration, where the element of human welfare and comfort is the predominating requirement. In the event of gas shortage, Preferred Customers shall have preference over all other Customers.

b. Non-Preferred Customers

Class No. 1 - Customers using gas in boilers, furnaces and other appliances in Schools, Churches and similar institutions, Governmental and Public Buildings, Office Buildings, Hotels (for cooking purposes), Theaters, Stores, Restaurants, Bakeries and all types of Commercial Establishments. In the event of gas shortage, this class of Customer shall have preference over all other classes of Non-Preferred Customers.

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RULES AND REGULATIONS
(CONTINUED)

24. CURTAILMENT (Continued)

b. Non-Preferred Customers (Continued)

Class No. 2 - Customers using gas for industrial manufacturing purposes in furnaces, forges, kilns, retorts, tanks, boilers, and similar equipment for the preparation of industrial products or used for the purpose of space heating by such Customers. Customers using gas for gas engines or boilers for drilling or operation of gas or oil wells, or for generation of power. Gas service to Customers under this classification shall be subject to discontinuance or curtailment at any time, temporarily or permanently, in whole or in part in order to protect or conserve the supply of gas for Preferred and Class No. 1 of Non-Preferred Customers.

In a period of stringency of gas supply, the Company will maintain a register of new space heating loads applied for but not then being served by the Company, in order to assist the Company in forecasting future peak demands for its service, and in order to afford a basis of priority in supplying any additional space heating loads to existing, new, or prospective premises. The Company shall give reasonable notice to the Customer of the existence of periods of stringency of gas supply through means of the newspaper, mails, radio, or other means deemed advisable and effective.

The Company will not supply gas for any equipment designed to furnish a principal source of space heating for any premises unless application for such heating load was registered with the Company prior to the connection of such equipment and written approval thereof was given by the Company.

In anticipation of periods of stringency of gas supply, the Company reserves the right to defer supplying gas for new space heating loads so as to cause the least hardship to present and prospective Customers, taking into consideration the volume of natural gas available and the capacities of local mains and facilities.

The priority in which additional space heating loads will be accepted, where such a load will constitute the principal source of space heating for the premises, is:

- (a) Medical hardship cases, supported by filing of satisfactory evidence.
- (b) Newly constructed premises with heating equipment designed exclusively for gas fuel.

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RULES AND REGULATIONS
(CONTINUED)

24. CURTAILMENT (Continued)

b. Non-Preferred Customers (Continued)

(c) Occupied or previously occupied premises, where gas is being substituted as principal space heating fuel in heating equipment designed exclusively for gas fuel.

(d) Newly constructed premises, or presently or previously occupied premises, where gas is to be substituted as principal space heating fuel in heating equipment which could otherwise continue to use a fuel other than gas, or will be readily capable of conversion for use of a fuel other than gas.

When anticipated gas supplies are not sufficient to serve all new heating loads applied for in one of the above categories, priority will be given in the order in which the application was registered with the Company, provided the new equipment is connected within a reasonable time after notice from the Company that it may be served.

When evidence available to the Company reasonably indicates that a Customer has connected additional principal heating equipment without registering the same or in violation of the Company's notice that it may not be connected, the Company will discontinue all service to such Customer, upon ten (10) days written notice, until such additional principal heating equipment has been disconnected.

c. Appropriation of Enduser Transportation Gas As Applied to Gas Curtailment

In the event of curtailment of gas deliveries of our suppliers, any third party transportation gas being delivered into the Company's distribution system shall be appropriated by the Company to serve priority of service under curtailment. Customers whose gas is so appropriated shall be compensated for such gas at a rate equal to the higher of the Company's weighted average cost of gas (the total cost of natural gas delivered to the Company for system supply divided by the volume delivered) or the Customer's total acquisition cost of gas (including pipeline transportation charges). In the event of a supply shortage which causes the Company to purchase Customer's gas, the Customer shall make available a copy of its contract for natural gas supply upon request; or in lieu thereof, the Customer shall supply a sworn affidavit specifying Customer's total acquisition cost of gas.

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25. FORCE MAJEURE

Neither Company, Third Party Supplier, or Customer shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, temporary failure of gas supply, temporary failure of firm transportation arrangements, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, acts of third parties, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

Such cause or contingencies affecting the performance by Company, Third Party Supplier or Customer, however, shall not relieve it of liability in the event of its concurrent negligence or in the event of its failure to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting performance relieve either party from its obligations to make payments of amounts then due hereunder in respect of gas theretofore delivered.

26. UNAUTHORIZED GAS USE

Unauthorized Gas Use includes, but is not limited to, any volume of gas taken by the Customer in excess of its maximum daily requirement as set forth in its Service Agreement with the Company or the quantity of gas allowed by the Company on any day for any reason, including as a result of a curtailment or interruption notice issued by the Company in accordance with its Tariff and/or the Public Service Commission of the State of Maryland or any other governmental agency having jurisdiction. A "day" shall be a period of twenty-four (24) consecutive hours, beginning as near as practical to 8 a.m., or as otherwise agreed upon by the Customer and the Company.

The Company reserves the right to physically curtail the gas service to any Customer if, in the Company's sole judgement, such action is necessary to protect the operation of its system.

If a Customer uses gas after having been notified that gas is not available under their Service Classification, and/or if applicable, uses gas in excess of the maximum daily quantity or requirements as established in the Service Agreement, then Unauthorized Gas Use Charges shall apply.

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RULES AND REGULATIONS
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26. UNAUTHORIZED GAS USE (Continued)

Furthermore, if a Third Party Supplier (TPS) fails to deliver gas in the quantities and/or imbalance ranges specified in the TPS Service Classification then Unauthorized Gas Use Charges shall apply to the TPS.

In addition to the above, the following conditions specifically apply to Interruptible Customers and their suppliers: A Customer who fails to discontinue natural gas use, consistent with the terms and conditions of the relevant interruptible service agreements, and suppliers who fail to deliver natural gas during a critical period/OFO notice, consistent with the terms and conditions of applicable service agreements and TPS Agreements, shall be charged a penalty equal to the charges for Unauthorized Gas Use.

All Unauthorized Gas Usage shall be billed at the higher of \$2.50 per therm or a rate equal to ten times the highest price of the daily ranges which are published in Gas Daily on the table "Daily Price Survey" for delivery in Transco Zone 6 or Texas Eastern Zone M-3. This rate shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of the interstate pipelines which deliver gas into Maryland. This is in addition to all applicable taxes, charges and assessments of the Customer's Service Class.

Nothing herein shall be construed to prevent the Company from taking all lawful steps to stop the Unauthorized Use of Gas by the Customer, including disconnecting the Customer's service.

Such payment for unauthorized use shall not be deemed as giving the Customer or TPS any rights to use such gas.

The Company may, in its sole discretion, permanently discontinue service upon a finding by the Company that the Customer has not complied with the conditions and provisions of this Tariff.

TPSs that have subscribed to Standby for their Essential Use Customers are not subject to Unauthorized Gas Use Charges for volumes that are within the limits of their Standby Service but will be billed the Standby Rate determined at month end.

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26. UNAUTHORIZED GAS USE (Continued)

All Unauthorized Gas Use Charges applicable to transportation services will be billed to and payable by the TPS providing gas supply for such services. In the event a TPS fails to pay these charges, the Customers of that TPS shall be billed directly by the Company for either: 1) their proportionate share, based on the Allocation of Supply as set forth in the TPS Service Classification; or 2) their direct share identified through their non-compliance to Company directives to ease or curtail gas use.

Any revenues from the assessment of penalties for Unauthorized Gas Use shall be credited to the Purchased Gas Adjustment.

27. THERM CONVERSION FACTOR

Meter readings of Customers shall be converted from cubic feet to therms by applying a therm conversion factor. A therm is defined as a unit of heat energy equal to 100,000 British Thermal Units (BTUs). For billing purposes, the Customer's gas usage in cubic feet will be converted to therms using a therm conversion factor representing the actual weighted average BTU value per 100 cubic feet of gas that was delivered into the Company's system in the second preceding calendar month as adjusted to a dry basis. This therm conversion factor expressed to precision of three (3) decimal places, shall be applied in calculating bills on a service rendered basis. The Company may at its option with 30 days notice to Commission Staff modify the calendar period used in determining the BTU factor, if it is modified toward or at a period closer to that of the Customer billing period.

28. TAXES AND SURCHARGES

The Customer shall pay 100% of any taxes, assessments, or similar charges that are lawfully imposed upon the Company in providing service under the Rate Schedules of this Tariff.

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Issued by: Jodi Gidley
Sr. Vice President, Mid-Atlantic Operations
125 East High Street
Elkton, Maryland 21921

Pursuant to Maryland Public
Service Commission Letter
Dated April 10, 2008

RATE SCHEDULE "R" - RESIDENTIAL

APPLICABILITY DEFINITION

A Customer using gas in a single family residential dwelling or unit for space heating, air conditioning, cooking, water heating, incineration, laundry drying, lighting, incidental heating, or other domestic purposes. Included in this group are tenants billed by the Company for natural gas consumption or use by other tenants at the same premise when the lease states that the tenants are responsible for their own utility bills. If gas is supplied through a single meter and is used for both residential and commercial purposes, the service shall be considered residential if the residential usage is the predominant usage factor.

AVAILABILITY

Customer Charge, minimum monthly charge	\$5.75
Distribution Charge	\$0.35750 per therm

When a Customer uses gas for cooling or pool heating from May 1st through October 31st, the Distribution Charge will be billed at \$0.17059 per therm.

GAS ADJUSTMENT CLAUSE

The rates set forth herein are subject to the Purchased Gas Adjustment Clause of this Tariff.

REVENUE NORMALIZATION ADJUSTMENT CLAUSE

Heating Customers, as defined by the Company, are subject to the Revenue Normalization Adjustment Clause of this Tariff.

RULES AND REGULATIONS

This Rate Schedule is subject to the Rules and Regulations of this Tariff.

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RATE SCHEDULE "CS" - COMMERCIAL SERVICE

APPLICABILITY DEFINITION

A Customer using gas in an establishment of a commercial or service nature including boarding homes and personal care homes. In this class are included, among others, warehousing, distributing or selling commodities, providing professional services or other economic and social endeavors, wholesale and retail stores, offices, office buildings, institutions, hotels, clubs, lodges, associations, restaurants, warehouses, railroad and bus stations, banks, laundries, dry cleaners, undertaking establishments, garages, gasoline stations, theaters, bowling alleys, billiard parlors, motor courts, camps, bars, grills, taverns, retail bakeries, hospitals, schools, churches, religious and charitable institutions, governmental agencies, or the like. If gas is supplied through a single meter and is used for both commercial and residential or commercial and industrial usage, the service will be considered commercial if it is the predominant usage factor.

AVAILABILITY

Customer Charge, minimum per month	\$11.00
Distribution Charge	\$0.24369 per therm

When a Customer uses gas for cooling or pool heating from May 1st through October 31st, as measured by a separate meter provided by the Company, the Distribution Charge will be billed at \$0.13105 per therm.

GAS ADJUSTMENT CLAUSE

The rates set forth herein are subject to the Purchased Gas Adjustment Clause of this Tariff. Any Customer migrating to sales service after having received transportation service for a minimum of 12 consecutive months shall receive a credit of the Migration Adjustment Charge as described in the Commercial Transportation Rate Schedule for any period during the next 12 months when receiving sales service.

REVENUE NORMALIZATION ADJUSTMENT CLAUSE

Heating Customers, as defined by the Company, are subject to the Revenue Normalization Adjustment Clause of this Tariff.

CHARACTER OF GAS

The monthly average heating value shall be approximately 1,000 Btu's per cubic foot.

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RATE SCHEDULE "CS" - COMMERCIAL SERVICE
(CONTINUED)

TERMS OF CONTRACT

One (1) year and thereafter automatic one (1) year renewals until terminated by sixty (60) days written notice by either party prior to the end of the initial one (1) year term or any one (1) year renewal period.

RULES AND REGULATIONS

This Rate Schedule is subject to the Rules and Regulations of this Tariff.

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RATE SCHEDULE "LV " - LARGE VOLUME INDUSTRIAL

APPLICABILITY DEFINITION

A Customer using gas for creating or changing raw or unfinished material into another form or product through the application of heat or heat treating, steam agitation, evaporation, baking, drying, distilling, etc. Typical industrial users are manufacturing plants, machine shops, steel and iron mills, foundries, lumber planing and saw mills, canneries, dairies, meat packers, breweries, distilleries, potteries, railroad repair shops, refineries, creameries, flour mills, pump stations, ice plants, quarries, milk plants, mines, shipbuilders, chemical plants, grain elevators, food processing facilities, petrochemical operations in which the gas is the raw material, etc. If gas is served through a single meter and is used for both industrial and commercial purposes, the service shall be considered industrial if the industrial usage is the predominant usage factor.

AVAILABILITY

Customer Charge, minimum per month	\$60.00
Distribution Charge	\$0.19282 per therm

GAS ADJUSTMENT CLAUSE

The rates set forth herein are subject to the Purchased Gas Adjustment Clause of this Tariff. Any Customer migrating to sales service after having received transportation service for a minimum of 12 consecutive months shall receive a credit of the Migration Adjustment Charge as described in the Large Volume Industrial Transportation Rate Schedule for any period during the next 12 months when receiving sales service.

TERMS OF CONTRACT

One (1) year and thereafter automatic one (1) year renewals until terminated by sixty (60) days written notice by either party prior to the end of the initial one (1) year term or any one (1) year renewal period.

RULES AND REGULATIONS

This Rate Schedule is subject to the Rules and Regulations of this Tariff.

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RATE SCHEDULE "I" - INTERRUPTIBLE SERVICE

APPLICABILITY DEFINITION

This rate is only available to Customers who are currently receiving this service as of May 1, 2008 and have maintained continuous service under this Rate Schedule thereafter as well as continuing to have a combined gas consumption capacity of at least 20,000 cubic feet during a 24-hour period; and (1) agree to take gas hereunder as a fuel for steam boilers, boilers, or for the generation of heat used in drying processes; or (2) have an alternative energy source. Gas supplied hereunder shall be the quantity of gas available to the Company from its supplier over and above the quantities required by all other Customers served under all other Rate Schedules of the Company on file with the Maryland Public Service Commission.

AVAILABILITY

Gas shall be supplied hereunder only from the Company's mains having adequate capacity to supply all other Customers in addition to the quantity contracted for hereunder. Gas supplied hereunder shall be a single point of metering and shall not be resold.

GAS ADJUSTMENT CLAUSE

The rates set forth herein are subject to the Purchased Gas Adjustment Clause of this Tariff. Any Customer migrating to sales service after having received transportation service for a minimum of 12 consecutive months shall receive a credit of the Migration Adjustment Charge as described in the Large Volume Industrial Transportation Rate Schedule for any period during the next 12 months when receiving sales service.

RATE

Customer Charge, minimum per month	\$60.00
Distribution Charge	\$0.02402 per therm

UNAUTHORIZED OVERRUN

When the unauthorized overrun volume on any day exceeds the quantity limited by curtailment interruption, or allocated to the Customer, the Customer shall pay for such unauthorized overrun volume at a rate set forth in the Unauthorized Gas Use terms in this Tariff's Rules and Regulations, in addition to the charges otherwise payable by the Customer under this Rate Schedule. The Company shall have the right, without obligation, to waive any payment for unauthorized overrun volume if on the day the overrun was incurred deliveries to the Company from its supplier did not exceed the Company's then established daily maximum demand volume.

RULES AND REGULATIONS

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RATE SCHEDULE "CT" - COMMERCIAL TRANSPORTATION

APPLICABILITY

Any non-residential Customer who qualifies to receive service under Rate Schedule "CS" and has clear title to gas that is made available for CT on the Company's distribution system is eligible to take service under this Rate Schedule.

The signing of a Service Agreement and possession by the Customer of a fully executed contract to purchase gas from a Third Party Supplier (TPS) are conditions precedent to receiving service under this Rate Schedule.

CHARACTER OF SERVICE

This service will be offered on a Firm basis subject to curtailment provisions set forth in the Curtailment Section of the Rules and Regulations of this Tariff.

RATE PER MONTH

All Customers desiring transportation service under this Rate Schedule shall be obliged to receive and pay for such service according to the rates and charges as set forth below. Said charges shall be in accordance with the selection of services to be received in the Service Agreement and may be adjusted from time to time upon approval of the Maryland Public Service Commission.

Customer Charge, minimum per month	\$11.00
Distribution Charge	\$0.24369 per therm

MIGRATION ADJUSTMENT CHARGE

This charge provides a method for recovery of the experienced net over/under collection of purchased gas costs as adjusted annually from ratepayers who have shifted between sales and transportation service. The Migration Adjustment Charge shall equal the current Actual Cost Adjustment as approved in the Company's most recent Purchased Gas Adjustment proceeding. Any Customer migrating to transportation after having received sales service for a minimum of 12 months shall be subject to the Migration Adjustment Charge for the next 12 months regardless of the type of service received.

REVENUE NORMALIZATION ADJUSTMENT CLAUSE

Heating Customers, as defined by the Company, are subject to the Revenue Normalization Adjustment Clause of this Tariff.

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RATE SCHEDULE "CT" - COMMERCIAL TRANSPORTATION
(CONTINUED)

TERM OF SERVICE

One (1) year, and thereafter automatic one (1) year renewals until terminated by sixty (60) days written notice by either party prior to the end of the initial one (1) year term or any one (1) year renewal period.

RULES AND REGULATIONS

This Rate Schedule is subject to the Rules and Regulations of this Tariff.

UTILIZING A THIRD PARTY SUPPLIER

Customers utilizing Third Party Suppliers (TPS) either as agents or as suppliers of gas into the Company's system, must notify the Company in writing of the TPS that will be used in any particular month. The Customer agrees that as between the Company and the Customer, the Company shall be entitled to rely upon information concerning deliveries of natural gas on behalf of the Customer provided by the TPS. Any Customer or TPS that wishes to deliver gas into the Company's system prior to commencing deliveries must be a qualified TPS under the Company's TPS Service Classification.

NOMINATIONS FOR SERVICE

The Customer's TPS shall nominate on behalf of its Customers total monthly requirements for that billing month.

INDEMNIFICATION

As between Company and Customer, Customer warrants that it has clear title to any gas supplies delivered into the Company's system for redelivery to Customer. Customer agrees to indemnify, defend, and hold harmless Company from any and all claims, suits, or damage actions arising out of deliveries of gas into Company's system on behalf of Customer.

TRANSPORTATION TO COMPANY FACILITIES

The Company is not responsible for making arrangements for transportation service Customers for transporting the gas from its source to the Company's interconnection with the delivering pipeline supplier.

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RATE SCHEDULE "CT" - COMMERCIAL TRANSPORTATION
(CONTINUED)

GAS COMMINGLING

Service under this classification is provided by the Company within its service territory for the Customer. The gas transported under this Service Classification is not the property of the Company. However, the Company reserves the right to commingle such gas, when necessary, in accordance with the applicable curtailment provisions of this Tariff.

GAS SUPPLY OBLIGATION

In the event that the Customer's TPS fails to deliver in accordance with the terms and conditions of the TPS Rate Schedule, or ceases operations, the Company may, in its sole discretion, provide replacement gas supplies under such terms and conditions as the Company may require, including but not limited to, the payment of additional deposits. If the TPS fails to deliver, the TPS will be assessed charges for failure to deliver.

UNAUTHORIZED GAS USE

If the Customer uses gas after having been notified that gas is not available under this Rate Schedule, or uses gas in excess of the maximum daily quantity as established in the Service Agreement, all such usage shall be billed at the rate set forth in the Unauthorized Gas Use terms in the Rules and Regulations of this Tariff. Nothing herein shall be construed to prevent the Company from taking all lawful steps to stop the unauthorized use of gas by the Customer, including disconnecting the Customer's service.

IMBALANCE CHARGES

To the extent that a TPS ceases operations or under delivers gas, Customers shall be ultimately responsible for payment of any charges not paid for by their TPS, including but not limited to daily and/or monthly imbalance charges for gas supplies consumed by the Customer but not delivered by the TPS. In the event a TPS fails to pay these charges the Customers shall be billed directly by the Company for their direct portion, if by their non-compliance to Company directives to cease gas use, and/or a prorata share by applying the Allocation of Supply terms of the TPS Service Classification.

TREATMENT OF REVENUE

Revenues derived from the payment of service and commodity charges under this Service Classification, exclusive of applicable taxes and assessments, shall be retained by the Company. Revenues derived from the payment of penalties exclusive of appropriate taxes and assessments shall be credited to the Purchased Gas Adjustment Clause.

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RATE SCHEDULE "LVT" - LARGE VOLUME INDUSTRIAL TRANSPORTATION

APPLICABILITY

Customers eligible for service under Rate Schedules LV and I and having clear title to gas that is made available for LVT on the Company's distribution system may elect service under this Rate Schedule. Customers who are defined as "Preferred Customers" under the Curtailment Section, paragraph "b", of the Rules and Regulations of this Tariff are not eligible for Industrial Transportation Service unless they have an alternative fuel available.

The signing of a Service Agreement and possession by the Customer of a fully executed contract to purchase gas from a Third Party Supplier (TPS) are conditions precedent to receiving service under this Rate Schedule.

CHARACTER OF SERVICE

This service will be offered on a Firm basis subject to curtailment provisions set forth in the Curtailment Section of the Rules and Regulations of this Tariff.

RATE PER MONTH

All Customers desiring transportation service under this Rate Schedule shall be obliged to receive and pay for such service according to the rates and charges as set forth below. Said charges shall be in accordance with the selection of services to be received in the Service Agreement and may be adjusted from time to time upon approval of the Maryland Public Service Commission.

Customer Charge, minimum per month	\$60.00
Distribution Charge	\$0.19282 per therm

MIGRATION ADJUSTMENT CHARGE

This charge provides a method for recovery of the experienced net over/under collection of purchased gas costs as adjusted annually from ratepayers who have shifted between sales and transportation service. The Migration Adjustment Charge shall equal the current Actual Cost Adjustment as approved in the Company's most recent Purchased Gas Adjustment proceeding. Any Customer migrating to transportation after having received sales service for a minimum of 12 months shall be subject to the Migration Adjustment Charge for the next 12 months regardless of the type of service received.

TERM OF SERVICE

One (1) year, and thereafter automatic one (1) year renewals until terminated by sixty (60) days written notice by either party prior to the end of the initial one (1) year term or any one (1) year renewal period.

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RATE SCHEDULE "LVT" - LARGE VOLUME INDUSTRIAL TRANSPORTATION
(CONTINUED)

DETERMINATION OF DAILY CONTRACT QUANTITY

Daily Contract Quantity (DCQ) will be stated in terms of therms per day and included in the Service Agreement. It is the maximum volume that may be delivered on any day for an LVT Customer as specified in the Service Agreement.

The DCQ level shall be the highest actual daily metered consumption registered from an approved automatic meter reading device at the Customer's premises within a period of not less than two years, but up to three years immediately preceding the Customer obtaining service or renewing a Service Agreement under this Service Classification if such information is available. Otherwise, the DCQ shall be set equal to the product of (1) the highest winter monthly consumption for the most recent winter (October through April) divided by the applicable number of days in the respective billing month, and (2) 1.36, provided that the DCQ shall not be less than the highest non-winter month consumption divided by the applicable number of days in the respective billing month. If historical information is not available, then (a) the initial DCQ level shall be based upon the Customer's gas utilization equipment expressed in consumption per day, and (b) after twelve (12) months of actual consumption has been metered, the DCQ level shall be re-determined. In addition to the above provisions, if the Customer's maximum daily usage exceeds the DCQ as stated in the Service Agreement more than three (3) times in twelve (12) months, the Company may increase the DCQ in the Service Agreement by giving the Customer thirty (30) day's written notice.

AUTOMATIC METER READING EQUIPMENT

Customers under this Rate Schedule are required to have automatic meter reading equipment. The Customer shall pay for all costs incurred by the Company to install automatic meter reading equipment as required by the Company and provide access for such equipment. The cost of installing automatic meter reading equipment plus all costs associated with dedicated telephone lines and telemetering equipment shall be at the expense of the Customer. The Customer may pay the cost over a two (2) year or some lesser period by means of a monthly surcharge designed to recover the cost of the equipment plus interest equal to the Company's overall rate of return as authorized from time to time by the Maryland Public Service Commission. The Customer will pay for all maintenance on automatic meter reading equipment performed by the Company at the request of the Customer. Such charges shall also include battery costs, when a battery must be replaced. The meter and associated telemetering equipment shall be the property of the Company.

RULES AND REGULATIONS

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RATE SCHEDULE "LVT" - LARGE VOLUME INDUSTRIAL TRANSPORTATION
(CONTINUED)

UTILIZING A THIRD PARTY SUPPLIER

Customers utilizing Third Party Suppliers (TPS) either as agents or as suppliers of gas into the Company's system, must notify the Company in writing of the TPS that will be used in any particular month. The Customer agrees that as between the Company and the Customer, the Company shall be entitled to rely upon information concerning deliveries of natural gas on behalf of the Customer provided by the TPS. Any Customer or TPS that wishes to deliver gas into the Company's system prior to commencing deliveries must be a qualified TPS under the Company's TPS Service Classification.

NOMINATIONS FOR SERVICE

The Customer's TPS shall nominate on behalf of its Customers total monthly requirements for that billing month.

INDEMNIFICATION

As between Company and Customer, Customer warrants that it has clear title to any gas supplies delivered into the Company's system for redelivery to Customer. Customer agrees to indemnify, defend, and hold harmless Company from any and all claims, suits, or damage actions arising out of deliveries of gas into Company's system on behalf of Customer.

TRANSPORTATION TO COMPANY FACILITIES

The Company is not responsible for making arrangements for transportation service Customers for transporting the gas from its source to the Company's interconnection with the delivering pipeline supplier.

GAS COMMINGLING

Service under this classification is provided by the Company within its service territory for the Customer. The gas transported under this Service Classification is not the property of the Company. However, the Company reserves the right to commingle such gas, when necessary, in accordance with the applicable curtailment provisions of this Tariff.

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RATE SCHEDULE "LVT" - LARGE VOLUME INDUSTRIAL TRANSPORTATION
(CONTINUED)

GAS SUPPLY OBLIGATION

In the event that the Customer's TPS fails to deliver in accordance with the terms and provisions of the TPS Rate Schedule, or ceases operations, the Company may, in its sole discretion, provide replacement gas supplies under such terms and conditions as the Company may require, including but not limited to, the payment of additional deposits. If the TPS fails to deliver gas for the Customer, the TPS will be assessed charges for failure to deliver.

UNAUTHORIZED GAS USE

If the Customer uses gas after having been notified that gas is not available under this Rate Schedule, or uses gas in excess of the daily contract quantity (DCQ) as established in the Service Agreement, all such usage shall be billed at the rate set forth in the Unauthorized Gas Use terms in the Rules and Regulations of this Tariff. Nothing herein shall be construed to prevent the Company from taking all lawful steps to stop the unauthorized use of gas by the Customer, including disconnecting the Customer's service.

IMBALANCE CHARGES

To the extent that a TPS ceases operations or under delivers gas, Customers shall be ultimately responsible for payment of any charges not paid for by their TPS, including but not limited to daily and/or monthly imbalance charges for gas supplies consumed by the Customer but not delivered by the TPS. In the event a TPS fails to pay these charges the Customers shall be billed directly by the Company for their direct portion, if by their non-compliance to Company directives to cease gas use, and/or a prorata share by applying the Allocation of Supply terms of the TPS Service Classification.

TREATMENT OF REVENUE

Revenues derived from the payment of service and commodity charges under this Service Classification, exclusive of applicable taxes and assessments, shall be retained by the Company. Revenues derived from the payment of penalties exclusive of appropriate taxes and assessments shall be credited to the Purchased Gas Adjustment Clause.

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RATE SCHEDULE "TPS" - THIRD PARTY SUPPLIER

APPLICABILITY

The provisions of this Rate Schedule shall apply to brokers, marketers, other Third Party Suppliers and/or Customers acting on their own behalf (collectively TPS) of natural gas that wish to either act as agents for Transportation Customers or deliver natural gas supplies to the Company's City Gate for Transportation Customers. TPS' wishing to sell and/or deliver gas on the Company's system will be required to sign a Service Agreement in which they will agree to be bound by the terms and conditions of the Company's Tariff.

TERM OF CONTRACT

The term of the contract shall be one (1) year and from month-to-month thereafter unless terminated by either party on sixty (60) days written notice.

CREDITWORTHINESS

The Company shall not be required to permit any TPS who fails to meet the Company's standards for creditworthiness to sell or deliver gas on its system. The Company may require that the TPS provide information necessary to provide credit checks.

A TPS may demonstrate its creditworthiness by showing that it has complied with the Transcontinental Gas Pipe Line credit requirements and is approved to operate on the interstate pipeline.

In the event that the TPS is acting in the capacity as agent for the Customer and is not the financially responsible party, the party financially responsible for delivering gas into the Company's system must enter into a gas delivery agreement with the Company to ensure that they are a creditworthy party and that they accept the financial responsibilities required of a TPS.

The TPS shall furnish the Company at such times as is requested by the Company, updated credit information for the purpose of enabling the Company to perform an updated credit appraisal. In addition, the Company reserves the right to request such information at any time if the Company is not reasonably satisfied with the TPS' creditworthiness or ability to pay based on information available to the Company at that time.

The Company shall not be required to permit and shall have the ability to suspend any TPS who is or has become insolvent, fails to demonstrate creditworthiness, fails to timely provide information to the Company as requested, or fails to demonstrate ongoing creditworthiness as a result of credit information obtained; provided however, the TPS may continue to sell/deliver gas on the Company's system if the TPS elects one of the following options:

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RATE SCHEDULE "TPS" - THIRD PARTY SUPPLIER
(CONTINUED)

CREDITWORTHINESS (Continued)

(i) Payment in advance for up to three (3) months service.

(ii) A standby irrevocable letter of credit in form and substance satisfactory to the Company in a face amount up to three (3) months service. The letter of credit must be drawn upon a bank acceptable to the Company.

(iii) A guaranty in form and substance satisfactory to the Company, executed by a person that the Company deems creditworthy, of the TPS' performance of its obligations to the Company.

(iv) Such other form of security as the TPS may agree to provide and as may be acceptable to the Company.

In the event a TPS fails to immediately prepay the required three (3) months of revenue or furnish security, the Company may, without waiving any rights or remedies it may have and subject to any necessary authorizations, suspend the TPS until security is received.

The insolvency of a TPS shall be evidenced by the filing by the TPS or any parent entity thereof, of a voluntary petition in bankruptcy or the entry of a decree or order by a court having jurisdiction adjudging the TPS, or any parent entity thereof, bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment, or composition of the TPS, or any parent entity thereof, under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequester, (or similar official) of the TPS, or any parent thereof, or any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs.

NOMINATIONS FOR SERVICE

A TPS shall provide in writing or other means acceptable to the Company at least ten (10) working days prior to the beginning of the calendar month an estimate of its deliveries into the Company's system for the month. These nominations must, in the aggregate, match the nominations of all Customers to whom the TPS will be delivering during the month. Failure to provide nominations may result in suspension of service to Customers of the offending TPS. In addition, Customers must identify interstate pipeline and contract number(s) on which deliveries will be made at least twenty-four (24) hours prior to the flow of gas. Failure to comply with the Company's nominating procedures may result in curtailment of third party gas deliveries or additional monthly cash-outs.

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RATE SCHEDULE "TPS" - THIRD PARTY SUPPLIER
(CONTINUED)

BALANCING

The Company will balance normal fluctuations between TPS daily gas deliveries and their Customers' daily gas consumption requirements. This service shall be billed to the TPS through a load balancing charge as set forth below:

\$0.03429 per therm shall be billed to the TPS for all delivered volumes for its Customers served under Rate Schedule CT.

\$0.01232 per therm shall be billed to the TPS for all delivered volumes for its Customers served under Rate Schedule LVT.

The Company provides balancing only for the fluctuations between TPS deliveries and their Customers' consumption. Balancing is not intended to be used for speculation as to energy prices, to borrow gas for later replacement, or to store gas for future use during periods of interruption or curtailment. The TPS shall use its best efforts, including ongoing communication with Customers to balance its daily gas purchases, nominations, and deliveries with daily Customer gas consumption requirements.

1. ADDQ Balancing

To the extent that a TPS wishes to provide service to Customers under Rate Schedule CT, a TPS must agree to make deliveries of the Average Daily Delivery Quantity (ADDQ) for its Customers served under Rate Schedule CT. The Company shall determine the ADDQ for the TPS Customers by dividing the Customer's Weather Normalized Usage for the month by the total number of days in the billing month. The Company may adjust the Customer's ADDQ at any time, due to changes in the Customer's equipment or usage pattern. For new Customers, their initial ADDQ will be estimated by the Company based upon the rating of the Customer's gas equipment and expected utilization of the equipment. The Customer's TPS will be obligated to deliver the Customer's ADDQ each day for the Customer's account. At the end of each billing period, the Company will calculate the difference between the Customer's actual usage and actual deliveries for each billing period, and roll over any differences into a subsequent months' ADDQ calculation.

The Company will bill the Customer a transportation charge based on actual consumption each month. If the TPS fails to deliver the ADDQ, the TPS will be assessed Unauthorized Gas Use Charges for the shortfall. The Company will notify the TPS of the Customer's ADDQ obligation for each day of the next succeeding month no later than the fifteenth (15th) day of the month immediately preceding the month in which the TPS will be obligated to deliver the ADDQ. If

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RATE SCHEDULE "TPS" - THIRD PARTY SUPPLIER
(CONTINUED)

BALANCING (Continued)

1. ADDQ Balancing (Continued)

the TPS does not agree with the Company's determination of the ADDQ, it must notify the Company by means acceptable to the Company no later than 5:00 p.m. Eastern Standard Time two business days after receipt of the ADDQ notice from the Company. The Company and the TPS will reconcile any differences no later than 5:00 p.m. Eastern Standard Time two (2) business days later. If a TPS fails to deliver gas to serve its Customers' ADDQ more than three (3) times in a twelve (12) month period, the Company may suspend that TPS from delivering gas to the Company's system for CT Customers only. For the purpose of this provision, failure to deliver gas is defined as delivering less than 75% of the TPS' Customers' aggregate ADDQ on any day.

2. LVT Balancing

To the extent that a TPS wishes to provide service to Customers under Rate Schedule LVT, a TPS must agree to make daily deliveries of the lesser of (a) the Daily Contract Quantity (DCQ) amount if so specified in a Customer's transportation contract or (b) the actual gas consumed daily by Customers a TPS provides gas for under Rate Schedule LVT.

a) Notification shall be by means determined by the Company.

(i) The TPS shall notify the Company gas control dispatcher 48 hours prior to the commencement of transportation service of the transportation quantities to be delivered. For Customers that are required to submit monthly nominations to the Company, the TPS or the Customer may make a monthly nomination for deliveries on an equal daily basis during said month. Any deviation from the scheduled daily deliveries shall be reported to the Company 24 hours prior to said deviation.

(ii). A TPS desiring to provide transportation service shall designate by signed affidavit a spokesperson having authority to notify the Company gas control dispatcher of:

(a) Total daily deliveries.

(b) Each Customer's allocation of such deliveries.

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Dated April 10, 2008

RATE SCHEDULE "TPS" - THIRD PARTY SUPPLIER
(CONTINUED)

BALANCING (Continued)

3. Daily Imbalance Charges

During the months of November through April, the TPS will be required to balance daily deliveries with its Customers' daily delivery requirements when curtailment is in effect or, in the Company's judgment, on any other day in which the Company determines that such balancing is necessary for operational reasons. However, the Company reserves the right to waive this requirement. The Company will provide the TPS in all instances with at least twenty-four (24) hours advance notice that daily balancing will be imposed.

A TPS' daily gas delivery requirements shall consist of the ADDQ for all its Customers under Rate Schedule CT, and the aggregate of the lesser of (a) the amount specified in the transportation contract (DCQ) or (b) the actual gas consumed daily by Customers a TPS provides gas for under Rate Schedule LVT.

In the event daily balancing is imposed in accordance with this section, the TPS shall be assessed the following charges for daily imbalances.

	Imbalance	Charge
	0% to 5%	\$0.00 per therm
	5% to 10%	\$0.10 per therm for imbalances in excess of 5%
Under deliveries	> 10%	\$0.50 per therm for imbalances in excess of 10%
Over deliveries	> 10%	\$0.10 per therm for imbalances in excess of 10%

The Company reserves the right to limit daily imbalances to plus or minus 5%. If the Company limits daily imbalances to plus or minus 5%, then for all under deliveries in excess of 5%, shall be considered Unauthorized Gas Use and shall be subject to the Unauthorized Gas Use Charges specified in the Rules and Regulations of this Tariff.

The Company reserves the right to waive any imbalance charges for TPS' over deliveries if it determines that they were beneficial to the operation of the system.

All TPSs will automatically be placed in a non-discriminatory daily balancing pool. The Company will aggregate the deliveries and receipts of gas of all TPS' participating in the pool for the purpose of determining whether imbalance charges will apply. In the event that charges are nonetheless assessed to certain TPS', such charges will be no greater than the charges that otherwise would have been assessed if the TPS had not participated in the pool.

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RATE SCHEDULE "TPS" - THIRD PARTY SUPPLIER
(CONTINUED)

BALANCING (Continued)

4. Monthly Imbalance Cash-Out Charge

At the conclusion of every month, the Company will cash out imbalances between TPS's deliveries and their Customers' consumption made up of actual and/or estimated volumes as follows:

Imbalance	Overdeliveries	Underdeliveries
0% to 5%	Same as Underdeliveries.	The Company's WACOG, defined as, the weighted average commodity cost of gas exclusive of peaking supplies as estimated by the Company for the month.
>5% to 10%	90% of the Company's lowest cost supply for the month.	Higher of the: 1) The rate for the 0%-5% imbalance plus two (2) cents per therm <u>-or-</u> 2) The average of the month's four weekly prices published in <u>Natural Gas Week</u> for "Major Market Prices - New York City Gate" plus two (2) cents per therm.
>10%	75% of the Company's lowest cost supply for the month.	Higher of the: 1) The rate for the 0%-5% imbalance plus two (2) cents per therm times 125% <u>-or-</u> 2) The month's highest weekly price published in <u>Natural Gas Week</u> for "Major Market Prices - New York City Gate" plus two (2) cents per therm.

The offering of gas service above the allowed 5% imbalance for the month is at the sole discretion of the Company. If it determines that it cannot continue to provide such service or that it must limit such service, it will notify the TPS and its Customers. The use of service above the level allowed by the Company after notification shall constitute Unauthorized Gas Use by the TPS' Customers and shall be subject to the charges specified in this Tariff.

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RATE SCHEDULE "TPS" - THIRD PARTY SUPPLIER
(CONTINUED)

UNACCOUNTED FOR GAS

The TPS shall include an allowance for fuel use and unaccounted for volumes of 2.4% to serve its Customers.

PIPELINE IMBALANCES

The Company and the TPS recognize that the Company may be subjected to imbalance charges from its interstate pipeline suppliers as a result of the TPS' failure to deliver confirmed quantities of gas. The Company and the TPS shall use their best efforts to avoid such imbalance penalties. In the event that the Company is assessed penalties as a result of a TPS' actions or omissions, the TPS shall reimburse the Company for such penalties as may be attributable to the TPS' actions or omissions.

INDEMNIFICATION

As between the Company and TPS, the TPS warrants that it has clear title to any gas delivered into the Company's system, and TPS shall be deemed to be in exclusive control and possession of gas prior to its delivery into the Company's system for redelivery to Customer. The TPS agrees to indemnify, defend, and hold harmless Company from any and all claims, suits or damage actions arising out of deliveries on behalf of a transporting Customer.

ALLOCATION OF SUPPLY

If a TPS is delivering gas to Customers under Rate Schedules CT and LVT, then gas received by the Company in that month shall be allocated first to CT Customers and last to LVT Customers.

ENROLLMENT OF CUSTOMERS UNDER RATE SCHEDULE CT

A TPS must enroll Customers under Rate Schedule CT in accordance with the Company enrollment procedures. By enrolling a Customer, the TPS warrants that it has complied with the rules and regulations of the Maryland Public Service Commission and the State of Maryland. The TPS shall indemnify and hold the Company harmless from any costs incurred by the Company as a result of the TPS's erroneous or improper enrollment of Customers.

The Company must comply with all Customer instructions verbal or written to rescind or change service with a TPS. The TPS must initiate all transactions required by the Company to rescind service on the day such instructions are received by the TPS from the Company or the Customer. A Customer returning to sales service will be effective on the Customer's first billing cycle meter read date following the date on which the Company has changed the TPS' ADDQ. A Customer will be switched to another TPS effective on the cycle read date following the reassignment of the Customer's ADDQ for gas nominations.

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RATE SCHEDULE "TPS" - THIRD PARTY SUPPLIER
(CONTINUED)

CAPACITY ASSIGNMENT

For TPS Customers served under Rate Schedule CT, the Company will assign a level of interstate pipeline capacity to their TPS equivalent to the Customer's ADDQ when they elect transportation service. Capacity will be assigned, by contract, in proportion to the Company's total releasable capacity portfolio at the same maximum rates paid by the Company. Capacity will be released for both Eastern Shore Natural Gas Company and associated upstream interstate pipeline capacity delivering into Eastern Shore. All capacity will be assigned to the Customer's TPS on a recallable basis. In the event the TPS fails to deliver the ADDQ for a Customer served under Rate Schedule CT, or no longer serves a Customer under Rate Schedule CT, the capacity may be immediately recalled and reassigned.

For TPS Customers served under Rate Schedule LVT, the Company will assign a level of Eastern Shore Natural Gas Company pipeline capacity equivalent to the Customer's DCQ to the Customer when they elect transportation service. Capacity will be assigned, by contract, in proportion to the Company's total releasable capacity portfolio at the same maximum rates paid by the Company. The Customer has the option of obtaining capacity on interstate pipelines that deliver into Eastern Shore either from the Company, to the extent it has such capacity to release or from an outside source. All capacity will be assigned to the Customer's TPS on a recallable basis. In the event the TPS fails to deliver the daily requirements for a Customer served under Rate Schedule LVT, or no longer serves a Customer under Rate Schedule LVT, the capacity may be immediately recalled and reassigned.

UNAUTHORIZED GAS USE

If a TPS or its Customers uses gas after having been notified that gas is not available under this Rate Schedule, or uses gas in excess of the maximum daily quantity as established in the Service Agreement, all such usage shall be billed at the rate set forth in the Unauthorized Gas Use terms in this Tariff's Rules and Regulations. Nothing herein shall be construed to prevent the Company from taking all lawful steps to stop the unauthorized use of gas by the TPS, including disconnecting the TPS' service.

TREATMENT OF REVENUE

All revenue produced under this Service Classification derived from monthly imbalance cash settlement, Daily Imbalance Charges and Load Balancing Charges, exclusive of applicable taxes and assessments, shall be credited to Purchased Gas Adjustment Clause.

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RATE SCHEDULE "TPS" - THIRD PARTY SUPPLIER
(CONTINUED)

TERMS OF PAYMENT

All charges due from TPS' under this Service Classification monthly imbalance cash settlement, Daily Imbalance Charges and Load Balancing Charges shall be paid in full within 20 days of the billing date. The TPS and the Company will resolve any disputed amounts. Adjustments, if any will be reflected on future billings. Failure to pay this charge in full within the time specified above will result in all of the TPS' Customers being returned to sales.

STANDARDS OF CONDUCT

In addition to the above terms and conditions, a TPS must agree to comply with any standards of conduct or other requirements set forth by the Maryland Public Service Commission and the State of Maryland.

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PURCHASED GAS ADJUSTMENT CLAUSE

PROVISION FOR ADJUSTMENT

The rates for gas service under Rate Schedules R, CS, LV or I shall be subject each month to a Purchased Gas Adjustment (PGA) consisting of the current annualized cost of purchased gas, including transportation and storage. Purchased gas means, without limitation, natural gas, liquefied natural gas, synthetic gas, liquefied propane, or naphtha.

CURRENT COST OF PURCHASED GAS

The current cost of purchased gas shall be computed monthly based on the latest available 12 month period by dividing (1) the total cost of purchased gas (calculated by adding together the results of applying the rates or charges in effect on the computation date to the respective quantities of each type of purchased gas) by (2) total sales volumes during such 12 month period, plus associated gross receipt tax. In determining the current cost of purchased gas, the Company will (1) analyze the effect of purchasing gas under new contracts commencing with the first computation in which the new gas supply is reflected in the latest available twelve (12) month period and (2) adjust both purchase and sales volumes to reflect curtailments in supplies of purchased gas, if any.

The PGA, computed as herein provided, shall be effective commencing with the first day of the billing month following the computation date. Not less than three (3) days prior to any change in the PGA, a statement will be filed with the Public Service Commission showing (1) the amount of adjustment per therm, (2) the first day the adjustment will be applied to Customers' bills, and (3) supporting computations. No computation or billing adjustment need be made for any month in which the Company's cost of purchased gas has not changed from the previous month.

An Actual Cost Adjustment (ACA), to adjust any over- or under-collections in the PGA, shall be computed annually by taking the cost of purchased gas (excluding supplier refunds) as recorded on the books of the Company during the determining period (which shall be the 12 months ended August 31), and subtracting the PGA revenues (excluding Maryland Gross Receipts Tax and Maryland P.S.C. Fees) as calculated by multiplying the monthly PGA factor by the actual monthly sales volumes during the determination period and further subtracting or adding the previous year's net ACA over- or under-collection. The derived amount shall be divided by the actual quantities of gas sold during the determination period. The resulting unit rate shall be reflected for a twelve (12) month period commencing November. ACA calculations and detail will be filed with November PGA statement or, if none, in November each year.

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PURCHASED GAS ADJUSTMENT CLAUSE
(CONTINUED)

ADJUSTMENT FOR SUPPLIER REFUNDS

If the Company receives a refund from a supplier, it shall distribute the applicable amount, including any interest thereon. The refund rate shall be determined as follows (unless otherwise directed by the Commission): (1) the supplier refunds, not previously reported, received prior to October 31st of each year, (2) amounts representing the difference between the amount actually refunded under prior adjustment and the amount to be refunded under the current adjustment, and (3) a net amount of interest at an annual rate approved by the Public Service Commission for such period of time until the month during which the bill credit or payment begins to be reflected on the Customer's bill plus interest during the refund period, based on fifty (50) percent of the current period balance plus accumulated interest, to be refunded during the twelve (12) months period beginning November 1st of each year, (the refund period). The unit reduction shall be determined annually by dividing the applicable amounts, as determined above, by the estimated volume of sales for the forthcoming refund period. In instances in which the unit of reduction is insufficient to trigger a bill reduction hereunder, the amount to be refunded shall be included in any subsequent computation.

Where exceptional circumstances warrant, the Commission may direct the Company to waive the above refund plan in lieu of an alternate plan.

The Company will file a report with the Commission, with its November PGA statement, setting forth the total amount of refunds received from the suppliers, the amount of interest which accrued during the period the Company retained the supplier's refund, and the total amount of refund (including interest) which was refunded.

SHARING OF OFF-SYSTEM SALES REVENUE

For off-system sales or exchanges of gas initially acquired by Elkton Gas for the purpose of serving its retail Customers, the Company will be permitted to retain 20% of the sales revenues over the cost of gas. The remaining amounts will be credited to the PGA calculation monthly, and reconciled in subsequent PGA calculations.

COST OF GAS

The cost of gas shall be all variable costs associated with the off-system sales transaction consisting of the cost of the gas commodity, shrinkage for fuel, and the variable cost of transporting the gas to the point of sale. This amount will be further adjusted to include applicable taxes other than income taxes and other incremental costs that have or will be incurred as a result of the sale.

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PURCHASED GAS ADJUSTMENT CLAUSE
(CONTINUED)

SHARING OF CAPACITY RELEASE REVENUE

At the end of each program year August 31, capacity release credit received by the Company will be totaled. The Company will credit amounts to the PGA calculation as determined below:

80% of all revenues derived from capacity releases will be credited to the cost of purchased gas in the PGA.

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REVENUE NORMALIZATION ADJUSTMENT CLAUSE (RNA)

PROVISION FOR ADJUSTMENT

The RNA shall apply to heating customers as defined and tracked by the Company. The Residential RNA (RNA-R) shall be applicable to all heating customers in Rate Schedules RS. The Commercial RNA (RNA-C) shall be applicable to all heating customers in Rate Schedules CS and CT.

METHOD OF DETERMINING RNA CHARGES

The RNA charge shall be determined as follows:

A. Definition of Terms as Used Herein

1. Monthly Normalized Revenue Per Customer (MNRC) – the revenue derived from the Customer and Distribution Charges authorized in the Company's last rate case, adjusted for any subsequent incremental applicable taxes and/or assessments, divided by the number of applicable Customers. The average monthly revenue per heating Customer are as follows:

	<u>RNA-R</u>	<u>RNA-C</u>
September	\$10.75	\$52.51
October	\$15.68	\$88.88
November	\$24.88	\$111.67
December	\$35.58	\$147.98
January	\$40.10	\$167.40
February	\$39.48	\$244.11
March	\$37.36	\$228.91
April	\$18.54	\$92.37
May	\$12.56	\$40.37
June	\$9.66	\$45.65
July	\$8.98	\$42.67
August	<u>\$9.20</u>	<u>\$56.26</u>
Total	\$262.77	\$1,318.78

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REVENUE NORMALIZATION ADJUSTMENT CLAUSE (“RNA”)
(CONTINUED)

METHOD OF DETERMINING RNA CHARGES (Continued)

A. Definition of Terms as Used Herein (Continued)

2. Actual Customer Count (ACC) - the number of heating customers billed during a month.
3. Monthly Normalized Revenues - the MNRC times that months’ ACC.
4. Actual Accounting Revenues (AAR) - the Company’s total monthly reported revenues for the heating customers to which the RNA applies.

B. Determination of the RNA Rate

Separately for RNA-R and RNA-C, at the end of each month a calculation shall be made that determines the level by which the Monthly Normalized Revenues differed from the Actual Accounting Revenues as follows:

The monthly excess or deficiency shall be determined by deriving the Monthly Normalized Revenue and subtracting that month's Actual Accounting Revenues. The sum of the month's excesses and/or deficiencies plus any prior months true-up shall be divided by the applicable RNA volumes, the rolling twelve month billing determinants similar to the determination of the PGA, in which the excess or deficiency is to be charged or credited to the Customers subject to this clause. The following illustrates the derivation of the respective RNA-R and RNA-C rates:

$$\text{RNA rate} = ((\text{MNRC} * \text{ACC}) - \text{AAR} +/- \text{true-up}) / \text{RNA volumes}$$

TRACKING THE OPERATION AND IMPLEMENTATION OF THE RNA CLAUSE

The revenues billed, or credits applied, net of taxes and assessments, through the application of the RNA rate shall be applied against the revenue excess or deficiency from the preceding RNA month and prior month’s balances, if any. The filing and implementation of the RNA rate shall be concurrent with the PGA filing based on the latest available actual monthly accounting data.

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