THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

D.T.E. 05-27

DIRECT TESTIMONY OF JOSEPH A. FERRO

– TARIFFS –

IN SUPPORT OF
BAY STATE GAS COMPANY'S
REQUEST FOR INCREASE IN BASE REVENUE

EXH. BSG/JAF-3

APRIL 27, 2005

TABLE OF CONTENTS

I. INTRODUCTION 1

II. BAY STATE'S CURRENT TARIFF 1

III. PROPOSED TARIFF CHANGES 2

A. Duel Fuel Firm Service Customers 3

B. Standard Interruptible Transportation Agreement 6

C. Interruptible Standby Gas Supply Service 9

D. General Service Terms and Conditions 10

E. Fees 12

F. Cost of Gas Adjustment 12

G. Pension/PBOP Expense Reconciling Adjustment 14

IV. CONCLUSION 15

1 **DIRECT TESTIMONY OF JOSEPH A. FERRO ON TARIFFS**

2

3 **I. INTRODUCTION**

4 Q. Please state your name and business address.

5 A. My name is Joseph A. Ferro. My business address is 300 Friberg Parkway

6 Westborough MA. 01581.

7

8 Q. Did yu provide the same qualifications and professional experience in Exhibit

9 BSG/JAF-1?

10 A. Yes.

11

12 Q. What is the purpose of your testimony here?

13 A. I have been asked to describe Bay State's proposed changes to its tariff to

14 accommodate the proposals in Bay State's rate request.

15

16 **II. BAY STATE'S CURRENT TARIFF**

17 Q. Please describe how Bay State's existing tariff is organized.

18 A. Bay State's tariff establishes its business relationships with customers and

19 suppliers, including the rights and responsibilities of the respective parties. The

20 tariff is comprised of four major sections. The first section, M.D.T.E. No. 2,

21 provides the general terms and conditions for the Company's Distribution and

Default services relating to all services, and covers matters that are general in nature including obtaining service, assigning capacity to suppliers and operations on critical days. The second section, M.D.T.E. No. 3, is the Company's Cost of Gas Adjustment Clause ("CGAC"), which contains provisions that govern the establishment of the Company's seasonal Gas Adjustment Factor ('GAF"). The GAF is the rate component through which Bay State recovers the cost of gas supply from its Default Service, or sales, customers. The third section, M.D.T.E. No. 4, is the Local Distribution Adjustment Clause ("LDAC"), which includes the provisions for various costs and credits that are applicable to all firm tariff customers including the costs of environmental remediation expense, Demand Side Management programs and interruptible transportation margin credits. The last section contains the individual terms and conditions including rates and charges that are applicable to individual rate schedules and is comprised of M.D.T.E. Nos. 5 through 33.

III. PROPOSED TARIFF CHANGES

Q. Please explain the nature of the tariff changes that Bay State is proposing in this case.

A. The changes to the Company's tariff reflect both the new rates and charges and cost recovery mechanisms discussed in my testimony on rate design issues, Exhibit BSG/JAF-2. In addition, since this filing represents the Company's first

base rate filing in thirteen years, Bay State is proposing additional changes to streamline its tariff and reflect current operations. The revised tariff, in redline, is attached to this testimony as Schedule JAF-3-1.

Q. Is the Company making any changes to the services it provides to its customers?

A. The overall structure of the Company's service offerings remains intact. Rate schedules will continue to be segregated between firm and interruptible services, and between sales and transportation. Further, Bay State is retaining its classification of C&I customers based on size and load factor.

However, Bay State is proposing some limited changes to the structure of individual rate schedules. These changes include the institution of a dual fuel provision applicable to firm tariff customers and restructuring the non-price provisions of the interruptible sales and transportation services, and eliminating the interruptible standby gas supply rate schedule.

A. <u>Dual Fuel Firm Service Customers</u>

Q. Why is a special provision applicable to firm customers with dual fuel capability necessary?

A. Bay State designs and constructs its distribution system in order to provide reliable service to firm customers under all conditions, including extreme weather.

The majority of costs associated with providing service are fixed; however, under Bay State's existing rate design, a substantial portion of these fixed costs are recovered through usage or volumetric charges, placing Bay State at risk for revenue recovery depending on customers' actual usage on its system. The structure of Bay State's distribution rates, including the recovery of fixed costs through variable charges, is premised on the assumption that firm customers are full requirements customers, i.e. firm customers use natural gas for all of their heating and non-heating requirements of those burner-tips that are connected to gas service. This premise is not true for customers that have installed dual fuel equipment, which potentially leads to unfair shifting of costs to other customers.

Firm customers that have opted to install dual fuel equipment desire the separate benefits of firm access to Bay State's service and the ability to use an alternate fuel when economic savings can be realized as a result of differences in commodity fuel costs. Any time a dual fuel customer utilizes its alternate fuel, it is not paying a contribution to Bay State's fixed costs through variable charges in the way that other firm customers do. In essence, these customers can shirk the costs associated with the reliability that they receive under firm service. Additionally, the ability for firm customers to escape cost responsibility in this manner contributes to decisions to switch fuels that also do not take into account the cost impact of those decisions, where costs are shifted to other customers. A

special provision for dual fuel customers is needed to ensure that firm customers with dual fuel equipment make their fuel switching decisions with a full knowledge of the associated cost impact and without contributing to cost shifting. Such an approach is fair to all Bay State customers.

Q. How will the proposed dual fuel special provision operate?

A. The dual fuel special provision will be applicable to all C&I customers with annual usage of 5,000 therms or greater, which is the upper volume threshold for the Company's Low Annual use C&I rate classes, G/T-40 and G/T-50. Thus, this provision will be applicable to dual fuel customers taking service under Bay State's Medium, High and Extra High Annual use C&I rate schedules (G/T-41, 51, 42, 52, 43, 53). Such firm customers above this threshold will be responsible for notifying the Company of any dual fuel equipment that is installed. The special provision ensures that customers reimburse Bay State for an equitable level of the costs of providing reliable service over the course of the year. This is accomplished by establishing a benchmark usage based on the natural gas input ratings of the dual fuel equipment installed by the customer. The benchmark usage is distributed monthly according to the tariff and applied to applicable base rate schedule charges to determine the annual revenue requirement, which is exclusive of revenues related to GAF and LDAC costs. If the customer's revenues do not meet the annual minimum because it is utilizing its alternate fuel,

it will be responsible for paying an amount equal to the deficiency. Customers will continue to benefit from the ability to engage in economic fuel switching; however, the costs of the reliability of Bay State's firm service are recovered equitably. The terms of the dual fuel special provision are set forth in M.D.T.E. No.67, and are referenced in the individual rate schedules to which the provision applies.

B. Standard Interruptible Transportation Agreement

Q. What changes are you proposing to the standard interruptible transportation agreement?

A. The modifications to the standard interruptible transportation ("IT") agreement are twofold. First, Bay State is formalizing a winter curtailment period when interruptible service is unavailable each year. Second, Bay State is including changes that clarify various aspects of the agreement and the roles of the respective parties under various situations. The revised agreement is set forth in M.D.T.E. No. 65.

Q. What is the basis for the winter period curtailment period?

A. Article 6 specifies that customers will not be able to take service from December 1 through March 31 of each winter, consistent with a practice Bay State instituted last winter. The purpose of this planned curtailment is to ensure continuous

service to firm customers that have a higher priority than for service to interruptible customers. Interruptible customers are responsible for securing alternate fuels for the duration of the winter curtailment. Bay State may turn off the meters of interruptible customers during the curtailment period to ensure that they do not take service. The winter curtailment is an important tool for Bay State to protect its ability to deliver service to firm customers throughout the period when extreme weather conditions can occur. Without the winter curtailment, interruptible customers could avoid adequate preparations for periodic curtailments and take emergency or penalty gas in lieu of curtailing operations. This creates a precarious situation that could jeopardize Bay State's ability to maintain firm service at critical times during the winter. Bay State informed the Department when it initially implemented a winter curtailment prior to the 2004-05 heating season.

Q. Please summarize the additional changes to the interruptible transportation agreement.

A. Presently, the Company offers both interruptible sales service and interruptible transportation service, each representing a delivery service to the customer's meter. In today's competitive environment, it is appropriate to fully unbundle the interruptible sales service by separating the supply service from the local transportation. Moreover, the Department has directed all natural gas utilities to

unbundled their distribution and supply services by offering interruptible sales service to any new customers, D.P.U. 93-141-A (1996) at 23. The changes to the IT agreement conform distinct delivery-related terms of service in the interruptible sales and transportation agreements into a single standard agreement. In order to accomplish this, the following changes to the standard IT agreement are necessary:

- **Conditions Precedent:** Article 2 sets forth the prerequisites for becoming an interruptible customer, which reflect Bay State's existing practice. These require that a customer pay for any incremental facilities that may be required to render service such as distribution meters and services. Further, customers must provide adequate phone and electric service available for telemetering equipment to operate.
- **Non-peak Period Interruption:** A two-hour notice requirement for interruption or curtailment is contained in Article 7.
- **Unauthorized Usage:** Article 8 specifies the penalties for interruptible gas use during periods of interruption or curtailment.
- **Liability Disclaimer:** Article 9 indicates that Bay State is not liable for loss resulting from any interruption.
- **Customer's Use of Natural Gas:** Article 10 requires that customer not use interruptible gas for firm uses.

- **Access to Customer Premise:** Article 11 provides Bay State with access to customer's property necessary to inspect and maintain its facilities.

Consistent with these changes, all interruptible customers, whether sales or transportation-only, will be subject to the terms of the new standard IT agreement. Customers will continue to have the option of purchasing interruptible supply from the Company; however, the point of purchase will be located at the city-gate rather than the customer's meter.

C. Interruptible Standby Gas Supply Service

Q. Why is the Company proposing to eliminate the tariffs governing interruptible standby gas supply service?

A. Presently there are no customers taking this service. With the continued evolution of competitive supply services, the Company does not believe that this service will meet customer needs in the future and should be eliminated to simplify Bay State's tariff. Therefore, Bay State is proposing to eliminate the existing M.D.T.E. No. 19, which contains the interruptible standby gas supply service and M.D.T.E. No. 20, which contains the standard service agreement for this service.

Q. Is the Company proposing a standard interruptible gas supply agreement as part of its tariff as well?

1 A. Yes. To date, all of its interruptible sales customers have been taking service
2 under sales agreements executed prior to the Department's directive to unbundle
3 interruptible service. Because this directive only applied to new interruptible
4 customers, all of Bay State's agreements under which service has been provided
5 were "grandfathered". Thus, with the exception of one interruptible gas supply
6 agreement filed with the Department and approved on January 5, 2000 (GC 99-
7 41), the Company did not have the occasion to execute any unbundled
8 interruptible gas supply agreement. The Company is proposing to incorporate a
9 standard interruptible gas supply agreement into its tariff. The proposed
10 agreement establishes the delivery point as Bay State's city-gate, as compared to
11 the customer's meter under the bundled "grandfathered" sales agreements. A
12 condition to executing the agreement is a requirement that the parties enter into a
13 separate IT agreement. Because this gas supply agreement is conditioned upon
14 executing the IT agreement, terms addressing metering requirements, curtailment
15 and access to customer's premises are not needed and are now included in the IT
16 agreement.
17
18 D. General Service Terms and Conditions
19 Q. Is Bay State proposing any changes to the general service terms contained in the
20 Distribution and Default Service Terms and Conditions?

1 A. Yes, however, the proposed changes are limited in nature. Specific tariff
2 modifications clarify customers' legal rights under certain situations of non-
3 payment, revise the non-daily metered cashout provisions and updated certain
4 fees.
5
6 Q. What changes to the tariff concerning customers' legal rights were made?
7 A. Section 5.5 of the Distribution and Default Service Terms and Conditions is
8 revised to clarify that customers may sign a Cromwell Waiver, which permits
9 them to initiate service at a new address if they have a preexisting balance with
10 the Company for service at a different location. To receive service at the new
11 locations, customers must agree to have the arrearage transferred to their new
12 account and enter into a reasonable payment plan to address the arrearage.
13
14 Q. Please describe the change to the Company's cashout mechanism.
15 A. Under non-daily metered transportation service, the Company estimates how
16 much gas each customer uses on a daily basis and establishes required supplier
17 deliveries accordingly. Under the existing tariff, these estimates are trued-up
18 every six months by cashing out any variances based on a market index price.
19 With the enhancement of its transportation management system, Bay State is able
20 to perform this true-up on a monthly basis by converting customers' metered
21 billing month gas use to a calendar month period, which enables the truing up to

the suppliers' delivered gas volumes during the same calendar month period. This revised cashout provision is reflected in the revisions to Section 12.6.5 of the General Terms and Conditions. The more frequent true-up is beneficial to both the Company and suppliers because variances are reduced and the cashout index price calculated over a shorter time period should be more reflective of market conditions at the time the variances were created.

E. Fees

Q. Which fees did you update?

A. The updated fees are those described in my Operating Revenue and Billing Determinants testimony, Exhibit BSG/JAF-1, and are reflected on Appendix B to Bay State's Distribution and Default Service Terms and Conditions (proposed M.D.T.E. 34).

F. Cost of Gas Adjustment

Q. Is Bay State proposing any changes to its Cost of Gas Adjustment ("CGA") and LDAC mechanisms?

A. Yes. These mechanisms reflect changes discussed in Exhibit BSG/JAF-2. The first change represents modifications to the CGA to implement the new simplified market-based allocation ("SMBA") methodology that is supported by Mr. Harrison. The second is the new pensions/PBOP reconciling mechanism, which

is reflected in the LDAC. Lastly, other changes remove outdated material from the LDAC.

Q. How is the new SMBA methodology incorporated into the CGA?

A. The primary changes to the CGA tariff to reflect the SMBA pertain to the grouping of customer classes and the allocation of fixed costs. An important simplification to the gas cost allocation process is the grouping of rate schedules with similar load characteristics, which is reflected in Section 6.06 of the revised CGA tariff. Instead of thirteen separate CGA factors, there are now two; one for high load factor classes and one for low load factor classes.

Fixed costs are now allocated through a two-step process that begins by performing an initial assignment of pipeline resources up to the average July and August daily usage level for the low and high load factor rate schedule groupings. This initial assignment includes the lowest cost pipeline resources calculated on a delivered cost basis. Second, the remaining fixed costs for other pipeline, storage and peaking resources are allocated to the high and low load factor groupings on the basis of contribution design day less the initial allocation of pipeline resources.

G. Pension/PBOP Expense Reconciling Mechanism

Q. What is the purpose of the pension/postretirement benefits other than pensions ("PBOP") expense reconciling mechanism?

A. The mechanism, described in the Bryant, Skirtich and Barkauskas Testimony as the "PPM," allows the Company to recover changes in pension/PBOP expense through a reconciling mechanism. This is an appropriate ratemaking approach because this aspect of the Company's costs has a large financial impact that the Company has little or no control over. Treating the costs through a reconciling mechanism avoids future base rate filings attributable to this single item.

Q. How is the pension/PBOP reconciling mechanism incorporated in the LDAC?

A. The terms of the pension tracker are contained in Section 5.0 of the LDAC. The current pension and benefit costs are recovered from all firm customers through a pension/PBOP expense factor ("PEF"). The PEF is designed to recover the pension/PBOP expense moved from base rates to the LDAC in this proceeding. The difference between the current pension/PBOP expenses and the level moved from the Company's base rates into the LDAC will be amortized over a three-year period and reflected in the PEF. In addition, projected pension/PBOP expenses recovered through the application of the PEF are reconciled with actual expense levels and matched against the actual recoveries, with any resulting over or under

recovery being reflected as a credit or debit to the recoverable costs in subsequent periods.

H. Local Distribution Ajustment Clause

Q. Please explain what outdated material was removed from the LDAC.

A. The LDAC included references to a two-year rate plan that was effective during the 1990s. The associated tariff language is unnecessary and has been removed. Also, the SQI component of the Company's previous two-year Rate Plan initiated in D.P.U. 97-97 has been removed and replaced with the SQI provisions established in the Department's generic proceeding, D.T.E. 99-84. Finally, the Company has removed the provision of recovering Lost Base Revenues through its DSM component of the LDAC, since it has proposed to reflect the therm savings attributable to the delivery of energy efficiency programs in the annual base rate adjustment mechanism ("ABRAM") presented in my testimony, Exhibit BSG/JAF-2.

IV. CONCLUSION

Q. Does this conclude your testimony on the Company tariffs?

A. Yes, subject to my ability to address issues that may arise in the course of discovery or hearings.

TARIFFS, RATE SCHEDULES AND ~~CONTRACTS~~AGREEMENTS

TABLE OF CONTENTS

~~11.2 DISTRIBUTION SERVICE PROVIDED ..... 2-18~~
~~11.3 NOMINATIONS AND SCHEDULING OF SERVICE ..... 2-18~~
~~11.4 DETERMINATION OF RECEIPTS ..... 2-19~~
~~11.5 METERING AND DETERMINATION OF DELIVERIES ..... 2-19~~
~~11.6 BALANCING ..... 2-20~~

~~12.0 NON-DAILY METERED DISTRIBUTION SERVICE ..... 2-23~~

~~12.1 ELIGIBILITY ..... 2-23~~
~~12.2 DISTRIBUTION SERVICE PROVIDED ..... 2-23~~
~~12.3 NOMINATIONS AND SCHEDULING OF SERVICE ..... 2-23~~
~~12.4 DETERMINATION OF RECEIPTS ..... 2-25~~
~~12.5 METERING AND DETERMINATION OF DELIVERIES ..... 2-25~~
~~12.6 BALANCING ..... 2-25~~

~~13.0 CAPACITY ASSIGNMENT ..... 2-28~~

~~14.0 BILLING AND SECURITY DEPOSITS ..... 2-39~~

~~15.0 DEFAULT SERVICE ..... 2-44~~

~~16.0 PEAKING SERVICE ..... 2-45~~

~~17.0 INTERRUPTIBLE DISTRIBUTION SERVICE ..... 2-48~~

~~18.0 DISCONTINUANCE OF SERVICE ..... 2-49~~

~~19.0 OPERATIONAL FLOW ORDERS AND CRITICAL DAYS ..... 2-49~~

~~Issued: March 4, 2002 Effective: April 1, 2002~~

~~MDTE No. 01~~

TARIFFS, RATE SCHEDULES AND ~~CONTRACTS~~AGREEMENTS

TABLE OF CONTENTS

~~20.0 FORCE MAJEURE AND LIMITATIONS OF LIABILITY ..... 2-50~~

~~21.0 CURTAILMENT ..... 2-52~~

~~22.0 TAXES ..... 2-53~~

~~23.0 COMMUNICATIONS ..... 2-53~~

~~24.0 SUPPLIER TERMS AND CONDITIONS ..... 2-54~~

~~24.1 APPLICABILITY ..... 2-54~~
~~24.2 OBLIGATIONS OF PARTIES ..... 2-54~~
~~24.3 SUPPLIER REQUIREMENTS AND PRACTICES ..... 2-56~~
~~24.4 ACCESS TO USAGE HISTORY AND CURRENT BILLING INFORMATION ..... 2-59~~
~~24.5 ENROLLMENT, CANCELLATION, AND TERMINATION OF SUPPLIER SERVICE ..... 2-59~~
~~24.6 AGGREGATION POOLS ..... 2-61~~
~~24.7 IMBALANCE TRADING ..... 2-62~~
~~24.8 BILLING AND PAYMENT ..... 2-62~~

~~25.0 CUSTOMER DESIGNATED REPRESENTATIVE ..... 2-63~~

~~APPENDIX A CAPACITY ALLOCATORS ..... 2-64~~

~~APPENDIX B SCHEDULE OF ADMINISTRATIVE FEES AND CHARGES ..... 2-65~~

~~Issued: March 4, 2002~~ ~~Effective: April 1, 2002~~

~~MDTE No. 01~~

TARIFFS, RATE SCHEDULES AND ~~CONTRACTS~~AGREEMENTS

TABLE OF CONTENTS

~~II. COST OF GAS ADJUSTMENT CLAUSE .....3-1 to 3-25~~

~~III. LOCAL DISTRIBUTION ADJUSTMENT COST CLAUSE.....4-1 to 4-34~~

~~IV. SCHEDULE OF RATES and AGREEMENTS 5-1 to 33-6~~

34 Table of Contents

35 Distribution and Default Service Terms and Conditions

36 Cost of Gas Adjustment Clause ("CGAC")

37 Local Distribution Adjustment Clause ("LDAC")

38 Residential Non-Heating (R-1)

39 Low Income Residential Non-Heating (R-2)

40 Residential Heating (R-3)

41 Low Income Residential Heating (R-4)

42 Commercial & Industrial Service (Low Annual Use / High Peak Period Use) (G-40)

43 Commercial & Industrial Service (Medium Annual Use/High Peak Period Use) (G-41)

44 Commercial & Industrial Service (High Annual Use / High Peak Period Use) (G-42)

~~Issued: March 4, 2002 Effective: April 1, 2002~~

~~MDTE No. 01~~

TARIFFS, RATE SCHEDULES AND ~~CONTRACTS~~AGREEMENTS

TABLE OF CONTENTS

45 Commercial & Industrial Service (Extra High Annual Use/High Peak Period Use)(G-43)

46 Commercial & Industrial Service (Low Annual Use / Low Peak Period Use) (G-50)

47 Commercial & Industrial Service (Medium Annual Use / Low Peak Period Use) (G-51)

48 Commercial & Industrial Service (High Annual Use /Low Peak Period Use) (G-52)

49 Commercial & Industrial Service (Extra High Annual Use/Low Peak Period Use)(G-53)

50 Outdoor Gas Lighting Service (L)

51 Non-Heating Firm Transportation Service, Residential (T-R1)

52 Low Income Non-Heating Firm Transportation Service, Residential (T-R2)

53 Heating Firm Transportation Service, Residential (T-R3)

54 Low Income Heating Firm Transportation Service, Residential (T-R4)

55 Firm Transportation Service (Low Annual Use / High Peak Period Use) (T-40)

56 Firm Transportation Service (Medium Annual Use / High Peak Period Use) (T-41)

57 Firm Transportation Service (High Annual Use / High Peak Period Use) (T-42)

TARIFFS, RATE SCHEDULES AND ~~CONTRACTS~~AGREEMENTS

TABLE OF CONTENTS

58 Firm Transportation Service (Extra High Annual Use / High Peak Period Use) (T-43)

59 Firm Transportation Service (Low Annual Use /Low Peak Period Use) (T-50)

60 Firm Transportation Service (Medium Annual Use / Low Peak Period Use) (T-51)

61 Firm Transportation Service (High Annual Use / Low Peak Period Use) (T-52)

62 Firm Transportation Service (Extra High Annual Use / Low Peak Period Use) (T-53)

63 Annual Base Rate Adjustment Mechanism ("ABRAM")

64 Peaking Supply Service

65 Interruptible Transportation Agreement

66 Interruptible Gas Supply Service Agreement

67 Special Provision for Use of Dual Fuel Equipment

68 Residential and Commercial Energy Conservation Service ("RCS") Charge

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Section

1.0 RATES AND TARIFFS
2.0 DEFINITIONS
3.0 CHARACTER OF SERVICE
4.0 GAS SERVICE AREAS AND DESIGNATED RECEIPT POINTS
5.0 CUSTOMER REQUEST FOR SERVICE FROM COMPANY
6.0 CUSTOMER INSTALLATION
7.0 COMPANY INSTALLATION
8.0 QUALITY AND CONDITION OF GAS
9.0 POSSESSION OF GAS
10.0 COMPANY GAS ALLOWANCE
11.0 DAILY METERED DISTRIBUTION SERVICE
12.0 NON-DAILY METERED DISTRIBUTION SERVICE
13.0 CAPACITY ASSIGNMENT
14.0 BILLING AND SECURITY DEPOSITS
15.0 DEFAULT SERVICE
16.0 PEAKING SERVICE
17.0 INTERRUPTIBLE DISTRIBUTION SERVICE
18.0 DISCONTINUATION OF SERVICE
19.0 OPERATIONAL FLOW ORDERS AND CRITICAL DAYS
20.0 FORCE MAJEURE AND LIMITATION OF LIABILITY
21.0 CURTAILMENT
22.0 TAXES
23.0 COMMUNICATIONS
24.0 SUPPLIER TERMS AND CONDITIONS
25.0 CUSTOMER DESIGNATED REPRESENTATIVE

Appendix A Capacity Allocators
Appendix B Schedule of Administrative Fees and Charges

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

1.0 RATES AND TARIFFS

1.1 The Company furnishes its various services under rates and/or special contracts ("Schedule of Rates") promulgated in accordance with the provisions of G.L. c. 164 and the regulations and billing and termination procedures of the Massachusetts Department of Telecommunications and Energy ("MDTE"), all as may be in effect from time to time. Such Schedule of Rates, which includes these Terms and Conditions, is available for public inspection during normal business hours at the offices of the Company and at the offices of the MDTE except as otherwise provided by law or regulation.

1.2 The Schedule of Rates may be revised, amended, supplemented or supplanted in whole or in part from time to time according to the procedures provided in MDTE regulations. When effective, all such revisions, amendments, supplements or replacements will appropriately supersede the present Schedule of Rates. In case of conflict between these Terms and Conditions and any orders or regulations of the MDTE, said orders or regulations shall govern.

1.3 The Company shall apply these Terms and Conditions on a non-discriminatory and non-preferential basis to all persons, partnerships, corporations or others (hereinafter "Customers" or the "Customer") who obtain service (as defined in Section 3.0 herein) from the Company pursuant to the Schedule of Rates, except as these Terms and Conditions are explicitly modified in writing by a rate or special contract. The provisions of Section 24.0 of these Terms and Conditions will specifically apply to all entities designated by the Customer as set forth in Section 24.5, to supply Gas to a Designated Receipt point for the Customer's account (hereinafter the "Supplier"). The Customer may act as its own Supplier provided it meets the requirements set forth in Section 24.0.

1.4 No representative of the Company has the authority to modify orally any provision or rate contained in the Schedule of Rates or to bind the Company to any promise or representation contrary thereto. Any such modification to the Schedule of Rates or any such promise contrary thereto shall be in writing, duly executed by an authorized officer of the Company, subject in all cases to applicable statutes and to the regulations of the MDTE.

1.5 The Company will advise any new Customers as to the least expensive rate available for distribution services for which they are eligible. If the Company is notified by the Customer in writing of an elected change in the Customer's distribution service, the Company will again advise the Customer as to the least expensive rate available for the distribution service for which they are eligible. Responsibility for selecting the

DISTRIBUTION AND DEFAULT SERVICE
TERMS AND CONDITIONS

applicable rate is and remains the responsibility of the Customer, subject to the provisions of the Schedule of Rates. Unless specifically stated to the contrary, all rates are based upon the provision of distribution service to the Customer on an annual basis. The Customer may change from one rate to another no more than once in any twelve (12) month period, unless warranted by a demonstrated change in the Customer's annual load profile. Any change in rate classification will not be retroactive if the change is requested by the Customer.

1.6 The Company reserves the right to impose reasonable fees and charges pursuant to the various provisions of these Terms and Conditions. Said fees and charges shall be set forth at Appendix B to these Terms and Conditions as approved by the MDTE.

1.7 In the event that the Company incurs minimum bill, inventory, transition, take or pay surcharges, imbalance charges or any other charges associated with the provision of Distribution Service to Customers, the Company may impose an additional charge on the Suppliers serving said Customers as approved by the MDTE.

BAY STATE GAS COMPANY

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

2.0 DEFINITIONS

Adjusted Target Volume ATV	The volume of Gas determined pursuant to Section 12.3.
Aggregation Pool	One or more Customer accounts whose Gas Usage is served by the same Supplier and aggregated pursuant to Section 24.6 of these Terms and Conditions for operational purposes, including but not limited to nominating, scheduling and balancing gas deliveries to Designated Receipt Point(s) within the associated Gas Service Area.
Annual Reassignment Date	Five (5) Business Days prior to November 1 of each year when the Company reassigns Capacity to Suppliers pursuant to Section 13.6 of these Terms and Conditions.
Assignment Date	Five (5) Business Days prior to the first Day of each month when the Company assigns Capacity to Suppliers pursuant to Section 13.4 of these Terms and Conditions.
Authorization Number	A unique number generated by the Company and printed on the Customer's bill that the Customer must furnish to the Supplier to enable the Supplier to obtain the Customer's Gas Usage information pursuant to Section 24.4, and to initiate or terminate Supplier Service as set forth in Section 24.5 of these Terms and Conditions.
Business Day	Monday through Friday excluding holidays recognized by the Company, which will be posted on the Company's website on an annual basis. If any performance date referenced in these Terms and Conditions is not a Business Day, such performance shall be the next succeeding Business Day.
Btu	One British thermal unit, i.e., the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit at sixty degrees (60~~F~~°) Fahrenheit. MMBtu is one million Btus.
Capacity	Pipeline Capacity, Underground Storage Withdrawal Capacity, Underground Storage Capacity and Peaking Capacity as defined in these Terms and Conditions.
Capacity Allocators	The proportion of the Customer's Total Capacity Quantity that comprises Pipeline Capacity, Underground Storage Withdrawal Capacity and Peaking Capacity.

BAY STATE GAS COMPANY

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

City Gate	The interconnection between a Delivering Pipeline and the Company's distribution facilities.
Company	Bay State Gas Company
Company Gas Allowance	The difference between the sum of all amounts of Gas received into the Company's distribution system and the sum of all amounts of Gas delivered from the Company's distribution system as calculated by the Company for the most recent twelve (12) month period ending July 31. Such difference shall include, but not be limited to, Gas consumed by the Company for its own purposes, line losses and Gas vented and lost as a result of an event of Force Majeure, excluding gas otherwise accounted for.
Company-Managed Supplies	Capacity contracts held and managed by the Company in accordance with governing tariffs, but made available to the Supplier pursuant to

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

	Section 13.9 of these Terms and Conditions, including supply-sharing contracts and load-management contracts.
Consumption Algorithm	A mathematical formula used to estimate a Customer's daily consumption.
Critical Day	In accordance with Section 19.0 of these Terms and Conditions, a Day declared at any time by the Company in its reasonable discretion when unusual operating conditions may jeopardize operation of the Company's distribution system.
Customer	The recipient of Default Service and/or Distribution Service whose Gas Usage is recorded by a meter or group of meters at a specific location and who is a Customer of record of the Company.
Daily Baseload	The Customer's average usage per day that is assumed to be unrelated to weather.
Daily Index	The mid-point of the range of prices for the respective New England Citygates as published by Gas Daily under the heading "Daily Price Survey, Midpoint, Citygates, Algonquin citygates" and "Daily Price Survey, Midpoint, Citygates, Tennessee/Zone 6 (delivered)" for the relevant Gas Day listed under "Flow date(s)". In the event that the Gas Daily index becomes unavailable, the Company shall apply its daily marginal cost of gas as the basis for this calculation until such time that MDTE approves a suitable replacement.
Day or Gas Day	A period of twenty-four (24) consecutive hours beginning at 10:00 a.m., E.T., and ending at 10:00 a.m., E.T., the next calendar day, or other such hours used by the Delivering Pipeline.
Default Service	Gas commodity service provided to a Customer who is not receiving Supplier Service, in accordance with Section 15.0 of these Terms and Conditions. The provision of Default Service shall be the responsibility of the Company and shall be provided to the Customer

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

	by the Company or its designated supplier pursuant to law or regulation.
Dekatherm	Ten Therms.
Delivering Pipeline	The interstate pipeline company that transports and delivers Gas to the Designated Receipt Point.
Delivery Point	The interconnection between the Company's facilities and the Customer's facilities.
Design Winter	The forecasted Winter during which the Company's system experiences the highest aggregate Gas Usage.
Designated Receipt Point	For each Customer, the Company designated interconnection between a Delivering Pipeline and the Company's distribution facilities at which point, or such other point as the Company may designate from time to time for operational purposes, the Supplier will make deliveries of Gas for the Customer's account.
Designated Representative	The designated representative of the Customer, who shall be authorized to act for, and conclusively bind, the Customer regarding Distribution Service in accordance with the provisions of Section 25.0 of these Terms and Conditions.
Distribution Service	The transportation and delivery by the Company of Customer purchased Gas on any Gas Day from the Designated Receipt Point to the Customer's Delivery Point pursuant to these Terms and Conditions.
Gas	Natural gas that is received by the Company from a Delivering Pipeline at the Designated Receipt Point and delivered by the Company to the Delivery Point for the Customer's account. In addition, the term shall include amounts of vaporized liquefied natural gas and/or propane-air vapor that are introduced by the Company into its system and made available to the Customer as the equivalent of natural gas that the Customer is otherwise entitled to have delivered by the Company.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Gas Service Area	An area within the Company's distribution system as defined in Section 4.0 of these Terms and Conditions, for the purposes of administering capacity assignments, nominations, balancing, imbalance trading, and Aggregation Pools.
Gas Usage	The actual quantity of Gas used by the Customer as measured by the Company's metering equipment at the Delivery Point.
Heating Factor	The Customer's estimated weather-sensitive usage per degree day.
Interruptible Distribution Service	Transportation Service provided to the Customer by the Company that is subject to curtailment by the Company and/or the Customer in accordance with Section 17.0 of these Terms and Conditions.
Maximum Daily Peaking Quantity (MDPQ)	The portion of a Customer's TCQ identified and allocated as Peaking Capacity, such that the maximum daily amount of Gas that can be withdrawn from a Suppliers' Peaking Service Account pursuant to Section 16.0 of these Terms and Conditions shall be equal to the sum of the Customers' MDPQs in a Supplier's Aggregation Pool.
MDTE	The Massachusetts Department of Telecommunications and Energy.
Month	A calendar month of Gas Days.
Monthly Index	The average of the Daily Indices for the relevant Month.
Nomination	The notice given by the Supplier to the Company that specifies an intent to deliver a quantity of Gas to the Designated Receipt Point(s) on behalf of a Customer, including the volume to be received, the Designated Receipt Point(s), the Delivering Pipeline, the delivering contract(s), the shipper, and other such non-confidential information as may be reasonably required by the Company.
Off-Peak Season	The consecutive months May to October, inclusive.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Operational Flow Order	The Company's instructions to the Supplier to take such action as conditions require, including, but not limited to, diverting Gas to or from the Company's distribution system pursuant to Section 19.0 of these Terms and Conditions.
Peak Day	The forecasted Gas Day during which the Company's system experiences the highest aggregate Gas Usage as approved by the MDTE.
Peaking Capacity	Capacity normally used by the Company to provide Peaking Service.
Peak Season	The consecutive months November to April, inclusive.
Peaking Service	A supplemental supply service provided by the Company to effectuate the assignment of pro-rata shares of the Company's Peaking Capacity.
Peaking Service Account	An account whose balance indicates the total volumes of Peaking Service resources available to a Supplier, where the maximum balance in the account shall equal the Peaking Supply assigned to the Supplier pursuant to these Terms and Conditions.
Peaking Service Rule Curve	A system of operational parameters associated with the use of the Company's Peaking Capacity including, but not limited to, indicators of the necessary levels of Peaking Supply that must be maintained in Suppliers' Peaking Service Accounts in order for the Company to meet system demands under Design Winter conditions. The Company will post the Peaking Service Rule Curve on its Website as identified in Section 23.0 of these Terms and Conditions
Peaking Supply	The aggregate amount of peaking supply required to meet the Company's forecasted peaking-supply needs during a Design Winter.
Peaking Supply Allocator	An allocation factor that represents the proportion of a Customer's estimated Gas Usage during the Design

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

	Winter that is generally served with Peaking Service supplies.
Pipeline Capacity	Transportation capacity on interstate pipeline systems normally used for deliveries of Gas to the Company, exclusive of Underground Storage Withdrawal Capacity and Underground Storage Capacity.
Pre-Determined Allocation	Instructions from the Supplier to the Company for the allocation of discrepancies in confirmed nominations among the Supplier's Aggregation Pools and/or Customers as set forth in the Supplier's Service Agreement.
Reference Period	A period of at least twelve (12) months for which a Customer's Gas Usage information is typically available to the Company.
~~Default Service~~	~~Gas commodity service provided to a Customer who is not receiving Supplier Service, in accordance with Section 15 of these Terms and Conditions. The provision of Default Service shall be the responsibility of the Company and shall be provided to the Customer by the Company or its designated supplier pursuant to law or regulation.~~
Supplier	Any entity licensed by the MDTE to sell Gas to retail Customers in Massachusetts, that has met the Company's requirements set forth in these Terms and Conditions, and that has been designated by the Customer to supply Gas to a Designated Receipt Point for the Customer's account.
Supplier Service	The sale of Gas to a Customer by a Supplier.
Therm	An amount of Gas having a thermal content of 100,000 Btus.
Total Capacity Quantity	The total amount of Capacity assignable to a Supplier (TCQ) on behalf of a Customer.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Underground Storage Capacity	Contracts for capacity in off-system storage facilities used to accumulate and maintain gas inventories for redelivery to the Company's city gates.
Underground Storage Withdrawal Capacity	Capacity for the withdrawal of gas inventories maintained in off-system storage facilities, as well as the transportation capacity used to deliver such gas to the Company's city gates.
Winter	The period November 1 through March 31.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

3.0 CHARACTER OF SERVICE

3.1 The service that the Company will supply to any Customer shall be limited to the character of service which is available at the location to which such service is proposed to be furnished.

3.2 The furnishing of service by the Company under the Schedule of Rates and in accordance with these Terms and Conditions and the rules and regulations of the MDTE, and acceptance by the Customer constitutes a contract between the Company and the Customer under these provisions.

3.3 The benefits and obligations of accepting service shall inure to and be binding upon the successors and assigns, survivors and executors or administrators, as applicable, of the Customer.

3.4 All rates within the Schedule of Rates are predicated upon service to a Customer at a single Delivery Point and metering installation, except as otherwise specifically provided by a given rate. Where service is supplied to a Customer at more than one Delivery Point or metering installation, each single Delivery Point or metering installation shall be considered to be a separate Customer for purposes of applying the Schedule of Rates, except when a Customer is served through multiple points of delivery or metering installations for the Company's own convenience.

3.5 The Company may refuse to supply service to loads of unusual characteristics which, in its sole reasonable judgment, might adversely affect the quality of service supplied to other Customers, the public safety or the safety of the Company's personnel. In lieu of such refusal, the Company may require a Customer to install any necessary regulating and protective equipment in accordance with the requirements and specifications of the Company.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

4.0 GAS SERVICE AREAS AND DESIGNATED RECEIPT POINTS

4.1 There shall be 3 Gas Service Areas defined for purposes of administering capacity assignments, nominations, balancing, imbalance trading, and Aggregation Pools pursuant to these Terms and Conditions. Each such Gas Service Area shall be defined to include the municipalities listed within each such Gas Service Area, as follows:

(1) *Springfield Area: Northampton, Easthampton, South Hadley, West Springfield, Springfield, Longmeadow, East Longmeadow, Granby, Chicopee, Ludlow, Palmer, Southwick, Agawam, Wilbraham, Hampden, Monson, Indian Orchard, Leeds, Florence.*

(2) *Lawrence Area: Methuen, Lawrence, Andover, North Andover.*

(3) *Brockton Area: Medfield, Millis, Medway, Mendon, Bellingham, Franklin, Wrentham, Norfolk, Foxboro, Walpole, Sharon, Canton, Stoughton, Randolph, Avon, Holbrook, Attleboro, Mansfield, Norton, Easton, Raynham, Taunton, Berkley, Dighton, Rehoboth, Seekonk, Brockton, West Bridgewater, Bridgewater, East Bridgewater, Plympton, Halifax, Hanover, Hansen, Norwell, Scituate, Marshfield, Pembroke, Duxbury, Lakeville, Dover.*

4.2 For each Aggregation Pool as set forth by Section 24.6, the Company will designate at least one specific interconnection between a Delivering Pipeline and the Company's distribution facilities, at which point, or such other point as the Company may designate from time to time, the Supplier will make deliveries for the Aggregation Pool. The interconnections that the Company may assign as the Customer's Designated Receipt Point for the Aggregation Pool are as follows:

(1) *Tennessee Gas Pipeline: Northampton, Station, Agawam Station, East Longmeadow Station.*
(2) *Tennessee Gas Pipeline: Lawrence Station.*
(3) *Algonquin Gas Transmission Company: West Medway Stations, South Attleboro Station, Taunton Station, Canton Station, Brockton Station.*

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

5.0 CUSTOMER REQUEST FOR SERVICE FROM COMPANY

5.1 Application for Distribution Service, Default Service, or any other service offered by the Company to a Customer will be received through any duly authorized representative or agent of the Company. Service to the Customer by the Company will be provided pursuant the Company's Terms and Conditions, as may change from time to time, and pursuant to the Company's Policy and Procedures, as may change from time to time, which have been established to provide guidelines for Company personnel relative to customer service.

5.2 Before any service from the Company may commence, the Customer must request such service. A Customer applying for Distribution Service must also arrange for gas commodity service with a Supplier pursuant to Section 24.0. A Customer may act as its own Supplier provided it meets all of the Supplier requirements delineated in Section 24.0.

5.3 A non-residential Customer applying for service may be required to supply a security deposit in accordance with Section 14.0 of these Terms and Conditions. The Company reserves the right to refuse service to any non-residential applicant who has not paid a deposit as required by the Company.

5.4 The Company may accept oral application by a prospective Customer for residential service, except as noted below in Section 5.5. –All applicants must be of legal age to contract for service with the Company, and the Company reserves the right to verify the identity of the Customer and the application information given by the proposed Customer, through commercially or publicly available means. –The Company may require an application for non-residential service-to be in writing and may provide for the application to be submitted via the Company's website in accordance with Section 23.0 of the Terms and Conditions. –When a written application for non-residential service is required by the Company, such service shall not commence until the Company has received the Customer's completed application form, except that the Company may, at its option, provide service to the Customer for an interim period not to exceed ten (10) Business Days pending the receipt of the Customer's completed application. No agent or employee of the Company is authorized to modify or affect by oral promise, agreement or representation the provisions of such written application.

5.5 In the event that an oral application for service is received by the Company from an applicant who is not currently a Customer of record of the Company for service at a location where service is disconnected for non-payment, the Company may request application to be made in writing to any agent or duly authorized representative as a precondition for service, unless otherwise ordered by the MDTE. The Company reserves the right to refuse service, at any location, to an applicant who is indebted to the Company for any service furnished to such applicant. However, the Company shall

DISTRIBUTION AND DEFAULT SERVICE
TERMS AND CONDITIONS

commence service if the applicant signs a Cromwell Waiver allowing for the transfer of any past arrearage to the new account and has agreed to a reasonable payment plan to address the arrearage.

5.6 Upon receipt of an application from a prospective Customer setting forth the location of the premises to be served, the extent of the service to be required and any other pertinent information requested by the Company, the Company will advise the Customer of the type and character of the service it will furnish, under the applicable tariff, and if required, the location of the Company's metering and related equipment. The Company will have sole reasonable discretion on the location of meters and other related equipment. Upon request, the Company will furnish detailed information describing the connections necessary between the Company's facilities and the Customer's premises and Customer and Company responsibilities for installation of facilities.

5.7 An application for service will not be approved until the Customer has delivered to the Company a fully completed request for service form and the Company has determined that an adequate flow of Gas can be delivered to the Customer's Delivery Point under normal operating conditions.

5.8 Whenever the estimated expenditures necessary to supply Gas to a Customer or to resume service to a Customer after a discontinuance of service for over twelve (12) months, for reasons other than the needs of the Company, shall be of such an amount that the income to be derived from gas service at the applicable rates will, in the opinion of the Company, be insufficient to warrant such expenditures, the Company may, in addition to the payments for Gas under the applicable rates, require the Customer to pay the whole or a part of such expenditures, or make such other reasonable payments as the Company may deem necessary.

5.9 The Company reserves the right to reject any application for service if the amount or nature of the service applied for, or the distance of the premises to be served from existing, suitable gas distribution facilities, or the difficulty of access thereto is such that the estimated income from the service applied for is insufficient to yield a reasonable return to the Company, unless such application is accompanied by a cash payment or an undertaking satisfactory to the Company guaranteeing a stipulated revenue for a definite period of time, or both.

5.10 A Customer shall be and remain the Customer of record and shall be liable for service taken until such time as the Customer requests termination of service and a final meter reading is obtained by the Company. Such final meter reading shall not be unduly delayed by the Company. The billing rendered by the Company based on such final meter reading shall be payable upon receipt. In the event that the Customer of record fails to give notice of termination of service to the Company or hinders the Company's access to the meter, the Customer of record shall continue to be liable for service taken

DISTRIBUTION AND DEFAULT SERVICE
TERMS AND CONDITIONS

until the Company either disconnects the meter or a new Customer assumes responsibility for taking service at such service location. The Customer shall be liable for all costs incurred by the Company when the Customer prevents access to the Company's equipment.

5.11 In the absence of a duly constituted Customer of record, receipt of service shall constitute the recipient a Customer of the Company and shall bind such Customer to the provisions of the Schedule of Rates but shall not relieve such Customer from an obligation to execute an application for service.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

6.0 CUSTOMER INSTALLATION

6.1 The Customer shall furnish, maintain, and operate the facilities between the Delivery Point and the Customer's equipment, unless otherwise agreed upon in writing by the Company and the Customer.

6.2 The Company reserves the right to disconnect its service at any time without notice or to refuse to connect its service if, to its knowledge and in its judgment, the Customer's installation has become or is dangerous, defective or in violation of the Company's requirements.

6.3 The Company shall not be required to commence or continue service unless and until the Customer has complied with all requirements of any and all governmental authorities and the Company with reference to the use of Gas on the premises. All inspections, reports and approvals (where required), must be received in writing by the Company before service shall be commenced or reconnected.

6.4 The Customer assumes full responsibility for the proper use of Gas delivered by the Company and for the condition, suitability and safety of any and all equipment on the Customer's premises, or owned or controlled by the Customer which is not the Company's property. The Customer shall indemnify and save harmless the Company from and against any and all claims, expenses, legal fees, losses, suits, awards or judgments for injuries to or deaths of persons or damage of any kind, whether to property or otherwise, arising directly or indirectly by reason of: (i) the routine presence in or use of Gas from pipes owned or controlled by the Customer; or (ii) the failure of the Customer to perform any of its duties and obligations as set forth in the Schedule of Rates where such failure creates safety hazards; or (iii) the Customer's improper use of Gas or gas appliances. The Company shall be liable only for direct damages resulting from the Company's conduct of its business pursuant to this section to the extent set forth in Section 20.2.

6.5 The Customer shall notify the Company in writing before making any significant change in the Customer's gas equipment which would affect the Company's facilities required to serve the Customer. The Customer shall be liable for any damage to the Company's property caused by Customer's additional or changed installation if made without prior notification to the Company.

6.6 The Customer shall not install, own or maintain gas piping across or in the public way or any recorded private way without the prior written consent of the Company in each case obtained.

6.7 The Customer shall furnish and maintain, at no cost to the Company, the necessary space, housing, fencing, barriers, and foundations for the protection of the equipment to be

DISTRIBUTION AND DEFAULT SERVICE
TERMS AND CONDITIONS

installed upon the Customer's premises, whether such equipment is furnished by the Customer or the Company. If the Customer refuses, the Company may at its option charge the Customer for furnishing and maintaining the necessary protection of the equipment. Such space, housing, fencing, barriers and foundations shall be in conformity with applicable laws and regulations and subject to the Company's specifications and approval.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

7.0 COMPANY INSTALLATION

7.1 The Company shall own, operate and maintain, at its expense, its gas distribution facilities to the Delivery Point.

7.2 Unless otherwise specified herein, the Company will furnish and install, at locations it designates, one or more meters for the purpose of measuring the Gas delivered.

7.3 Whenever the Company determines that an unauthorized use of Gas is being made on the premises of a Customer, the Company may make such changes in its meters, appliances or other equipment on said premises or take such other corrective action as may be appropriate to insure the safety and security of the equipment and its installation under the circumstances. Any such changes shall be made at the Customer's expense. Nothing in this paragraph shall be deemed to constitute a waiver of any other rights of redress that may be available to the Company or to limit in any way any legal recourse that may be open to the Company.

7.4 Any properly identified employee of the Company shall have access to the premises of the Customer at all reasonable times for the purposes of reading meters, testing the Customer's load, inspecting the Customer's premises and equipment, or of repairing, removing or exchanging any or all equipment belonging to the Company and for the purpose of removing its property on the termination of any service agreement or the discontinuance of service.

7.5 The Company will notify the Customer whenever it obtains information indicating that Gas is being diverted from the Customer's service or that the meter has been tampered with. Unless there is a violation of the Massachusetts Sanitary Code 105 C.M.R. 410.354 for which the Customer is not responsible, the Customer will be held responsible to the Company for any theft, leakage or waste of Gas which may occur beyond the point of the meter installation.

7.6 Where service under the Schedule of Rates is to be used for temporary purposes only, the Customer may be required to pay the cost of installation and removal of equipment required to render service in addition to payments for Gas Usage. Said costs of installation and removal may be required to be paid in advance of any construction by the Company. If, in the Company's sole reasonable judgment, any such installation presents unusual difficulties as to metering the service supplied, the Company may estimate consumption for purposes of applying the Schedule of Rates. Unless otherwise approved by the Company in writing, temporary service shall be defined as installations intended for removal within a period not to exceed twelve (12) months.

7.7 The Company shall not be required to install the equipment necessary to provide its service unless the Customer shall have obtained and provided to the Company at its

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

request all certificates, permits (excepting street permits) and licenses from governmental authorities and such grants of rights-of-way as may be requisite to enable the Company to install and furnish the requested service. The subsequent termination of any certificate, permit, license or right-of-way requisite for such service shall terminate any contract then existing for such service without any liability on the Company for breach of such contract or failure to furnish service.

7.8 The Company shall make, or cause to be made, application for any necessary street permits and shall not be required to supply service until a reasonable time after such permits are granted.

7.9 All meters, services and other gas equipment owned by the Company shall be and will remain the property of the Company, and no one other than an employee or authorized agent of the Company shall be permitted to remove, operate, or maintain such property. The Customer shall not interfere with or alter the meter, seals or other property used in connection with the rendering of service or permit the same to be done by any person other than the authorized agents or employees of the Company. The Customer shall be responsible for all damage to, or loss of, such property unless occasioned by circumstances beyond the Customer's control. Such property shall be installed at points most convenient for the Company's access and service and in conformance with public regulations in force from time to time. The costs of relocating such property shall be borne by the Customer when done at the Customer's request, or for the Customer's convenience, or if necessary to remedy any violation of public law or regulation caused by the Customer.

7.10 Unless there is negligence on the part of the Company, the Company shall not be liable for damage to the person or property of the Customer or any other persons resulting from the use of Gas or the presence of the Company's appliances and equipment on the Customer's premises. In no event shall the Company be liable to any party for any indirect, consequential, or special damages, whether arising in tort, contract or otherwise, by reason of any services performed, or undertaken to be performed, or actions taken by the Company, or its agents or employees, under the Schedule of Rates or in accordance with or required by law.

7.11 The Company shall maintain the accuracy of all metering equipment installed pursuant hereto by regular testing and calibration in comparison to recognized standards. Any meter tested and found to register less than or equal to 2% above or below the recognized comparative standard shall be considered correct and accurate. A Customer may request the Company to test the accuracy of any of its metering equipment installed upon the Customer's premises. The Company may remove and test its meters at no charge to residential Customers. The Company may charge non-residential Customers for this testing if the meter tested is found to register less than or equal to 2% above or below the recognized comparative standard, and such test was conducted as part of an investigation

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

into a high bill complaint by the Customer. Any such test shall be conducted according to the standards therefor as established by this paragraph.

In the event that any meter fails to register or registers incorrectly, the Company shall reasonably determine the length of the period during which such meter failed to register or registered incorrectly and the quantity of Gas delivered during such period, based upon available information, including the Customer's records of Gas Usage and operation at the Customer's facility. The Customer shall reimburse the Company for any unscheduled maintenance or repairs to telemetering equipment that is required to restore meter operation as a result of faulty telephone or electrical connections, or as a result of the actions of the Customer. The Company shall be responsible for restoring telephone or electrical connections as a result of its actions.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

8.0 QUALITY AND CONDITION OF GAS

8.1 Gas delivered to the Company by or for the Customer shall conform, in all respects, to the gas quality standards of the Delivering Pipeline. All Gas tendered by a Supplier at a Designated Receipt Point shall be of merchantable quality and shall be interchangeable with Gas purchased by the Company from its suppliers. The Company reserves the right to refuse non-conforming Gas.

8.2 In no event shall the Company be obligated to accept and deliver any Gas that does not meet the quality standards of the Delivering Pipeline.

8.3 The Company reserves the right to commingle Gas tendered by a Supplier at a Designated Receipt Point with other gas supplies, including liquefied natural gas and propane-air vapor.

8.4 Gas tendered by a Supplier at a Designated Receipt Point will be at a pressure sufficient to enter the Company's distribution system without requiring the Company to adjust its normal operating pressures to receive the Gas. The Company has no obligation to receive Gas at a pressure that exceeds the maximum allowable operating pressure of the Company's distribution system at the Designated Receipt Point.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

9.0 POSSESSION OF GAS

9.1 Gas shall be deemed to be in the control and possession of the Company after such Gas is delivered to the Designated Receipt Point and until the Gas is delivered to the Customer at the Delivery Point. The Company shall not be responsible for the Gas when the Gas is not in the Company's control and possession.

9.2 The Company shall not be liable to the Supplier or the Customer for any loss arising from or out of Distribution Service, including loss of Gas in the possession of the Company or for any other cause, except for the negligence of the Company's own employees or agents.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

10.0 COMPANY GAS ALLOWANCE

The amount of Gas tendered by the Supplier to the Designated Receipt Point will be reduced, upon delivery to the Customer's Delivery Point, by the Company Gas Allowance. Such adjustment will be included in the Company's Peak Season Cost of Gas Adjustment filing with the MDTE, and at the Company's option, will be posted on the Company's website.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

11.0 DAILY METERED DISTRIBUTION SERVICE

11.1 Eligibility

All Customers (and their Suppliers) taking firm 365-day Distribution Service from the Company are eligible for Daily-Metered Service in accordance with Section 11.0 of these Terms and Conditions. Section 11.0 also applies to Customers taking Interruptible Distribution Service pursuant to Section 17.0.

11.2 Distribution Service Provided

This service provides transportation of Customer purchased Gas from the Designated Receipt Point to the Delivery Point on any Gas Day for Customers electing to have Gas Usage recorded on a daily basis at the Delivery Point.

11.3 Nominations and Scheduling of Service

11.3.1 The Supplier is responsible for nominating and delivering on every Day an amount of Gas that equals the aggregated Gas Usage of Customers in the Aggregation Pool.

11.3.2 Nominations will be communicated to the Company by electronic means as determined by the Company pursuant to Section 23.0, or, in the event of failure of such electronic means, by another alternative means including fax as specified in the Supplier's Service Agreement.

11.3.3 Nominations for the first Day of a Month shall be submitted to the Company no later than two (2) hours prior to the deadline for first of the Month nominations of the Delivering Pipeline or such lesser period as determined by the Company. The Company will make available, from time to time, a schedule of nomination due dates. Nominations on weekends, holidays, and non-business hours will be accepted by the Company on a best efforts basis.

11.3.4 The Supplier may make intra-Month nominations relating to changes to existing nominations for a given Month no later than two (2) hours prior to the deadline for intra-Month nominations of the Delivering Pipeline for the Gas Day on which the nomination is to be effective, or such lesser period as determined by the Company. Nominations on weekends, holidays, and non-business hours will be accepted by the Company on a best efforts basis.

11.3.5 The Supplier may make intra-Day nominations relating to changes to existing nominations within a given day no later than two (2) hours prior to the intra-Day nomination deadline for the Delivering Pipeline on which the nomination is to be

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

effective, or such lesser period as determined by the Company. Intra-Day nominations on weekends, holidays, and non-business hours will be accepted by the Company on a best efforts basis.

11.3.6 Nominations will be conditionally accepted by the Company pending confirmation by the Delivering Pipeline. The Company will attempt to confirm the nominated volume with the Delivering Pipeline. In the event of a discrepancy between the volume nominated to the Company by the Supplier and the volume nominated by the Supplier to the Delivering Pipeline, the lower volume will be deemed confirmed. No later than twenty-four (24) hours on the Business Day following the Gas Day of the Delivering Pipeline, the Supplier may allocate such discrepancy between the Supplier's Aggregation Pools within the same Gas Service Area based on a predetermined allocation method set forth in the Supplier Service Agreement. If no predetermined allocation method has been established prior to the event of such discrepancy, the Company will allocate the discrepancy on a pro rata basis.

11.3.7 Nominations may not be accepted, at the sole reasonable discretion of the Company, if they do not satisfy the conditions for Distribution Service under the distribution tariffs in effect from time to time and these Terms and Conditions.

11.4 Determination of Receipts

11.4.1 The quantity of Gas deemed received by the Company for the Supplier's Aggregation Pool at the Designated Receipt Point(s) will equal the volume so scheduled by the Delivering Pipeline(s).

11.4.2 The Company Gas Allowance will be assessed against receipts pursuant to Section 10.0 of these Terms and Conditions.

11.5 Metering and Determination of Deliveries

11.5.1 The Company shall furnish and install, at the Customer's expense, telemetering equipment and any related equipment for the purpose of measuring Gas Usage at each Customer's Delivery Point. The Company shall require each Customer to install and maintain, at the Customer's expense, reliably available telephone lines and electrical connections that meet the Company's operating requirements. Telemetering equipment shall remain the property of the Company at all times.

11.5.2 Should a Customer or a Supplier request new telemetering equipment or request that a communication device be attached to the existing telemetering equipment, the Company shall provide, install, test, and maintain the requested telemetering equipment or communication device. The requested telemetering equipment or communication device

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

must meet the Company's requirements. The Customer or Supplier shall bear the cost of providing and installing the telemetering equipment, communication device, or any other related equipment, and shall have electronic access to the Customer's Gas Usage information. Upon installation, the telemetering equipment or communication device shall become the property of the Company and will be maintained by the Company. The Company shall complete installation of the telemetering equipment or communication device, if reasonably possible, within thirty (30) days of receiving a written request from the Customer or Supplier provided that the Customer completes the installation of any required telephone or electrical connections within ten (10) days of such request. The Company shall bill the Customer or Supplier upon installation.

11.6 Balancing

11.6.1 The Supplier will maintain a balance between receipts at the Designated Receipt Point(s) and the aggregated Gas Usage of Customers in each Aggregation Pool. If the Delivering Pipeline posts notice on its electronic bulletin board that its customers will be required to adhere to a maximum hourly flow rate, the Supplier will be deemed to have notice that Maximum Hourly Flows will be in effect on the Company's distribution facilities as of the same time and for the same period as maximum hourly flows are in effect on the Delivering Pipeline. The Supplier's maximum hourly flow will be established based on an allocation of even hourly flows of daily receipts of gas scheduled in the relevant period in accordance with the applicable transportation tariff of the Delivering Pipeline. All Gas Usage in excess of the Suppliers maximum hourly flow rate will be subject to an unauthorized overrun penalty for each dekatherm not delivered of 5 times the Daily Index. The Company will notify the Supplier of the Supplier's maximum hourly flow.

11.6.2 The Supplier must maintain a balance between daily receipts and daily usage within the following tolerances:

Off-Peak Season: The difference between the Supplier's aggregate actual receipts on the Delivering Pipeline to each Gas Service Area and the aggregated Gas Usage of Customers in the Aggregation Pool shall be within 15% of said receipts. The Supplier shall be charged a penalty of 0.1 times the Daily Index for all differences not within the 15% tolerance.

Peak Season: The difference between the Supplier's aggregate actual receipts on the Delivering Pipeline to each Gas Service Area and the aggregated Gas Usage of Customers in the Aggregation Pool shall be within 10% of said receipts. The Supplier shall be charged a penalty of 0.5 times the Daily Index for all differences not within the 10% tolerance.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Critical Day(s): The Company will determine if the Critical Day will be aggravated by an underdelivery or an overdelivery, and so notify the Supplier when a Critical Day is declared pursuant to Section 19.0.

Critical Day Aggravated by Underdelivery. The Supplier will be charged a penalty of 5 times the Daily Index for the aggregated Gas Usage of Customers in the Aggregation Pool that exceeds 102% of the Supplier's aggregate actual receipts on the Delivering Pipeline to the Gas Service Area. The Supplier will be charged a penalty of 0.1 times the Daily Index for the differences between said receipts and said usage that exceed 20% of said receipts [(Receipts - Usage) > (20% x Receipts)].

Critical Day Aggravated by Overdelivery. The Supplier will be charged a penalty of 0.1 times the Daily Index for the aggregated Gas Usage of Customers in the Aggregation Pool that exceeds 120% of the Supplier's aggregate actual receipts on the Delivering Pipeline to the Gas Service Area. The Supplier will be charged a penalty of 5 times the Daily Index for differences between said receipts and said usage that exceed 2% of said receipts [(Receipts - Usage > (2% x Receipts)].

In the event that the Delivering Pipeline requires its customers to balance on a point-specific basis, the Supplier must balance pursuant to this section at each Designated Receipt Point.

11.6.3 In the event that a penalty is assessed to Supplier pursuant to 11.6.2 due to an undertake on a Critical Day Aggravated by Underdelivery, capacity-exempt Customers in the Aggregation Pool shall be subject to capacity assignment as provided for in Section 13.3.7. For each such Customer, the Company shall calculate an Unauthorized Overtake Quantity that shall be equal to the ratio of the Customer's metered usage to the total metered usage for the entire Aggregation Pool multiplied by the overtake for the entire Aggregation Pool subject to the penalty.

11.6.4 If the Supplier has an accumulated imbalance within a Month, the Supplier may nominate to reconcile such imbalance, subject to the Company's approval, which approval shall not be unreasonably withheld.

11.6.~~4~~5 For each Aggregation Pool, the Supplier must maintain total Monthly receipts within a reasonable tolerance of total Monthly Gas Usage. Any differences between total Monthly receipts for an Aggregation Pool and the aggregated Gas Usage of Customers in

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

the Aggregation Pool, expressed as a percentage of total Monthly receipts will be cashed out according to the following schedule:

Imbalance Tier	Overdeliveries	Underdeliveries
0% ≤ 5%	The average of the Daily Indices for the relevant Month.	The highest average of seven consecutive Daily Indices for the relevant Month.
> 5% ≤ 10%	0.85 times the above stated rate	1.15 times the above stated rate
> 10% ≤ 15%	0.60 times the above stated rate	1.4 times the above stated rate
> 15%	0.25 times the above stated rate.	1.75 times the above stated rate. .

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% Underdelivery on a Delivering Pipeline, volumes that make up the first 5% of the imbalance are priced at the highest average of the seven consecutive Daily Indices. Volumes making up the remaining 2% of the imbalance are priced at 1.15 times the average of the seven consecutive Daily Indices.

11.6.~~5~~6 In addition to the charges set forth in Section 11.6.2, the Company shall flow through to the Supplier any pipeline imbalance penalty charges attributable to the Supplier.

11.6.~~6~~7 If, during any fifteen (15) consecutive Days, the Supplier delivers an amount less than 70% of the sum of the aggregated Gas Usage of Customers in the Aggregation Pool in said Days, the Company may declare the Supplier ineligible to nominate Gas for the following thirty (30) Days. The Supplier shall have the opportunity to cure the imbalance with the demonstration of verifiable imbalance trades or otherwise within twenty-four (24) hours of notification by the Company. If the Supplier is declared ineligible to nominate Gas for such 30 days, the Supplier may be reinstated at the end of the 30 Days, provided it posts security equal to the product of: (1) the maximum aggregate daily Gas Usage of Customers in the Aggregation Pool expressed in MMBtu and (2) $300. If, within twelve (12) Months of the first offense, such Supplier is declared ineligible to nominate Gas pursuant to this section, the Supplier will be disqualified from service under these Terms and Conditions for one (1) full year from the time of the second disqualification. If the Supplier defaults on its obligations under these Terms and

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Conditions, the Company shall have the right to use such security to satisfy the Supplier's obligations. Such security may be used by the Company to secure Gas, transportation, storage, gathering and to cover other related costs incurred as a result of the Supplier's default. The security may also be used to satisfy any outstanding claims that the Company may have against the Supplier, including imbalance charges, cash-out charges, pipeline penalty charges, and other charges.

11.6.8 If, as a result of the Company interrupting or curtailing service pursuant to Section 17.0 of these Terms and Conditions, the Supplier incurs a daily imbalance penalty due to overdelivery, the Company will waive such penalty for the first Day of the interruption or curtailment period. If the Company has issued notice of an interruption or curtailment in service and the Supplier is unable to change its nomination, or if the Supplier's Gas has been delivered to the Designated Receipt Point, then the Company will credit such Gas against the Supplier's imbalance.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

12.0 NON-DAILY METERED DISTRIBUTION SERVICE

12.1 Eligibility

All Customers (and their Suppliers) taking Distribution Service from the Company that have an annual load of less than 250,000 therms per year are eligible for Non-Daily Metered Distribution Service in accordance with Section 12.0 of these Terms and Conditions.

12.2 Distribution Service Provided

This service provides firm, 365-day transportation of Customer purchased Gas from the Designated Receipt Point to the Delivery Point on any Gas Day for Customers, without the requirement for recording Gas Usage at the Delivery Point on a daily basis. Daily nominations are calculated by the Company on the basis of a consumption algorithm, and the Supplier is obligated to deliver to the Designated Receipt Point(s) such quantities.

12.3 Nominations and Scheduling of Service

12.3.1 The Supplier is obligated to nominate and deliver the Adjusted Target Volume ("ATV"), as determined in Section 12.3.2, to the Designated Receipt Points on every Day for each Aggregation Pool.

12.3.2 The Company shall determine the ATV for each Aggregation Pool of Customers taking Non-Daily Metered Distribution Service for each Day using a consumption algorithm based on the degree day forecast for that Day. Information on the consumption algorithm shall be posted on the Company's Website as identified in Section 23.0. On each Business Day, the Company will communicate the forecasted ATV to the Supplier for the subsequent four (4) Days. The Company shall apply the ATV for a required Supplier nomination according to the following schedule:

(1) The ATV applied for a Day immediately following a Business Day will be communicated to the Supplier two (2) hours prior to the Company's nomination deadline for that Day as set forth in Sections 12.3.4 and 12.3.5.

(2) The ATV applied for a Day not immediately following a Business Day will be communicated to the Supplier two (2) hours prior to the Company's nomination deadline for the Day immediately following the last Business Day as set forth in Sections 12.3.4 and 12.3.5.

12.3.3 Nominations will be communicated to the Company by electronic means as determined by the Company pursuant to Section 23.0, or, in the event of failure of such electronic

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

means, by another alternative means including fax as specified in the Supplier's Service Agreement.

12.3.4 Nominations for the first Day of a Month shall be submitted to the Company no later than two (2) hours prior to the deadline for first of the Month nominations of the Delivering Pipeline or such lesser period as determined by the Company. The Company will make available, from time to time, a schedule of nomination due dates. Nominations on weekends, holidays, and non-business hours will be accepted by the Company on a best efforts basis.

12.3.5 The Supplier shall provide a intra-Month nomination no later than two (2) hours prior to the deadline of the Delivering Pipeline for the next Gas Day, or such lesser period as determined by the Company. Nominations on weekends, holidays, and non-business hours will be accepted by the Company on a best efforts basis.

12.3.6 Nominations will be conditionally accepted by the Company pending confirmation by the Delivering Pipeline. The Company will attempt to confirm the nominated volume with the Delivering Pipeline. In the event of a discrepancy between the volume nominated to the Company by the Supplier and the volume nominated by the Supplier to the Delivering Pipeline, the lower volume will be deemed confirmed. No later than twenty-four (24) hours on the Business Day following the Gas Day of the Delivering Pipeline, the Supplier may allocate such discrepancy between the Supplier's Aggregation Pools within the same Gas Service Area based on a predetermined allocation method set forth in the Supplier Service Agreement. If no predetermined allocation method has been established prior to the event of such discrepancy, the Company will allocate the discrepancy on a pro rata basis. The Company will not confirm any volume nominated by the Supplier in excess of the ATV.

12.3.7 In the event that the Supplier is unable to deliver a confirmed ATV nomination, the Supplier may make intra-Day nominations relating to changes to existing nominations within a given day no later than two (2) hours prior to the intra-Day nomination deadline for the Delivering Pipeline on which the nomination is to be effective, or such lesser period as determined by the Company; provided, however, that the nomination must be in conformance with the requirements of and must be permitted by the Delivering Pipeline. Intra-Day nominations on weekends, holidays, and non-business hours will be accepted by the Company on a best efforts basis. The Company shall not adjust the ATV applied for that Day, unless in accordance with Section 19 of These Terms and Conditions.

12.3.8 Nominations may not be accepted, at the sole reasonable discretion of the Company, if they do not satisfy the conditions for Distribution Service under the transportation tariffs in effect from time to time and these Terms and Conditions.

12.3.9 All quantities of Gas overdelivered or underdelivered to the Company's system in violation of an OFO pursuant to Section 19.0 will be subject to the Critical Day

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

provisions of Section 12.6.1 of these Terms and Conditions, and the delivered quantity specified in the OFO will replace the ATV.

12.4 Determination of Receipts

12.4.1 The quantity of Gas deemed received by the Company for the Supplier's Aggregation Pool at the Designated Receipt Point(s) will equal the volume so scheduled by the Delivering Pipeline(s).

12.4.2 The Company Gas Allowance will be assessed against receipts pursuant to Section 10.0 of these Terms and Conditions.

12.5 Metering and the Determination of Deliveries

The Company shall record the Customer's Gas Usage at the Delivery Point by making actual meter reads on a monthly or bi-monthly basis pursuant to Section 14.0 of these Terms and Conditions. In the event that the Customer's Gas Usage is metered on a bi-monthly basis, the Company shall make available to the Supplier estimates of the Customer's Gas Usage for each of the two billing months.

12.6 Balancing

12.6.1 Any difference between the Supplier's ATV for an Aggregation Pool and the receipts on the Delivering Pipeline to the appropriate Designated Receipt Point(s) will be cashed out by the Company according to the following:

Off-Peak Season: For receipts less than the ATV, the difference will be cashed out at 1.1 times the Daily Index. For receipts greater than the ATV, the difference will be cashed out at 0.8 times the Daily Index.

Peak Season: For receipts less than the ATV but greater than or equal to 95% of the ATV, the difference will be cashed out at 1.1 times the Daily Index. For receipts less than 95% of the ATV, the first 5% difference will be cashed out at 1.1 times the Daily Index, and the remaining difference will be cashed out at 2 times the Daily Index. For receipts greater than the ATV, the difference will be cashed out at 0.8 times the Daily Index.

Critical Day: The Company will determine if the Critical Day will be aggravated by an underdelivery or an overdelivery, and so notify the Supplier when a Critical Day is declared pursuant to Section 19.0.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Critical Day Aggravated by Underdelivery. For receipts less than the ATV, the difference will be cashed out at 5 times the Daily Index. For receipts greater than the ATV but less than or equal to 125% of the ATV, the difference will be cashed out at the Daily Index. For receipts in excess of 125% of the ATV, the first 25% difference will be cashed out at the Daily Index, and the remaining difference will be cashed out at 0.8 times the Daily Index.

Critical Day Aggravated by Overdelivery. For receipts greater than the ATV, the difference will be cashed out at 0.4 times the Daily Index. For receipts less than the ATV but greater than or equal to 75% of the ATV, the difference will be cashed out at the Daily Index. For receipts less than 75% of the ATV, the first 25% difference will be cashed out at the Daily Index and the remaining difference will be cashed out at 1.1 times the Daily Index.

In the event that the Delivering Pipeline requires its customers to balance on a point-specific basis, the Supplier must balance pursuant to this section at each Designated Receipt Point.

12.6.2 In ~~addition to the charges set forth in Section 12.6.1,~~ the event that a penalty is assessed to Supplier pursuant to 12.6.1 due to an undertake on a Critical Day Aggravated by Underdelivery, capacity-exempt Customers in the Aggregation Pool shall be subject to capacity assignment as provided for in Section 13.3.7. For each such Customer, the Company shall calculate an Unauthorized Overtake Quantity that shall be equal to the ratio of the ATV applicable to Customer's usage to the total ATV for the entire Aggregation Pool multiplied by the overtake for the entire Aggregation Pool subject to the penalty.

12.6.3 In addition to the charges set forth in Section 12.6.1, the Company shall flow through to the Supplier any pipeline imbalance penalty charges attributable to the Supplier.

12.6.~~3~~4 If, during any fifteen (15) consecutive Days, the Supplier delivers an amount less than 70% of the sum of the ATVs of the Aggregation Pool in said Days, the Company may declare the Supplier ineligible to nominate Gas for the following thirty (30) Days. The Supplier shall have the opportunity to cure the imbalance with the demonstration of verifiable imbalance trades or otherwise within twenty-four (24) hours of notification by the Company. If the Supplier is declared ineligible to nominate gas for such 30 Days, the Supplier may be reinstated at the end of the 30 Days, provided it posts security equal to the product of: (1) the Supplier's estimated maximum aggregate daily Gas Usage of Customers in the Aggregation Pool expressed in MMBtu and (2) $300. If, within twelve (12) Months of the first offense, such Supplier is declared ineligible to nominate Gas pursuant to this

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

section, the Supplier will be disqualified from service under these Terms and Conditions for one (1) full year from the time of the second disqualification. If the Supplier defaults on its obligations under these Terms and Conditions, the Company shall have the right to use such security to satisfy the Supplier's obligations. Such security may be used by the Company to secure Gas, transportation, storage, gathering and to cover other related costs incurred as a result of the Supplier's default. The security may also be used to satisfy any outstanding claims that the Company may have against the Supplier, including imbalance charges, cash-out charges, pipeline penalty charges, and other charges.

12.6.4 5 The Company shall use a daily cash out calculation to account for Company balancing requirements due to differences in forecast versus actual degree days. Using the consumption algorithm described in Section 12.3.2, the Company will recalculate the ATV for each Aggregation Pool for each day of the Month, substituting actual degree days for forecast degree days. Daily recalculations shall be compared to the Aggregation Pool's daily ATV, and the difference shall be cashed out at 100% of the Daily Index.

12.6.5 6 During the processing of both the June and December Supplier billings, the Company shall use a six-month cash-out calculation to account for differences in forecast usage versus billed usage. The Company may cash-out differences in forecast usage versus billed usage at regular intervals that are less than six months or as provided by the Supplier Service Agreement.

(1) During the processing of the June Supplier billings, using the recalculated ATV values described in Section 12.6.4, the Company will compare the sum of the recalculated ATV values for each Aggregation Pool for the six-month period of November 1 through April 30 to the sum of billed usage volumes used by each Aggregation Pool for that same period. The differences shall be cashed out at 100% of the average of the Daily Index weighted by actual degree days over the same period. The Peak period cash-out shall be calculated and provided to Suppliers within 60 days of the processing of cycle billings for the month of April.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

(2) During the processing of the December Supplier billings, using the recalculated ATV values described in Section 12.6.4, the Company will compare the sum of the recalculated ATV values for each Aggregation Pool for the six-month period of May 1 through October 31 to the sum of billed usage volumes used by each Aggregation Pool for that same period. The differences shall be cashed out at 100% of the average of the Daily Index weighted by actual degree days over the same period. The Off-Peak period cash-out shall be calculated and provided to Suppliers within 60 days of the processing of cycle billings for the month of October.

The Company shall allow Suppliers to trade seasonal differences. Prior to the seasonal cash out, the Company shall make available a list of Suppliers. Aggregation Pools affected by the transaction must be located within the same Gas Service Area as defined in Section 4.0, unless waived by the Company. All trades must be communicated to the Company within three (3) Business Days following receipt of the list.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

13.0 CAPACITY ASSIGNMENT

13.1 Applicability

Section 13.0 of these Terms and Conditions applies to all Suppliers providing Supplier Service to a Customer or Customers taking Daily-Metered or Non-Daily Metered Distribution Service from the Company pursuant to Section 11.0 or 12.0, respectively, of these Terms and Conditions. Section 13.0 shall also apply, to the extent noted herein, to any Customer acting as its own Supplier and taking Daily-Metered or Non-Daily Metered Distribution Service from the Company. The Company will assign and the Supplier shall accept each Customer's pro-rata shares of Capacity, if any, as established in accordance with this Section.

13.2 Identification of Capacity for Assignment

13.2.1 On or before September 1 of each year, the Company shall post on its Website or other such means the Capacity to be made available for assignment to Suppliers on each of twelve Assignment Dates beginning the following October. Such posting shall list, by Gas Service Area, all resource contracts eligible for assignment, the Capacity resource-allocation percentage by load factor, and the associated Capacity cost by load factor. Such posting shall also provide notice of any potential or pending contract change, including known and disclosable contract terminations, that are scheduled to require action by the Company between September 1 of the current year and October 31 of the next year. For capacity assignments occurring November 1, 2000 resource-allocation percentages and resource-allocation costs, will be posted by the Company no later than October 22, 2000.

13.2.2 The Company shall post on its Website or other such means notice to Suppliers of any unscheduled contract changes that would affect the Capacity resource-allocation percentage or the associated Capacity cost. The Company will affirmatively notify all Suppliers serving Customers in the Company's system via electronic mail, facsimile or telephone, that such change has been posted. Such posting shall identify the contract under renegotiation and describe the nature of the renegotiation to the extent permitted by applicable confidentiality agreements. Such notice shall also provide an opportunity for Suppliers to comment on the contract under renegotiation. The Company shall further notify Suppliers of the results of such renegotiation no less than 60 days prior to the effective date of the contract change.

13.2.3 Capacity assigned by the Company may include Company-Managed Supplies that effectuate, at maximum tariff rates or lesser rate paid by the Company, the assignment of certain capacity contracts, including Canadian, Section 7(c) and other contracts that are not assignable to third parties.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

13.3 Determination of Pro-Rata Shares of Capacity

13.3.1 The Company shall establish a Total Capacity Quantity ("TCQ") for each Customer taking Distribution Service. The TCQ represents the total amount of Capacity assignable to a Supplier on behalf of a Customer.

13.3.2 For a Customer receiving Default Service on or after November 1, 2000, the TCQ shall be the Customer's estimated Gas Usage on the Peak Day as determined by the Company each October prior to the Customer's enrollment into Supplier Service. The Company shall derive such estimate using a Daily Baseload and a Heating Factor based upon the Customer's historic Gas Usage during the Reference Period, or the best estimates available to the Company should actual Gas Usage information be partially or wholly unavailable.

13.3.3 For a Customer receiving only Distribution Service from the Company on February 1, 1999, or who had a written request filed with the Company on or before February 1, 1999 to receive only Distribution Service, the TCQ shall be zero except in cases where the Customer elects to have capacity assigned to its Supplier pursuant to Section 13.10, when the TCQ shall be less than or equal to the Customer's estimated Gas Usage on the Peak Day as determined by the Company. The Company shall derive such estimate using a Daily Baseload and a Heating Factor based upon the Customer's historic Gas Usage during a Reference Period ending in October 1999.

13.3.4 For a Customer that has converted from receiving Default Service to receiving only Distribution Service during the period beginning February 2, 1999 through and including March 31, 2000, the TCQ shall be zero until October 31, 2000, when the TCQ shall be changed to equal the Customer's estimated Gas Usage on the Peak Day as determined by the Company. The Company shall derive such estimate using a Daily Baseload and a Heating Factor based upon the Customer's historic Gas Usage during a Reference Period ending in October 1999. In the event that the Customer returns to Default Service prior to November 1, 2000, or if the Customer converts from daily-metered Distribution Service to non-daily-metered Distribution Service prior to November 1, 2000, the TCQ for the Customer shall be changed from zero to equal the Customer's estimated Gas Usage on the Peak Day as established above.

13.3.5 For a new Customer taking only Distribution Service as its initial service after February 1, 1999, the TCQ shall be zero except in cases where the Customer is a new Customer of record at a meter location where a former Customer of record received firm service from the Company any time during the preceding twenty-four (24) months, when the TCQ established by the Company for the former Customer shall become the TCQ for the new Customer. The Company will reduce said TCQ value for the new Customer upon a demonstration by the new Customer, or its designated representative, that a

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

material and permanent difference between the former Customer's load profile and the new Customer's load profile warrants such a reduction. In the event that Default Service is provided at a new meter location for Gas Usage associated with new construction or an existing structure converting to natural gas service, the TCQ shall be zero, provided that the Customer initiates Supplier Service in accordance with Section 24.5 of these Terms and Conditions within 120 days of gas flow, or within 60 days of gas flow for Customers with annual volumes of 40,000 therms per year or more. Upon application by a new Customer, the LDC will provide that Customer with a description of the Customer's service options, a list of Suppliers authorized to provide service on its system and contact information for those Suppliers.

13.3.6 Once the Company establishes a TCQ for a Customer pursuant to this Section 13.3, it shall remain in effect for the purpose of determining the Customer's pro-rata shares of Capacity until such time that the Customer returns to Default Service. The Company shall establish a new TCQ value for the Customer pursuant to Section 13.3.2 if the Customer elects to take Supplier Service after returning to Default Service, unless otherwise established herein.

13.3.7 Notwithstanding the provisions of Sections 13.3.3 and 13.3.5, any customer that has a TCQ of zero and is therefore exempt from capacity assignment shall be subject to future capacity assignment should its usage result in an Unauthorized Overtake Quantity as determined in accordance with Section 11.6.3 or Section 12.6.2. In such case, Customer's TCQ shall be established at a level equal to the Unauthorized Overtake Quantity effective immediately. Future overtakes by Customer that result in an Unauthorized Overtake Quantity that is larger than Customer's TCQ shall result in a subsequent increase in Customer's TCQ equal to the level of the higher Unauthorized Overtake Quantity.

13.3.8 Notwithstanding the provisions of Section 13.3.6, where a Customer's TCQ is established on the basis of less than 12-months historical data, the TCQ may be recalculated at the Customer's request, or by request of the Customer's designated representative, upon the collection of 12-months of usage data. In the event that the TCQ established on the basis of 12-months usage data differs significantly from the TCQ initially established, the Company shall adjust the Customer's TCQ to be consistent with the 12-months usage data. Upon request by the Customer, or the Customer's designated representative, the Company shall change a Customer's TCQ where an error has occurred in the calculation of the TCQ or where the Customer, or its designated representative, demonstrates that a material and permanent change in the Customer's load profile warrants such an adjustment in the Customer's TCQ.

13.3.~~8~~9 The Company shall determine the pro-rata shares of Pipeline Capacity, Underground Storage Withdrawal Capacity and Peaking Capacity assignable to a Supplier on behalf of a Customer as the product of the Customer's TCQ times the applicable Capacity

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Allocators. The Capacity Allocators for each class of Customers billed under the Company's Schedule of Rates shall be set forth annually in Appendix A to these Terms and Conditions.

13.3.~~9~~10 The Company shall determine the pro-rata share of Underground Storage Capacity assignable to a Supplier on behalf of a Customer consistent with the tariffs governing the associated Underground Storage Withdrawal Capacity.

13.3.~~10~~11 The Company shall determine the pro-rata shares of Peaking Supply assignable to a Supplier in accordance with Section 16.0 of these Terms and Conditions.

13.4 Capacity Assignments

13.4.1 On each Assignment Date, the Company will assign to the Supplier the pro-rata shares of Capacity on behalf of each Customer as determined by the Company in accordance with Sections 13.2, 13.3 and 13.7.

(1) The total amount of Pipeline Capacity, Underground Storage Withdrawal Capacity and Peaking Capacity assigned to the Supplier on behalf of the Customers in an Aggregation Pool shall, subject to the provisions of Section 13.4.2, be equal to the cumulative sum of the pro-rata shares of Pipeline Capacity, Underground Storage Withdrawal Capacity and Peaking Capacity for all Customers enrolled in said Aggregation Pool as of five (5) Business Days prior to the Assignment Date.

(2) Whenever the Company assigns incremental Underground Storage Withdrawal Capacity to the Supplier, the Company shall also assign to that Supplier additional Underground Storage Capacity pursuant to Section 13.8.

(3) The Peaking Capacity assigned to the Supplier shall establish the MDPQ for the Aggregation Pool in the Supplier's Service Agreement. In the event that the Company increases a Supplier's MDPQ, the Company shall also assign to that Supplier additional Peaking Supply pursuant to Section 16.0.

13.4.2 Except for the assignment of the initial block of capacity, the Company shall execute capacity assignments in increments of 200 MMBtus. The Supplier shall accept an initial increment of 500 MMBtus of Capacity on the first Assignment Date when the sum of the pro-rata shares of Capacity to be assigned to the Supplier pursuant to Section 13.4.1 is equal to or greater than 400 MMBtus. The Supplier shall accept additional increments of Capacity in blocks of 200 MMBtus on the following Assignment Dates commensurate with any cumulative increase in the sum of pro-rata shares of Capacity assignable to the Supplier that are equal to or greater than 150 MMBtus. Each increment of Capacity accepted by the Supplier shall comprise Pipeline Capacity, Underground Storage

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Withdrawal Capacity and Peaking Capacity in proportion to the cumulative increase of the pro-rata shares of assignable Capacity as established in accordance with Section 13.4.1.

13.4.3 The Supplier shall accept, on behalf of any Customer taking Daily-Metered Distribution Service pursuant to Section 11.0 of these Terms and Conditions, and not combined by the Supplier into an Aggregation Pool under Section 24.6, the assignment of Capacity in the amount equal to the Customer's TCQ, as established pursuant to Section 13.3. Daily-Metered Customers shall be eligible for assignment of Capacity pursuant to the provisions of Section 13.4.2 to the extent that such Customers are combined by a Supplier into an Aggregation Pool within a designated Gas Service Area. In the event that a Customer is acting as its own Supplier, the Company shall assign Capacity to the Customer in an amount equal to the Customer's TCQ, as established pursuant to Section 13.3. In no case, shall a Customer who is acting as its own Supplier be eligible for the assignment of Capacity pursuant to the provisions of Section 13.4.2.

13.5 Release of Contracts

13.5.1 With the exception of Company-Managed Supplies, capacity contracts shall be released by the Company to the Supplier, at the maximum tariff rate or lesser rate paid by the Company and including all surcharges, through pre-arranged capacity releases, pursuant to applicable laws and regulations and the terms of the governing tariffs. In lieu of such capacity release, the Supplier may authorize the Company to retain the capacity for management and cost mitigation under the Company's Capacity Mitigation Service pursuant to Section 13.11 of these Terms and Conditions.

13.5.2 Capacity contracts released to a Supplier on an Assignment Date shall be released for a term beginning on the first day of the Month following the Assignment Date through the termination date of the respective capacity contract being assigned.

13.5.3 The Company reserves the right to adjust releases of Underground Storage Withdrawal Capacity in the event that fifty percent (50%) or more of the total Underground Storage Withdrawal Capacity serving a Gas Service Area has been assigned to Suppliers. Such adjustments may include, but not be limited to, the reassignment of certain Underground Storage Capacity and Underground Storage Withdrawal Capacity as Company-Managed Supplies in order for the Company to maintain operational control over capacity resources associated with system balancing, and/or the retention of specific capacity resources associated with system balancing and the implementation of a balancing charge to offset the associated costs.

In order to provide notice of the potential for such an adjustment, the Company will post information regarding its customer-migration statistics each September 1, including the percentage of Underground Storage Withdrawal Capacity assigned to Suppliers in

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

accordance with this section. To the extent that the Company determines that such adjustment is necessary, based on the level of capacity assigned to Suppliers, the Company shall notify Suppliers of the terms of the proposed adjustment no later than 90 days prior to the implementation of such adjustment.

13.6 Annual Reassignment of Capacity

13.6.1 On each Annual Reassignment Date, the Company shall adjust the capacity assignments previously made to a Supplier to conform with the Company's resource and requirements plans. Such previously assigned Capacity shall be replaced by the assignment to the Supplier of the pro-rata shares of the same or similarly situated Capacity on behalf of the Customers enrolled in the Supplier's Aggregation Pools (as of the first day of the Month following the Annual Reassignment Date).

13.6.2 If the reassignment of Underground Storage Withdrawal Capacity requires adjustments to the Underground Storage Capacity previously assigned to a Supplier, the Company shall reassign Underground Storage Capacity to such Supplier, and the Company and the Supplier shall address any associated increments and decrements to inventories in place pursuant to Section 13.8 of these Terms and Conditions.

13.6.3 If the reassignment of Peaking Capacity is required by adjustments to the MDPQ for the Supplier's Aggregation Pool, the Company shall reassign Peaking Supply to such Supplier, and the Company and the Supplier shall address any associated increments and decrements to supplies pursuant to Section 16.0 of these Terms and Conditions.

13.7 Recall of Capacity

13.7.1 If the pro-rata shares of Capacity assignable to a Supplier declines because one or more of the Supplier's Customers has returned to Default Service, the Company shall have the right, but not the obligation, to recall from the Supplier the pro-rata shares of Capacity previously assigned to the Supplier on behalf of such Customers. The decision on whether to exercise its capacity-recall rights shall be made by the Company in its sole reasonable discretion subject to the conditions set forth in Section 13.7.2. If the Company elects to recall Capacity from a Supplier pursuant to this Section, such recall shall be made on the first Assignment Date following the effective date of the Customer's return to Default Service.

If the Company elects to recall Underground Storage Withdrawal Capacity from the Supplier pursuant to this Section, the Company shall reduce the Underground Storage Capacity associated with the affected Aggregation Pool in accordance with Section 13.8 of these Terms and Conditions. If the Company elects to reduce the MDPQ in the Supplier Service Agreement, the Company shall reduce the Peaking Supply associated

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

with the affected Aggregation Pool in accordance with Section 16.0 of these Terms and Conditions.

13.7.2 The Company shall, in its sole reasonable discretion, determine whether to exercise its capacity-recall rights pursuant to Section 13.7.1, except in the following circumstances, where the Company shall recall capacity associated with Customers returning to Default Service at the time of the next Assignment Date in accordance with the provisions of Section 24.5 of these Terms and Conditions:

(1) The Supplier returning said Customers to the Company's Default Service certifies that it is ceasing all business operations in Massachusetts;

(2) The Supplier returning said Customers to the Company's Default Service certifies that it will no longer offer service to a particular market sector, i.e., residential, small commercial and industrial ("C&I"), medium C&I, and/or large C&I Customers, and therefore, once such Customers are returned to Default Service, the Supplier is not eligible to re-enroll Customers of that type for a minimum time period of one year;

(3) The Supplier demonstrates that it has provided Supplier Service to the Customer for at least 12 consecutive months and that the Capacity to be recalled by the Company has been held by the Supplier, on behalf of the Customer, for a period equal to the sum of one or more 12-month increments. Except that, the Company will recall capacity associated with a Customer who converted from Default Service to receiving only Distribution Service during the period between November 1, 1999 and March 31, 2000, and was assigned Capacity pursuant to sections 13.3 and 13.4 as of November 1, 2000.

(4) To the extent that the return of Customers to Default Service does not occur pursuant to the conditions set forth in Sections 13.7.2(1), (2) or (3), the Company's discretion to recall Capacity shall be exercised so as to preclude the inappropriate avoidance of Capacity-cost responsibility, while minimizing the potential for inhibiting the routine enrollment, switching and termination of Customers from Supplier Service to Default Service.

13.7.3 In the event that a Customer in a Supplier's Aggregation Pool switches to another Supplier, the Company shall recall from the former Supplier said Customer's pro-rata shares of Capacity for reassignment to the new Supplier pursuant to Section 13.4. There shall be no change in the Customer's TCQ used to determine the Customer's pro-rata shares of Capacity for reassignment to the new Supplier. The recall of such Capacity from the Customer's former Supplier and the assignment of Capacity to the new Supplier shall be made on the Assignment Date following the effective date of the Customer's switch in Suppliers.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

If the Company recalls Underground Storage Withdrawal Capacity from the Customer's former Supplier, the Company shall reduce the Underground Storage Capacity associated with the affected Aggregation Pool in accordance with Section 13.8 of these Terms and Conditions. If the Company reduces the MDPQ in the Customer's former Supplier's Service Agreement, the Company shall also reduce the Peaking Supply associated with the affected Aggregation Pool in accordance with Section 16.0 of these Terms and Conditions.

13.7.4 The recall of Capacity by the Company shall entail the recall of released contracts pursuant to governing tariffs, and/or the reduction in assigned quantities set forth in the Supplier's Service Agreement. The recall of Capacity shall be executed in decrements of 200 MMBtus, commensurate with the cumulative reduction in the pro-rata shares of Capacity assignable to the Supplier that is equal to or greater than 150 MMBtus. Each decrement of Capacity assigned to the Supplier shall comprise Pipeline Capacity, Underground Storage Withdrawal Capacity and Peaking Capacity in proportion to the cumulative decrease in the pro-rata shares of Capacity recalled from the Supplier.

13.7.5 In the event that a Supplier is declared ineligible to nominate Gas for thirty (30) days pursuant to Sections 11.6.6 or 12.6.3 of these Terms and Conditions, the Company shall have the right to recall any or all Capacity assigned to said Supplier. If the Supplier is reinstated at the end of such 30-day period, the Company shall reassign Capacity to the Supplier on the next Assignment Date pursuant to Section 13.4. There shall be no change in the TCQ values used to determine the Supplier's Customers' pro-rata shares of Capacity for reassignment.

13.7.6 In the event that a Supplier is disqualified from service for a one (1) full year pursuant to Sections 11.6.6 or 12.6.3 of these Terms and Conditions, the Company shall recall any or all Capacity assigned to said Supplier. If the Supplier is reinstated at the end of such period, the Company shall reassign Capacity to the Supplier on the next Assignment Date pursuant to Sections 13.4 and 13.5.

13.7.7 In the event that the Supplier fails to meet the applicable registration and certification requirements established by law or regulation, fails to satisfy the requirements and practices as set forth in Section 24.3 of these Terms and Conditions, fails to be and remain an approved shipper on the upstream pipelines and underground storage facilities on which the Company will assign capacity, fails to make timely payment under the assigned contracts, or fails to comply with or perform any of the obligations on its part established in these Terms and Conditions or in the Supplier Service Agreement, the Company shall have the right to recall permanently any or all Capacity assigned to said Supplier. This section shall also apply to a Customer acting as its own Supplier.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

13.7.8 The Supplier shall forfeit its rights to Capacity recalled by the Company pursuant to this section. Such forfeiture shall be effected in accordance with applicable laws and regulations and the governing tariffs. In the event of capacity forfeiture pursuant to this Section, the Supplier shall be responsible to compensate the Company for any payments due under the contracts prior to forfeiture, as well as any interest due thereon. The Company will not exercise discretion in the application of the forfeiture provisions of this Section. This section shall also apply to a Customer acting as its own Supplier.

13.8 Underground Storage Capacity

13.8.1 On each Assignment Date, the Company shall release Underground Storage Capacity to a Supplier that accepts the assignment of Underground Storage Withdrawal Capacity pursuant to Section 13.4. The Company shall assign such Underground Storage Capacity consistent with the tariffs governing the release of the associated Underground Storage Withdrawal Capacity.

13.8.2 If the Company assigns Underground Storage Capacity to a Supplier pursuant to Section 13.8.1 above, the Company shall transfer in-place gas inventories to the Supplier. For incremental assignments, the quantity of incremental inventories to be transferred from the Company to the Supplier shall be determined by multiplying the incremental Underground Storage Capacity assigned to the Supplier on the Assignment Date, times the applicable Storage Inventory Percentage described in Section 13.8.5. The Supplier shall be charged the Company's weighted average cost of inventories in off-system storage facilities for each Dekatherm transferred from the Company to the Supplier. The Company shall post the Company's weighted average cost of inventories, by Gas Service Area, on its Website by the 15th of the Month preceding the next Assignment Date.

13.8.3 In the event that the Company recalls Underground Storage Withdrawal Capacity from the Supplier pursuant to Section 13.7, the Company shall also recall Underground Storage Capacity from the Supplier. The Company shall determine the total Underground Storage Capacity to be recalled from the Supplier in accordance with the tariffs governing the Underground Storage Withdrawal Capacity returned to the Company.

13.8.4 If the Company recalls Underground Storage Capacity from a Supplier pursuant to Section 13.8.3, the Supplier shall transfer in-place gas inventories to the Company. The quantity of inventories to be transferred from the Supplier to the Company shall be determined by multiplying the decremental Underground Storage Capacity times the applicable Storage Inventory Percentage described in Section 13.8.5. The Supplier shall be reimbursed at the Company's weighted average cost of inventories in the off-system storage facilities serving the applicable Aggregation Pool as of the Assignment Date, for each Dekatherm transferred from the Supplier to the Company. The Company shall post

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

the Company's weighted average cost of inventories, by Gas Service Area, on its Website by the 15th of the Month preceding the next Assignment Date.

13.8.5 Underground Storage Inventory Percentages shall be the ratio of the unassigned inventory levels in each storage resource that exists on the Assignment Date and the maximum Underground Storage Capacity of each storage resource less any Underground Storage Capacity previously assigned.

13. 9 Company-Managed Supplies

13. 9.1 The Company shall provide access to and ascribe cost responsibility for the pro-rata shares of certain capacity contracts, including Canadian, Section 7(c) and other contracts that are not assignable to third-parties.

13. 9.2 The Supplier's Service Agreement shall set forth the quantity of each Company-Managed Supply assigned to the Supplier pursuant to Sections 13.4 and 13.8.

13. 9.3 The Company shall notify the Supplier of the conditions and/or restrictions on the use of Company-Managed Supplies.

13. 9.4 The Company shall invoice the Supplier for its pro-rata shares of the demand charges for capacity contracts assigned to the Supplier as Company-Managed Supplies. The Company shall also flow through to the Supplier all costs incurred from the utilization of Company-Managed Supplies on behalf of the Supplier.

13.9.5 The Company shall nominate quantities to the Delivering Pipeline and/or other interstate pipelines and off-system storage operators on behalf of Suppliers to which the Company has assigned the Company-Managed Supply, provided that the requested nomination conforms to the tariffs governing the resource. The Supplier shall communicate its desired nomination quantities to the Company subject to the provisions in Sections 11.3 and 12.3 of these Terms and Conditions, unless earlier deadlines are required by the applicable contract terms.

13.10 Open-Season Capacity Assignments

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

A Customer that was either receiving only Distribution Service from the Company on February 1, 1999, or had a written request filed with the Company on or before February 1, 1999 to receive only Distribution Service, may elect for its Supplier to accept the assignment of its pro-rata shares of Capacity as determined by the Company in accordance with Section 13.3. The Customer must have submitted to the Company, on or before the last day of the designated Open Season, a completed application for capacity that is signed by both the Customer and Supplier. All assignments of Capacity made on behalf of such electing Customer shall be executed in accordance with Sections 13.0 and 16.0 of these Terms and ConditionsDefault.

13.11 Capacity Mitigation Service

13.11.1 Capacity Mitigation Service is available to Suppliers that have been assigned capacity pursuant to Section 13.4 of these Terms and Conditions. Such Suppliers shall have the option to take Capacity Mitigation Service from the Company for contracts that would otherwise be released to the Supplier in accordance with Section 13.5 of these Terms and Conditions. Company-Managed Supplies and Peaking Capacity are excluded from the Capacity Mitigation Service.

13.11.2 Within five (5) Business Days prior to the Annual Reassignment Date, the Supplier must designate those contracts that would otherwise be released to the Supplier pursuant to Section 13.5, as contracts to be managed by the Company for cost mitigation in accordance with the Company's Capacity Mitigation Service. Such designation will be effective for the period November 1 through October 31. Such notice shall be communicated in accordance with the Supplier's Service Agreement.

13.11.3 The Supplier shall pay to the Company the maximum-tariff rate or lesser rate paid by the Company, including all surcharges, for the capacity contracts that are retained and managed by the Company. The Company shall bill the Supplier monthly for such charges.

13.11.4 The Company will market capacity contracts designated by Suppliers for mitigation through the Capacity Mitigation Service. The Supplier shall receive a credit on its bill for Capacity Mitigation Service equal to the pro-rata share of the proceeds earned from the marketing of such capacity contracts, less 15 percent, which will be retained by the Company in exchange for such contract management. Such credit shall be determined on a contract-specific basis at the end of each Month, and will be included in the bill sent to the Supplier in the following Month.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

14.0 BILLING AND SECURITY DEPOSITS

14.1 The Customer shall be responsible for all charges for service furnished by the Company under the Company's applicable rates as filed from time to time with the MDTE, from the time service is commenced until it is terminated. The Company shall provide a single bill, reflecting unbundled charges, to Customers for Default Service.

14.2 The Company shall offer two billing service options to Customers taking Distribution Service: Standard Complete Billing Service and Standard Passthrough Billing Service. The Supplier shall inform the Company of the selected billing option in accordance with the provisions set forth in Section 24.5.

14.2.1 Standard Complete Billing Service

The Customer shall receive a single bill from the Company for both Distribution Service and Supplier Service. The Company shall use the rates supplied by the Supplier to calculate the Supplier's portion of the single bill, and integrate this billing within a single mailing to the Customer. The Company may charge a fee to the Supplier for providing this billing service as approved by the MDTE.

The Supplier shall adhere to the customer classes and rate pricing structure as specified in the Company's current Schedule of Rates on file with and approved by the MDTE. The Company shall reasonably accommodate, at the Supplier's expense, different customer classes or rate structures as agreed to by the Company and the Supplier in the Supplier Service Agreement.

The Company shall provide an electronic file for the Supplier that will, in addition to the usage being billed, contain the calculated Supplier billing amounts for the current bill cycle. Customer revenue due the Supplier shall be transferred to the Supplier in accordance with the Supplier Service Agreement. Upon receipt of Customer payments, the Company shall provide a file for the Supplier summarizing all revenue from Supplier sales which have been received and recorded that day.

If a Customer pays the Company less than the full amount billed, the Company shall apply the payment first to Distribution Service, and if any payment remains, it shall be applied to Supplier Service.

14.2.2 Standard Passthrough Billing Service

The Customer taking Distribution Service shall receive two (2) bills: the Company shall issue one bill for Distribution Service; and the Supplier shall issue a second bill for Supplier Service.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

The Supplier shall be responsible for the collection of amounts due to the Supplier from the Customer. Customer payment responsibility with Competitive Suppliers shall be governed by the particular Customer/Competitive Supplier Contract.

Within three (3) Business Days following the end of the Customer's billing cycle, the Company shall provide an electronic file for the Supplier that will contain the Customer's usage being billed including the current and previous meter readings. The Company may charge a fee to the Supplier for providing the billing information described in this section as approved by the MDTE.

14.2.3 The Company shall print twelve (12) months of historic usage data on the bill it issues to the Customer, in addition to the usage data for the current billing period.

14.2.4 Existing Company service fees, such as interest charges for unpaid balances and returned check charges, shall remain in effect and shall be assessed, as applicable, according to these Terms and Conditions.

14.3 The Company shall inform a Customer when Supplier Service has been initiated by a Supplier, along with information on how the Customer may file a complaint regarding an unauthorized initiation of Service. This information shall be included on the first bill rendered to the Customer after such initiation.

14.4 The Company shall schedule meter reads on a monthly or bimonthly cycle for billing purposes.

14.5 If the Customer receives Default Service or Non-Daily Metered Distribution Service pursuant to these Terms and Conditions and the applicable tariffs, the term billing month as used in the Schedule of Rates shall refer to the time period between two (2) consecutive regular monthly meter readings (or estimates of such monthly meter readings), the later of which occurs in the month to which reference is made, unless otherwise specifically stated within the Schedule of Rates. In the event that such time period is five (5) days greater or five (5) days less than thirty (30) days, billings will be appropriately adjusted by the Company.

14.6 The Company may, at its option, read meters and render bills on a bi-monthly basis to Customers in part or all of its service territory. When bills are rendered bi-monthly, the Company's Schedule of Rates will be applied in the following manner to compensate for such change:

(1) The charge for the initial consumption block and the quantity of use in each block shall be multiplied by two.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

(2) Monthly minimum charges, special equipment charges, demand charges and other additive charges contained in Schedule of Rates shall be multiplied by two.

(3) Where consumption blocks are increased based on equipment rating or capacity, such increases shall be multiplied by two.

14.7 The Company may render an estimated bill in the event that a regular meter reading cannot be obtained as normally scheduled. At the Company's option, Customers whose meters are scheduled to be read bi-monthly may be billed in each intervening billing month on an estimated basis. Estimated bills shall be payable when rendered.

14.8 Any Customer who would otherwise receive an estimated bill as provided above may elect to receive a bill based on actual meter readings by reading its meter at the time prescribed by the Company, recording the meter reading accurately on an appropriate form (which will be furnished by the Company upon request of the Customer) and immediately submitting the meter reading to the Company, or by such other means as arranged by the Company.

14.9 The Customer shall be liable for all rates, charges and surcharges allowed for in the Schedule of Rates related to services provided to each Customer individually.

14.10 If the Company is unable to gain access to the Customer's premises to obtain actual meter reads for a non-residential account for more than three (3) billing months, the Company may install automatic meter reading devices, or relocate the meter to an outside location, at the Customer's expense. In the event that the Customer is receiving Supplier Service, the Company shall notify the Customer's Supplier of any change in the Customer's account number upon the change in meter device or location.

14.11 A Customer acting as its own Supplier will be subject to the billing and payment requirements in Section 24.8 of these Terms and Conditions.

14.12 Readings taken by an automated meter reading device will be considered actual readings for billing purposes.

14.13 Unless otherwise specified, bills of the Company are payable when rendered (received) and may be paid at the office of the Company or at any authorized collector or agency. A Supplier may apply for authorization as a collector of Company bills in the Supplier Service Agreement. Bills shall be deemed rendered and other notices duly given, when delivered to the Customer personally or three (3) days following the date of mailing to the premises supplied or to the last known address of the Customer, or when left at either of such places.

14.14 Bills rendered to residential Customers on a billing month basis for which payment has not been received within 45 days from the date rendered or a period of time greater than

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

has elapsed between the rendering of such bill and the rendering of the most recent previous bill, whichever period is greater, shall be considered past due.

14.15 Bills rendered to non-residential customers on a billing month basis for which payment has not been received by the Company within 25 days from the date thereof -- 55 days for bills rendered to the Commonwealth of Massachusetts, or any agency, city, town, county or political subdivision thereof-- shall be considered past due and bear interest as specified in Appendix B hereof on any unpaid balance from the date of the bill until the date of payment. The rate of interest shall be determined annually in accordance with the MDTE regulations at 220 C.M.R. 26.00 and shall become effective each year with February bills.

14.16 The Company may assess a Returned Check Fee as specified in Appendix B to any Customer whose check made payable to the Company is dishonored by any bank when presented for payment by the Company.

14.17 In the event that the Company obtains inaccurate meter readings for any reason or in case any meter shall for any reason fail to register the full amount of Gas supplied or the maximum demand of any Customer for any period of time, the amount of the bill of such Customer shall be estimated by the Company from available data. Such estimates shall be binding upon both the Company and the Customer of record, unless a Customer of record disputes such estimate by following the billing and termination procedures of the MDTE. Such billing and termination procedures appear on the reverse side of each bill rendered by the Company for gas service.

14.18 Subject to law and the applicable regulations of the MDTE, security deposits may be required from new non-residential accounts; or from non-residential accounts for service of a similar character at any location under any name if this service has been properly terminated during the last eighteen (18) months due to non-payment; or if a non-residential account has failed to pay at least two bills, not reasonably in dispute within forty-five (45) days from the date of receipt of each such bill during the same 18-month period.

The maximum amount of any security deposit required shall not exceed the equivalent of either: 1) two billing months' average Gas Usage; or 2) the Gas Usage for any one billing month, whichever is greater. The security deposit, plus any accrued interest not previously credited to the account shall be refunded without request if the Customer has paid all bills for Gas Usage for any twenty-four (24) month period from the date of deposit and without leaving such bills unpaid within forty-five (45) days of receipt.

Interest will be paid on all cash deposits held over six months at a rate equivalent to the rate paid on two-year United States Treasury notes for the preceding twelve (12) months ending December 31 of any year, or as otherwise determined by the MDTE. The

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Company may terminate a Customer's Distribution Service if the deposit is not made between ten (10) and fourteen (14) days time after it has been requested in writing.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

15.0 DEFAULT SERVICE

15.1 Default Service is the supply service provided by the Company for Customers not electing to subscribe to Supplier Service and shall be provided by the Company or its designated supplier in accordance with tariffs approved by the MDTE. Each Customer receiving Default Service shall receive one bill from the Company reflecting unbundled charges for services.

15.2 A Customer receiving Default Service on October 31, 2000 shall continue to receive Default Service unless the Customer elects to take gas supply service from a Supplier and until such time that Supplier Service is initiated for the Customer in accordance with Section 24.5 of these Terms and Conditions. If said Customer terminates Supplier Service, if a Supplier terminates service to said Customer, or if said Customer's designated Supplier becomes ineligible to serve the Customers pursuant to Sections 11.6.5, 12.6.3, or 24.3 of these Terms and Conditions, the Company will provide Default Service to the Customer. Pursuant to Section 24.5 of these Terms and Conditions, the Company will initiate Default Service for the Customer and will provide Default Service to the Customer until such time that Supplier Service is initiated for the Customer by a new Supplier.

15.3 Any Customer whose Supplier has been assigned Capacity on behalf of said Customer pursuant to Section 13.0 of these Terms and Conditions may elect to return to Default Service if no longer receiving Supplier Service from a Supplier . If necessary, the Company will initiate Default Service for the Customer pursuant to Section 24.5 of these Terms and Conditions, and will provide the Customer with Default Service until such time that Supplier Service is initiated for the Customer by a new Supplier. The Company will provide Default Service to said Customer up to a maximum daily level of Gas Usage not to exceed the Total Capacity Quantity (TCQ) of recallable capacity assigned to the Customer's former Supplier.

15.4 In the event that a Supplier that has been assigned Capacity on behalf of a Customer pursuant to Section 13.0 of these Terms and Conditions terminates Supplier Service to said Customer, the Customer may select another Supplier. If necessary, the Company will initiate Default Service for the Customer pursuant to Section 24.5 of these Terms and Conditions, and will provide the Customer with Default Service until such time that Supplier Service is initiated for the Customer by a new Supplier. The Company will provide Default Service to said Customer up to a maximum daily level of Gas Usage not to exceed the TCQ of recallable capacity assigned to the Customer's former Supplier.

15.5 In the event that a Supplier that has been assigned Capacity on behalf of a Customer pursuant to Section 13.0 of these Terms and Conditions becomes ineligible to serve said Customer pursuant to Sections 11.6.5, 12.6.3, or 24.3 of these Terms and Conditions, the Company will provide the Customer with Default Service up to a maximum daily level of

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Gas Usage not to exceed the TCQ of recallable capacity assigned to the Customer's Supplier.

15.6 The Company shall be under no obligation to provide Default Service to a Customer at a maximum daily level in excess of the TCQ of recallable capacity assigned to a Supplier on behalf of said Customer. The Company may elect to provide Default Service to such Customer if, and to the extent that, adequate system capacity and supplies are available and upon the same terms and subject to the same conditions as any new Customer seeking to take Default Service.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

16.0 PEAKING SERVICE

16.1 Availability

Peaking Service is available to all Suppliers providing Supplier Service to a Customer or Customers taking Daily-Metered or Non-Daily Metered Distribution Service from the Company pursuant to Section 11.0 or 12.0, respectively, of these Terms and Conditions. Section 16.0 shall also apply, to the extent noted herein, to any Customer acting as its own Supplier and taking Daily-Metered or Non-Daily Metered Distribution Service from the Company. The Company will assign and the Supplier shall accept each Customer's pro-rata shares of Capacity, if any, as established in accordance with this Section.

16.2 Character of Service

16.2.1 Peaking Service shall be provided by the Company subject to an executed Supplier Service Agreement that sets forth the Maximum Daily Peaking Quantity (MDPQ) and the assigned Peaking Supply for each of the Supplier's Aggregation Pools.

16.2.2 The Company shall provide quantities of Gas, at the Supplier's request, from the Supplier's Peaking Service Account as established in accordance with Section 16.4. Such quantities shall be deemed delivered by the Company and received by the Company at the Designated Receipt Point(s) for the Aggregation Pool. Peaking Service shall be firm and available to the Supplier each Gas Day in accordance with the balance of the Supplier's Peaking Service Account and the parameters of the Company's Peaking Service Rule Curve.

16.3 Peaking Service Rate Components

16.3.1 The applicable rates for Peaking Service shall be established in the Company's tariffs as approved by the MDTE. The Supplier shall pay a peaking-demand charge based on its MDPQ of assigned Peaking Capacity as billed by the Company over the six months of the Peak Season. Such unit-demand charge shall be equal to the total capacity costs and other fixed costs associated with the Company's peaking resources, excluding such costs that are collected through distribution rates, divided by the estimated peaking resources needed to meet the Company's total system Peak-Day requirement.

16.3.2 The Supplier shall pay a commodity charge equal to the weighted average cost of peaking supplies plus fuel retention and carrying charges. The Company shall post the Company's weighted average cost of peaking supplies on its Website by the 15th of the Month preceding the next Assignment Date. The commodity charge will be multiplied by the volumes of Peaking Service gas nominated by the Supplier during each Month.

16.4 Peaking Supply

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

16.4.1 The Customer's portion of the Peaking Supply that shall be assigned to the Supplier on behalf of the Customer shall be equal to the Peaking Supply multiplied by the ratio of the Customer's MDPQ to the aggregate MDPQ of the total system.

16.4.2 On each Assignment Date, the Company shall assign Peaking Supply to a Supplier whose MDPQ has been increased pursuant to Section 13.4. If the Company assigns incremental Peaking Supply to a Supplier, the Company shall credit the balance of the Supplier's Peaking Service Account for volumes available through October 31 in accordance with the Peaking Service Rule Curve as set forth on the Company's Website. The amount credited to the Supplier's Peaking Service Account shall be determined by multiplying the incremental Peaking Supply by the Peaking Inventory Percentage described in Section 16.4.5.

16.4.3 On each Assignment Date, the Company shall recall Peaking Supply from a Supplier whose MDPQ has been decreased pursuant to Section 13.7. The Company shall determine the Supplier's total Peaking Supply for recall to be equal to the difference between the cumulative total Peaking Supply assigned to the Supplier as of the previous Assignment Date and the total Peaking Supply that is assignable to the Supplier in accordance with Section 16.4.1 above.

16.4.4 If the Company recalls Peaking Supply from a Supplier pursuant to Section 16.4.3, the Company shall debit the balance of the Supplier's Peaking Service Account for volumes available through October 31 in accordance with the Peaking Service Rule Curve as set forth on the Company's Website. The amount debited from the Supplier's Peaking Service Account shall be determined by multiplying the decremental Peaking Supply by the Peaking Inventory Percentage described in Section 16.4.5.

16.4.5 The Peaking Inventory Percentage shall represent the level of Peaking Supply assumed to be available to a Supplier in its Peaking Service Account as of the first day of the Month following the Assignment Date for incremental and decremental assignments of Peaking Supply. Each September, the Company shall post on its Website the Peaking Inventory Percentages that shall be applied to incremental or decremental Peaking Supply assignments executed on each of the twelve Assignment Dates beginning in October.

16.4.6 On each Annual Reassignment Date, the Company shall reset the balance in the Supplier's Peaking Service Account to equal to the total Peaking Supply assignable to the Supplier on behalf of Customers enrolled in its Aggregation Pool (as of the first day of the Month following the Annual Reassignment Date) as determined in accordance with Section 16.4.1 above.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

16.5 Nomination of Peaking Service

16.5.1 The Supplier shall nominate to the Company the quantity of Peaking Supply, not in excess of the amount determined pursuant to Section 16.4.2 that the Supplier desires to be provided from its Peaking Service Account for the applicable Day. For an Aggregation Pool of Customers taking Daily Metered Distribution Service, the notice given by the Supplier to the Company for an applicable Day shall be made in accordance with Section 11.3 of these Terms and Conditions. For an Aggregation Pool of Customers taking Non-Daily Metered Distribution Service, the notice given by the Supplier to the Company for an applicable Day shall be made in accordance with Section 12.3 of these Terms and Conditions.

16.5.2 In response to a valid nomination for Peaking Service, the Company shall provide the requested quantity of Gas which shall be deemed to be delivered by the Company and received by the Company at the Designated Receipt Point(s) of the Supplier's Aggregation Pool, subject to the limitations herein. Nominated quantities shall be included in the determination of receipts at the Designated Receipt Point(s) for the Supplier's Aggregation Pool which factors into the daily balancing provisions set forth in these Terms and Conditions.

16.5.3 The Company may reject a Supplier's nomination for Peaking Service if the nominated quantity would cause the balance of the Supplier's Peaking Service Account to fall to a level that is 10% or more below the minimum allowable account balance for the Month in which the nomination requested as computed in accordance with the Peaking Service Rule Curve. Under such circumstances, the Company shall require the Supplier to nominate the pipeline and/or storage resources, within the contract entitlements assigned to the Supplier under Section 13.0 hereof, required to maintain the Supplier's Peaking Service Account above the minimum allowable account balance described above. The balance of the Supplier's Peaking Service Account may not in any event fall below zero.

16.5.4 The Company shall provide Peaking Service supplies to the Supplier only when the volumes in the Peaking Service Account for the Aggregation Pool are greater than zero.

16.6 Peaking Service Critical Day Provisions

16.6.1 In the event that the volumes in a Supplier's Peaking Service Account for an Aggregation Pool are reduced to a level below the minimum allowable account balance as computed in accordance with the Company's Peaking Service Rule Curve, the Company may issue an OFO to such Supplier pursuant to Section 19.0 of these Terms and Conditions.

16.6.2 In the event that the total volumes of all Peaking Service Accounts within one or more of the Company's Gas Service Areas are reduced to levels below the total minimum allowable account balances as computed in accordance with the Company's Peaking

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Service Rule Curve, the Company may declare a Critical Day and issue a blanket OFO pursuant to Section 19.0 of these Terms and Conditions.

16.6.3 If, on a Critical Day, the Company projects, based on the Supplier's nominations, that the Supplier's scheduled deliveries to the Designated Receipt Points of an Aggregation Pool are less than the maximum feasible volumes for deliveries on the Delivering Pipeline, the Company may issue an OFO to the Supplier in accordance with Section 19.0 of these Terms and Conditions.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

17.0 INTERRUPTIBLE DISTRIBUTION SERVICE

17.1 Until such time that standardized Terms and Conditions for Interruptible Distribution Service are developed, the terms of customer-specific contracts shall establish the provisions of such service by the Company.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

18.0 DISCONTINUANCE OF SERVICE

18.1 The Company may discontinue the supply of service and/or remove its equipment from the Customer's premises if the Customer fails to comply with the provisions of the Schedule of Rates or any supplementary or special agreement entered into with the Company, subject to any applicable billing and termination procedures of the MDTE. The Company may assess an Account Restoration Charge and Warrant Fee pursuant to Appendix B of these Terms and Conditions upon such discontinuance of supply. Any such charge must be paid as a precondition to restoration of service.

18.2 Whenever the Company reasonably determines that a Customer is diverting and/or stealing service, the Company may discontinue its service to such Customer and remove the meter.

18.3 The Company shall notify a Customer's Supplier of record that it has initiated any applicable billing and termination procedures of the MDTE. In the event that the Company discontinues Distribution Service to a Customer in accordance with the provisions set forth above, the Company shall provide electronic notification to the Customer's Supplier of record upon final billing to the Customer. The Company shall not be liable for any revenue loss to the Supplier as a result of any such disconnection.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

19.0 OPERATIONAL FLOW ORDERS AND CRITICAL DAYS

19.1 In the event of a material and significant threat to the operational integrity of the Company's system, the Company may declare a Critical Day.

19.2 Circumstances constituting a threat to the operational integrity of the system that may cause the Company to declare a Critical Day shall include, but not be limited to: (1) a failure of the Company's distribution, storage or production facilities; (2) near-maximum utilization of the Company's distribution, storage, production, and supply resources; (3) inability to fulfill firm service obligations; and (4) issuance of an OFO or similar notice by upstream transporters. A Critical Day may not be declared on all or a portion of the system for the purpose of maintaining interruptible services on that portion of the system, but interruptible gas may flow at times or on portions of the system when such flow would not violate any operational control restrictions or provisions of this Tariff.

19.3 In the event that the Company has declared a Critical Day, the Company will have the right to issue an operational flow order ("OFO") in which the Company may instruct Suppliers to take such action as conditions require, including, but not limited to, diverting Gas to or from the Company's distribution system, within the contract entitlements, if any, assigned to the Supplier under Section 13.0 hereof. An OFO may be issued on a pipeline or point-specific basis. An OFO may be issued by the Company as a blanket order to all Suppliers, or to an individual Supplier whose action are determined by the Company to jeopardize system integrity. The Company may issue an OFO to an individual Supplier if the Company faces gas cost exposure in excess of daily cashout or imbalance penalty revenues as set forth in Sections 11.6 and 12.6 for any underdeliveries or overdeliveries caused by that Supplier.

19.4 The Company will provide the Supplier with as much notice as is reasonably practicable of the issuance and removal of a Critical Day or an OFO; under most circumstances, the Company intends to provide at least twenty-two (22) hours notice prior to the start of the Gas Day for the issuance of the Critical Day or OFO. Notification of the issuance and removal of a Critical Day or an OFO will be made on the Company's Website or by other means as established in the Supplier Service Agreement. The Supplier will be responsible for coordinating with its Customers regarding any necessary change to the Customer's quantity of Gas Usage. An OFO or Critical Day will remain in effect until its removal by the Company.

19.5 All quantities of Gas overdelivered or underdelivered to the Company's system in violation of an OFO will be subject to the Critical Day provisions of Sections 11.6 and 12.6 of these Terms and Conditions.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

20.0 FORCE MAJEURE AND LIMITATION OF LIABILITY

20.1 Neither the Company nor the Supplier will be liable for any act, omission, or circumstance occasioned by or in consequence of any event constituting Force Majeure, and unless it is otherwise expressly provided herein, the obligations of the Company and the Supplier then existing hereunder will be excused during the period thereof to the extent affected by such event of Force Majeure, provided that reasonable diligence is exercised to overcome such event. As used herein, Force Majeure will mean the inability of the Company or the Supplier to fulfill its contractual or regulatory obligations as a result of compliance by either party with an order, regulation, law, code or operating standard imposed by a governmental authority; by reason of any act of God or public enemy; by reason of storm, flood, fire, earthquake, explosion, civil disturbance, labor dispute, breakage or accident to machinery or pipeline (which breakage or accident is not the result of the Company's negligence or misconduct); by reason of any declaration of Force Majeure by upstream transporting pipelines; or by reason of any other cause, whether the kind enumerated herein or otherwise, not within the control of the party claiming Force Majeure and which by the exercise of reasonable diligence such party is unable to prevent or overcome. Notwithstanding the foregoing, the Customer's and the Supplier's obligation to make any payments required under the applicable tariff or by these Terms and Conditions will in no case be excused by an event of Force Majeure. Nor will a failure to settle or prevent any labor dispute or other controversy with employees or with anyone purporting or seeking to represent employees be considered to be a matter within the control of the party claiming excuse. The party claiming Force Majeure will, on request, provide the other party with a written explanation thereof, and of the remedy being undertaken.

20.2 The Company shall be liable only for direct damages resulting from the Company's conduct of business when the Company, its employees or agents have acted in a negligent or intentionally wrongful manner. In no event shall the Company be liable to any party for any indirect, consequential, or special damages, whether arising in tort, contract or otherwise, by reason of any services performed, or undertaken to be performed, or actions taken by the Company, or its agents or employees, under the Schedule of Rates or in accordance with or required by law, including, without limitation, termination of the Customer's service.

20.3 If the Company is unable to render firm Distribution Service to the Customer taking such service as contemplated by these Terms and Conditions as a result of Force Majeure, and such inability continues for a period of thirty (30) days, the Customer may provide written notice to the Company of its desire to terminate Distribution Service at the expiration of thirty (30) days from the Company's receipt of such notice, but no sooner than sixty (60) days following the outset of the Force Majeure. If the Company has not restored Distribution Service to the Customer at the end of such notice period, the Customer's Distribution Service will terminate and both parties will be released from further performance hereunder, except for obligations to pay sums due and owing as of the date of

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

termination. In such an event, a Customer taking firm Distribution Service pursuant to a Rate Schedule that includes distribution-services demand charge, shall be eligible for an adjustment to the billed demand charges or a reimbursement of paid demand charges on a pro-rated basis to match the period in which the Company is unable to render Distribution Service as a result of the Force Majeure.

20.4 Consistent with the provisions of Section 20.2 of these Terms and Conditions, the Company and the Supplier shall indemnify and hold the other and their respective affiliates, and the directors, officers, employees, and agents of each of them (collectively, "Affiliates") harmless from and against any and all losses, damages, costs (including reasonable attorney's fees), fines, penalties, and liabilities, in tort, contract, or otherwise (collectively, "Liabilities"), resulting from claims of third parties to the extent that such claims arise from negligent acts or omissions or willful misconduct of its obligations in connection with the performance of its obligations under these Terms and Conditions. No party shall be entitled to indemnification or be held harmless if its negligent acts or omissions contribute to or cause such losses, damages, costs, fines, penalties or liabilities.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

21.0 CURTAILMENT

21.1 Whenever the integrity of the Company's system or the gas supply of the Company's Customers taking firm Default Service or Distribution Service is believed to be threatened by conditions on its system or upon the systems with which it is directly or indirectly interconnected, the Company may, in its sole reasonable judgment, curtail or interrupt gas service or reduce pressure and such action shall not be construed to constitute a default nor shall the Company be liable therefor in any respect. The Company will use efforts reasonable under the circumstances to overcome the cause of such curtailment, interruption or reduction and to resume full performance.

21.2 The Company shall post notice of curtailment as soon as practicable to the Suppliers of affected Customers via the Company's Website as identified in Section 23.0 or by alternative means as specified in the Supplier Service Agreement.

21.3 The Company shall take reasonable care in providing regular and uninterrupted service to its firm customers, but whenever the Company deems that the situation warrants any interruption or limitation in the service to be rendered, such interruption or limitation shall not constitute a breach of the contract, and shall not render the Company liable for any damages suffered thereby by any person, or excuse the Customer from further fulfillment of the contract.

21.4 If the Company is required to curtail or interrupt service due to capacity constraints, the Company's interruptible services shall have a priority subordinate to the Company's firm Distribution Service and Default Service Customers.

21.5 In any case where the Company determines in its judgment that a curtailment or interruption of firm services is necessary, the Company will curtail and/or interrupt Default Service and firm Distribution Service Customers on a nondiscriminatory basis consistent with the Company's curtailment policy or emergency plan, as is in effect and on file with the MDTE.

21.6 In the event service to a Customer is terminated or curtailed due to a failure to have Gas delivered to the Designated Receipt Point, the affected Customer will take all reasonable action to ~~return to the taking of Distribution Servic~~eremedy said delivery failure as rapidly as practicable so as that the Company may reinstate the Customer's Distribution Service.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

22.0 TAXES

22.1 In the event a tax of any kind is imposed or removed by any governmental authority on the transportation of Gas or on the gross revenues derived from the transportation of Gas at retail (exclusive, however, of taxes based on the Company's net income), the rate for service herein stated will be adjusted to reflect said tax. Similarly, the effective rate for service hereunder will be adjusted to reflect any refund of imposition of any surcharges or penalties applicable to service hereunder which are imposed or authorized by any governmental or regulatory authorities.

22.2 The Customer will be responsible for all taxes or assessments that may now or hereafter be levied with respect to the Gas or the handling or subsequent disposition thereof after its delivery to the Delivery Point. However, if the Company is required by law to collect and/or remit such taxes, the Customer will reimburse the Company for all amounts so paid. If the Customer claims exemption from any such taxes, the Customer will provide the Company in writing its tax exemption number and other appropriate documentation. If the Company collected any taxes or assessments from the Customer and is later informed by the Customer that the Customer is exempt from such taxes, it shall be the Customer's responsibility to obtain any refund from the appropriate governmental taxing agency.

22.3 The Supplier will be responsible for all production, severance, ad valorem or similar taxes levied on the production or transportation of the Gas before its delivery to the Designated Receipt Point. The Supplier will also be responsible for sales taxes imposed on Gas delivered for the Customer's account. However, if the Company is required by law to remit such taxes to the collecting authority, it will do so and invoice the Supplier for such taxes paid on the Supplier's behalf.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

23.0 COMMUNICATIONS

All communications called for between a Supplier and the Company shall be made through the Company's Internet Website ("Website") at http://www.BGC.com, or by other alternative means as agreed to by the Company and the Supplier in the Supplier Service Agreement. Communications using the Website or the alternative mode shall be binding.

The Company has the right to change its Website address and the alternative mode of communication and will notify the Supplier of such change. Such a change shall not require filing of these Terms and Conditions with the MDTE.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

24.0 SUPPLIER TERMS AND CONDITIONS

24.1 Applicability

The following Terms and Conditions shall apply to every registered Supplier authorized to do business within the Commonwealth of Massachusetts, and to every Customer doing business with said Suppliers.

24.2 Obligations of Parties

24.2.1 Customer

Unless otherwise agreed to by the Company and the Customer, a Customer shall select one Supplier for each account at any given time. The Customer must provide the selected Supplier with its applicable Authorization Number. A Customer may choose only a Supplier who meets the terms described in Sections 24.2.3 and 24.3 below and who meets any applicable registration and licensing requirements established by law or regulation.

24.2.2 Company

The Company shall provide transportation of Customer purchased Gas from the Designated Receipt Point to the Delivery Point in accordance with the service selected by the Customer pursuant to Sections 11.0 or 12.0 of these Terms and Conditions and the applicable tariffs for firm and interruptible Distribution Service.

Pursuant to these Terms and Conditions and the Supplier Service Agreement, the Company shall offer Distribution Service, metering, billing, and information services for a Customer to purchase Supply Service from a Supplier, provided that the Supplier meets applicable registration and licensing requirements established by law or regulation. The Company is prohibited from providing these services to a Supplier that has not met applicable registration and licensing requirements established by law or regulation . In addition, the Company is prohibited from providing these services to a Supplier for a new Customer if the Supplier does not meet applicable registration and licensing requirements established by law or regulation.

The Company will also:

(1) Provide customer service and support, including call center functions, for services provided by the Company;

(2) Respond to service interruptions, reported gas leaks, and to other customer safety calls;

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

(3) Handle connections, curtailments, and terminations for services provided by the Company;

(4) Read meters;

(5) Submit bills to Customers for Distribution Service, and if contracted by the Supplier, for Supplier Service in accordance with Section 14.2.1;

(6) Address billing inquiries for Distribution Service;

(7) Answer general questions about Distribution Service;

(8) Provide to Suppliers, on request, the data format and procedures for electronic information transfers and funds transfers;

(9) Provide to Customers, on request, a list of Suppliers that are qualified to operate on its system;

(10) Arrange for or provide Default Service to the Customer at the request of the Customer in accordance with the Company's tariff; and,

(11) Provide information regarding, at minimum, rate tariffs, billing cycles, capacity assignment methods, and consumption algorithms, on its Website or by alternate electronic means.

24.2.3 Supplier

Each Supplier must meet the applicable registration and licensing requirements established by law or regulation.

The Supplier shall act on behalf of the Customer to acquire supplies and to deliver such supplies to the Designated Receipt Point pursuant to the service selected by the Customer and the requirements of the applicable tariff for Distribution Service.

The Supplier is responsible for enrolling customers pursuant to Section 24.5 of these Terms and Conditions.

The Supplier must request, complete and sign a Supplier Service Agreement to act as a Supplier on the Company's system, satisfy the Supplier requirements and practices as set forth in Section 24.3 of these Terms and Conditions, be and remain an approved shipper on the upstream pipelines and underground storage facilities on which the Company will

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

assign capacity, if any, under Section 13.0, and be and remain eligible to provide service to Customers in Massachusetts.

The Supplier is responsible for completing all transactions with the Company pursuant to Section 23.0, and for all applicable charges associated with Customer enrollment and changes in the Customer's service as set forth in Section 24.5 and ~~Appendix~~Appendix B.

24.3 Supplier Requirements and Practices

24.3.1 The Company shall have the right to establish reasonable financial and non-discriminatory credit standards for qualifying Suppliers. Accordingly, in order to serve Customers on the Company's system, the Supplier shall provide the Company, on a confidential basis, with audited balance sheet and other financial statements, such as annual reports to shareholders and 10-K reports, for the previous three (3) years, as well as two (2) trade and two (2) banking references. To the extent that such annual reports and 10-K reports are not publicly available, the Supplier shall provide the Company with a comparable list of all corporate affiliates, parent companies and subsidiaries. The Supplier shall also provide its most recent reports from credit reporting and bond rating agencies. The Supplier shall be subject to a credit investigation by the Company. The Company will review the Supplier's financial position periodically.

24.3.2 The Supplier shall also confirm in the Supplier Service Agreement that:

(1) The Supplier is not operating under any chapter of bankruptcy laws and is not subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditors, or any information creditors' committee agreement.

(2) The Supplier is not aware of any change in business conditions which would cause a substantial deterioration in its financial conditions, a condition of insolvency, or the inability to exist as an ongoing business entity.

(3) The Supplier has no delinquent balances outstanding for services previously provided by the Company, and that the Supplier must have paid its account according to the established terms and not made deductions or withheld payment for claims not authorized by contract.

(4) No significant collection lawsuits or judgments are outstanding which would materially affect the Supplier's ability to remain solvent as a business entity.

(5) The Supplier's Massachusetts business advertising and marketing materials conform to all applicable Massachusetts state and federal laws and regulations.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

24.3.3 In the event the Supplier has not demonstrated to the Company's satisfaction that it has met the Company's credit evaluation standards, the Company shall require the Supplier to provide one of the following at the Maximum Financial Liability as calculated below:

(a) Advance deposit;

(b) Letter of credit;

(c) Surety bond;

(d) Financial guaranty from a parent company that meets the creditworthiness criteria.

The Company shall base the Supplier's Maximum Financial Liability as two (2) times the highest Month's aggregated Gas Usage of all Customers currently served by the Supplier at the highest Monthly Index in the preceding twenty-four (24) Months. This amount may be updated continuously, and at minimum, whenever the aggregated Gas Usage of all Customers served by the Supplier changes by more than 25%. The Supplier agrees that the Company has the right to access and apply the deposit, letter of credit or bond to any payment of any outstanding claims that the Company may have against the Supplier, including imbalance charges, cash-out charges, pipeline penalty charges, and other amounts owed to the Company, or to secure additional gas supplies, including payment of the cost of the gas supplies, the cost of transportation storage, gathering and other related costs incurred in bringing those gas supplies into the Company's system. The Supplier shall continue its obligation to maintain its financial security instrument until it has satisfied all of its outstanding claims of the Company. The Supplier's financial security as established above must be in place no later than five (5) Business Days prior to the first day of each calendar month in order for the Supplier to maintain its eligibility to provide service to Customers.

24.3.4 The Supplier shall warrant that it has or will have entered into the necessary arrangements for the purchase of gas supplies which it desires the Company to transport to its Customers, and that it has or will have entered into the necessary upstream transportation arrangements for the delivery of these gas supplies to the Designated Receipt Point.

24.3.5 The Supplier shall warrant to the Company that it has good title to or lawful possession of all Gas delivered to the Company at the Designated Receipt Point on behalf of the Supplier or the Supplier's Customers. The Supplier shall indemnify the Company and save it harmless from all suits, actions, debts, accounts, damage, costs, losses, taxes, and expenses arising from or out of any adverse legal claims of third parties to or against said gas supply.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

24.3.6 The Supplier shall be responsible for making all necessary arrangements and securing all required regulatory or governmental approvals, certificates or permits to enable Gas to be delivered to the Company's system.

24.3.7 By agreeing to provide service under these Terms and Conditions, the Supplier acknowledges that adherence to any applicable truth in advertising law is required. Any Supplier found by a court of competent jurisdiction to have willfully or repeatedly violated the Truth in Advertising Regulations, 940 C.M.R. 3.00 et seq.; 940 C.M.R. 6.00 et seq.; Federal Trade Commission Telemarketing Sales Rules, 16 C.F.R. Part 310; or the regulations promulgated pursuant to the Federal Trade Commission Act, 15 U.S.C. 45 (a) (1), may be suspended or disqualified from acting as a Supplier on the Company's system.

24.3.8 If the Supplier fails to comply with or perform any of the obligations on its part established in these Terms and Conditions or in the Supplier Service Agreement (e.g., but not limited to, failure to deliver Gas or late payment of bills rendered or failure to execute a capacity assignment), the Company maintains the right to terminate the Supplier's eligibility to act as a Supplier on the Company's system. Written notice of such an intent to terminate the Supplier's eligibility shall be given to both the Supplier and its Customers. Notification of the Supplier shall be via Registered U.S. Mail - Return Receipt Requested or other means of documented delivery. Upon issuance of such written notice, the Company shall have the right to terminate the Supplier's eligibility to act as a Supplier on the Company's system at the expiration of ten (10) days after the giving of such notice, unless within such ten (10) day period the Supplier shall remedy to the full satisfaction of the Company such failure. Termination of such Supplier eligibility for any such cause shall be a cumulative remedy as to the Company, and shall not release the Supplier from its obligation to make payment of any amount or amounts due or to become due from the Supplier to the Company under the Company's applicable tariffs. Customers whose Supplier's deliveries have been terminated will be placed on Default Service pursuant Section 15.0 of these Terms and Conditions.

24.4 Access to Usage History and Current Billing Information

The Supplier shall be responsible for obtaining the necessary authorization from each Customer prior to requesting the Company to release the Company's historic usage information specific to that Customer to such Supplier. Such authorization shall consist of (i) letter of authorization; (ii) third-party verification; or (iii) a customer-initiated call to an independent third-party, consistent with 220 C.M.R. § 11.05.

The Company shall be required to provide the most recent twelve (12) months' of a Customer's historic usage data to a Supplier, provided that the Supplier has received the

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

appropriate authorization as set forth above. This information shall be provided in electronic form.

24.5 Enrollment, Cancellation, and Termination of Supplier Service

24.5.1 The Supplier shall be responsible for obtaining the necessary authorization from each Customer prior to initiating Supplier Service to the Customer. Such authorization shall be in accordance with regulations established by the MDTE.

24.5.2 The Supplier must provide the Company with the following minimum information electronically in the Company's predetermined format prior to the commencement or termination of service by the Supplier pursuant to Section 24.5 of these Terms and Conditions:

(a) The Customer's name and current Authorization Number;

(b) The name of the Supplier;

(c) The Customer's billing option;

(d) The type of change in Supplier Service (e.g., commencement of service, termination of service, or cancellation of service due to the rescission of an agreement with the Supplier by the Customer);

(e) Type of Customer authorization for the change in service;

(f) Any additional information reasonably required by the Company.

The Company shall determine whether each Customer's electronic enrollment request as provided by a Supplier is complete and accurate, and matches the Customer's account record. In the event that the enrollment request is incomplete, inaccurate, or does not match the Customer's account record, then the Company will electronically notify the Supplier so that the Supplier can resolve any discrepancies. The Supplier shall not submit an electronic enrollment request until any applicable right of rescission has lapsed.

24.5.3 A change in Supplier Service will normally be made on a monthly metering and billing cycle basis, with changes taking effect on the date of the Customer's next scheduled meter read. Enrollment forms must be transmitted no less than ten (10) Business Days prior to the Customer's next scheduled meter read. If more than one Supplier submits a Supplier Service transaction for a given Customer during the monthly billing cycle, the first transaction that is received during the cycle shall be accepted. All other transactions

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

shall be rejected. Rejected transactions may be resubmitted after the Customer's next scheduled meter read.

24.5.4 If the Supplier submits information to the Company to terminate Supplier Service to a Customer less than ten (10) days before the next scheduled meter read, Supplier Service shall be terminated on the date of the Customer's subsequent scheduled meter read. The Company shall electronically confirm the termination date for Supplier Service.

24.5.5 To terminate Supplier Service with a Supplier and to initiate Default Service, a Customer shall so inform the Company and the Supplier. For residential customers, Supplier Service shall be terminated within two (2) Business Days following the date that the Customer informs the Company; for all other customers, Supplier Service shall be terminated on the date of the Customer's next scheduled meter read provided that the Company receives notice of such termination no less than ten (10) days in advance of the next scheduled meter read. Where such notice is received by the Company in less than ten (10) days in advance of the next scheduled meter read, the termination shall be effective as of the date of the following scheduled read. The Company shall send the Customer's termination date for Supplier Service to the Supplier.

24.5.6 In those instances when a Customer who is receiving Supplier Service from an existing Supplier initiates such service with a new Supplier, the Company shall send the date for Customer's change in Supplier Service to the existing Supplier.

24.5.7 A Customer who moves within the Company's service territory shall have the opportunity to notify its existing Supplier that it seeks to continue Supplier Service with said Supplier. Upon such notification, the Supplier may enroll the Customer pursuant to the provisions set forth in this section in order to initiate Supplier Service for the Customer at the new location. The Company shall make the necessary adjustments to the Supplier's affected Aggregation Pools, including but not limited to, changes to Designated Receipt Points, and quantities of capacity for assignment, if any, pursuant to these Terms and Conditions and the Supplier's Service Agreement with the Company. In the event that the existing Supplier does not enroll the Customer for Supplier Service at the new location, the Company shall arrange for or provide Default Service to the Customer.

24.5.8 In those instances when a new Customer moves to the Company's service territory, the Customer's existing Supplier must enroll the Customer pursuant to the provisions set forth in this section in order to initiate Supplier Service for the Customer. Otherwise, the Customer shall receive Default Service in accordance with Section 15.0.

24.5.9 The Company may charge fees to the Supplier for processing the transactions described in this section, as approved by the MDTE. These fees are included in ~~Appendix~~Appendix B.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

24.6 Aggregation Pools

24.6.1 The aggregation of Customer accounts into an Aggregation Pool is limited by the Distribution Service of the respective Customers. Customers receiving non-daily metered Distribution Service from the Company must be aggregated in a separate pool from Customers subscribing to daily-metered service.

24.6.2 Within each of the Company's designated Service Areas, all non-daily metered Customers served by a Supplier shall be aggregated by the Company into a single Aggregation Pool pursuant to Section 12.0 of these Terms and Conditions and the applicable tariffs.

24.6.3 Daily metered Customers taking Distribution Service pursuant to Section 11.0 of these Terms and Conditions and the applicable tariffs can be combined by a Supplier into a single Aggregation Pool within each of the Company's designated Service Areas.

24.6.4 A separate Supplier Account will be established for each Supplier Aggregation Pool.

24.6.5 The election of any service from the Company by the Supplier shall apply to the entire Aggregation Pool and not just an individual customer in the Aggregation Pool.

24.6.6 The Company may charge a monthly fee to the Supplier for each Aggregation Pool pursuant to ~~AppendixB.~~ Appendix B.

24.7 Imbalance Trading

24.7.1 Prior to the imposition of imbalance charges, the Supplier may engage in trading daily and monthly imbalances for the previous Month, provided that Daily imbalance trades are communicated to the Company within three (3) Business Days upon the Company's provision of information on Supplier imbalances for said Month.

24.7.2 The Company will make available a list of Suppliers by Gas Service Area making deliveries during the previous Month.

24.7.3 Aggregation Pools affected by the transaction must be located within the same Gas Service Area as defined in Section 4.0, unless waived by the Company.

24.7.4 Daily imbalance trades must be point-specific on those days when the Delivering Pipeline required the Company to balance on a point-specific basis.

24.8 Billing and Payment

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

By the tenth (10th) Business Day of the calendar month, the Company shall render to the Supplier a statement of the quantities delivered and amounts owed by the Supplier for the prior Month. The Company will provide Suppliers with their Customers' consumption data based on estimated or actual meter readings at the appropriate cycle read dates for each Customer in the Aggregation Pool pursuant to Section 14.0 of these Terms and Conditions. This data will be provided electronically on a rolling basis as readings or estimates are made.

Calculation of the charges applicable to the Aggregation Pool will be based on aggregated Gas Usage and other such indicators of all Customers in the Aggregation Pool. Billing for charges applicable to an Aggregation Pool, including but not limited to imbalance charges, credits or penalties, shall be billed to the Supplier on a calendar month basis.

The Supplier shall have ten (10) Business Days from the date of such statement to render payment to the Company. The Supplier shall render payment by means of electronic funds transfer to the Company. The late payment rate, as calculated pursuant to 220 C.M.R. 26.10, will apply to all amounts outstanding after ten days.

If the correctness of the Company's bill to the Supplier is questioned or disputed by the Supplier, an explanation should be promptly requested from the Company. If the bill is determined to be incorrect, the Company shall issue a corrected bill. In the event that the Supplier and the Company fail to agree on the amount of the bill, the Supplier shall follow the billing and termination procedures of the MDTE.

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

25.0 CUSTOMER DESIGNATED REPRESENTATIVE

25.1 The Customer may appoint a Supplier as a Designated Representative to satisfy or undertake the Customer's following transportation duties and obligations: submitting and/or receiving notices on behalf of a Customer; making nominations on behalf of a Customer; arranging for trades of imbalances on behalf of a Customer as permitted under these Terms and Conditions; and, performing operational and transportation-related administrative tasks on behalf of a Customer as permitted by the Company. Under no circumstances will the appointment of a Designated Representative relieve a Customer of the responsibility to make full and timely payment to the Company for all Distribution Service provided under these Terms and Conditions.

25.2 A request by the Supplier to the Company that contains the Customer's account number and the type of Customer authorization obtained in accordance with MDTE regulations pursuant to Section 24.5 of these Terms and Conditions will be deemed to be confirmation that the Customer has designated the Supplier as a Designated Representative. A Customer may appoint only one (1) Designated Representative per account.

25.3 Under any agency established hereunder, the Company shall rely upon information concerning the applicable Customer's Distribution Service which is provided by the Designated Representative. All such information shall be deemed to have been provided by the Customer. Similarly, any notice or other information provided by the Company to the -Designated Representative concerning the provision of Distribution Service to such Customer shall be deemed to have been provided to the Customer. The Customer shall rely upon any information concerning Distribution Service that is provided to the Designated Representative as if that information had been provided directly to the Customer.

25.4 The Customer shall agree to indemnify the Company and hold it harmless from any liability (including reasonable legal fees and expenses) that the Company incurs as a result of the -Designated Representative's negligence or willful misconduct in its performance of agency functions on the Customer's behalf.

BAY STATE GAS COMPANY

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

APPENDIX A

Capacity Allocators

Brockton Service Area

		% of Peak Day Requirement				% of Total Capacity		
	Rate Class	Pipeline	Storage	Peaking	Total	Pipeline	Storage	Peaking
Res Heat	Residential R-3 & R-4	37%	16%	46%	100%	62%	63%	63%
Res Non Heat	Residential R-1 & R-2	65%	9%	26%	100%	1%	0%	0%
High Load	G-50, G-51, G-52, G-53	58%	11%	31%	100%	8%	3%	3%
Low Load	G-40, G-41, G-42, G-43	35%	17%	48%	100%	30%	33%	33%
					Total*	100%	100%	100%

Springfield/Lawrence Service Area

		% of Peak Day Requirement				% of Total Capacity		
	Rate Class	Pipeline	Storage	Peaking	Total	Pipeline	Storage	Peaking
Res Heat	Residential R-3 & R-4	25%	20%	55%	100%	64%	67%	67%
Res Non Heat	Residential R-1 & R-2	51%	13%	36%	100%	2%	1%	1%
High Load	G-50, G-51, G-52, G-53	52%	13%	35%	100%	11%	4%	4%
Low Load	G-40, G-41, G-42, G-43	22%	21%	57%	100%	23%	29%	29%
					Total*	100%	100%	100%

Note: Pipeline and Storage include capacity related to Company managed supplies.

* Totals may not add to 100% due to rounding.

~~BAY STATE GAS COMPANY~~

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

APPENDIX B

Schedule of Administrative Fees and Charges

Charge	Amount
Account Reactivation Fee Regular Rate Weekend, Holiday, After Hours	~~$15.00~~[1] $20.00[2] $30.00[3]
Warrant Fee	~~$35.00~~[4]Actual cost assessed to the Company by the servant authorized by the court to serve the warrant[5]
Locksmith Fee	$40.00[6]
Check Return Fee	$6.25
Meter Test Fee	$~~10~~50.00[7]
Late Payment Fee	Variable interest rate[8]
Billing Service Fees: Standard Complete	

[1] ~~Regular Rates~~
~~Service provided between the hours of 8 am, and 3 pm Monday through Friday excluding Holidays.~~
[2] ~~Weekend, Holiday and After Hours Rates~~
Service provided ~~before 8am or after~~ between the hours of 8 am, and 3 pm Monday through Friday~~,~~ ~~or during Saturday, Sunday and~~ excluding Holidays.
[3] Service provided before 8am or after 3 pm Monday through Friday, or during Saturday, Sunday and Holidays.
[4] ~~Fee is payable only a warrant was required previously to terminate the Customer.~~
[5] Fee is payable only in the event a warrant was required previously to terminate the Customer.
[6] Fee is payable only in the event a locksmith was required by the Company to gain access to its meter on Customer's premises.
[7] Fee is payable by ~~non-residential customers~~Customers only if meter is reading correctly, as defined within the parameters of these Terms and Conditions.
[8] The rate of interest shall be determined annually in accordance with the MDTE Regulations at 220 C.M.R. 26.00 and become effective each year with February bills.
[9] To Be determined

~~BAY STATE GAS COMPANY~~

DISTRIBUTION AND DEFAULT SERVICE TERMS AND CONDITIONS

Charge	Amount
Standard Passthrough	TBD[9] TBD
Pool Administration Fee	TBD
Customer Administration Fee	TBD

COST OF GAS ADJUSTMENT CLAUSE

~~Index~~

~~6.01~~**Section**

1.0 Purpose
~~6.02~~ 2.0 Applicability
~~6.03~~ 3.0 Cost of Firm Gas Allowable for Cost of Gas Adjustment Clause (CGAC)
~~6.04~~ 4.0 Effective Date of Gas Adjustment Factor (GAF)
~~6.05~~ 5.0 Definitions
6.~~06~~ Gas Adjustment Factor Formulas by ~~Customer Class~~High and Low Load Factor Classes
~~6.07~~ 7.0 Interruptible Sales, ~~Non-Traditional~~ Off-System Sales, and Capacity Release Revenues
~~6.08~~ 8.0 Gas Suppliers' Refunds - Accounts ~~242.1 and 242.2~~265.85 and 265.86
~~6.09~~ 9.0 Reconciliation Adjustments ~~- Account 175~~ - Other than Purchase Gas Working Capital
~~6.~~10.0 Reconciliation Adjustments ~~- Account 176 -~~ - Purchase Gas Working Capital
~~6.~~11.0 Application of GAF to Bills
~~6.~~12.0 Information Required to be Filed with the Department
~~6.~~13.0 Other Rules
~~6.~~14.0 Customer Notification
~~6.15 Gas Supply Service~~
.0 Bad Debt Expense and Bad Debt Working Capital

~~6.01~~1.0 Purpose

The purpose of this clause is to establish procedures that allow Bay State Gas Company ("Bay State" or the "Company"), subject to the jurisdiction of the Department of ~~Public Utilities~~Telecommunications and Energy ("Department") to adjust, on a semiannual basis, its rates for firm gas sales ~~and standby gas supply~~ service in order to recover the costs of gas supplies, along with any taxes applicable to those supplies, pipeline and storage capacity, production capacity and storage, bad debt expense associated with purchase gas costs, and the costs of purchased gas working capital, to reflect the seasonal variation in the cost of gas, and to credit all supplier refunds and the margins above the Annual Threshold associated with capacity credits from non-core sales and transportation, interruptible sales and transportation and capacity

COST OF GAS ADJUSTMENT CLAUSE

release sales to firm ratepayers.

~~6.02~~2.0 Applicability

This Cost of Gas Adjustment ("CGAC") shall be applicable to Bay State and all firm gas sales made by Bay State, unless otherwise designated. The application to the clause may, for good cause shown, be modified by the Department. See Section ~~6.~~13.0, "Other Rules."

COST OF GAS ADJUSTMENT CLAUSE

~~6.03~~3.0 Cost of Firm Gas Allowable for CGAC

All costs of firm gas including, but not limited to, commodity costs, taxes on commodity, demand charges, local production and storage costs, other gas supply expense incurred to procure and transport supplies and bad debt percent (from the last general rate case) applied to allowable CGAC costs for the forecast period, ~~the gas used in company operations,~~ transportation fees, costs associated with buyouts of existing contracts, and purchased gas working capital may be included in the CGAC. Any costs recovered through application of the CGAC shall be identified and explained fully in the semi-annual ~~filing~~filings outlined in Section ~~6~~.12.0.

~~6.04~~4.0 Effective Date of Gas Adjustment Factor

The date on which the seasonal Gas Adjustment Factors ("GAF") become effective shall be the fist day of the first ~~billing cycle~~month of each season as designated by the Company. Unless otherwise notified by the Department, the Company shall submit GAF filings as outlined in Section ~~6.11~~12.0 of this clause at least 45 days before they are to take effect.

~~6.05~~5.0 Definitions

The following terms shall be defined in this section, unless the context requires otherwise.

(1) **Annual Threshhold** - A threshold level of margins, established annually and separately for Capacity Release, Interruptible Sales and ~~Non-Traditional~~ Off-System Sales, based on the twelve months ended April 30 each year, the level above which the Company retains 25% of such margins.

(2) **Bad Debt Expense** - is the uncollectable expense attributed to the Company's gas costs plus allowable working capital derived from the gas cost portion of bad debt.

(3) **Base Load Requirements** - The annual quantity of gas supply needed to satisfy the lowest level of firm demand ~~plus storage injections over a period of 60 consecutive days~~based on the average July and August loads.

(4) **Capacity Release Revenues** - The economic benefit derived from the sale of upstream capacity.

COST OF GAS ADJUSTMENT CLAUSE

(5) **Carrying Charges** - Interest expense calculated on the average monthly balance using ~~Bank Boston~~the consensus prime ~~lending~~ rate as reported in the *Wall Street Journal*.

(6) **Economic Benefit** - The difference between the revenues received and the marginal cost determined to serve non-core customers.

(7) **Interruptible Sales Margins** - The economic benefit derived from the interruptible sale of gas downstream of the Company's distribution system.

(8) **Inventory Finance Charges** - As incurred or billed ~~in~~ each ~~peak season~~month for ~~annual charges.~~the carrying costs on the value of the balance of inventory gas for the respective month. The total charges shall represent an accumulation of the projected monthly charges as calculated using the monthly average of financed inventory at the existing (or anticipated) financing rate of the Company or through a trust or other financing vehicle.

(9) **Local Production Capacity and Storage Costs** ~~include~~- Include the ancillary supply costs of providing ~~storage service from the Company's storage facilities (*i.e.*, LNG~~local manufactured gas, gas dispatching, gas acquisition, and ~~LPG)~~miscellaneous A&G costs as determined in the Company's most recent rate proceeding. Per this proceeding, $7,401,961 shall be allocated to the peak period and $325,300 shall be allocated to the off-peak period.

(10) ~~MBA~~ - **SMBA** – Simplified Market Based ~~Allocator~~Allocation Method - Used in determining the allocation of gas costs among ~~customer~~ High and Low Load Factor classes.

(11) **Non-Core Commodity Costs** - The commodity cost of gas assigned to non-core sales to which the GAF is not applied. Non-core sales include sales made under interruptible contracts, non-core contracts and ~~non-traditional~~ off-system sales.

(12) **Non-Core Sales Margins** - The economic benefit derived from non-core transactions to which the GAF is not applied, including interruptible sales and other non-core sales generated from the use of the Company's Gas Supply ~~Resource~~resource portfolio.

(13) ~~Non-Traditional~~ **Off-System Sales Margin** - The economic benefit derived from the non-firm sales of natural gas supplies upstream of Company's distribution system.

(14) **Number of Days Lag** ~~is the~~- The number of days lag to calculate the purchased gas working capital requirement as approved by the Department.

(15) **Off-Peak Commodity** ~~is, unless~~- Unless otherwise approved by the Department, the gas supplies ~~procured~~ assigned by the Company to serve firm load in the off-peak season.

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

(16) **Off-Peak Demand** ~~is, unless~~- Unless otherwise approved by the Department, the gas supply demand and transmission capacity ~~procured~~assigned by the Company to serve firm load in the off-peak season.

(17) **Off-Peak Period** ~~for Bay State Gas Company is~~- May through October.

(18) **Peak Commodity** ~~is, unless~~- Unless otherwise approved by the Department, the gas supplies ~~procured~~assigned by the Company to serve firm load in the peak season.

(19) **Peak Demand** ~~is, unless~~- Unless otherwise approved by the Department, gas supply demand, peaking demands, storage and transmission capacity ~~procured~~assigned by the Company to service firm load in the peak season.

(20) **Peak Period** ~~for Bay State Gas Company is~~- November through April.

(21) **PR Allocator** - The percentage allocated for the portion of annual capacity charges assigned to the ~~peak period~~seasons calculated in each CGA filing.

(22) **Pretax Weighted Cost of Capital** ~~is the~~- The result of the calculation of the weighted cost of capital minus the weighted cost of debt, divided by one, minus the currently effective combined tax rate, plus the weighted cost of debt.

(23) **Purchased Gas Working Capital** ~~is the~~- The allowable working capital derived from peak and off-peak, demand and commodity related costs.

(24) ~~Stand-By Sales Revenues are the demand and commodity revenues received from transportation customers who elect stand-by sales service.~~**Tax Rate** is the combined State and Federal income tax rate.

~~(25) Tax Rate is the combined State and Federal income tax rate.~~

~~(26)~~25) ~~Traditional Off-System Sales for Resale - Peak season firm gas sales to other utilities in accordance with long-term contracts.~~**Weighted Cost of Capital** is the weighted cost of capital as set in the Company's most recent base rate case.

~~(27)~~26) **Weighted Cost of ~~Capital~~Debt** is the weighted cost of ~~capital~~debt as set in the Company's most recent base rate case.

~~(28) Weighted Cost of Debt is the weighted cost of debt as set in the Company's most recent base rate case.~~

6.0~~6~~ Gas Adjustment Factor (GAF) Formula

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

The Gas Adjustment Factor (GAF) Formula shall be computed on a semiannual basis using forecasts of seasonal gas costs, carrying charges, sendout volumes, and sales volumes. Forecasts may be based on either historical data or Company projections, but must be weather-normalized. Any projections must be documented in full with each filing.

A separate seasonal GAF will be computed for the combined Low Load Factor classes namely Rates R-3, R-4, G-40, G-41, G-42 and G-43; and for the combined High Load Factor classes namely Rates R-1, R-2, OL, G-50, G-51, G-52 and G-53. The calculation of each seasonal GAF utilizes information periodically established by the DTE. The table below lists the following approved cost factors:

Local Production & Storage Cost	$7,727,261
LNG/LPG Production Cost included above	$5,258,855
Bad Debt Expense Percentage	2.184%

Peak GAF Formula

The Peak GAF shall be comprised of a peak demand factor (DFp), a peak commodity factor ~~and~~ (CFp), a peak production and storage demand factor (PSp), gas suppliers' refund factors (R1 and R2) defined in Section 8.00 and a bad debt factor (BDFp) defined in Section 15.00, for ~~each of~~ the Company's ~~firm sales customer~~High and Low Load Factor classes and calculated at the beginning of the peak season according to the following formula:

$$GAFp^x = DFp^{x\ \underline{+PSpx}} + CFp^x + \cancel{BDFp}\underline{BDF - R1 - R2}$$

Peak Demand Factor (DFp) Formula

COST OF GAS ADJUSTMENT CLAUSE

$$DFp^x = \frac{Dp^x - NCSMp^x - STRANDp^x}{P : Sales^x} + RFpd + WCFpd \cancel{- R1d - R2d}$$

and:

$$\cancel{Dp^x = Sum{:}PD^x + Sum{:}BLDp^x + Sum{:}BLDXp^x + (Sum{:}BLDXop^x \times PR \times 50\%) + PS^x - Sum : SBpd^x}$$

$$Dp^x = BASEDp^x + REMAINDp^x + PSp^x - SBDp^x$$

and:

$$NCSMp^x = CRR^x + ISM^x + NTSM^x$$

and:

$$\cancel{PS_e{}^x = (PS \times PS\%) \times MBA^x}$$

~~and:~~

$$RFpd = Rpd/P{:}Sales$$

and:

$$WCFpd = \frac{[\frac{(WCApd \times CC) - (WCApd \times CD)}{(1 - TR)}] + (WCApd \times CD) + WCRpd}{P : Sales}$$

and:

$$WCApd = Dp \times (DL/365)$$

Where:

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

~~BLDp~~	~~Demand charges billed to the Company during the peak period for the portion of base demand associated with serving base load requirements as defined in Section 6.05.~~
~~BLDXp~~	~~Base demand costs in excess of demand costs associated with base load level billed to the Company during the peak period.~~
~~BLDXop~~	~~Base demand costs in excess of demand costs associated with base load level billed to the Company during the off-peak period.~~
BASEDp	Peak period base use demand charges assigned on the basis of base use entitlements to low cost pipeline supplies using the average of July and August's daily loads.
CC	Weighted cost of capital as defined in Section ~~6.05~~500.
CD	Weighted cost of debt as defined in Section ~~6.05~~5.00.
CRR	The returnable Capacity Release Revenues allocated to the peak period. See Section ~~6.07~~7.00.
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers.
Dp	Demand Charges allocated to the peak period as defined in Section ~~6.05~~5.00.
~~MBA~~	~~Market Based Allocator - Customer Class specific allocator as defined in Section 6.05.~~
$NCSMp^X$	The sum of the returnable Interruptible Non-Core Sales Margins, the returnable Capacity Release Revenues and the ~~Non-Traditional~~ Off-System margins.
ISM	The returnable Interruptible Sales Margins allocated to the peak period. See Section ~~6.07~~7.00.
NTSM	The returnable ~~Non-Traditional~~ Off-System Sales Margins allocated to the peak period. See Section ~~6.07~~7.00.
P:Sales	Forecasted sales volumes associated with the peak period.
~~PD~~	~~Demand charges billed to the Company for peak period capacity as defined in Section 6.05.~~
~~PR~~	~~Proportional Responsibility Allocator - The percentage of a portion of annual capacity/product charges assigned to the peak period calculated in each CGA filing as defined in Section 6.05.~~
~~PS~~	~~Total Test year local production capacity and storage costs as defined in Section 6.05.~~
~~PS%~~	~~Percent of downstream production and storage costs not used for~~

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

	~~distribution system deliverability, as defined in Section 6.05.~~
~~PS_e~~	~~Portion of production capacity and storage costs allocated to firm sales through the CGAC.~~
~~R1d,R2d~~	~~Per unit supplier refunds from pipeline demand charges - The per unit supplier refunds associated with refund program credits derived from Account 242.1, "Undistributed Gas Suppliers' Refunds." See Section 6.08.~~
REMAINDp	Peak period remaining use demand charges assigned to classes on the basis of their load's contribution to the design day load less their base use entitlements to pipeline supplies. This remaining capacity cost is allocated to seasons using the Proportional Responsibility (PR) allocator.
RFpd	Peak demand charge reconciliation adjustment factor per billed peak sales volume associated with demand charges related to the peak period.
Rpd	Reconciliation Costs - Peak demand deferred gas costs, Account 175.21 balance, inclusive of the associated Account 175.21 interest, as outlined in Section ~~6.09~~9.00.
~~SBpd*~~	~~Peak Period demand revenues received from Stand-By sales customers.~~
STRANDp	Stranded production and Storage costs assigned to the peak period and classes in the same manner as remaining use demand charges.
TR	Combined Tax Rate as defined in Section ~~6.05~~5.00
WCApd	Demand charges allowable for working capital application as defined in Section ~~6.~~10.00.
WCFpd	Working Capital allowable factor per billed peak sales volume associated with demand charges allocated to the peak period as defined in Section ~~6.~~10.00.
WCRpd	Working Capital reconciliation adjustment associated with peak demand charges - Account ~~142.1~~176.24 balance as outlined in Section ~~6.~~10.00.
x	Designates ~~Customer Class~~ Load Factor Specific allocation of costs, based on Simplified Market Based Allocation factors as determined in the Company's most recent rate proceeding.

PSpx Portion of test year Local Production Capacity and Storage Costs, as defined in Section 5.00, allocated to peak period firm sales through the CGAC as determined in the Company's most recent rate proceeding.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~MDTE No. 03~~

COST OF GAS ADJUSTMENT CLAUSE

Peak Commodity Factor (CFp) Formula

$$CFp^x = \left[\frac{Cp^x - NCCCp^x + FC^x}{P : Sales^x} \right] + RFpc + WCFpc \cancel{- R1c - R2c}$$

and:

$$\cancel{Cp^x = Sum:PC^x + BOao^x - INJp^x - LIQp^x - SBpc^x}$$

~~and:~~

$$\cancel{PC^x = PP^x + SUM:(SUP^x)}$$

~~and:~~

$$\cancel{BOao^x = [(BOop - (BOvol \times (TPop/TPvolop))) MBA^x]}$$

$$Cp^x = BASECp^x + REMAINCpx - SBCp^x$$

and:

$$RFpc = Rpc / P:Sales$$

and:

$$WCFpc = \frac{\left[\frac{(WCApc \times CC) - (WCApc \times CD)}{(1 - TR)} \right] + (WCApc \times CD) + WCRpc}{P: Sales}$$

and:

$$WCApc = Cp \times (DL/365)$$

Where:

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

~~BOao~~	~~LNG Boil-off allocation as defined in Section 6.09.~~
BASECp	Peak period base use commodity charges assigned on the basis of base use entitlements to low cost pipeline supplies using the average of July and August daily loads.
CC	Weighted costs of capital as defined in Section ~~6.05~~5.00
CD	Weighted costs of debt as defined in Section ~~6.05~~5.00.
Cp	Commodity Charges allocated to the peak period as defined in Section ~~6.05~~5.00.
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers.
FC	Inventory finance charges as defined in Section ~~6.05~~5.00.
~~INJp~~	~~Injections into storage during the peak period.~~
~~LIQp~~	~~Liquefactions into storage during the peak period.~~
~~MBA~~	~~Market based allocator - Customer class specific allocator as defined in Section 6.05.~~
NCCCp	Non-Core Commodity Costs allocated to the peak period as defined in Section ~~6.05~~5.00.
P:Sales	Forecasted sales volumes associated with the peak period.
~~PC~~	~~Commodity charges associated with gas supply sent out in peak season as defined in Section 6.05.~~
~~PP~~	~~Commodity charges associated with pipeline supplies.~~
~~R1c, R2c~~	~~Per unit supplier refunds from pipeline commodity charges - The per unit supplier refunds associated with refund program credits derived from Account 242.2, "Undistributed Gas Suppliers' Refunds". See Section 6.08.~~
REMAINCp	Peak period remaining use commodity charges computed as dispatched commodity costs less base use commodity costs.
RFpc	Peak commodity charge reconciliation adjustment factor per billed peak sales volume associated with commodity charges related to the peak period.
Rpc	Reconciliation Adjustment Costs - Account 175.~~2~~23 balance, inclusive of the associated Account 175.~~2~~23 interest, as outlined in Section ~~6.09~~9.00.
~~SBpc*~~	~~Peak Period commodity revenues received from Stand-By sales customers.~~
~~SUP~~	~~Commodity charges associated with supplemental gas supply; *i.e.*, Liquefied Natural Gas, Storage Withdrawals, Liquid Propane, Bellingham Peaking Supply, MassPower Peaking Supply, and Domac.~~

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

~~TPop~~	~~Total pipeline commodity charges for the off-peak period.~~
~~TPvolop~~	~~Total pipeline commodity volumes for the off-peak period.~~
TR	Combined Tax rate as defined in Section ~~6.05~~5.00.
WCApc	Commodity charges allowable for working capital application as defined in Section ~~6.~~10.00.
WCFpc	Working Capital allowable factor per peak sales volume associated with commodity charges allocated to the peak period as defined in Section ~~6.~~10.00.
WCRpc	Working Capital reconciliation adjustment associated with peak commodity charges Account 175.24 balance as outlined in Section ~~6.~~10.00.
x	Designates ~~customer~~Load Factor class specific allocation of costs, based on Simplified Market Based Allocation factors~~.~~

~~Peak Bad Debt (BDp) Formula~~

$$\cancel{BDFp = \frac{BDp + RApbd + WCFpbd}{P:Sales}}$$

~~and:~~

$$\cancel{WCFpbd = \frac{(WCApbd * CC) - (WCApbd * CD)}{(1 - TR) + (WCApbd * CD) + WCRpbd}}$$

$$\cancel{P:Sales}$$

~~and:~~

$$\cancel{WCApbd = BDp * (DL/365)}$$

~~Where:~~

~~BDp~~	~~Peak Bad Debt Expense~~, as ~~defined~~determined in ~~Section 6.05.~~
~~CC:~~	~~Weighted cost of capital as defined in Section 6.05.~~

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

~~CD: Weighted cost of debt as defined in Section 6.05.~~
~~DL Number of days lag from the purchase of gas from suppliers to the payment by customers.~~
~~P:Sales Forecasted sales volumes associated with the peak period.~~
~~RApbd Peak Bad Debt Expense reconciliation adjustment - Account 175.21 balance.~~
~~TR: Combined Tax~~the Company's most recent rate ~~as defined in Section 6.05~~proceeding.
~~WCApbd Bad Debt allowable for working capital application as defined in Section 6.10.~~
~~WCFpbd Working Capital Allowable factor per peak sales volume associated with bad debt allocated to the peak period as defined in Section 6.10~~
~~WCRpbd Working Capital reconciliation adjustment associated with peak bad debt - Account 176.12 balance as outlined in Section 6.10.~~

Off-Peak GAF Formula

The Off-Peak GAF shall be comprised of an off-peak demand factor (Dfop) an off-peak production and storage demand factor (PSop), an off-peak commodity factor ~~for each of the Company's customer classes, plus an off-peak bad debt factor; all~~(Cfop), gas suppliers' refund factors (R1 and R2) defined in Section 8.00 and a bad debt factor (BDF), defined in Section 16.00 for the Company's High and Low Load Factor classes, and calculated at the beginning of the off-peak season according to the following formula.

$$GAFop^x = DFop^x + CFop^x \cancel{+ BDFop} + PSopx + BDF - R1 \text{ and } R2$$

Off-Peak Demand Factor (DFop) Formula

$$DFop^x = \frac{Dop^x}{OP{:}Sales^x} + RFopd + WCFopd \cancel{- R1d - R2d}$$

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~MDTE No. 03~~

COST OF GAS ADJUSTMENT CLAUSE

and:

$Dop^X = Sum{:}BLDop^X + (Sum{:}BLDXop^X \times (1 - PR))$

and:

RFopd = Ropd / OP:Sales

and:

$$WCFopd = \frac{\frac{[(WCAopd \times CC) - (WCAopd \times CD)]}{(1 - TR)} + (WCAopd \times CD) + WCRopd}{(OP{:}Sales)}$$

and:

WCAopd = Dop (DL/365)

Where:

BLDop	Demand charges billed to the Company during the off peak period for the portion of base demand associated with serving base load requirements as defined in Section ~~6.05~~5.00.
BLDXop	Base demand costs in excess of demand costs associated with base load level billed to the Company during the off-peak period.
CC	Weighted cost of capital as defined in Section ~~6.05~~5.00.
CD	Weighted cost of debt as defined in Section ~~6.05~~5.00
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers.
Dop	Demand charges allocated to the off-peak period as defined in Section ~~6.05~~5.00.
LBop	Portion of Upstream Pipeline Reservation Charges assigned to Load Balancing.
~~MBA~~	~~Market Based Allocator - Customer Class specific allocator as defined in Section 6.05~~
OP:Sales	Forecasted sales volumes associated with the off-peak period.
PR	Proportional Responsibility Allocator - A percentage representing a portion of capacity/product charges incurred in the off-peak season and assigned to the peak period

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

calculated in each CGA filing as defined in Section ~~6.05~~5.0.

~~R1d, R2d~~ ~~Per unit supplier refunds from pipeline demand charges - The per unit supplier refunds associated with refund program credits derived from Account 242.1, "Undistributed Gas Suppliers' Refunds." See Section 6.08.~~

RFopd Off-peak demand charge reconciliation adjustment factor per billed off peak throughput volume associated with demand charges related to the off peak period.

Ropd Reconciliation Costs - Account 175.~~3~~11 balance, inclusive of the associated Account 175.~~3~~11 interest, as outlined in Section ~~6.09~~.00.

SMBA Simplified Market Based Allocator – Load Factor specific allocator as defined in Section 5.00

TR Combined Tax rate as defined in Section ~~6.05~~5.0

WCAopd Demand charges allowable for working capital application as defined in Section 6.1~~0~~.

WCFopd Working Capital factor allowable per billed off-peak sales associated with demand charges allocated to the off-peak period as defined in Section ~~6.~~10.0

WCRopd Working Capital reconciliation adjustment associated with off-peak demand charges balance account 175.14 balance as outlined in Section ~~6.1~~10.0.

x Designates ~~customer class~~Load Factor specific allocation of costs based on Simplified Market Based Allocation factors, as determined in the Company's most recent rate proceeding.

PS_{op}^{x} Portion of test year Local Production Capacity and Storage Costs, as defined in Section 5.00, allocated to off-peak period firm sales through the CGAC as determined in the Company's most recent rate proceeding.

Off-Peak Commodity Factor (CFop) Formula

$$CFop^{x} = \frac{Cop^{x} - NCCCop^{x}}{OP : Sales^{x}} + RFopc + WCFopc \cancel{- R1c - R2c}$$

and:

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~MDTE No. 03~~

COST OF GAS ADJUSTMENT CLAUSE

$Cop^X = Sum{:}OPC^X - BOao^X - INJop^X - LIQop^X$

and:

$BOao^X = [(BOop - (BOvol \times (TPop/TPvolop))) \; MBA^X]$

and:

RFopc = Ropc/OP:Sales

and:

$$WCFopc = \frac{[(WCAopc \times CC)-(WCAopc \times CD)]}{(1 - TR)} + (WCAopc \times CD) + WCRopc$$

OP : Sales

and:

WCAopc = Cop (DL/365)

Where:

BOao	LNG Boil-off allocation as defined in Section ~~6.09~~9.00.
CC	Weighted cost of capital as defined in Section ~~6.05.~~5.00.
CD	Weighted cost of debt as defined in Section ~~6.05~~5.00.
Cop	Commodity Charges billed to the off~~-~~peak period as defined in Section ~~6.05~~5.00
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers. See Section ~~6.~~10.00.
INJop	Injections into underground storage during the off-peak period.
LIQop	Liquefactions into storage during the off~~-~~peak period.
NCCCop	Non-core commodity costs allocated to the off-peak period as defined in Section 6.05.
OP:Sales	Forecasted sales volumes associated with the off-peak period.
OPC	Commodity charges associated with gas supply sent out in the off-peak season as defined in Section ~~6.05~~5.00.
~~R1c, R2c~~	~~Per unit supplier refunds from pipeline commodity charges - The per unit supplier refunds associated with refund program credits derived~~

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

	~~from Account 242.2, "Undistributed Gas Suppliers' Refunds."~~
RFopc	Off peak commodity charge reconciliation adjustment factor per billed off peak sales volume associated with commodity charges related to the off-peak period.
Ropc	Reconciliation Adjustment Cost - Account 175.413 balance, inclusive of the associated Account 175.413 interest, as outlined in Section ~~6.09~~9.00.
TPop	Total pipeline commodity purchase charges for the off-peak period.
TPvolop	Total pipeline purchase volumes for the off-peak period.
TR	Combined Tax rate as defined in Section ~~6.05~~5.00.
WCAopc	Commodity charges allowable for working capital application as defined in Section ~~6.~~10.00.
WCFopc	Working Capital allowable per off-peak sales volume associated with commodity charges allocated to the off-peak period as defined in Section ~~6.~~10.00.
WCRopc	Working Capital reconciliation adjustment associated with off-peak commodity charges-Account ~~142.2~~176.14 balance, as outlined in Section ~~6.~~10.00.
x	Designates ~~customer class~~Load Factor specific allocation of costs, based on Simplified Market Based Allocation factors.

~~Off Peak Bad Debt (BDop)Formula~~

$$\cancel{BDFop = \frac{BDop + RAopbd + WCFopbd}{OP{:}Sales}}$$

~~and:~~

$$\cancel{WCFopdb = \frac{(WCAopbd * CC) - (WCAopc * CD)}{(1 - TR) + (WCAopbd * CD) + WCRopbd}}$$

$$\cancel{OP{:}Sales}$$

~~and:~~

$$\cancel{WCAopbd = BDop * (DL/365)}$$

~~Where:~~

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

~~BDop — Off Peak Bad Expense as defined in Section 6.05.~~
~~CC: — Weighted cost of capital as defined in Section 6.05.~~
~~CD: — Weighted cost of debt as defined in Section 6.05.~~
~~DL — Number of days lag from the purchase of gas from suppliers to the payment by customers.~~
~~OP:Sales — Forecasted sales volumes associated with the off-peak period.~~
~~RAopbd — Off Peak Bad Debt Expense reconciliation adjustment - Account 175.11 balance.~~
~~TR: — Combined Tax rate as defined in Section 6.05.~~
~~WCAopbd — Bad Debt allowable for working capital application as defined in Section 6.10.~~

~~WCFopbd — Working Capital allowable factor per Off Peak sales volume associated with bad debt allocated to the Off Peak period as defined in Section 6.10.~~
~~WCRopbd — Working Capital reconciliation adjustment associated with Off Peak Bad Debt - Account 176.22 balance as outlined in Section 6.10.~~

~~6.07~~7.0 Interruptible Sales, ~~Non-Traditional~~ Off-System Sales and Capacity Release Revenues

A threshold level of margins will be established annually and separately for Interruptible Sales, ~~Non-Traditional~~ Off-System Sales and Capacity Release Revenues. Any margins earned in excess of the predetermined level shall be divided between the Company and its firm sales customers under a 25/75 sharing arrangement. The threshold level of margins shall be adjusted to reflect additions or losses from Customers who switch from FT, FS or Interruptible Transportation ("IT") to IS and conversely, from IS to FT, FS or IT. The Company shall adjust the threshold level annually to reflect Interruptible Sales, ~~Non-Traditional~~ Off-System sales, and capacity release revenues for the twelve-month period ending April 30 of each year.

Margins from Interruptible Sales, ~~Non-Traditional~~ Off-System Sales and Capacity Release will be reflected as separate credits in the peak season GAF and shall be calculated as the sum of the following:

COST OF GAS ADJUSTMENT CLAUSE

(1) 100% of the margins earned up to the predetermined threshold level.
(2) 75% of the margins earned in excess of the predetermined threshold level.

~~6.08~~8.0 **Gas Suppliers' Refunds** - Accounts ~~242.1~~265.85 and ~~242.2~~265.86

Refunds from upstream capacity suppliers and suppliers of ~~product demand~~gas are credited to Account ~~242.1, "Undistributed Purchased Capacity/Product Demand Refunds." Refunds from suppliers~~265.85, "Refund-November" if received during the months of ~~gas are credited to account 242.2, "Commodity Undistributed Gas Suppliers' Refunds." Transfers from these accounts will reflect as a credit in the semiannual calculation of~~ March through August, and to Account 265.86 "Refund-May", if received during the ~~GAF to be calculated as follows:~~months of September through February.

~~Refund programs~~ A refund program shall be initiated with each semiannual GAF filing and shall remain in effect for a period of one year. The balance in Account 265.85 shall be placed into a refund program with each November filing. The balance in Account 265.86 shall be placed into a refund program with each May filing. The total dollars to be placed into a given refund program shall be net of over/under-returns from expired programs plus refunds received from suppliers since the previous program was initiated. ~~Refunds shall be segregated by demand and commodity charges and distributed volumetrically, producing per unit refund factors that will return the principal amount with interest as calculated using the Fleet's prime lending rate.~~ The Company shall track and report on all Account ~~242.1~~265.85 and Account ~~242.2~~265.86 activities ~~as specified in Section 6.10~~. If during any twelve-month period commencing with the billing month of November for Account 265.85 and May for Account 265.86, the projected supplier refund factor is less than one-hundredth of a cent per therm ($0.0001), the respective supplier refund account balance shall be transferred into Account 175.26 or Account 175.16 for the November and May filings respectively.

Gas Supplier's Refund Factors

~~6.09 Reconciliation Adjustments - Account 175~~

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

R1 The per unit supplier refund associated with the Refund – May program. The following formula shall be used to calculate the R1 factor.

$$R1 = \frac{R1\$ + I}{A{:}Sales}$$

Where:

R1$	Ending balance in Account 265.86 "Refund – May"
I	Total forecasted interest calculated on the R1$ balance computed at the consensus prime rate as reported in the *Wall Street Journal* based on a 365 day year.
A:Sales	Forecasted annual firm sales volumes.

R2 The per unit supplier refund associated with the Refund – November program. The following formula shall be used to calculate the R2 factor.

$$R2 = \frac{R2\$ + I}{A{:}Sales}$$

Where:

R2$	Ending balance in Account 265.85 "Refund – November"
I	Total forecasted interest calculated on the R2$ balance computed at the Federal Reserve Prime Rate based on a 365 day year.
A:Sales	Forecasted annual firm sales volumes.

9.0 Reconciliation Adjustments – Other than Working Capital

(1) The following definitions pertain to reconciliation adjustment calculations:

(a) Capacity Costs Allowable per Peak Demand Formula shall be:

i. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load in the peak season.

ii. Charges associated with transmission capacity procured by the Company to serve base load requirements in the peak season.

COST OF GAS ADJUSTMENT CLAUSE

iii. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load in excess of base load requirements in the peak period, plus a reallocation of a portion of such charges incurred in the off-peak season to serve firm load.

iv. Charges associated with peaking, production and storage capacity to serve firm load in the peak season ~~from~~ as determined in the test year of the Company's most recent ~~test year~~ rate proceeding and allocated to firm sales storage service.

v. Credits associated with Non-Core Sales Margins or economic benefits ~~associated with~~ from capacity release, ~~non-traditional~~ off-system sales for resale and interruptible sales margins allocated to the firm sales service.

vi. Credits associated with daily imbalance charges billed transportation customers in the peak period.

vii. Peak demand ~~carrying charges~~Carrying Charges as defined in Section 5.00.

(b) Gas Costs Allowable Per Peak Commodity Formula shall be:

i. Charges associated with gas supplies, including any applicable taxes, purchased by the Company to serve firm load in the peak season, plus a reallocation of LNG boiloff costs from the off-peak season, determined by the product of the difference in the average cost of pipeline purchases during the off-peak period and the average cost of LNG boiloff in the off-peak period times the LNG boiloff volumes purchased in the off-peak period, less the cost of injections and liquefaction into storage.

ii. Credit non-core commodity costs assigned to non-core customers to which the CGAC does not apply, as defined in Section 6.06 (NCCCp).

iii. Inventory finance charges (FC).

iv. ~~iv.~~ Peak commodity ~~carrying charges~~Carrying Charges as defined in Section 5.00.

(c) Capacity Costs Allowable Per Off-Peak Demand Formula shall be:

i. Charges associated with transmission capacity and product demand procured by the Company to serve base load requirements in the off peak season.

ii. Charges associated with transmission capacity and product demand procured by the Company to serve firm load in excess of base load requirements in the off-peak period

iii. Credits associated with daily imbalance charges billed transportation

COST OF GAS ADJUSTMENT CLAUSE

customers in the off peak period.

iv. ~~iv.~~ Off-peak demand ~~carrying charges~~Carrying Charges as defined in Section 5.00.

v. Other A & G and Acct. 851 charges associated with peaking production and storage capacity to serve firm load in the off-peak season as determined in the test year of the Company's most recent rate proceeding and allocated to firm sales storage service

(d) Gas Costs Allowable Per Off-Peak Commodity Formula shall be:

i. Charges associated with gas supplies, including any applicable taxes, procured by the Company to serve firm load in the off-peak season, less the reallocation of LNG boiloff costs determined by the product of the difference in the average cost of pipeline purchases during the off-peak period and the average cost of LNG boiloff in the off-peak period times the LNG boiloff volumes purchases in the off-peak period, less the cost of injections and liquefactions into storage.

ii. Credits associated with Non-core commodity costs ~~associated with~~ from non-core sales to which the GAF is not applied, as defined in Section ~~6.05.~~5.00.

iii. Off-peak commodity ~~carrying charges.~~

~~(e) Costs Allowable Per Peak Bad Debt Formula shall be:~~

~~i. Costs associated with uncollected gas costs, including any applicable taxes, incurred by the Company to serve firm load~~Carrying Charges as defined in ~~the peak season~~Section 5.00.

~~ii. Account 175.11 - Peak Bad Debt, carrying charges.~~

~~(f) Costs Allowable Per Off-Peak Bad Debt Formula shall be:~~

~~i. Costs associated with uncollected gas costs, including any applicable taxes, incurred by the Company to serve firm load in the off-peak season.~~

~~ii. Account 175.21 - Off-Peak Bad Debt, carrying charges.~~

(2) Calculation of the Reconciliation Adjustments

Account 175 contains the accumulated difference between gas cost revenues and the actual monthly gas costs incurred by the Company. The Company shall separate Account 175 into Peak Demand (Account 175.~~20~~21), Peak Production and Storage Demand (175.22) ,Peak Commodity

COST OF GAS ADJUSTMENT CLAUSE

(Account 175.~~19~~23), Off-Peak Demand (Account 175.~~10),~~11), Off-Peak Production and Storage Demand (175.12) and Off-Peak Commodity (Account 175.~~09~~13). Account 175.~~20~~21 shall contain the accumulated difference between revenues toward capacity costs calculated by multiplying the Peak Demand Factor for ~~each customer class, (~~the High and Low Load Factor classes, (DFp^X) times monthly firm sales volumes ~~for each customer class~~forHigh and Low Load Factor classes, and the total capacity costs allowable per the peak demand formula. Account 175.~~19~~22 shall contain the accumulated difference between revenues toward gas costs as calculated by multiplying the Peak Commodity Factor for ~~each customer class~~ the High and Low Load Factorclasses, (CFp^X) times monthly firm sales volumes for ~~each customer class~~High and Low Load Factor classes, and the total commodity costs allowable per the peak commodity formula. Account 175.~~10~~22 shall contain the accumulated difference between revenues as calculated by multiplying the Peak Production and Storage Demand Factor for the High and Low Load Factor class, (PS_p^x) times monthly firm sales volumes forthe High and Low Load Factor classes, and the total production and storage costs allowable per the peak production and storage demand formula. Account 175.11 shall contain the accumulated difference between revenues toward capacity costs calculated by multiplying the Off-Peak Demand Factor for ~~each customer class~~the High and Low Load Factor classes, ($DFop^X$) times monthly firm sales volumes for ~~each customer class~~the High and Low Load Factor classes, and the total capacity costs allowable per the off-peak demand formula. Account 175.~~09~~13 shall contain the accumulated difference between revenues toward gas costs as calculated by multiplying the Off-Peak Commodity Factor for ~~each customer class~~the High and Low Load Factor classes, ($CFop^X$) times monthly firm sales volumes for ~~each customer class~~the High and Low Load Factor classes, and the total commodity costs allowable per the off-peak commodity formula. Account 175.12 shall contain the accumulated difference between revenues as calculated by multiplying the Off-Peak Production and Storage Demand Factor for the High and Low Load Factor classes, (PS_{op}^x) times monthly firm sales volumes for the High and Low Load Factorclasses, and the total production and storage costs allowable per the off-peak production and storage demand formula.

Carrying Charges as defined in Section 5.00 shall be ~~calculated on the average monthly balance of each subaccount using the Fleet's prime lending rate, then~~ added to each end-of-the-month balance. The peak demand reconciliation adjustment factor (RFpd) shall be determined for use in the peak GAF calculation by dividing the peak demand account (175.~~20~~21) balance as of the peak reconciliation date, by the forecasted sales volume associated with the peak period. The peak production & storage demand reconciliation adjustment factor

COST OF GAS ADJUSTMENT CLAUSE

(RFppsd) shall be determined for use in the peak GAF calculation by dividing the peak production and storage demand account (175.22) balance as of the peak reconciliation date, by the forecasted sales volume associated with the peak period. The peak commodity reconciliation adjustment factor (RFpc) shall be determined for use in the peak GAF calculation by dividing the peak commodity account (175.~~19~~23) balance as of the peak reconciliation date, by the forecasted sales volume associated with the peak period. The off-peak demand reconciliation adjustment factor (RFopd) shall be determined for use in the off peak GAF calculation by dividing the off-peak demand account (175.~~10~~11) balance as of the off-peak reconciliation date, by the forecasted sales volume associated with the off-peak period. The off-peak production and storage demand reconciliation adjustment factor (RFoppsd) shall be determined for use in the off-peak GAF calculation by dividing the off-peak production and storage demand account (175.12) balance as of the off-peak reconciliation date, by the forecasted sales volume associated with the off-peak period. The off-peak commodity reconciliation adjustment factor (RFopc) shall be determined for use in the off-peak GAF calculation by dividing the off-peak commodity account (175.~~09~~13) balance as of the off-peak reconciliation date, by the forecasted sales volume associated with the off-peak period.

~~The peak bad debt reconciliation adjustment (RApbd - as defined in Section 6.06) shall be determined for use in the peak GAF calculations incorporating the peak bad debt Account 175.11 balance as of the peak reconciliation date as designated by the Company. The off-peak bad debt reconciliation adjustment (RAopbd - as defined in Section 6.06) shall be determined for use in the off-peak GAF calculations incorporating the off-peak bad debt Account 175.21 balance of the off-peak reconciliation date as designated by the Company.~~

The peak period reconciliation ~~filing date shall coincide with the next~~will be filed thirty (30) days prior to the peak period GAF filing ~~on September 15 of each year~~, which is seventy-five (75) days prior to the effective date.

The off-peak period reconciliation ~~filing date shall coincide with the next~~shall be filed thirty (30) days prior to the off-peak period GAF filing ~~on March 15 of each year~~, which is seventy-five (75) days prior to the effective date.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~MDTE No. 03~~

COST OF GAS ADJUSTMENT CLAUSE

~~6.1~~10.0Working Capital Reconciliation Adjustments ~~- Account 176~~

(1) The following definitions pertain to reconciliation adjustment calculations:

(a) Working Capital Gas Costs Allowable Per Peak Demand Formula shall be:

i. Charges associated with upstream storage, transmission capacity, and product demand procured by the Company to serve firm load in the peak season.

ii. Charges associated with transmission capacity procured by the Company to serve base load requirements in the peak season.

iii. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load in excess of base load requirements in the peak period, plus a reallocation of a portion of such charges incurred in the off-peak season to serve firm load.

iv. Carrying Charges

(b) Working Capital Gas Costs Allowable Per Peak Commodity Formula shall be:

i. Charges associated with gas supplies, including any applicable taxes, purchased by the Company to serve firm load in the peak season, plus a reallocation of LNG boiloff costs from the off-peak season, determined by the product of the difference in the average costs of pipeline purchases during the off-peak period and the average cost of LNG boiloff in the off-peak period times the LNG boiloff volumes purchased in the off-peak period, less the cost of injections and liquefactions into storage.

ii. Non-Core Commodity Costs associated with non-core sales to which the GAF is not applied.

iii. Carrying charges.

(c) Working Capital Gas Costs Allowable Per Off-Peak Demand Formula shall be:

i. Charges associated with transmission capacity procured by the Company to serve base load requirements in the off peak season.

ii. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load in excess of base load requirements in the off-peak period.

iii. Carrying charges.

(d) Working Capital Gas Costs Allowable Per Off-Peak Commodity Formula shall be:

i. Charges associated with gas supplies, including any applicable taxes, procured by the company to serve firm load in the off-peak season, less the reallocation of LNG boiloff costs determined by the product of the difference in the average cost of pipeline purchases during the off-peak period and the average

COST OF GAS ADJUSTMENT CLAUSE

cost of LNG boiloff in the off-peak period times the LNG boiloff volumes purchases in the off-peak period, less the cost of injections and liquefactions into storage.

ii. Non-core commodity costs associated with non-core sales to which the GAF is not applied, as defined in section 6.05.

iii. Carrying charges.

~~(e) Working Capital Gas Costs Allowable Per Peak Bad Debt Formula shall be:~~

~~i. Charges associated with bad debt incurred by the Company to serve firm load in the peak period.~~

~~ii. Carrying charges.~~

~~(f) Working Capital Gas Costs Allowable Per Off-Peak Bad Debt Formula shall be:~~

~~i. Charges associated with bad debt incurred by the Company to serve firm load in the off-peak period.~~

~~ii. Carrying charges.~~

(2) The peak and off-peak, demand, and commodity ~~and bad debt~~ working capital requirements shall be calculated by applying the Company's days lag divided by 365 days to the working capital costs allowable per each formula.

(3) The peak and off-peak, demand, and commodity ~~and bad debt~~ working capital allowances shall each be calculated by applying the Company's weighted cost of capital to each working capital requirement to calculate the respective returns on working capital. The interest portion of each working capital allowance is calculated by multiplying each working capital requirement by the weighted cost of debt. This portion is tax deductible. The return on each working capital less the interest portion of each working capital is then divided by one minus the tax rate. This figure plus the interest calculated above equals the working capital allowance for each.

(4) Calculation of the Reconciliation Adjustments

Accounts ~~176.10, 176.11, 176.12, 176.20, 176.21~~175.14, 175.13, 175.24,

COST OF GAS ADJUSTMENT CLAUSE

and ~~176.22~~175.23 contain the accumulated difference between working capital allowance revenues and the actual monthly working capital allowance costs as calculated from actual monthly costs for the Company~~.~~

~~Account 175.11 shall contain the accumulated difference between revenues toward bad debt as calculated by multiplying the peak bad debt factor times monthly firm sales volumes and bad debt allowed per peak bad debt formula. Account 175.21 shall contain the accumulated difference between revenues toward bad debt as calculated by multiplying the off-peak bad debt factor times monthly firm sales volumes and bad debt allowed per off-peak bad debt formula.~~ plus Carrying Charges as defined in Section 5.00.

The components of the Company's purchased gas days lag shall be recalculated each season based upon actual CGAC seasonal data. This recalculated days lag will be used in the calculation of the working capital allowance revenues. Each Account ~~176~~175 shall contain the accumulated difference between revenues toward the working capital allowance and the working capital allowance.

The peak demand working capital reconciliation adjustment shall be determined for use in the peak demand factor calculations incorporating the peak demand working capital account ~~176.10~~175.14 balance as of the peak reconciliation date designated by the Company. A peak commodity working capital reconciliation adjustment shall be determined for use in the peak commodity factor calculations incorporating the peak commodity working capital account ~~176.11~~175.13 balance as of the peak reconciliation date designated by the Company. An off-peak working capital reconciliation adjustment (WCRopd) shall be determined for use in the off -peak demand factor calculations incorporating the off-peak demand working capital account (~~176.20~~175.24) balance as of the off-peak reconciliation date designated by the Company. An off-peak commodity working capital reconciliation adjustment (WCRopc) shall be determined for use in the off-peak commodity working capital account (~~176.21~~175.23) balance as of the off-peak reconciliation date designated by the Company.

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

~~A peak bad debt working capital reconciliation adjustment (WCRpbd - as defined in Section 6.06) shall be determined for use in the peak bad debt factor calculations incorporating the peak bad debt working capital account (176.12) balance as of the peak reconciliation date designated by the Company. An Off-Peak demand working capital reconciliation adjustment (WCRopbd - as defined in Section 6.06) shall be determined for use in the Off-Peak bad debt factor calculations incorporating the Off-Peak demand working capital account (176.22) balance as of the Off-Peak reconciliation date designated by the Company.~~

~~6.~~11.0 Application of GAF to Bills

The Company will employ the GAFs as follows: The peak season rates to each Load Factor class ~~of customers~~ shall be calculated by adding the respective peak demand factor and the peak commodity factor. The off-peak season rates to each Load Factor class ~~of customers~~ shall be calculated by adding the respective off-peak demand factor and the off-peak commodity factor. The GAFs ($/therm) for each ~~customer~~Load Factor class for each season shall be calculated to the nearest one-hundredth of a cent per ~~unit~~therm ($0.0001) and will be applied to each customer's monthly sales volume within the corresponding ~~customer~~Load Factor class.

~~6.~~12.0 Information Required to be Filed with the Department

Information pertaining to the cost of gas adjustment shall be filed with the Department in accordance with the Company's standardized forms approved by the Department. Required filings include a ~~monthly report which shall be submitted to the Department on the twentieth of each month, and a~~ semiannual GAF filing which shall be submitted to the Department at least 45 days before the date on which a new GAF is to be effective.

Additionally the Company shall file with the Department a complete list~~by (sub)account~~ of all gas costs claimed as recoverable through the CGAC over the previous season, as included in the seasonal reconciliation. This information shall be submitted with each seasonal GAF filing,

COST OF GAS ADJUSTMENT CLAUSE

along with complete documentation of the reconciliation adjustment calculations.

~~6.~~
13.0 Other Rules

(1) The Department may, where appropriate, on petition or on its own motion, grant an exception from the provisions of these regulations, upon such terms that it may determine to be in the public interest.
(2) The Company may, at any time, file with the Department an amended GAF. An amended GAF filing must be submitted 10 days before the first billing cycle of the month in which it is proposed to take effect.
(3) The Department may, at any time, require the Company to file an amended GAF.
(4) The operation of the cost of gas adjustment clause is subject to all powers of suspension and investigation vested in the Department by G.L. c.164.

~~6.~~
14.0 Customer Notification

The Company will design a notice, which explains in simple terms to customers the GAF, the nature of any change in the GAF and the manner in which the GAF is applied to the bill. The Company will submit this notice for approval at the time of each GAF filing.

Upon approval by the Department, the Company must immediately distribute these notices to all of its customers either through direct mail or with its bills.

~~Gas Supply Service~~

~~(1) Peaking Gas Supply Service~~

~~Firm Transportation Customers who have elected Peaking Gas Supply Service shall be charged a commodity charge for all gas usage at the variable CGA-includable cost of liquid propane (LP) air. Such costs shall reflect the inventory cost of LP plus any associated variable costs related to the sendout in the month in which Peaking Gas Supply Service was provided. The calculation of the Peaking Gas Supply Service rate shall be included in the~~

COST OF GAS ADJUSTMENT CLAUSE

~~peak period GAF filing. Any revenues billed from this service shall be credited to the total firm class commodity cost component of the peak period gas costs. The revenues billed shall be filed with the Department in the Company's peak period reconciliation.~~

~~(2) Supplemental Gas Supply Service~~

~~Firm Transportation Customers who have elected Supplemental Gas Supply Service shall be charged the respective class allocated seasonal average cost of gas supply sendout above the Company's base load requirements as defined in Section 6.05 for all gas usage pertaining to this service. The calculation of the supplemental Gas Supply Service rate shall be included in each period's GAF filing. Any revenues billed from this service shall be credited to the respective period's total firm class gas costs, by commodity and demand component. The revenues billed shall be filed with the Department in the respective period's reconciliation.~~

~~AMENDMENTS TO~~
~~UNIFORM SYSTEM OF ACCOUNTS FOR GAS COMPANIES~~

~~175.09 Off-Peak Commodity Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between off-peak commodity gas revenues and off-peak commodity gas costs. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08~~

~~175.10 Off-Peak Demand Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between off-peak demand gas revenues and off-peak demand gas costs. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

~~175.11~~ ~~Peak Bad Debt Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between peak bad debt revenues and peak bad debt costs. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~175.19~~ ~~Peak Commodity Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between peak commodity gas revenues and peak commodity gas costs. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~175.20~~ ~~Peak Demand Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between peak demand gas revenues and peak demand gas costs. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08~~

~~175.21~~ ~~Off-Peak Bad Debt Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between off-peak bad debt revenues and off-peak bad debt costs. Entries in this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~176.10~~ ~~Peak Demand Gas Working Capital Allowance Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between peak demand gas working capital allowance revenues and peak demand gas working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~176.11~~ ~~Peak Commodity Gas Working Capital Allowance Reconciliation~~

COST OF GAS ADJUSTMENT CLAUSE

~~Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between peak commodity gas working capital allowance revenues and peak commodity gas working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~176.12~~ ~~Peak Bad Debt Gas Working Capital Allowance Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between peak bad debt working capital allowance revenues and peak bad debt working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~176.20~~ ~~Off-Peak Demand Gas Working Capital Allowance Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between off-peak demand gas working capital allowance revenues and off-peak demand gas working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~176.21~~ ~~Off-Peak Commodity Gas Working Capital Allowance Reconciliation Adjustment for CGAC~~

~~This account shall be used to record the cumulative difference between off-peak commodity gas working capital allowance revenues and off-peak commodity gas working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~176.22~~ ~~Off-Peak Bad Debt Gas Working Capital Allowance Reconciliation Adjustment for CGAC~~

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

~~This account shall be used to record the cumulative difference between off-peak bad debt working capital allowance revenues and off-peak bad debt working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.08.~~

~~242.10 Undistributed Capacity/Product Suppliers' Refunds~~

~~This account will be used to record the refunds of costs from suppliers of pipeline capacity or product demand. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.07.~~

~~242.20 Undistributed Commodity/Product Suppliers' Refunds~~

~~This account will be used to record the refunds of costs from suppliers of pipeline commodity or product deommodity. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.07.~~

15.0 Bad Debt Allowance

15.01 Purpose

The purpose of this provision is to establish a procedure that, subject to the jurisdiction of the Department, allows Bay State to adjust, on a semi-annual basis, its rates for the recovery of Bad Debt Expense

15.02 Bad Debt (BDF) Formula

The Bad Debt (BDF) Formula shall be computed on an annual basis using forecasts of bad debt expense associated with gas costs, gas costs, carrying charges, sales volumes, and a working capital allowance. Forecasts may be based on either historical data or Company projections, but must be weather-normalized. Any projections must be documented in full with each filing. The forecast of bad debt expense associated with gas costs shall be based on the Company's projected gas costs in the respective seasonal GAF filings and the percent of net write-offs to total firm

COST OF GAS ADJUSTMENT CLAUSE

revenues as determined in the Company's last rate proceeding.

The calculation at the beginning of the off-peak season shall be on a projected annual basis. The calculation at the beginning of the peak season will update the remaining months of the projected annual period with actual bad debt expenses and collections for the available months and projections for the remaining months of the annual period. The following formula shall be used to calculate the Bad Debt factor.

$$BDF = \frac{BD + RAbd + WCbd + I}{A{:}Sales}$$

and:

$$WCbd = \frac{(WCAbd * CC) - (WCAbd * CD)}{(1 - TR)} + (WCAbd * CD)$$

and:

$$WCAbd = BD * (DL/365)$$

Where:

A:Sales	Forecast annual sales volumes.
BD	Bad Debt Expense as defined in Section 5.00; derived by multiplying the forecast gas costs by the percent of annual net write-offs to annual firm revenues as determined in the Company's last rate case.
CC	Weighted cost of capital as defined in Section 5.00.
CD	Weighted cost of debt as defined in Section 5.00.
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers.
I	Interest on total bad debt allowance plus working capital on bad debt calculated at the consensus prime rate as reported in the *Wall Street Journal* based on a 365 day year.
RAbd	Bad Debt Expense reconciliation adjustment - Account 175.31 balance.
TR	Combined Tax rate as defined in Section 5.00.

~~Issued: October 23, 2000~~

COST OF GAS ADJUSTMENT CLAUSE

WCAbd Bad Debt allowable for working capital application defined as the costs associated with the gas cost portion of bad debt incurred by the Company to serve firm load.

WCbd Working Capital Allowance associated with the gas portion of bad debt for the period including the Pretax Weighted Cost of Capital as defined in Section 5.00.

15.03 Bad Debt Reconciliation Adjustment

Account 175.31 shall contain the accumulated difference between the annual revenues toward bad debt, as calculated by multiplying the bad debt factors (BDF) times monthly firm sales volumes, and the annual allowed Bad Debt expenses, allowed working capital on Bad Debt and Carrying Charges as defined in Section 5.00.

An annual bad debt reconciliation adjustment (RAbd - as defined in Section 15.02) shall be determined for use in the bad debt factor calculations incorporating the bad debt working capital account (175.32) balance as of the reconciliation date designated by the Company.

(a) Costs Allowable per Bad Debt Formula shall be:

i. Un-collectable gas costs incurred by the Company to serve firm sales load, as determined by deriving the portion of actual net write-offs associated with gas cost collections.

ii. Account 175.32 – Bad Debt, Carrying Charges.

iii. Working Capital Gas Costs Allowable per Bad Debt Formula, which shall be charges associated with bad debt incurred by the Company to serve firm sales load and applied to the working capital formula.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Section

~~7.01~~ **1.0** Purpose
~~7.02~~ **2.0** Applicability
~~7.03~~ **3.0** Demand Side Management Costs Allowable for Local Distribution Adjustment Clause (LDAC) -- Conservation Charge (CC)
~~7.04~~ **4.0** Environmental Response Costs Allowable for LDAC -- (RAC)
~~7.05 FERC Order 636 Transition Costs~~ **5.0** Pension and PBOP Expense Allowable for LDAC ~~-- (TC~~ (PEF)
~~7.06~~ **6.0** Interruptible Transportation Margins Allowable for LDAC -- (ITM)
7.07 Third Party Expenses Related to Customer Choice Initiatives and Massachusetts Gas Unbundling Collaborative
~~7.08 Exogenous Factors~~ **8.0** Service Quality Revenue Adjustment Pursuant to the Company's ~~Two Year Rate~~Service Quality Plan
~~7.09 Earnings Sharing Pursuant to Company's Two Year Rate Plan~~
~~7.~~ **9.0** Exogenous Factors
10 ~~Quality of Service Revenue Reduction Pursuant to Company's Two Year Rate Plan~~
~~7.11~~**.0** Effective Date of Local Distribution Adjustment Factor --(LDAF)
~~7.12~~**11.0** Definitions
~~7.13~~**12.0** Local Distribution Adjustment Factor (LDAF) Formulas
~~7.14~~**13.0** Application of LDAF to Bills
~~7.15~~**14.0** Information Required to be Filed With the Department
~~7.16~~**15.0** Other Rules
~~7.17~~**16.0** Customer Notification

~~7.01~~
1.0 Purpose

The purpose of this clause is to establish procedures that allow Bay State Gas Company ("Bay State" or the "Company") subject to the jurisdiction of the Department of ~~Public Utilities~~Telecommunications and Energy ("Department") to adjust, on a semi-annual basis, its rates for firm gas sales and firm transportation service in order to recover DSM costs, environmental response costs, ~~FERC Order 636 transition costs,~~ return the interruptible

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

transportation margins allocated to distribution services, recover third party legal, consulting, printing, postage and meeting room rental expenses related to Customer Choice initiatives and unbundling costs associated with the Company's participation in the Massachusetts Gas Unbundling Collaborative ("MGUC"), reflect changes in exogenous factors ~~during the fiscal years 1997 and 1998, return a specific amount of revenues associated with earnings in excess of that level of earnings that resulted in a return on equity ("ROE") of 11.4%~~, and compensate firm rate payers for failure to meet certain service quality ~~of service measure~~measures.

~~Issued: October 23, 2000~~ ~~Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~7.02~~

2.0 Applicability

This Local Distribution Adjustment Clause ("LDAC") shall be applicable to all of Bay State's firm sales and firm transportation customers. The application of the clause may, for good cause shown, be modified by the Department. See Section ~~7.16,~~ 15.0, "Other Rules."

~~7.03~~

3.0 Demand Side Management Costs Allowable for LDAC

~~7.0~~3.01 Purpose

The purpose of this provision is to establish a procedure that allows Bay State subject to the jurisdiction of the Department to adjust, on ~~an~~ a semiannual basis, the Conservation Charge applicable to firm ~~gas~~ sales and firm transportation throughput in order to recover from firm ratepayers Conservation and Load Management program costs and associated expenditures.

~~7.0~~3.02 Applicability

A Conservation Charge ("CC") shall be applied to ~~Firm Therm Sales~~firm sales and firm transportation throughput of the Company subject to the jurisdiction of the Department as determined in accordance with the provisions of Section ~~7.03~~3.0 of this clause. Such CC shall be determined ~~annually by the Company~~semiannually separately for each Rate Category as defined below~~, subject to review and approval by~~.

For purposes of applying the respective CC the ~~Department as provided for in this clause.~~

~~For purposes of applying the respective CC each "Rate Category" shall be~~Company's tariff rate schedules are combined into CC Rate Categories as follows:

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Residential Non-Heating (Rates R-1, R-2, T~~R-1, TR-~~R1, T-R2)
Residential Heating (Rates R-3, R-4, T~~R-3, TR-~~R3, T-R4)
Commercial/Industrial (Rates G-40, G-41, G-42, G-43, G-50, G-51, G-52, G-53, T-40, T-41, T-42, T-43, T-50, T-51, T-52, T-53~~, TP-40, TP-50~~)

~~7.0~~3.03 Costs Allowable for LDAC

~~All costs~~Category Conservation Expenditures associated with Demand Side Management ("DSM") or Conservation and Load Management ("C&LM") programs ~~which have been pre-approved by~~are included in the CC. In addition, the ~~Department pursuant to such orders~~CC shall include the credit of Category Loan Repayments, Category Reconciliation Adjustments, and Interest as ~~it may issue and its regulations as in effect from time to time. The allowable DSM costs shall also include the credit of Category Loan Repayments plus projected interest plus any prior period Category Reconciling Adjustments. Other charges allowable for the Conservation Charge include Development Annualization costs, Performance Incentive Charges and Lost Net Revenues~~defined in Section 3.05.

~~7.0~~3.04 Effective Date of Conservation Charge

Forty-five ("45") days prior to the first day of the beginning of the billing ~~month~~months of May and November of each year, the Company will file with the Department for its consideration and approval, the Company's request for a ~~change in the~~ CC applicable to each Rate Category ~~during the next subsequent twelve-month period commencing with the billing month of November.~~

~~7.0~~3.05 Definitions

(1) **Category Conservation Expenditures** shall mean those expenses properly assignable or allocable to a Rate Category and incurred by the Company in furtherance of Conservation and Load Management programs ~~which~~that have been

~~Issued: October 23, 2000 Effective: November 1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

pre-approved by the Department pursuant to such orders as it may issue and its regulations as in effect from time to time.

(2) **Category Loan Repayments** shall mean those repayments of conservation loans properly assigned to a Rate Category.

(3) **Category Reconciliation Adjustment** shall mean the dollar amount, whether positive or negative, required to reconcile any difference between the sum of Category Loan Repayments plus the revenues by Rate Category collected from customers pursuant to this rate schedule with respect to a given Rate Category during a given period of time and the Category Conservation Expenditures incurred by the Company relative to such Rate Category during such period of time.

(4) ~~Category Sales shall mean the respective sales applicable to each Rate Category.~~**Interest** shall mean the consideration of the time value of money. Interest expense or credit shall be calculated for each separate cost recovery account as the average of the beginning and end of month balances in the account times the monthly interest rate as defined in Section 11.0.

(5) ~~Development Period Cost shall mean all costs related to developing the C&LM programs. The Company will amortize its C&LM program development costs, with interest, over five years. The development costs amortized in a particular year will be recovered, with interest, from all ratepayers at the same rate per therm.~~
Rate Categories shall mean the rate class groupings as set forth in Section 3.02.

~~(6)~~ ~~Interest shall mean the consideration of the time value of money. Interest expense or credit shall be calculated for each separate cost recovery account as the average of the beginning and end of month balances in the account times the monthly interest rate. The monthly interest rate, for the "Development Period Costs" shall be determined by dividing the pre-tax return on rate base in effect for that month as approved by the Department in the Company's most recent rate case by 365 days, and multiplying the resulting quotient by the number of days in the month, while the interest rate for all other DSM costs shall be determined by dividing the monthly Bank of Boston prime interest rate by 365 days and multiplying the~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~resulting quotient by the number of days in the month.~~

~~(7)~~ ~~Lost Net Revenues shall mean the net lost margins resulting from the reduction in sales attributed to the implementation of the C&LM programs. These lost margins will be calculated based on actual measured savings adjusted for cost reductions resulting from the deferral or cancellation of distribution system upgrades. The Company will recover lost revenues, with interest, at an equal rate from all customers.~~

~~(8)~~ ~~Performance Incentive shall mean seven percent of the net benefit produced from the Company's C&LM programs. The Company will calculate the incentive based on measured savings after two years of program implementation, and collect the incentive from customers in all Rate Categories at an equal rate per therm. The calculation of the Performance Incentive, with interest, will be implemented subsequent to the Company's achievement of fifty percent of its pre-approval period savings target upon the Department approval.~~

~~7.03~~
3.06 **Calculation of Conservation Charge**

The Conservation Expenditure Charge component of the ~~Conservation Charge~~ CC shall be calculated, by Rate Category, by dividing the ~~forecast DSM Allowable Costs~~allowable costs as defined by Section 3.03 by the sum of the forecast ~~Category Sales~~sales and ~~firm transportation~~ throughput~~. The annual Development Amortization Charge component of the CC will be calculated based on~~ of the respective Rate Categories. The resulting CC shall be calculated for each six-month period beginning each ~~year's amortized balance, plus interest, divided by projected total firm~~ May 1st and November 1st and reflected in the Local Distribution Adjustment Factor ("LDAF") that is applicable to actual sales and ~~firm transportation~~ throughput ~~subject to the Conservation Charge. The Performance Incentive Charge component of the CC will be calculated by dividing the performance incentive dollar amount,~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~plus interest, by the forecast total firm~~ of the respective Rate Categories.

3.07 Reconciliation Adjustments

Account 176.01 contains the accumulated difference between the sum of the Category Conservation Expenditures incurred by the Company during a given period of time and the sum of Category Loan Repayments and revenues collected from customers during such period of time, pursuant to this clause, with respect to a given Rate Category.

3.08 Application of CC to Bills

The CC ($ per therm) for each Rate Category shall be calculated to the nearest one one-hundredth of a cent per therm ($0.0001) and will be applied to the monthly sales and ~~firm transportation~~ throughput~~. The Lost Net Revenues Charge component of the CC will be calculated by dividing lost net revenue dollar amount, plus interest, by the forecast category Sales and firm transportation~~ of each customer in the Rate Categories.

3.09 Information Required to be Filed with the Department

The Company shall submit semi-annual reports to the Department setting forth Category Conservation Expenditures, Category Loan Repayments, sales and throughput~~. The sum~~ of the ~~Conservation Expenditure Charge, Developmental Charge, Performance Incentive Charge and the Lost Net Revenues Charge will be the total Conservation Charge per therm. The resulting CC shall be calculated for each twelve-month period beginning November 1 and reflected in the Local Distribution Adjustment Factor ("LDAF") that is applicable to actual Category Sales and firm transportation throughput.~~

~~7.03.07 Reconciliation Adjustments~~

~~Account 176.5 contains the accumulated difference between the sum of the Category Conservation Expenditures incurred by the Company during a given period of time and the sum of Category Loan Repayments and revenues collected from customers during such period of time, pursuant to this clause,~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~with respect to a given~~ Rate ~~Category.~~

~~7.03.08 Application of CC to Bills~~

~~The CCs ($ per therm) for each Rate Category shall be calculated to the nearest one one-hundredth of a cent per therm and will be applied to the monthly firm sales and firm transportation throughput for each customer in a Rate~~Categories, Category~~.~~

~~7.03.09 Information Required to be Filed with the Department~~

~~The Company shall submit semiannual reports to the Department setting forth Category Conservation Expenditures, Category Loan Repayments, Category Sales and Firm Transportation Quantities and~~ Reconciliation Adjustment, Interest, and Categoryrevenues under Section ~~7.03~~3.0 of this clause, both as actually experienced and as estimated for the remaining forecast period~~. Such reports shall be filed with the Department on or before the last day of the first month after the close of each Peak Period and Off-Peak Period, respectively, as defined in the Company's Cost of Gas Adjustment Clause.~~

~~7.0~~ 3.10 **Other Rules**

Whenever the Company determines that actual experience or updated estimates affecting the components of the calculated Conservation Charge indicate a difference of ten percent over or under the amount the Department has authorized to be collected during the period, the Company may make an interim filing during the effective period revising the Conservation Charge either up or down for the remainder of the period with the approval of the Department. An amended Conservation Charge must be submitted 10 days before the first billing cycle of the month in which it is to take effect.

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~7.0~~4.0 Environmental Response Costs Allowable for LDAC

~~7.0~~4.01 Purpose

The purpose of this provision is to establish a procedure that allows Bay State subject to the jurisdiction of the Department to adjust, on an annual basis, its rates for the recovery from its firm sales and firm transportation customers environmental response costs associated with manufactured gas plants.

~~7.0~~4.02 Applicability

A Remediation Adjustment Cost ("RAC") charge shall be applied to firm sales and firm transportation throughput of the Company subject to the jurisdiction of the Department as determined in accordance with the provisions of Section ~~7.0~~4.0 of this clause. Such RAC shall be determined annually by the Company as defined below, subject to review and approval by the Department as provided for in this clause.

~~7.0~~4.03 Environmental Cost Allowable

All environmental response costs associated with manufactured gas plants, adjusted for deferred tax benefits, and one half of the expenses incurred by the Company in pursuing insurance and third party claims, less one-half of any recoveries received by the Company as a result of such claims may be included in the LDAC.

The total annual charge to the Company's ratepayers for Environmental Response Costs during any Remediation Cost Recovery Year shall not exceed five percent (5%) of the Company's total revenues from firm ~~gas~~ sales and transportation throughput during the preceding calendar year, with transportation revenues being adjusted by imputing the Company's cost of gas charges during the year. If this limitation results in the Company recovering less than the amount that would otherwise be recovered in a particular Remediation Cost Recovery Year, then beginning with the date upon which the annual charge would have been effective, carrying costs shall accrue to the Company upon the unrecovered portion of the Remediation costs that otherwise would have been allowable. Carrying costs shall accrue through the Remediation Cost Recovery Year in which such amount, together with any accumulated carrying costs, is actually recovered by the Company from its ratepayers and shall accrue at the ~~pre-tax weighted cost of~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~capital~~Pre-tax Weighted Cost of Capital rate as defined in Section ~~7.0~~4.05.

~~7.0~~4.04 **Effective Date**

Forty-five ("45") days prior to the first day of the beginning of the billing month of May of each year, the Company will file with the Department for its consideration and approval, the Company's request for a change in the RAC applicable to all firm sales and firm transportation throughput for the subsequent twelve month period commencing with the billing month of May.

~~7.0~~4.05 **Definitions**

1) **Deferred Tax Benefit** shall be the unamortized portion of actual environmental response costs multiplied by the Company's currently effective statutory federal and state income tax rate, and by the Company's Pre-tax ~~adjusted cost~~Weighted Cost of ~~capital~~Capital as approved in its last rate proceeding.

2) **Environmental Response Costs** shall include all costs of investigation, testing, remediation, litigation expenses, and other liabilities relating to manufactured gas plant sites, disposal sites, or other sites onto which material may have migrated, as a result of the operating or decommissioning of Massachusetts gas manufacturing facilities.

3) **Expenses and Recoveries Associated with Insurance and Third-Party Expenses and Recoveries** shall include one-half the expenses incurred by the Company in pursuing insurance and third-party claims and one-half of any recoveries or other benefits received by the Company as a result of such claims.

4) **Pre-tax Weighted Cost of Capital** is the result of the calculation of the weighted cost of capital minus the weighted cost of debt, divided by one minus the combined tax rate, plus the weighted cost of debt.

~~7.0~~ 4.06 **Reconciliation Adjustments**

Calculation of the RAC

~~Issued: October 23, 2000 Effective: November 1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

The RAC consists of one-seventh of the actual ~~response costs~~Environmental Response Costs incurred by the Company in a calendar year for each year until fully amortized, less a deferred tax benefit, plus one-half of insurance and third-party expenses for the calendar year, less one-half of insurance and third-party recoveries for the calendar year, plus the prior year's RAC reconciliation adjustment. This amount is then divided by the Company's forecast of total firm sales ~~volumes~~ and firm transportation throughput for the upcoming year.

~~The deferred tax benefit is calculated by multiplying the unamortized environmental response costs by the combined tax rate as defined in Section 7.04.5, and by the Company's pre-tax weighted cost of capital as defined in Section 7.04.5.~~

~~7.04.07~~ **Remediation Adjustment Cost (RAC) Factor Formula**

$$RAC = \frac{\text{sum}(ERC) - DTB + ((IE - IR) \times .5) + Rrac}{A : TP\ vol}$$

and:

$$DTB = UERC \times TR \times \frac{\left((WCC - WCD) + WCD) \right)}{(1 - TR)}$$

Where:

A:~~TPool~~ TPol	Forecast Annual throughput Volumes inclusive of all firm sales and firm transportation throughput.
DL	Number of Days Lag from the purchase of gas from suppliers to the payment by customers

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

DTB	Deferred Tax Benefit as defined in Section ~~7.0~~4.05.
ERC	Environmental Response Costs as defined in Section ~~7.0~~4.05.
IE	Expenses associated with pursuing Insurance and third-party claims as defined in Section 7.04.
IR	Insurance and third-party Recoveries as defined in Section ~~7.04.~~4.05.
RAC	Remediation Adjustment ~~Factor~~Cost charge as defined in Section ~~7.0~~4.08
Rrac	Remediation Adjustment ~~Clause~~Cost Reconciliation Adjustment - Account 176.~~6~~02 balance as outlined in Section ~~7.0~~4.08.
TR	Combined Tax Rate = currently effective federal plus state income tax rates
UERC	Unamortized Environmental Response Costs
WCC	Weighted Cost of Capital
WCD	Weighted Cost of Debt

~~7.0~~ **4.08 Remediation Adjustment Cost (RAC) Factor Calculation**

(1) The following definitions pertain to the Remediation Adjustment Clause (RAC) reconciliation adjustment calculations:

Remediation Adjustment Cost Expenses Allowable

(a) **Per Formula** shall be:

i. One seventh of each calendar year's environmental response costs (ERC) as defined in Section ~~7.0~~4.03, less the deferred tax benefit as defined in Section ~~7.0~~4.05.

ii. One-half of insurance and third-party expenses (IE), less one-half of insurance and third-party recoveries (IR).

(b) **RAC (Remediation Adjustment Cost)** portion of the LDAF as computed in Section ~~7.0~~4.07 is used as the convention for recognizing revenues toward Environmental Response Costs.

(2) **Calculation of the Reconciliation Adjustment 176.~~6~~02**

Account 176.~~6~~02 shall contain the accumulated difference between revenues toward environmental response costs as calculated by multiplying the RAC times monthly firm sales volumes and transportation throughput and environmental response costs allowable per formula.

~~7.0~~**4.09 Application of RAC to Bills**

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

The RAC ($ per therm) shall be calculated to the nearest one one-hundredth of a cent per therm ($0.0001) and will be applied to the monthly firm sales and firm transportation throughput.

~~7.0~~4.10 Information to be Filed with the Department

The annual RAC filing will include copies of all bills and receipts relating to any ~~environmental response costs~~ Environmental Response Costs and expenses related to insurance and third-party recoveries incurred in the preceding calendar year as well as a schedule depicting the particular purpose of the amount of any ~~environmental response costs~~ Environmental Response Costs and expenses related to insurance and third party recoveries incurred in the preceding calendar year.

~~7.05 FERC Order 636 Transition Costs~~
5.0 Pension and PBOP Expense Allowable for LDAC

~~7.0~~5.01 Purpose

The purpose of this provision is to establish a procedure that allows Bay State, subject to the jurisdiction of the Department, to adjust, on an annual basis, its rates for the recovery from its firm sales and firm transportation customers ~~FERC Order 636 Transition Costs~~annual Pension and Postretirement Benefits Other than Pensions including any postemployment benefits other than pensions ("PBOP") expense as recorded on the Company's books including prepaid amounts.

~~7.0~~5.02 Applicability

~~The FERC Order 636 Transition Cost charge (TC~~A Pension and PBOP Expense Factor ("PEF") shall be applied to ~~all~~ firm sales and firm transportation throughput of the Company subject to the jurisdiction of the Department as determined in accordance with the provisions of Section ~~7.05~~5.0 of this clause. Such ~~TC~~PEF shall be determined annually by the Company as defined below, subject to review and approval by the Department as provided for in this clause.

~~Issued: October 23, 2000 Effective: November 1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~7.0~~ **5.03** ~~Transition Cost~~**Pension and PBOP Expense Allowable** ~~for LDAC~~

~~All costs as defined and approved~~
The Company's test year Pension and PBOP Expense established by the ~~FERC, including: (1) gas supply realignment or GSR costs; (2) stranded costs; and (3) new facilities costs.~~

~~7.05.04 Effective Date of Transition Cost Charge~~

Department in D.T.E. 05-27 shall be deemed Allowable Pension and PBOP Expense. In addition, the difference between the actual Pension and PBOP Expense incurred in future years and the test year amount established by the Department shall also be deemed Allowable Pension and PBOP Expense. Allowable Pension and PBOP Expense shall include the actual pension expense, prepaid pension costs recognized in accordance with the Financial Accounting Standards Board's ("FASB") Statement No. 87 ("FAS 87"), PBOP recognized in accordance with FASB Statement Nos. 106 ("FAS 106") and 112 ("FAS 112"), and carrying costs associated with Unamortized Pension Deferral amounts as adjusted for deferred tax benefits for the Prior Year. The Department may allow a shorter amortization period in any year if it deems that such shorter period is appropriate. Allowable Pension and PBOP Expense shall also include prior period reconciliation and deferred amounts.

5.04 Amortization of Pension and PBOP Expense

The Test Year Level of Pension and PBOP Expense shall be established by the Department in D.T.E. 05-27. The difference between the actual Pension and PBOP Expense for the Prior Year and the Test Year Level, positive or negative, shall be amortized over a three-year period with one-third of the amount included in the LDAC to be effective for the upcoming year, one-third deferred for one year and one-third deferred for two years. The amortization shall include carrying costs calculated at the Weighted Cost of Capital.

5.05 Effective Date

~~Issued: October 23, 2000 Effective: November 1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Forty-five (45) days prior to the beginning of the billing month of ~~May~~November of each year, the Company will file with the Department for its consideration and approval, the Company's request for a change in the ~~TC~~PEF applicable to all firm sales and firm transportation throughput for the subsequent twelve month period commencing with the billing month of ~~May~~November.

5.06 Definitions

1) ~~Number of Days Lag is the number of days lag to calculate the purchased gas working capital requirement as defined in the Company's most recent rate case.~~**Deferred Tax Benefit** shall be the sum of the unamortized portion of actual Pension and PBOP Expense not included in rates and the average prepaid amount multiplied by the Company's effective statutory federal and state income tax rate, and by the Company's tax adjusted cost of capital as approved in its last rate proceeding.

2) ~~Tax Rate is the combined state and federal income tax rate.~~**PBOP** shall be the Company's postretirement benefits other than pensions including any post-employment benefits other than pensions.

3) ~~Transition Costs are costs incurred by pipelines as a result of the restructuring of their operations and services in compliance with FERC Order 636 as defined by FERC including: (1) gas supply realignment or GSR costs; (2) stranded costs, and, (3) new facilities costs.~~**Pension Plan** is a Qualified Pension Plan, as defined by the Employee Information Retirement Income Security Act of 1974, as amended from time to time.

4) ~~Weighted Cost of Capital is the weighted cost of capital as set in the Company's most recent rate case.~~**Prepaid Amount** is the difference between the actual cash contributions to the Pension Plan and the pension expense amounts recognized in accordance with FAS 87.

5) ~~Weighted Cost of Debt is the weighted cost of debt as set in the Company's most recent rate case.~~**Prior Year** is the calendar year previous to the effective date of the proposed PEF.

~~7.05.06 Transition Cost (TC) Factor Formula~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

$$\cancel{TCF = \frac{TC + RA_{TC} + WCF_{TC}}{A{:}Tpvol}}$$

~~and:~~

$$\cancel{WCF_{te} = \frac{\frac{(WCA_{te} \times WCC) - (WCA_{te} \times WCD) + WCA_{te} \times WCD) + WCR_{te}}{1}}{A : TPvol}}$$

~~and:~~

$$\cancel{WCA_{te} = TC \times \frac{(DL)}{365}}$$

~~Where:~~

6) **Pension Deferral** is the difference between the total Test Year Level of Pension and PBOP Expense established by the Department in D.T.E. 05-27 and the actual Pension and PBOP Expense booked by the Company for each Prior Year.

7) **Weighted Cost of Capital** is the pre-tax weighted cost of capital as set in the Company's most recent rate case.

5.07 Pension and PBOP Expense Factor Formula

$$PEF = \frac{TYLE + PD + (WCC \times (UPD + APA - DTB)) + RA_{PE}}{A{:}TPvol}$$

And:

$$PD = \frac{PD_T + PD_{T-1} + PD_{T-2}}{3}$$

Where:

~~Issued: October 23, 2000~~ ~~Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

$A{:}TP_{VOL}$	Forecast Annual Throughput Volumes inclusive of all firm sales and firm transportation throughput.
~~DL~~TYLE	~~Number of Days Lag from the purchase of gas from suppliers to the payment by customers~~Test Year Level of Pension and PBOP Expense as established by the Department in D.T.E. 05-27.
~~TC~~PD	~~Transition Costs as defined in Section 7.05.05.~~The total amount of the Pension Deferral to be amortized in the upcoming year.
~~RA_{TC}~~WCC	~~Transition Cost Reconciliation Adjustment - Account 175.15, inclusive of the associated Account 175.15 interest, as outlined in Section 7.05.08.~~Pre-tax Weighted Cost of Capital.
~~WCA_{TC}~~UPD	~~Working Capital Transition Costs Allowable for working capital application as defined in Section 7.05.07.~~The Unamortized Pension Deferral is the amount of the Pension Deferral not yet included in distribution rates. At the beginning of the year, the Unamortized Pension Deferral is the sum of: (1) the Unamortized Pension Deferral at the beginning of the Prior Year; plus (2) the Pension Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.
~~WCC~~APA	~~Weighted Cost of Capital~~The Average Prepaid Amount is one half the sum of: (1) the Prepaid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Prepaid Amount recorded on the Company's books as of the end of the Prior Year.
~~WCD~~DTB	~~Weighted Cost of Debt~~Deferred Tax Benefit as defined in Section 5.06.
~~WCF_{TC}~~RAPE	~~Per Unit Working Capital Factor allowable per billed annual throughput volume as defined in Section 7.05.07.~~Pension and PBOP Expense Reconciliation Adjustment - inclusive of the associated interest, as outlined in Section 5.08.
~~WCR_{TC}~~PDT	~~Working Capital Reconciliation adjustment associated with transition cost charges - Account 176.15~~The amount of the current year's Pension Deferral.

~~7.05.07 Transition Cost Working Capital Allowance~~

~~(1) TC Working Capital Allowance Calculation~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~Th~~ The amount of the previous year's Pension Deferral.

~~e transition cost working capital allowance~~

PD_{T-1}

PD_{T-2} The amount of the second pevious year's Pension Deferral.

5.08 Reconciliation Adjustments

The Company shall ~~be calculated~~record the accumulated difference between revenues toward Pension and PBOP Expense as ~~follows: First, Transition Cost Working Capital Requirement is multiplied by the Weighted Cost of Capital Rate to arrive at a Return on Transition Cost Working Capital Requirement. Next, the Interest Portion of the Return on Transition Cost Working Capital is~~ calculated by multiplying the ~~Transition Cost Working Capital Requirement amount by the Weighted Cost of Debt Rate. This amount is then subtracted from the Return on Transition Cost Working Capital to arrive at a Taxable Income Base. The Taxable Income Base is divided by the reciprocal of the combined effective federal and state tax rate to arrive at the Return Requirement Plus Taxes. The sum of the Return Requirement Plus Taxes~~Pension and ~~the interest Portion of the Return on Transition Cost Working Capital is the total Transition Cost Working Capital Allowance. This total divided by annual firm sales volumes and firm transportation throughput equals the per unit Working Capital~~PBOP Expense Factor~~.~~

~~(2) TC Working Capital Formulas:~~
~~As set forth in Section 7.05.06.~~

~~(3) TC Working Capital Reconciliation Adjustment~~
~~Account 176.15 shall contain the accumulated difference~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~between the revenues toward transition cost working capital allowance and the actual monthly transition working capital allowance costs~~ (PEF) times monthly firm sales and transportation throughput and Pension and PBOP Expense allowed, plus carrying charges calculated on the average monthly balance using the consensus prime rate as ~~calculated from the actual transition costs.~~

~~7.05.08 Reconciliation Adjustments~~

~~Account 175.15 shall contain the accumulated difference between revenues toward transition costs as calculated by multiplying the transition cost factor (TCF) times monthly firm sales and transportation throughput and transition costs allowed, plus carrying charges calculated on the average monthly balance using the Fleet prime lending rate~~reported by the *Wall Street Journal* and then added to the end-of-month balance.

~~7.05.09~~ **Application of ~~TCF~~PEF to Bills**

The ~~TCF~~PEF ($ per therm) shall be calculated to the nearest one one-hundredth ($0.0001) of a cent per therm and will be applied to the monthly firm sales and firm transportation throughput.

~~7.05.10~~ **Information to be Filed with the Department**

Information pertaining to the ~~Transition Costs~~Pension and PBOP Expense will be filed with the Department ~~along~~consistent with the ~~gas cost~~filing requirements of all costs and revenue information ~~as required pursuant to the CGAC and~~ included in the LDAC. Required filings include ~~a monthly report providing actual data~~ the semiannual PEF filings made forty-five (45) days prior to the effective dates of the November 1 peak period and ~~resulting~~ May 1 off-peak period and will include all other factors of the LDAF. The off-peak filing will represent a revision to the annual PEF to become effective May 1 reflecting the latest known actual balance and updated ~~projection of the end-of-period reconciliation balance, as well as~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~the seasonal~~ throughput forecast for the upcoming off-peak period. The peak period PEF filing will contain the calculation of the ~~Transition Cost factor, which shall be~~ new annual PEF to become effective November 1 and will include the updated annual Pension and PBOP Expense reconciliation balance. The factors and reconciliation balances of all other LDAC components will be included in ~~a semiannual LDAF~~this filing~~. Also, the seasonal Transition cost reconciliation balances shall be filed along with the other reconciliation balances included in the LDAC~~.

~~7.06~~

6.0 Interruptible Transportation Margins Allowable for LDAC

~~7.0~~6.01 Purpose

The purpose of this provision is to establish a procedure that allows Bay State subject to the jurisdiction of the Department to adjust, on a seasonal basis, the Interruptible Transportation Margin ~~credit (ITM~~Credit ("ITMC") applicable to firm ~~gas~~ sales and firm transportation throughput in order to return to firm ratepayers the Interruptible Transportation margins allocated to the local distribution function.

~~7.0~~6.02 Applicability

An ~~Interruptible Transportation Margin Credit (~~ITMC~~)~~ shall be applied to all firm sales and firm transportation throughput of the Company subject to the jurisdiction of the Department as determined in accordance with the provisions of Section ~~7.06~~6.0 of this clause. Such ITMC shall be determined seasonally by the Company as defined below~~,~~ and subject to review and approval by the Department as provided for in this clause.

The application of this provision may, for good cause shown, be modified by the Department. See Section ~~7.16~~15.0, "Other Rules."

~~7.0~~6.03 Effective Date of Interruptible Transportation Margin

The peak ITMC shall become effective as of the first day of the first billing cycle

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

of each peak period as designated by the Company. The off-peak ITMC shall become effective as of the first day of the first billing cycle of each off-peak period as designated by the Company.

~~7.0~~6.04 **Definitions**

(1)— Peak Period for Bay State is the six consecutive months of November through April.
(2)— Off-Peak Period for Bay State is the six consecutive months of May through October.

~~7.0~~6.05 **Interruptible Transportation Margins**

A threshold level of margins will be established annually for Interruptible Transportation Margins (ITM). Such level of margins shall be adjusted to reflect additions or losses from Customers who switch from FT, FS or IS, to IT, and conversely, from IT to FT, FS or IS. One hundred percent (100%%) of margins earned up to the threshold level plus 75% of margins earned in excess of the threshold will be passed back to the firm sales and firm transportation customers as a credit contained in the LDAC. The Company shall adjust the threshold annually to reflect a new level of ~~IT margins~~ ITM for the twelve-month period ending April 30 of each year.

The ITMC shall be computed semiannually based on a forecast of ~~interruptible transportation margins~~ ITM and firm sales and firm transportation throughput volumes. Forecasted ~~margins~~ITM up to 100% of the threshold level plus 75% of the forecasted ~~margins~~ITM above the threshold level are allocated to the peak period and off-peak period using the distribution capacity allocator from the Company's ~~Cost~~ cost of ~~Service Study~~service study filed in its last rate case.

Peak ~~ITM Credit~~ITMC Formula

The Peak ~~ITM Credit~~ITMC shall be calculated according to the following formulas:

$$ITMC_p = \frac{ITM_p}{P:TPvol} + RF_{PITM}$$

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

and:

$$RF_{PITM} = \frac{R_{PITM}}{P:TP_{vol}}$$

Where:

$ITMC_p$	Peak period Interruptible Transportation Margin Credit.
ITM_p	Interruptible Transportation margins allocated to peak period, inclusive of the associated carrying charges as defined in Section 6.12.
RF_{PITM}	Peak Interruptible Transportation margin reconciliation adjustment factor applicable to total firm sales and firm transportation throughput.
R_{PITM}	Reconciliation costs - peak interruptible transportation margins, Account ~~175.5~~176.24 balance, inclusive of the associated ~~Account 175.5~~ interest.
$P : TP_{vol}$	Forecast peak period firm sales and firm transportation throughput.

Off-Peak ~~ITM Credit~~ITMC Formula

The Off-Peak ~~ITM Credit~~ITMC shall be calculated according to the following formulas:

$$ITMC_{op} = \frac{ITM_{op}}{OP:TPvol} + RF_{OPITM}$$

and:

$$RF_{OPITM} = \frac{R_{OPITM}}{OP:TP_{vol}}$$

Where:

$ITMC_{op}$	Off-peak period Interruptible Transportation Margin Credit.
ITM_{op}	Interruptible Transportation margins allocated to off-peak -period, inclusive of the associated carrying charges as defined in Section 6.12.
RF_{OPITM}	Off-peak Interruptible Transportation margin reconciliation adjustment factor applicable to total firm sales and firm transportation throughput.

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

R_{OPITM} Reconciliation costs - Off-peak Interruptible transportation margins, Account ~~175.6~~176.14 balance, inclusive of the associated ~~Account 175.6~~ interest.

$OP : TP_{vol}$ Forecast off-peak period firm sales and firm transportation throughput.

~~7.0~~ 6.06 **Reconciliation Adjustments**

Peak ITM

Account ~~175.5~~176.24 shall contain the accumulated difference between peak period, interruptible transportation margins returned toward the local distribution function, as calculated by multiplying the ~~interruptible transportation margin credit (~~ITMC~~)~~ times ~~(~~monthly firm sales and firm transportation throughput~~)~~ during the peak period, and the actual margins allocated to the peak period.

Off-Peak ITM

Account ~~175.6~~176.14 shall contain the accumulated difference between off-peak interruptible transportation margins returned toward the local distribution function as calculated by multiplying the ~~interruptible transportation margin credit (~~ITMC~~)~~ times ~~(~~monthly firm sales plus firm transportation throughput~~)~~ during the off-peak period and the actual margins allocated to the off-peak period.

See Section ~~7.0~~6.05 for Reconciliation formulas.

~~7.0~~ 6.07 **Application of ~~ITM~~ ITMC to Bills**

The ITMC ($ per therm) shall be calculated to the nearest one one-hundredth of a cent per therm ($0.0001) by period and will be applied to the monthly firm sales and firm transportation throughput.

~~7.0~~6.08 **Information to be Filed with the Department**

Information pertaining to the Interruptible Transportation Margins will be filed

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

with the Department along with the gas cost information as required pursuant to the LDAC and CGAC. Required filings include ~~a monthly report providing actual data and resulting updated projection of the end-of-period reconciliation balance, as well as~~ the seasonal calculation of the ~~ITM credit~~ITMC, which shall be included in a semiannual LDAF filing. Also, the seasonal ITM reconciliation balances shall be filed along with the other reconciliation balances included in the LDAC.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

7.0~~7~~ Third Party Expenses Related to Customer Choice Initiatives ~~Pursuant to the Company's Two Year Rate Plan~~ and all Unbundling Expenses Associated with Participation in the MGUC

~~7.0~~7.01 Purpose

The purpose of this provision is to establish a procedure that allows Bay State subject to the jurisdiction of the Department to adjust, on an annual basis, ~~beginning November 1, 1997, its rates for the recovery of incremental third party expenses to conduct the communications and evaluation efforts associated with the Company's first year residential pilot program, Pioneer Valley Customer Choice ("PVCC"), and second year pilot program, Choice Advantage. Additionally, this provision allows Bay State, beginning November 1, 1999, to adjust, on an annual basis,~~ its rates for the recovery of incremental third party expenses associated with its customer choice initiatives ~~(except for communications and evaluation costs for the PVCC and Choice Advantage programs)~~. Further, this provision allows Bay State to adjust, on an annual basis, its rates for the recovery of all unbundling costs associated with the Company's participation in the MGUC, as defined in Section 7.~~07.05~~03 (2).

7.~~07.~~02 Applicability

The Customer Choice Third Party Expenses (CCE) shall be applied to all firm sales ~~volumes~~ and firm transportation throughput of the Company subject to the jurisdiction of the Department as determined in accordance with the provisions of Section 7.07 of this clause. The CCE shall be determined annually by the Company, as defined below, and subject to review and approval by the Department, as provided for in this clause.

7.~~07.~~03 Customer Choice Expenses Allowable for LDAC

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~Incremental third~~Third party ~~expenses related to conducting the communications and evaluation efforts associated with the Company's first year residential pilot program, Pioneer Valley Customer Choice ("PVCC"), and second year pilot program, Choice Advantage; recovery of such expenses were approved by the Department in D.P.U. 95-104-A. These~~ costs ~~are~~remaining to be recovered ~~over a two year period of November 1, 1997 through October 31, 1999.~~

(1) ~~Third party costs~~ associated with its customer choice initiatives ~~(except for communications and evaluation costs for the PVCC and Choice Advantage programs)~~ and pertaining specifically to legal, consulting, printing, postage and meeting room rentals. The~~se costs shall be recovered beginning November 1, 1999 and shall not exceed $800,000 per year for the years ending September 30, 1997 and 1998 and $150,000 for a portion of the Company's costs associated with developing and securing approval of its two year rate plan, except the~~ recovery of these costs in any one year shall not exceed the maximum annual cost recovery ~~of costs associated with the first year of the pilot (PVCC) program.~~established in D.P.U. 97-97. Amounts in excess of this cap will be recovered in subsequent years.

(2) All unbundling costs associated with the Company's participation in the MGUC.

7.~~07.~~04 Effective Date of Customer Choice Expense Charge

Prior to the beginning of the billing month of November of each year, the Company will file with the Department for its consideration and approval, the Company's request for a change in the CCE applicable to all firm sales ~~volumes~~ and firm transportation throughput for the subsequent twelve month period commencing with the billing month of November.

7.~~07.~~05 Definition

(1) Customer Choice Initiatives are activities facilitating the development, design and implementation of unbundled services for all customers.

(2) Unbundling Costs are all costs associated with the ~~Company's~~Company's participation in the MGUC, including, but not limited to, any legal, consulting, materials, customer

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

education/advertising, and facilities expenses as approved by the Department.

7.~~07.~~06 Customer Choice Expense (CCE) Factor Formula

$$CCEF = \frac{CCE + RAcce}{A: TPvol}$$

Where:

A:TPvol Forecast Annual Throughput Volumes of all firm sales and firm transportation throughput.

CCE Customer Choice Expenses as defined in Section 7.~~07.~~05.

RA_{CCE} Customer Choice Expense Reconciliation Adjustment - Account ~~175.7,~~ 176.05 inclusive of the associated Account ~~175.7~~176.05 interest, as outlined in Section 7.07.~~07.~~

~~7.0~~7.07 Reconciliation Adjustments

Account ~~175.7~~176.05 shall contain the accumulated difference between revenues toward Customer Choice Expenses as calculated by multiplying the Customer Choice Expense Factor (CCEF) times monthly firm sales and firm transportation throughput and Customer Choice expenses allowed, plus ~~carrying charges calculated on the average monthly balance using the Fleet prime lending rate~~Carrying Charges and then added to the end-of-month balance.

~~7.0~~7.08 Application of CCEF to Bills

The CCEF ($ per therm) shall be calculated to the nearest one one-hundredth of a cent per therm ($0.0001) and will be applied to the monthly firm sales and firm transportation throughput. If, during any twelve-month period commencing with the first day of the billing month of November, the projected CCEF is less than one one-hundredth of a cent ($0.0001) per therm, the CCEF account balance shall be transferred

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

to Account 176.05.

7.~~07.~~09 **Information to be Filed with the Department**

Information pertaining to the Customer Choice Expenses will be filed with the Department consistent with the filing requirements of all costs and revenue information included in the LDAC. ~~Required filings include the semiannual CCEF filings made forty-five (45) days prior to the effective dates of the November 1 peak period and May 1 off-peak period and will include all other factors of the LDAF.~~ The off-peak filing will represent a revision to the annual CCEF to become effective with gas consumed beginning May 1 reflecting the latest known actual balance and updated throughput forecast for the upcoming off-peak period. The peak period CCEF filing will contain the calculation of the new annual CCEF to become effective with gas consumed beginning November 1 and will include the updated annual Customer Choice Expense reconciliation balance. ~~The factors and reconciliation balances of all other LDAC components will be included in this filing. Further, the reconciliation balances of the CCE, as well as the other balances included in the LDAC, will be filed thirty (30) days prior to the filing dates of the seasonal LDAFs, which is seventy-five (75) days prior to the effective dates.~~

~~7.08 Costs from Changes in Exogenous Factors Pursuant to the Company's Two Year Rate Plan~~

~~7.08.01 Purpose~~

~~The purpose of this provision is to establish a procedure that allows Bay State subject to the jurisdiction of the Department to adjust, on an annual basis, beginning December 1, 1997, its rates to reflect the annualized known and measurable cost impacts from changes in exogenous factors pursuant to the Company's two year Rate Plan.~~

~~7.0~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

8.0 Service Quality Revenue Adjustment Pursuant to the Company's Service Quality Plan

8.01 Purpose

The purpose of this provision is to establish a mechanism for Bay State, subject to the jurisdiction of the Department, to adjust on an annual basis, its rates to reflect a reduction in its revenues for failure to meet certain quality of service measure targets. This revenue reduction provision is pursuant to the Company's Service Quality Plan established in compliance with generic guidelines set forth by the Department of D.T.E. 99~~-~~84.

8.02 Applicability

~~The Exogenous Factor Costs (EFC~~The Service Quality Revenue Adjustment ("SQRA") shall be applied to all firm sales ~~volumes~~ and firm transportation throughput of the Company subject to the jurisdiction of the Department as determined in accordance with the provisions of Section ~~7.08~~8.10 of this clause. The ~~EFC~~SQRA shall be determined annually by the Company as defined below, subject to review and approval by the Department as provided for in this clause.

~~7.0~~

8.03 ~~Costs from Changes in Exogenous Factors~~Service Quality Revenue Adjustment Allowable for LDAC

~~Annualized cost impacts from changes in exogenous factors that take effect during the year ended September 30, 1997 for recovery effective December 1, 1997 and during the year ended September 30, 1998 for recovery effective November 1, 1998. Costs, either positive or negative, must be known and measurable, beyond the Company's control and result from:~~The adjustment of revenues due to the Company's performance relating to certain service quality measure targets, will be based on the performance results for the calendar year and will be reflected in the LDAC for the subsequent twelve month period beginning with gas consumed May 1.

- ~~changes in tax laws that uniquely affect the regulated local gas distribution industry~~
- ~~accounting changes unique to the local gas distribution industry; and~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

- ~~regulatory, judicial, or legislative changes uniquely affecting the local gas distribution industry.~~

~~7.0~~

8.04 Effective Date of ~~Exogenous Factors Cost Charge~~Service Quality Revenue Adjustment

~~Prior to the beginning of the billing month of November~~On March 1 of each year, or such other date as described by the Department, the Company will file with the Department for its consideration and approval, the Company's Service Quality Report for the prior year, which will contain the results of the Company's performance relative to benchmarks for each Service Quality Measure required by the Department. Based on the Company's performance for those Service Quality Measures that impose a penalty for performance that does not meet or exceed the established benchmarks, the Company will request ~~for~~ a change in the ~~EFC~~SQRA applicable to all firm sales ~~volumes~~ and firm transportation throughput for the subsequent twelve month period commencing with the billing month of ~~November~~May.

~~7.0~~8.05 ~~Exogenous Factors Cost (EFC)~~Service Quality Revenue Adjustment Factor Formula

$$\cancel{EFCF = \frac{EFC + RAcfc}{A: TPvol}}$$

$$SQRAF = \frac{SQRA + RAsqrr}{A: TPvol}$$

Where:

A:TPvol Forecast Annual Throughput Volumes of all firm sales and firm transportation throughput.

~~Issued: October 23, 2000~~ ~~Effective: November 1, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: June 1, 2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~EFC~~ ~~Exogenous Factors Cost~~ SQRA Revenue adjustment associated with failure to meet service quality measure targets set forth in the Company's service quality plan and as described in Section ~~7.0~~8.03.

~~RA_{EFC}~~ ~~Exogenous Factors Cost~~ RA_{SQRA} Service Quality Revenue Adjustment - Reconciliation Adjustment - Account ~~175.8, inclusive of the associated Account 175.8 interest~~176.06, as outlined in Section ~~7.0~~8.06.

~~7.0~~8.06 Reconciliation Adjustments

Account ~~175.8~~176.06 shall contain the accumulated difference between the return of revenues toward ~~Exogenous Factors Costs~~ the Service Quality Revenue Adjustment, as calculated by multiplying the ~~Exogenous Factors Cost~~ Service Quality Revenue Adjustment Factor (~~EFCF~~SQRRF) times monthly firm sales and firm transportation throughput ~~and Exogenous Factors costs~~, and the reduction in revenues associated with failure to meet service quality measures allowed, plus ~~carrying charges calculated on the average monthly balance using the Fleet prime lending rate~~Carrying Charges and then added to the end-of-month balance.

~~7.0~~ 8.07 Application of ~~EFCF~~SQRAF to Bills

The ~~EFCF~~SQRAF ($ per therm) shall be calculated to the nearest one one-hundredth of a cent per therm ($0.0001) and will be applied to the monthly firm sales and firm transportation throughput. If during any twelve-month period commencing with the first day of the billing months of May or November, the projected SQRAF is less than one one-hundredth of a cent ($0,0001) per therm, the SQRAF account balance will be transferred to Account 176.06.

~~7.0~~8.08 Information to be Filed with the Department

Information pertaining to the ~~Exogenous Factors Costs~~ Service Quality

~~Issued: October 23, 2000~~ ~~Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Revenue Adjustment will be filed with the Department consistent with the filing requirements of all costs and revenue information included in the LDAC. ~~Required filings include the semiannual EFCF filings made forty-five (45) days prior to the effective dates of the November 1~~ The peak ~~period and May 1 off-peak period and will include all other factors of the LDAF. The off-peak~~ filing will represent a revision to the annual ~~EFCF~~SQRAF to become effective ~~May~~November 1, reflecting the latest known actual balance and updated throughput forecast for the upcoming off-peak period. The off-peak period ~~EFCF~~SQRAF filing will contain the calculation of the new annual ~~EFCF~~SQRAF to become effective ~~November~~May 1 and will include the updated annual ~~Exogenous Factors Cost~~Service Quality Revenue Adjustment reconciliation balance. The factors and reconciliation balances of all other LDAC components will be included in this filing. ~~Further, the reconciliation balances of the EFC, as well as the other balances included in the LDAC, will be filed thirty (30) days prior to the filing dates of the seasonal LDAFs which is seventy-five (75) days prior to the effective dates.~~

~~Earnings Sharing Revenue Pursuant to the Company's Two Year Rate Plan~~

~~7~~9.0 Costs from Changes in Exogenous Factors

9.01 Purpose

The purpose of this provision is to establish a ~~mechanism for~~procedure that allows Bay State~~,~~ subject to the jurisdiction of the Department~~,~~ to adjust, on an annual basis, ~~beginning December 1, 1997,~~ its rates to reflect the ~~sharing of revenues associated with earnings in excess of that level of earnings that resulted in a Return on Equity (ROE) of 11.4%. This revenue sharing provision is pursuant to the Company's two year Rate Plan~~annualized known and measurable cost impacts from changes in exogenous factors. The determination of the appropriateness of the recovery of exogenous costs are subject to the review and approval of the Department pursuant to Department Order in D.T.E. 98-31.

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~7.0~~9.02 **Applicability**

~~The Earnings Sharing Revenues (ESR~~The Exogenous Factor Costs ("EFC") shall be applied to all firm sales volumes and firm transportation throughput of the Company subject to the jurisdiction of the Department as determined in accordance with the provisions of Section ~~7.09~~9.08 of this clause. The ~~ESR~~EFC shall be determined annually by the Company as defined below, subject to review and approval by the Department as provided for in this clause.

~~7.0~~ 9.03 **~~Earnings Sharing Revenues~~ Costs from Changes in Exogenous Factors Allowable for LDAC**

~~The earnings sharing revenues between the Company's shareholders and firm customers will be determined based on the Company's weather normalized ROE which will be measured for the period ending September 30, 1997 and September 30, 1998. Any sharing based on the twelve months ended September 30, 1997 period will be reflected in the LDAC effective December 1, 1997 through October 31, 1998. Similarly, any sharing of excess revenues based on the Company's ROE for the period ending September 30, 1998 will be reflected in the LDAC for the one year period beginning November 1, 1998. Adjustments for earnings sharing will be made as follows~~Annualized cost impacts from changes in exogenous factors as approved by the Department. Costs, either positive or negative, must be known and measurable, beyond the Company's control and result from:

~~1) if ROE is less than or equal to 11.4%, no revenues will be returned;~~
~~2) if ROE is greater than 11.4% and less than or equal to 15,4%, revenues will be returned through the LDAC so that, based on the measured year's performance, shareholders would have received 50% of the earnings in excess of that level or earnings that resulted in an ROE of 11.4% and firm customers would have received the other 50%; and~~
~~3) if ROE exceeds 15.4%, in addition to adjustment 2) above, revenues~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~will be returned through the LDAC so that, based on the measured year's performance, customers would have received all of the earnings in excess of that level of earnings that resulted in an ROE of 15.4%.~~

~~Further, if the Company's service quality in fiscal year 1998 deteriorates such that, absent the penalty cap, it would have been assessed double the maximum service quality penalty of $250,000, then any earnings shared for fiscal year 1997 will be restated as follows and the ESRF will be adjusted accordingly to return the incremental differences for effect November 1, 1998.~~

- ~~if ROE exceeds 11.4%, revenues will be returned through the LDAC so that, based on the measured year's performance, firm customers would have received all of the earnings in excess of that level of earnings that resulted in an ROE of 11.4%.~~

~~A corresponding adjustment will be made for effect November 1, 1999, if the Company's service quality for fiscal year 1999 similarly deteriorates.~~

~~7.09.04 Effective Date of Earnings Sharing Revenue Credit~~

~~Prior to the beginning of the billing month of November of each year, the Company will file with the Department for its consideration and approval, the Company's request for a change in the ESR applicable to all firm sales volumes and firm transportation throughput for the subsequent twelve month period commencing with the billing month of November.~~

~~7.0~~

(1) changes in tax laws that uniquely affect the regulated local gas distribution industry
(2) accounting changes unique to the local gas distribution industry; and
(3) regulatory, judicial, or legislative changes uniquely affecting the local gas distribution industry.

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

9.04 Effective Date of Exogenous Factors Cost Charge

Prior to the beginning of the billing month of May or November of each year, depending on the timing of the exogenous cost event and Department approval of recovery of the exogenous cost, the Company will file with the Department for its consideration and approval, the Company's request for the EFC applicable to all firm sales and firm transportation throughput for the subsequent twelve month period commencing with the billing month of May or November.

9.05 ~~Earnings Sharing Revenues (ESR~~Exogenous Factors Cost (EFC) Factor Formula

~~ESRF = ESR + RAeer~~ $EFCF = EFC + RA_{EFC}$
A: TPvol

Where:

A:TPvol Forecast Annual Throughput Volumes of all firm sales and firm transportation throughput.

~~ESR Revenues associated with earnings sharing at levels~~ EFC Exogenous Factors Cost as described in Section ~~7.0~~9.03.

~~RA_{EER} Earnings Sharing Revenues~~RA_{EFC} Exogenous Factors Cost Reconciliation Adjustment - Account ~~175.9~~176.07, inclusive of the associated Account ~~175.9~~176.07 interest, as outlined in Section ~~7.0~~9.06.

~~7.0~~9.06 Reconciliation Adjustments

Account ~~175.9~~176.07 shall contain the accumulated difference between ~~the return of~~ revenues toward ~~Earnings Sharing Revenues~~Exogenous Factors Costs as calculated by multiplying the ~~Earnings Sharing Revenues~~Exogenous Factors Cost Factor (~~ESRF~~EFCF) times monthly firm sales and transportation throughput and ~~the revenues associated with Earnings Sharing~~ Exogenous Factors costs allowed, plus carrying charges ~~calculated on the average monthly balance~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~using the Fleet prime lending rate~~ and then added to the end-of-month balance.

~~7.0~~9.07 Application of ~~ESRF~~EFCF to Bills

The ~~ESRF~~EFCF ($ per therm) shall be calculated to the nearest one one-hundredth of a cent ($0.0001) per therm and will be applied to the monthly firm sales and firm transportation throughput.

~~7.0~~9.08 Information to be Filed with the Department

Information pertaining to the ~~Earnings Sharing Revenues~~Exogenous Factors Costs will be filed with the Department consistent with the filing requirements of all costs and revenue information included in the LDAC. ~~Required filings include the semiannual ESRF filings made forty-five (45) days prior to the effective dates of the November 1 peak period and May 1 off-peak period and will include all other factors of the LDAF. The off-peak filing will represent a revision to the annual ESRF to become effective May 1 reflecting the latest known actual balance and updated throughput forecast for the upcoming off-peak period. The peak period ESRF filing will contain the calculation of the new annual ESRF to become effective November 1 and will include the updated annual Earnings Sharing Revenues reconciliation balance. The factors and reconciliation balances of all other LDAC components will be included in this filing. Further, the reconciliation balances of the ESRF, as well as the other balances included in the LDAC, will be filed thirty (30) days prior to the filing dates of the seasonal LDAFs, which is seventy-five (75) days prior to the effective dates.~~

~~Quality of Service Revenue Reduction Pursuant to the Company's Two Year Rate Plan~~

~~7.10.01 Purpose~~

~~The purpose of this provision is to establish a mechanism for Bay State~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~subject to the jurisdiction of the Department to adjust, on an annual basis, beginning November 1, 1998, its rates to reflect a reduction in its revenues for failure to meet certain quality of service measure targets. This revenue reduction provision is pursuant to the Company's two year Rate Plan.~~

~~7.10.02 Applicability~~

~~The Service Quality Revenue Reduction (SQRR) shall be applied to all firm sales volumes and firm transportation throughput of the Company subject to the jurisdiction of the Department as determined in accordance with the provisions of Section 7.10 of this clause. The SQRR shall be determined annually by the Company as defined below, subject to review and approval by the Department as provided for in this clause.~~

~~7.10.03 Service Quality Revenue Reduction Allowable for LDAC~~

~~The reduction of revenues due to the Company's failure to meet certain service quality measure targets will be based on the evaluation results pertaining to the twelve month period of October 1, 1997 through September 30, 1998 and will be reflected in the LDAC for the subsequent twelve month period beginning November 1, 1998. Similarly, any reduction of revenues pertaining to failure to meet service quality measure targets for the twelve month period of October 1, 1998 through September 30, 1999 will be reflected in the LDAC for the one year period beginning November 1, 1999. The eight service quality measures and related targets are set forth in Appendix I of the LDAC.~~

~~7.10.04 Effective Date of Service Quality Revenue Reduction~~

~~Prior to the beginning of the billing month of November of each year, the Company will file with the Department for its consideration and approval, the Company's request for a change in the SQRR applicable to all firm sales~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~volumes and firm transportation throughput for the subsequent twelve month period commencing with the billing month of November.~~

~~7.10.05 Service Quality Revenue Reduction (SQRR) Factor Formula~~

~~SQRRF = SQRR + RAsqrr~~
~~A: TPvol~~

~~Where:~~

~~A:TPvol Forecast Annual Throughput Volumes of all firm sales and firm transportation throughput.~~

~~SQRR Revenue reduction associated with failure to meet service quality measure targets set forth in Appendix I of the LDAC and as described in Section 7.10.03.~~

~~RA_{SQRR} Service Quality Revenue Reduction Reconciliation Adjustment - Account 175.13, inclusive of the associated Account 175.15 interest, as outlined in Section 7.10.06.~~

~~7.10.06 Reconciliation Adjustments~~

~~Account 175.13 shall contain the accumulated difference between the return of revenues toward the Service Quality Revenue Reduction as calculated by multiplying the Service Quality Revenue Reduction Factor (SQRRF) times monthly firm sales and transportation throughput and the reduction in revenues associated with failure to meet service quality measures allowed, plus carrying charges calculated on the average monthly balance using the Fleet prime lending rate and then added to the end-of-month balance.~~

~~7.10.07 Application of SQRRF to Bills~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~The SQRRF ($ per therm) shall be calculated to the nearest one one-hundredth of a cent per therm and will be applied to the monthly firm sales and firm transportation throughput.~~

~~7.10.08 Information to be Filed with the Department~~

~~Information pertaining to the Service Quality Revenue Reduction will be filed with the Department consistent with the filing requirements of all costs and revenue information included in the LDAC. Required filings include the semiannual SQRRF filings made forty-five (45) days prior to the effective dates of the November 1 peak period and May 1 off-peak period and will include all other factors of the LDAF. The off-peak filing will represent a revision to the annual SQRRF to become effective May 1 reflecting the latest known actual balance and updated throughput forecast for the upcoming off-peak period. The peak period SQRRF filing will contain the calculation of the new annual SQRRF to become effective November 1 and will include the updated annual Service Quality Revenue Reduction reconciliation balance. The factors and reconciliation balances of all other LDAC components will be included in this filing. Further, the reconciliation balances of the SQRRF, as well as the other balances included in the LDAC, will be filed thirty (30) days prior to the filing dates of the seasonal LDAFs, which is seventy-five (75) days prior to the effective dates.~~

~~7.11~~ **Effective Date of Local Distribution Adjustment Factor**

The peak LDAF shall become effective as of the first billing cycle of each peak period as designated by the Company. The off-peak LDAF shall become effective as of the first billing cycle of each off-peak period as designated by the Company.

~~7.12~~

11.0 Definitions

(1) ~~(1)~~ Peak Period ~~for Bay State is the~~ - The six consecutive

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

months of November through April.

(2) ~~(2)~~ Off-Peak Period ~~for Bay State is the~~ The six consecutive months of May through October.

(3) ~~7.13~~Carrying Charges – Interest expense calculated on the average monthly balance using the consensus prime rate as reported by the *Wall Street Journal* .

12.0 Local Distribution Adjustment Factor Formulas

The LDAF shall be calculated on a semi-annual basis, by customer class, by summing up the various factors included in the LDAC.

Peak LDAF Formula

$$LDAF_P^X = CC^X + RAC \cancel{+ TCF} - ITMC_P + CCEF + EFCF \cancel{- ESRF - SQRRF} + PEF - SQRAF$$

Where:

CC^X	Annualized class specific Conservation Charge
$LDAF_P^X$	—Peak period class specific Local Distribution Adjustment Factor
$ITMC_P$	Peak period Interruptible Transportation Margin Credit
RAC	Total firm Annualized Remediation Adjustment Charge
~~TCF~~	~~Total firm Annualized Transition Cost Factor~~
CCEF	Total firm Annualized Customer Choice Expense Factor
EFCF	Total firm Annualized Exogenous Factors Cost Factor

~~Issued: October 23, 2000~~ ~~Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~ESRF~~ PPMF Total firm Annualized ~~Earnings Sharing Revenue~~Pension and PBOP Mechanism Factor

~~SQRRF~~SQRAF Total firm Annualized Service Quality Revenue ~~Reduction~~Adjustment Factor

Off-Peak LDAF Formula

$LDAF_{OP}^{X} = CC^{X} + RAC$ ~~+ TCF~~ $- ITMC_{OP} + CCEF + EFCF$ ~~- ESRF - SQRRF~~ + PPMF - SQRAF

Where:

CC^{X} Annualized class specific Conservation Charge
$LDAF_{OP}^{X}$ Off-peak period class specific Local Distribution Adjustment Factor
$ITMC_{OP}$ Off-Peak period Interruptible Transportation Margin Credit
RAC Total firm Annualized Remediation Adjustment Charge
~~TCF Total firm Annualized Transition Cost Factor~~
CCEF Total firm Annualized Customer Choice Expense Factor
EFCF Total firm Annualized Exogenous Factors Cost Factor
~~ESRF~~ PEF Total firm Annualized ~~Earnings Sharing Revenue~~Pension and PBOP Expense Factor
~~SQRRF~~SQRAF Total firm Annualized Service Quality Revenue ~~Reduction~~Adjustment Factor

~~7.14~~
13.0 Application of LDAF to Bills

The LDAFs ($ per therm) for each Rate Category shall be calculated to the nearest one one-hundredth ($0.0001) of a cent per therm and will be applied to the monthly firm sales and firm transportation throughput for each customer in a Rate Category.

~~7.15~~
14.0 Information Required to be Filed with the Department

Information pertaining to all the components of the ~~Local Distribution Adjustment Factor~~LDAC is to be filed with the Department as specified in ~~Sections 7.03.9, 7.04.10,~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~7.05.10, 7.06.8, 7.07.09, 7.08.10, 7.09.08 and 7.10.08~~the previous sections. The peak period filing will be made forty-five (45) days prior to the effective date. The peak period reconciliation will be filed seventy-five (75) days prior to the effective date.

The off-peak period filing will be made forty-five (45) days prior to the effective date. The off-peak period reconciliation will be filed seventy-five (75) days prior to the effective date.

~~7.16~~

15.0 Other Rules

(1) The Department may, where appropriate, on petition or on its own motion, grant an exception from the provisions of these regulations, upon such terms that it may determine to be in the public interest.
(2) The Company may, at any time, file with the Department an amended LDAC. An amended LDAC filing must be submitted ten (10) days before the first billing cycle of the month in which it is proposed to take effect.
(3) The Department may, at any time, require the Company to file an amended LDAC.
(4) The operation of the LDAC is subject to all powers of suspension and investigation vested in the Department by G.L. c.164.

~~7.17~~16.0 Customer Notification

The Company will design a notice, which explains in simple terms to customers, the ~~LDAF~~LDAC, the nature of any change in the ~~LDAF~~LDAC and the manner in which the ~~LDAF~~LDAC is applied to the bill. This notice can be a part of the Company's GAF notice. The Company will submit the ~~LDAF~~LDAC notice for approval at the time of each ~~LDAF~~LDAC filing.

Upon approval by the Department, the Company must immediately distribute these notices to all of its customers either through direct mail or with its bills.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~AMENDMENTS TO~~
~~UNIFORM SYSTEM OF ACCOUNTS~~

~~175.5 Peak Interruptible Transportation Margin Reconciliation Adjustment for LDAC~~

~~This account shall be used to record the cumulative difference between peak Interruptible Transportation margin returns and peak Interruptible Transportation margins. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 7.06.06.~~

~~175.6 Off-Peak Interruptible Transportation Margin Reconciliation Adjustment for LDAC~~

~~This account shall be used to record the cumulative difference between off-peak Interruptible Transportation margin returns and off-peak Interruptible Transportation margins. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 220 C.M.R. 7.06.06.~~

~~175.7 Customer Choice Expense Reconciliation Adjustment~~

~~This account shall be used to record the cumulative difference between the recovery and actual amounts of third party incremental expenses associated with the Company's Customer Choice initiatives and all unbundling costs associated with the Company's participation in the MGUC.~~

~~175.8 Exogenous Factors Cost Reconciliation Adjustment~~

~~This account shall be used to record the cumulative difference between the recovery or return of annualized cost impacts from changes in exogenous~~

~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~factors and those annualized cost impacts from changes in exogenous factors.~~

~~175.9 Earnings Sharing Revenues Reconciliation Adjustment~~

~~This account shall be used to record the cumulative difference between the return of revenues associated with earnings shared between shareholders and firm customers and those revenues associated with the shared earnings.~~

~~175.13 Service Quality Revenue Reduction Reconciliation Adjustment~~

~~This account shall be used to record the cumulative difference between the return of revenues associated with penalties for failure to meet certain service quality measure targets and those service quality penalties.~~

~~175.15 Transition Cost Reconciliation Adjustment~~

~~This account shall be used to record the cumulative difference between the revenues toward transition costs as calculated by multiplying the transition cost factor ("TCF") times monthly firm sales and transportation throughput and transition costs allowed, plus carrying charges calculated on the average monthly balance using the Fleet prime lending rate and then added to the end-of-month balance.~~

~~176.15 Transition Cost Working Capital Reconciliation Adjustment~~

~~This account shall be used to record the cumulative difference between the revenues toward transition cost working capital allowance and the actual monthly transition working capital allowance costs as calculated from the actual transition costs.~~

~~176.5 Demand Side Management Reconciliation Adjustment~~

~~This account shall be used to record the cumulative difference between the~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~sum of Category Conservation Expenditures incurred by the Company plus the sum of Category Loan Repayments and the revenues collected from customers pursuant to this clause with respect to a given Rate Category.~~

~~176.6 Environmental Response Costs Reconciliation Adjustment~~

~~This account shall be used to record the cumulative difference between the revenues toward environmental response costs as calculated by multiplying the RAC times monthly firm sales volumes and transportation throughput and environmental response costs allowable per formula.~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

~~APPENDIX I~~

~~MEASURE~~	~~TARGET~~	~~Maximum Penalty~~
~~1) Customer survey[1] responses indicating that Bay State met or exceeded customer expectations.~~	~~FY 1998 - 94%~~ ~~FY 1999- 94.5%~~	~~$250,000~~
~~2) Service appointments met on same day scheduled[2].~~	~~FY 1998 - 94%~~ ~~FY 1999- 95%~~	~~$250.000~~
~~3) Customer complaint cases to DPU per 1000 customers.~~	~~FY 1998 and FY 1999; with a 10% no-penalty bandwidth~~	~~$250,000~~
~~4) Lost time incidents per 100 employees.~~	~~BSG's current 3-year average not to exceed previous year's 3-year average~~	~~$250,000~~
~~5) Respond to odor calls in one hour or less.~~	~~FY 1998 - 95%~~ ~~FY 1999 - 95%~~	~~$250,000~~
~~6) Main and service damage incidents due to third parties.~~	~~BSG's current year not to exceed previous year's 3-year average.~~	~~$250,000~~
~~7) Telephone calls answered in 30 seconds or less.~~	~~FY 1998 and 1999: emergency, 95%, service and billing, 80%~~	~~$250,000~~
~~8) Actual On-Cycle Meter Reads~~	~~FY 1998 - 88%~~	~~$250,000~~

~~[1] Surveys will be conducted by Bay State or a third party vendor. At least 25% of survey results must be from customers that recently communicated with Bay State concerning a Bay State billing matter. Results will be verified by an independent survey expert who has been mutually agreed upon by the Parties. If the Parties cannot agree on an expert by September 1, 1998, Bay State will petition the Department for approval of an expert.~~
~~[2] Complaint cases to DPU will be measured using DPU statistics, adjusted to exclude cases arising from sanitary code violations and cases involving complaints against marketers, if the DPU includes such cases in its statistics.~~
~~Issued: October 23, 2000 Effective: November1, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~
LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

	~~FY 1999 - 89%~~	

~~Issued: October 23, 2000~~ ~~Effective: November1, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: June 1, 2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

RESIDENTIAL NON-HEATING
RESIDENTIAL RATE R-1

AVAILABILITY

Service is available under this rate at single locations for all domestic purposes, except for resale, in individual private dwellings and individual apartments including condominiums and their facilities as defined in G.L. Chapter 183A, Section 1 and DPU 86-159 dated February 6, 1987.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - BI-MONTHLY

The Bi-Monthly rate schedule applicable to all customers being served with Company meters that do not have an installed radio-based automated meter reading device is as follows:

Customer Charge Per Two Month Period ~~$14.92~~ $ 23.20

Off-Peak	First 20 therms	@ $ 0.~~3848~~2393 per therm	
	Excess 20 therms	~~@ $~~ @ $ 0.~~2965~~1928 per therm	
Peak	First 25 therms	~~@ $~~@ $ 0.~~4349~~2393 per therm	
	Excess 25 therms	~~@ $~~@ $ 0.~~3758~~1928 per therm	

RATE – MONTHLY

The Monthly rate schedule applicable to all customers being served with Company meters that have an installed radio-based automated meter reading device is as follows:

Customer Charge Per One Month Period ~~$7.46~~ $ 11.60

~~Issued: May 31, 2002~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

RESIDENTIAL NON-HEATING
RESIDENTIAL RATE R-1

Off-Peak	First 10 therms	@ ~~$~~ $ 0.~~3848~~2393 per therm
	Excess 10 therms	~~@ $~~@ $ 0.~~2965~~1928 per therm
Peak	First 12 therms	@ ~~$~~ $ 0.~~4349~~2393 per therm
	Excess 12 therms	~~@ $~~@ $ 0.~~3758~~1928 per therm

MINIMUM CHARGE

The minimum charge per month shall be the sum of the applicable ~~Bi-Monthly~~bi-monthly or ~~Monthly~~monthly Customer Charge ~~per dwelling unit~~and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycle~~period from May 1st through October 31st.

~~Issued: May 31, 2002~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

RESIDENTIAL NON-HEATING
RESIDENTIAL RATE R-1

Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

SPECIAL PROVISION

Where more than one but less than four individual apartments or dwellings are served through one meter, the billings shall be calculated as though each individual dwelling or apartment were served through a separate meter by assuming the use was divided equally among them, except that one customer charge will apply. The owner of the property or his designee will be responsible for the payment of the service. Where four or more individual apartments or dwellings are served through one meter, the billings will be calculated on the appropriate Commercial and Industrial Service Rate.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

LOW INCOME RESIDENTIAL NON-HEATING RESIDENTIAL RATE R-2

AVAILABILITY

Service is available under this rate at single locations for all domestic purposes, except for resale, in individual private dwellings and individual apartments to persons who verify receipt of any means-tested public-benefit program or verify eligibility for the low-income home energy assistance program or its successor program, for which eligibility does not exceed 175 percent of the federal poverty level based on a household's gross income or other criteria approved by the Department.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - BI- MONTHLY

The Bi-Monthly rate schedule applicable to all customers being served with Company meters that do not have an installed radio-based automated meter-reading device is as follows:

Customer Charge Per Two Month Period ~~$11.94~~ $ 12.50

Off-Peak - ~~First 20~~All therms @ $0.~~2517~~1158 per therm
~~Excess 20~~
Peak - All therms @ $0.~~1811~~1158 per therm
~~Peak - First 25 therms @ $0.2869 per therm~~
~~Excess 25 therms @ $0.2396 per therm~~

RATE – MONTHLY

The Monthly rate schedule applicable to all customers being served with Company meters that have an installed radio-based automated meter reading device is as follows:

~~Issued: May 31, 2002~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

LOW INCOME RESIDENTIAL NON-HEATING RESIDENTIAL RATE R-2

Customer Charge Per One Month Period~~$5.97~~ $ 6.25

Off-Peak	-	~~First 10~~All therms	@ $ 0.~~2517~~1158 per therm
		~~Excess 10~~	
Peak	-	All therms	@ $0.~~1811~~1158 per therm
~~Peak~~	~~-~~	~~First 12 therms~~	~~@ $0.2869 per therm~~
		~~Excess 12 therms~~	~~@ $0.2369 per therm~~

MINIMUM CHARGE

The minimum charge per month shall be the sum of the applicable ~~Bi-Monthly~~bi-monthly or ~~Monthly~~monthly Customer Charge ~~per dwelling unit.~~ and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period November 1st through April 30th.

~~Issued: May 31, 2002~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

LOW INCOME RESIDENTIAL NON-HEATING RESIDENTIAL RATE R-2

PAYMENT

Bills are net and payable upon presentation.

SPECIAL PROVISIONS

Where more than one but less than four individual apartments or dwellings are served through one meter, the billings shall be calculated as though each individual dwelling or apartment were served through a separate meter by assuming the use was divided equally among them, except that one customer charge will apply. The owner of the property or his designee will be responsible for the payment of the service. Where four or more individual apartments or dwellings are served through one meter, the billings shall be calculated on the appropriate Commercial and Industrial Service Rate.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

BAY STATE GAS COMPANY
ALL DIVISIONS
RESIDENTIAL HEATING
RESIDENTIAL RATE R-3

AVAILABILITY

Service is available under this rate at single domestic locations for all purposes, except for resale, in individual private dwellings and individual apartments including condominiums and their facilities as defined in G. L. Chapter 183A, Section 1 and DPU 86-159 dated February 6, 1987 where such residences are heated exclusively by means of permanently installed space heating equipment.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month ~~$7.47~~ $ 12.10

Off-Peak First 30 therms @ $ 0.~~2317~~3183 per therm
Excess 30 therms @ $ 0.~~1639~~2224 per therm

Peak First ~~90~~125 therms @ $ 0.~~4000~~3183 per therm
Excess ~~90~~125 therms @ $ 0.~~2076~~2224 per therm

MINIMUM CHARGE

~~Customer Charge per month per dwelling unit.~~
The minimum charge per month shall be the sum of the monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

Issued: October 23, 2000 Effective: November1, 2000
MDTE No. 40 - R-3 - redline.doc

BAY STATE GAS COMPANY
ALL DIVISIONS
RESIDENTIAL HEATING
RESIDENTIAL RATE R-3

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

RESIDENTIAL HEATING
RESIDENTIAL RATE R-3

PAYMENT

Bills are net and payable upon presentation.

SPECIAL PROVISION

a) Where more than one but less than four individual apartments or dwellings are served through one meter, the billings shall be calculated as though each individual dwelling or apartment were served through a separate meter by assuming the use was divided equally among them, except that one customer charge will apply. The owner of the property or his designee will be responsible for the payment of the service. Where four or more individual apartments or dwellings are served through one meter the billing shall be calculated on the appropriated Commercial and Industrial Service Rate.

b) Temporary service will be supplied, upon written application for the limited period necessary to protect and dry out unoccupied private residences under construction. Gas fired, permanently installed heating equipment of a type approved by the Company shall be the sole source of heat for the residence. The charge shall be computed in accordance with Residential Rate R-3.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

LOW INCOME RESIDENTIAL HEATING
RESIDENTIAL RATE R-4

AVAILABILITY

Service is available under this rate at single domestic locations for all purposes, except for resale, in individual private dwellings and individual apartments where such residences are heated exclusively by means of permanently attached space heating equipment to persons who verify receipt of any means-tested public-benefit program or verify eligibility for the low-income home energy assistance program or its successor program, for which eligibility does not exceed 175 percent of the federal poverty level based on a household's gross income or other criteria approved by the Department..

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month ~~$5.97~~ $ 6.25

Off-Peak ~~First 30~~ All therms ~~@~~ @ $ 0.~~1243~~0708 per therm

~~Excess 30~~
Peak All therms ~~@~~ @ $ 0.~~0700~~0708 per therm

~~Peak First 90 therms @ 0.2247 per therm~~
~~Excess 90 therms @ 0.0709 per therm~~

MINIMUM CHARGE

~~Customer Charge~~ The minimum charge per month shall be the sum of the monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

~~Issued: October 23, 2000~~ ~~Effective: November1, 2000~~
~~MDTE No. 08~~

Issued by: Stephen H. Bryant Issued On: April 27, 2005
President Effective: June 1, 2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

LOW INCOME RESIDENTIAL HEATING
RESIDENTIAL RATE R-4

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

SPECIAL PROVISIONS

Where more than one but less than four individual apartments or dwellings are served through one meter, the billings shall be calculated as though each individual dwelling or apartment were

~~Issued: October 23, 2000~~ ~~Effective: November1, 2000~~
~~MDTE No. 08~~

LOW INCOME RESIDENTIAL HEATING
RESIDENTIAL RATE R-4

served through a separate meter by assuming the use was divided equally among them, except that one customer charge will apply. The owner of the property or his designee will be responsible for the payment of the service. Where four or more individual apartments are served through one meter the billing shall be calculated on the appropriate Commercial and Industrial Service Rate.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~Issued: October 23, 2000~~ ~~Effective: November1, 2000~~
~~MDTE No. 08~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(LOW ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE G-40

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company to Commercial and Industrial customers having certain characteristics, as defined below, for all purposes when gas is for their exclusive use and not for resale.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month ~~$12.61~~ $ 19.00

Off-Peak ~~First 35~~All therms @ $0.~~3288~~3090 per therm
~~Excess 35~~
Peak All therms @ $0.~~1855~~3090 per therm
~~Peak First 125 therms @ $0.3694 per therm~~
~~Excess 125 therms @ $0.2315 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of less than 5,000 therms and peak period usage greater than or equal to 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~
The minimum charge per month shall be the sum of the monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant Issued On: April 27, 2005
President Effective: ~~November~~June 1, ~~2000~~2005

~~MDTE No. 09~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(LOW ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE G-40

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

~~Issued: October 23, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(LOW ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE G-40

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

BAY STATE GAS COMPANY
ALL DIVISIONS
COMMERCIAL AND INDUSTRIAL SERVICE
(MEDIUM ANNUAL USE, HIGH PEAK PERIOD USE)
RATE G-41

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company to Commercial and Industrial customers having certain characteristics, as defined below, for all purposes when gas is for their exclusive use and not for resale.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month ~~$45.04~~ $ 65.00

Off-Peak ~~First 300~~All therms @ $0.~~1246~~1216 per therm

~~Excess 300~~

Peak All therms @ $0.~~0988~~1920 per therm

~~Peak First 1,000 therms @ $0.1979 per therm~~

~~Excess 1,000 therms @ $0.1572 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of between 5,000 therms and 39,999 therms and peak period usage greater than or equal to 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~

The minimum charge per month shall be the sum of the monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the

Issued: October 23, 2000 Effective: November 1, 2000

BAY STATE GAS COMPANY
ALL DIVISIONS
COMMERCIAL AND INDUSTRIAL SERVICE
(MEDIUM ANNUAL USE, HIGH PEAK PERIOD USE)
RATE G-41

Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

Issued: October 23, 2000

Effective: November 1, 2000

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(MEDIUM ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE G-41

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.

Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67,

COMMERCIAL AND INDUSTRIAL SERVICE
(MEDIUM ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE G-41

which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD ~~USE~~)
RATE G-42

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company to Commercial and Industrial customers having certain characteristics, as defined below, for all purposes when gas is for their exclusive use and not for resale.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month ~~$109.37~~ $ 213.00

Off-Peak ~~First 2,200~~All therms @ $0.~~0687~~0778 per therm

~~Excess 2,200~~

Peak All therms @ $0.~~0573~~1794 per therm

~~Peak First 9,000 therms @ $0.1658 per therm~~

~~Excess 9,000 therms @ $0.1317 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage between 40,000 and 249,999 therms and peak period usage greater than or equal to 70 percent of annual use as determined by Company records and procedures. With the exception that customers whose annual use is greater than 249,999 therms, and if the Company has been unable to install an Automated Meter Reading Device, such customers also shall take service under this rate schedule.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD ~~USE~~)
RATE G-42

MINIMUM CHARGE

~~Customer Charge per month.~~
The minimum charge per month shall be the sum of the monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and ~~Local~~Local Distribution Adjustment Cost apply to gas sold under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD ~~USE~~)
RATE G-42

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE G-43

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company to Commercial and Industrial customers having certain characteristics, as defined below, for all purposes when gas is for their exclusive use and not for resale.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month: ~~$ 298.53~~ $ 781.00

Demand Rates: Off-Peak - ~~$~~ @ $0.~~8723~~6713 per therm of maximum daily gas usage

Peak - ~~$ 1.9787~~ @ $2.1586 per therm of maximum daily gas usage

Volumetric Rates: Off-Peak - ~~$~~ @ $0.~~0170~~0193 per therm

Peak - ~~$~~ @ $0.~~0389~~0507 per therm

CALCULATION OF DEMAND CHARGES

Demand charges shall be calculated by applying the Demand Rate to the actual measured maximum daily gas ~~day~~ usage in the billing month.

CHARACTERISTICS OF CUSTOMER

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~MDTE No. 12~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE G-43

A customer receiving service under this schedule must have annual usage of 250,000 therms or more and peak period usage greater than or equal to 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer~~ The minimum charge per month~~.~~ shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

~~Issued: October 23, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE G-43

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which, it shall automatically renew itself for like one year periods thereafter, unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

SPECIAL PROVISIONS

All customers eligible for this service class must provide and maintain a phone line for use by the Company and provide the Company with reasonable access to the meter for installation and maintenance of the Automated Meter Reading device. Customers must have Automated Meter Reading devices installed in order to receive service according to this schedule. If the Company determines that Automated Meter Reading is impractical, the customer may receive service under the terms of Rate Schedule G-42.

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE G-43

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

BAY STATE GAS COMPANY
ALL DIVISIONS
COMMERCIAL AND INDUSTRIAL SERVICE
(LOW ANNUAL USE, LOW PEAK PERIOD USE)
RATE G-50

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company to Commercial and Industrial customers having certain characteristics, as defined below, for all purposes when gas is for their exclusive use and not for resale.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month		~~$12.61~~	$ 19.00
Off-Peak	~~First 80~~All therms		@ ~~$0.3240~~2818 per therm
	~~Excess 80~~		
Peak	All therms	~~@~~	@ $0.~~1884~~2818 per therm
~~Peak~~	~~First 125 therms~~	~~@~~	~~$0.3597 per therm~~
	~~Excess 125 therms~~	~~@~~	~~$0.2268 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of less than 5,000 therms and peak period usage less than 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~
The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the

BAY STATE GAS COMPANY
ALL DIVISIONS
COMMERCIAL AND INDUSTRIAL SERVICE
(LOW ANNUAL USE, LOW PEAK PERIOD USE)
RATE G-50

Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(LOW ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-50

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(LOW ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-50

BAY STATE GAS COMPANY
ALL DIVISIONS
COMMERCIAL AND INDUSTRIAL SERVICE
(MEDIUM ANNUAL USE, LOW PEAK PERIOD USE)
RATE G-51

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company to Commercial and Industrial customers having certain characteristics, as defined below, for all purposes when gas is for their exclusive use and not for resale.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month ~~$45.04~~ $ 65.00

Off-Peak ~~First 500~~All therms @ –$0.~~10000~~0826 per therm

~~Excess 500~~

Peak All therms ~~@~~ @ $0.~~0765~~1774 per therm

~~Peak First 700 therms @ $0.1708 per therm~~

~~Excess 700 therms @ $0.1315 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of between 5,000 and 39,999 therms and peak period usage less than 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~

The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

Issued: October 23, 2000 Effective: November 1, 2000

MDTE No. 47 - G-51 - redline.doc

BAY STATE GAS COMPANY
ALL DIVISIONS
COMMERCIAL AND INDUSTRIAL SERVICE
(MEDIUM ANNUAL USE, LOW PEAK PERIOD USE)
RATE G-51

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(MEDIUM ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-51

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67,

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(MEDIUM ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-51

which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

BAY STATE GAS COMPANY
ALL DIVISIONS
COMMERCIAL AND INDUSTRIAL SERVICE
(HIGH ANNUAL USE, LOW PEAK PERIOD USE)
RATE G-52

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company to Commercial and Industrial customers having certain characteristics, as defined below, for all purposes when gas is for their exclusive use and not for resale.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month ~~$109.37~~ $ 213.00

Off-Peak ~~First 8,000~~All therms @ $0.~~0712~~0657 per therm

~~Excess 8,000~~

Peak All therms @ $0.~~0569~~1682 per therm

~~Peak First 10,000 therms @ $0.1638 per therm~~

~~Excess 10,000 therms @ $0.1288 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage between 40,000 and 249,999 therms and peak period usage less than 70 percent of annual use as determined by Company records and procedures. With the exception that customers whose annual use is greater than 249,999 therms, and if the Company has been unable to install an Automated Meter Reading Device, such customers also shall take service under this rate schedule.

MINIMUM CHARGE

~~Customer Charge per month.~~

The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

Issued: October 23, 2000 Effective: November 1, 2000

BAY STATE GAS COMPANY
ALL DIVISIONS
COMMERCIAL AND INDUSTRIAL SERVICE
(HIGH ANNUAL USE, LOW PEAK PERIOD USE)
RATE G-52

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-52

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67,

COMMERCIAL AND INDUSTRIAL SERVICE
(HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-52

which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-53

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company to Commercial and Industrial customers having certain characteristics, as defined below, for all purposes when gas is for their exclusive use and not for resale.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month: ~~$ 298.53~~ $ 781.00

Demand Rates: Off-Peak - @ $ 0.~~8723~~6713 per therm of maximum daily gas usage

Peak - ~~$ 1.9787~~@ $ 2.1586 per therm of maximum daily gas usage

Volumetric Rates: Off-Peak - @ $ 0.~~0170~~0193 per therm

Peak - @ $ 0.~~0389~~0507 per therm

CALCULATION OF DEMAND CHARGES

Demand charges shall be calculated by applying the Demand Rate to the actual measured maximum daily gas ~~day~~ usage in the billing month.

CHARACTERISTICS OF CUSTOMER

~~Issued:October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-53

A customer receiving service under this schedule must have annual usage of 250,000 therms or more and peak period usage less than 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer~~ The minimum charge per month~~.~~ shall be the sum of the monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

~~Issued:October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-53

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which, it shall automatically renew itself for like one year periods thereafter, unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

SPECIAL PROVISIONS

All customers eligible for this service class must provide and maintain a phone line for use by the Company and provide the Company with reasonable access to the meter for installation and maintenance of the Automated Meter Reading device. Customers must have Automated Meter Reading devices installed in order to receive service according to this schedule. If the Company determines that Automated Meter Reading is impractical, the customer may receive service according to Rate Schedule G-52.

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

COMMERCIAL AND INDUSTRIAL SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE G-53

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

OUTDOOR GAS LIGHTING SERVICE
RATE L

AVAILABILITY

Service to all customers is available under this rate for outdoor gas lighting where a standard gas light is attached to the Company's existing distribution system, and when it is not feasible to meter gas for such lighting along with other gas used on the premises and bill the same under the rate in effect for all other service. All such installations shall be on private property. Service under this schedule is available only to those customers taking service under this rate as of December 14, 1979.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

$~~3.32~~ 2.58 per month per light.

~~COST OF GAS ADJUSTMENT~~

~~The provisions of the Company's Cost of Gas Adjustment, Schedule T, apply to gas sold under this rate.~~

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

COST OF GAS ADJUSTMENT AND LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Cost of Gas Adjustment and Local Distribution Adjustment Cost apply to gas sold under this rate.

~~Issued:October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~MDTE No. 17~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

OUTDOOR GAS LIGHTING SERVICE
RATE L

TERM OF CONTRACT

The terms of contract under this schedule shall be for an initial period of one year, and shall continue in effect thereafter until canceled by either party on 30 days' written notice.

PAYMENT

Bills are net and payable upon presentation.

SPECIAL PROVISIONS

The customer shall own and maintain all equipment necessary for such lighting, including any necessary additional piping. The customer shall replace at his expense any mantles from time to time. All original or replacement equipment shall be approved by the Company.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~Issued:October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

NON-HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R1

AVAILABILITY

Service is available under this rate at single domestic locations throughout the territory served by the Company for transportation of supplier-owned gas used in individual private dwellings and individual apartments including condominiums and their facilities as defined in G. L. Chapter 183A, Section 1 and DPU 86-159 dated February 6, 1987.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - BI-MONTHLY

The Bi-Monthly rate schedule applicable to all customers being served with Company meters that do not have an installed radio-based automated meter reading device is as follows:

Customer Charge Per Two Month Period			$~~14.92~~ 23.20
Off-Peak	-	First 20 therms	@ $0.~~3848~~2393 per therm
		Excess 20 therms	@ $0.~~2965~~1928 per therm
Peak	-	First 25 therms	@ $0.~~4349~~2393 per therm
		Excess 25 therms	@ $0.~~3758~~1928 per therm

RATE – MONTHLY

The Monthly rate schedule applicable to all customers being served with Company meters that have an installed radio-based automated meter reading device is as follows:

Customer Charge Per One Month Period ~~$7.46~~ $ 11.60

NON-HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R1

Off-Peak	-	First 10 therms	@	$0.~~3848~~2393 per therm
		Excess 10 therms	@	$0.~~2965~~1928 per therm
Peak	-	First 12 therms	@	$0.~~4349~~2393 per therm
		Excess 12 therms	@	$0.~~3758~~1928 per therm

MINIMUM CHARGE

The minimum charge per month shall be the sum of the applicable ~~Bi-Monthly~~bi-monthly or ~~Monthly~~monthly Customer Charge ~~per dwelling unit~~and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST CLAUSE

The provisions of the Company's Local Distribution Adjustment Cost Clause apply to gas transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

~~Issued: May 31, 2002~~

NON-HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R1

Bills are net and payable upon presentation.

SPECIAL PROVISION

Where more than one but less than four individual apartments or dwellings are served through one meter, the billings shall be calculated as though each individual dwelling or apartment were served through a separate meter by assuming the use was divided equally among them, except that one customer charge will apply. The owner of the property or his designee will be responsible for the payment of the service. Where four or more individual apartments or dwellings are served through one meter, the billings will be calculated on the appropriate Commercial and Industrial Service Rate.

TERMS AND CONDITIONS

The Company's Terms and Conditions -in effect from time to time, where not inconsistent with any specific provisions hereof, or other arrangements between Customers and Suppliers operating pursuant to the Company's Supplier Service Agreement Terms and Conditions, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff -are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

LOW INCOME NON-HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R2

AVAILABILITY

Service is available under this rate at single domestic locations throughout the territory served by the Company for transportation of supplier-owned gas used in individual private dwellings and individual apartments for all domestic purposes to persons who verify receipt of any means-tested public-benefit program or verify eligibility for the low-income home energy assistance program or its successor program, for which eligibility does not exceed 175 percent of the federal poverty level based on a household's gross income or other criteria approved by the Department..

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - BI-MONTHLY

The Bi-Monthly rate schedule applicable to all customers being served with Company meters that do not have an installed radio-based automated meter reading device is as follows:

Customer Charge Per Two Month Period ~~$11.94~~ $ 12.50

Off-Peak ~~First 20~~All therms ~~@~~ @ $0.~~2517~~1158 per therm
~~Excess 20~~
Peak All therms ~~@~~ @ $0.~~1811~~1158 per therm
~~Peak First 25 therms @ $0.2869 per therm~~
~~Excess 25 therms @ $0.2396 per therm~~

RATE – MONTHLY

The Monthly rate schedule applicable to all customers being served with Company meters that have an installed radio-based automated meter reading device is as follows:

~~Issued: May 31, 2002~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~August~~June 1, ~~2002~~2005

LOW INCOME NON-HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R2

Customer Charge Per One Month Period~~$5.97~~ $ 6.25

Off-Peak	~~First 10~~All therms	@ $ 0.~~2517~~1158 per therm	
	~~Excess 10~~		
Peak	All therms	@ $0.~~1811~~1158 per therm	
~~Peak~~	~~First 12 therms~~	~~@ $0.2869 per therm~~	
	~~Excess 12 therms~~	~~@ $0.2369 per therm~~	

MINIMUM CHARGE

The minimum charge per month shall be the sum of the applicable ~~Bi-Monthly~~bi-monthly or ~~Monthly~~monthly Customer Charge ~~per dwelling unit~~and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST CLAUSE

The provisions of the Company's Local Distribution Adjustment Cost Clause apply to gas transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.

Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st

~~Issued: May 31, 2002~~

LOW INCOME NON-HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R2

through April 30th.

PAYMENT

Bills are net and payable upon presentation.

SPECIAL PROVISIONS

Where more than one but less than four individual apartments or dwellings are served through one meter, the billings shall be calculated as though each individual dwelling or apartment were served through a separate meter by assuming the use was divided equally among them, except that one customer charge will apply. The owner of the property or his designee will be responsible for the payment of the service. Where four or more individual apartments or dwellings are served through one meter, the billings shall be calculated on the appropriate Commercial and Industrial Service Rate.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, or other arrangements between Customers and Suppliers operating pursuant to the Company's Supplier Service Agreement Terms and Conditions, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R3

AVAILABILITY

Service is available under this rate at single domestic locations throughout the territory served by the ~~Company~~Company for transportation of supplier-owned gas used in individual private dwellings and individual apartments including condominiums and their facilities as defined in G. L. Chapter 183A, Section 1 and DPU 86-159 dated February 6, 1987 where such residences are heated exclusively by means of permanently installed space heating equipment.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month			~~$7.47~~ 12.10
Off-Peak	-	First 30 therms	@ 0.~~2317~~3183 per therm
		Excess 30 therms	@ 0.~~1639~~2224 per therm
Peak	-	First ~~90~~125 therms	@ 0.~~4000~~3183 per therm
		Excess ~~90~~125 therms	@ 0.~~2076~~2224 per therm

MINIMUM CHARGE

~~Customer Charge per month per dwelling unit.~~
The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R3

Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST CLAUSE

The provisions of the Company's Local Distribution Adjustment Cost Clause apply to gas transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

SPECIAL PROVISION

a) Where more than one but less than four individual apartments or dwellings are served through one meter, the billings shall be calculated as though each individual dwelling or apartment were served through a separate meter by assuming the use was divided equally among them, except that one customer charge will apply. The owner of the property or his designee will be responsible for the payment of the service. Where four or more individual apartments or dwellings are served through one meter the billing shall be calculated on the appropriated Commercial and Industrial Service Rate.

b) Temporary service will be supplied, upon written application for the limited

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R3

period necessary to protect and dry out unoccupied private residences under construction. Gas fired, permanently installed heating equipment of a type approved by the Company shall be the sole source of heat for the residence. The charge shall be computed in accordance with Residential Rate R-3.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, or other arrangements between Customers and Suppliers operating pursuant to the Company's Supplier Service Agreement Terms and Conditions, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff-are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

LOW INCOME HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R4

AVAILABILITY

Service is available under this rate at single domestic locations throughout the territory served by the Company to persons who verify receipt of any means-tested public-benefit program or verify eligibility for the low-income home energy assistance program or its successor program, for which eligibility does not exceed 175 percent of the federal poverty level based on a household's gross income or other criteria approved by the Department~~.~~, for transportation of supplier-owned gas used in individual private dwellings and individual apartments where such residences are heated exclusively by means of permanently installed space heating equipment.

CHARACTER OF SERVICE

A continuous supply of gas of not less than 1,000 Btu per cubic foot.

RATE - MONTHLY

Customer Charge Per Month ~~$5.97~~ $ 6.25

Off-Peak ~~First 30~~All therms @ 0.~~1243~~0708 per therm
~~Excess 30~~
Peak All therms @ 0.~~0700~~0708 per therm
~~Peak First 90 therms @ 0.2247 per therm~~
~~Excess 90 therms @ 0.0709 per therm~~

MINIMUM CHARGE

~~Customer Charge per month.~~ The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

LOW INCOME HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R4

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST CLAUSE ~~CLAUSE~~

The provisions of the Company's Local Distribution Adjustment Cost Clause apply to gas transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

SPECIAL PROVISIONS

Where more than one but less than four individual apartments or dwellings are served through one meter, the billings shall be calculated as though each individual dwelling or apartment were served through a separate meter by assuming the use was divided equally among them, except that one customer charge will apply. The owner of the property or his designee will be responsible for the payment of the service. Where four or more individual apartments are served through one meter the billing shall be calculated on the appropriate Commercial and Industrial Service Rate, and therefore such accounts are not eligible for the Pilot Program.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

LOW INCOME HEATING FIRM TRANSPORTATION SERVICE
RESIDENTIAL RATE T-R4

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, or other arrangements between Customers and Suppliers operating pursuant to the Company's Supplier Service Agreement Terms and Conditions, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(LOW ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-40

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company for transportation of customer-owned gas used for commercial, industrial, or institutional purposes.

RATE - MONTHLY

Customer Charge Per Month ~~$12.61~~ $ 19.00

Off-Peak ~~First 35~~All therms @ $0.~~3288~~3090 per therm
~~Excess 35~~
Peak All therms @ $0.~~1855~~3090 per therm
~~Peak First 125 therms @ $0.3694 per therm~~
~~Excess 125 therms @ $0.2315 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of ~~less than~~between 5,000 therms and 39,999 therms and peak period usage greater than or equal to 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~

~~LOCAL~~The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(LOW ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-40

DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's ~~Local~~ Distribution Adjustment Cost clause apply to gas throughput transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycle~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycle~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

DUAL FUEL EQUIPMENT

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(LOW ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-40

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff-are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(MEDIUM ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-41

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company for transportation of customer-owned gas used for commercial, industrial, or institutional purposes.

RATE - MONTHLY

Customer Charge Per Month ~~$45.04~~ $ 65.00

Off-Peak ~~First 300~~All therms @ $0.~~1246~~1216 per therm
~~Excess 300~~
Peak All therms @ $0.~~0988 per therm~~
~~Peak First 1,000 therms @ $0.1979 per therm~~
~~Excess 1,000 therms @ $0.1572~~1920 per therm

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of between 5,000 therms and 39,999 therms and peak period usage greater than or equal to 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~
The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant Issued On: April 27, 2005
President Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(MEDIUM ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-41

Annual Base Rate Adjustment Mechanism.

DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Distribution Adjustment Cost clause apply to gas throughput transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(MEDIUM ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-41

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-42

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company for transportation of customer-owned gas used for commercial, industrial, or institutional purposes.

RATE - MONTHLY

Customer Charge Per Month ~~$109.37~~ $ 213.00

Off-Peak ~~First 2,200~~All therms @ $0.~~0687~~0778 per therm

~~Excess 2,200~~
Peak All therms @ $0.~~0573~~1794 per therm

~~Peak First 9,000 therms @ $0.1658 per therm~~
~~Excess 9,000 therms @ $0.1317 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage between 40,000 and 249,999 therms and peak period usage greater than or equal to 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~
The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-42

Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Local Distribution Adjustment Cost clause apply to gas throughput transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-42

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-43

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company for transportation of customer-owned gas used for commercial, industrial, or institutional purposes.

RATE - MONTHLY

Customer Charge Per Month: ~~$ 298.53~~ $ 781.00

Demand Rates: Off-Peak @ $ 0.~~8723~~6713 per therm of maximum daily gas usage

Peak ~~$ 1.9787~~@ $ 2.1586 per therm of maximum daily gas usage

Volumetric Rates: Off-Peak @ $ 0.~~0170~~0193 per therm

Peak @ $ 0.~~0389~~0507 per therm

CALCULATION OF DEMAND CHARGES

Demand charges shall be calculated by applying the Demand Rate to the actual measured maximum daily gas ~~day~~ usage in the billing month.

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of 250,000 therms or more and peak period usage greater than or equal to 70 percent of annual use as determined by

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-43

Company records and procedures.

MINIMUM CHARGE

~~Customer~~ The minimum charge per month~~.~~ shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Local Distribution Adjustment Cost clause apply to gas throughput transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

~~Issued: October 23, 2000~~

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-43

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter, unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

SPECIAL PROVISIONS

All customers eligible for this service class must provide and maintain a phone line for use by the Company and provide the Company with reasonable access to the meter for installation and maintenance of the Automated Meter Reading device. Customers must have Automated ~~Meter~~Meter Reading devices installed in order to receive service according to this schedule.

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / HIGH PEAK PERIOD USE)
RATE T-43

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(LOW ANNUAL USE~~,~~ / LOW PEAK ~~PERIOD~~PERID USE)
RATE T-50

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company for transportation of customer-owned gas used for commercial, industrial, or institutional purposes.

RATE - MONTHLY

Customer Charge Per Month ~~$12.61~~ $ 19.00

Off-Peak ~~First 80~~All therms @ $0.~~3240~~2818 per therm
~~Excess 80~~
Peak All therms @ $0.~~1884~~2818 per therm
~~Peak First 125 therms @ $0.3597 per therm~~
~~Excess 125 therms @ $0.2268 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of less than 5,000 therms and peak period usage less than 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~
The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(LOW ANNUAL USE~~,~~ / LOW PEAK ~~PERIOD~~PERID USE)
RATE T-50

Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Local Distribution Adjustment Cost clause apply to gas throughput transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being the Company's billing cycles~~the period from May 1st through October 31st.

Peak Period - Defined as being the ~~Company's billing cycles~~period November 1st through April~~.~~ 30th

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(LOW ANNUAL USE~~,~~ / LOW PEAK ~~PERIOD~~PERID USE)
RATE T-50

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

FARM DISCOUNT

All charges under this tariff -are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(MEDIUM ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-51

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company for transportation of customer-owned gas used for commercial, industrial, or institutional purposes.

RATE - MONTHLY

Customer Charge Per Month ~~$45.04~~ $ 65.00

Off-Peak ~~First 500~~All therms @ $0.~~10000~~0826 per therm
~~Excess 500~~
Peak All therms @ $0.~~0765~~1774 per therm
~~Peak First 700 therms @ $0.1708 per therm~~
~~Excess 700 therms @ $0.1315 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of between 5,000 therms and 39,999 therms and peak period usage less than 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~
The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(MEDIUM ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-51

Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Local Distribution Adjustment Cost clause apply to gas throughput transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(MEDIUM ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-51

~~FARM DISCOUNT~~

~~All charges under this tariff are subject to~~

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-52

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company for transportation of customer-owned gas used for commercial, industrial, or institutional purposes.

RATE - MONTHLY

Customer Charge Per Month ~~$109.37~~ $ 213.00

Off-Peak ~~First 8,000~~All therms @ $0.~~0712~~0657 per therm
~~Excess 8,000~~
Peak All therms @ $0.~~0569~~1682 per therm
~~Peak First 10,000 therms @ $0.1638 per therm~~
~~Excess 10,000 therms @ $0.1288 per therm~~

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage between 40,000 and 249,999 therms and peak period usage less than 70 percent of annual use as determined by Company records and procedures.

MINIMUM CHARGE

~~Customer Charge per month.~~
The minimum charge per month shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-52

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Local Distribution Adjustment Cost clause apply to gas throughput transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-52

any specific provisions hereof, are a part of this schedule.

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are certified as eligible by the Massachusetts Department of Food and Agriculture.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-53

AVAILABILITY

This schedule is available at single locations throughout the territory served by the Company for transportation of customer-owned gas used for commercial, industrial, or institutional purposes.

RATE - MONTHLY

Customer Charge Per Month: ~~$ 298.53~~ $ 781.00

Demand Rates: Off-Peak - @ $ 0.~~8723~~6713 per therm of maximum daily gas usage

Peak - ~~$ 1.9787~~@ $ 2.1586 per therm of maximum daily gas usage

Volumetric Rates: Off-Peak - @ $ 0.~~0170~~0193 per therm

Peak - @ $ 0.~~0389~~0507 per therm

CALCULATION OF DEMAND CHARGES

Demand charges shall be calculated by applying the Demand Rate to the actual measured maximum daily gas ~~day~~ usage in the billing month.

CHARACTERISTICS OF CUSTOMER

A customer receiving service under this schedule must have annual usage of 250,000 therms or more and peak period usage less than 70 percent of annual use as determined by Company records and procedures.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-53

MINIMUM CHARGE

~~Customer~~ The minimum charge per month~~.~~ shall be the sum of the Monthly Customer Charge and the Residential and Commercial Energy Conservation Service ("RCS") Charge.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

The rates set forth in this Rate Schedule are subject to adjustment each year pursuant to the Annual Base Rate Adjustment Mechanism.

LOCAL DISTRIBUTION ADJUSTMENT COST

The provisions of the Company's Local Distribution Adjustment Cost clause apply to gas throughput transported under this rate.

DEFINITIONS

Off-Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from May 1st through October 31st.
Peak Period - Defined as ~~being~~ the ~~Company's billing cycles~~period from November 1st through April 30th.

PAYMENT

Bills are net and payable upon presentation.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-53

TERM OF CONTRACT

The term of contract under this schedule shall be for an initial period of at least one year, at the expiration of which initial period it shall automatically renew itself for like one year periods thereafter, unless terminated by either party giving to the other notice in writing 30 days prior to the expiration of any contract year.

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this schedule.

SPECIAL PROVISIONS

All customers eligible for this service class must provide and maintain a phone line for use by the Company and provide the Company with reasonable access to the meter for installation and maintenance of the Automated Meter Reading device. Customers must have Automated Meter Reading devices installed in order to receive service according to this schedule.

DUAL FUEL EQUIPMENT

The rates and charges applicable under this tariff for service rendered to locations with dual fuel equipment are subject to the Special Provision for Use of Dual Fuel Equipment, M.D.T.E. No. 67, which applies for any Customer with installed dual fuel equipment capable of burning gas and another fuel.

FARM DISCOUNT

All charges under this tariff are subject to a ten percent (10%) discount for customers who are

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

FIRM TRANSPORTATION SERVICE
(EXTRA HIGH ANNUAL USE~~,~~ / LOW PEAK PERIOD USE)
RATE T-53

certified as eligible by the Massachusetts Department of Food and Agriculture.

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

ANNUAL BASE RATE ADJUSTMENT MECHANISM

Section

1.0 Purpose
2.0 Effective Date
3.0 Applicability
4.0 Definitions
5.0 Annual Base Rate Adjustment Formula
6.0 Determination of Initial Base Rates
7.0 Calculation of PBR Annual Rate Adjustment
8.0 Calculation of Energy Efficiency Adjustment Factor
9.0 Calculation of SIR Base Rate Adjustment
10.0 Reporting Requirements
11.0 Currently Effective Rate Adjustment Table

1.0 Purpose

The purpose of the Annual Base Rate Adjustment Mechanism ("ABRAM") is to establish procedures that allow Bay State Gas Company ("Bay State" or the "Company") subject to the jurisdiction of the Department of Telecommunications and Energy ("Department") to adjust, on an annual basis, its base rates for firm gas sales and firm transportation service pursuant to the Company's Performance Based Rate ("PBR") and Steel Infrastructure Replacement ("SIR") programs and to reflect the annualized impact of energy efficiency savings ("EES"). The PBR program encompasses a price cap rate indexing mechanism, as well as earnings sharing above and below established thresholds and recovery of exogenous costs. The SIR program provides for base rate adjustments that allow Bay State to recover the costs associated with accelerated replacement of bare and unprotected coated steel distribution mains and other Eligible Facilities. EES are the therm savings attributable to the installation of demand-side management ("DSM") measures pursuant to the Company's DSM programs as approved by the Department from time-to-time.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

2.0 Effective Date

The ABRAM shall be effective June 1, 2005 and shall continue subject to the terms of the PBR and SIR mechanisms set forth below. The initial rates established in accordance with Section 6.0 shall remain in effect until October 31, 2006. Subsequent base rate adjustments shall occur so long as either the PBR or SIR mechanisms remain effective or EES continue to be realized. In the event that both the PBR and SIR mechanisms are terminated and EES are no longer realized, the Company's base rates, as adjusted pursuant to the ABRAM, shall remain in effect until modified by the Department pursuant to a subsequent base rate proceeding.

2.1 Term of PBR Base Rate Adjustment Mechanism

The PBR Base Rate Adjustment mechanism shall continue for a term of five years through October 31, 2010. No further adjustment to the PBR component of the ABRAM shall occur after the completion of the five-year term ending October 31, 2010.

2.2 Term of SIR Base Rate Adjustment Mechanism

The SIR Base Rate Adjustment mechanism shall remain in effect until the Company's base rates are modified by the Department pursuant to a subsequent base rate proceeding.

3.0 Applicability

This mechanism shall apply an adjustment to the base rates of each of the Company's firm sales and firm transportation Rate Schedules, subject to the jurisdiction of the Department, as determined in accordance with the provisions of this mechanism. Such ABRAM shall be determined annually by the Company as defined below, subject to review and approval by the Department as provided for in this mechanism.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

4.0 Definitions

The following definitions shall apply throughout the provisions of the ABRAM tariff.

(1) **Base Rate Element** is any customer, volumetric or demand charge reflected in the Company's Rate Schedules that recovers a portion of the Company's base revenue requirement as established by the Department in its most recent base rate case.

(2) **Base Rates** are the compilation of Base Rate Elements for all of the Company's Rate Schedules

(3) **Calendar Year** is the annual period beginning on January 1st and ending on December 31st.

(4) **Customer Class** is the group of customers all taking service pursuant to the same Rate Schedule.

(5) **Energy Efficiency Savings** shall be the annualized therm savings attributable to energy efficiency measures installed during the Calendar Year.

(6) **Off-peak Period** is the continuous period from May 1st through October 31st.

(7) **PBR Adjusted Base Rate** is the base rate in effect for the Prior Year plus the rate change calculated through the application of the PBR Price Cap Formula to the base rates in effect for the Prior Year.

(8) **PBR Price Cap Formula** is the mathematical expression set forth in Section 7.3 used to calculate the percentage change in Base Rates for the Rate Year.

(9) **Peak Period** is the continuous period from November 1st through April 30th.

(10) **Prior Year** is the annual period ending immediately prior to the Rate Year.

(11) **Rate Year** is the annual period that the adjusted base rates shall be effective beginning on November 1st.

(12) **SIR Revenue Requirements** are the revenue requirements for the Company's SIR program for the Rate Year.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

(13) **SIR Base Rate** is the total component of the Company's Base Rates that recovers the aggregate SIR Revenue Requirements for investments made over the duration of the SIR Program.

5.0 Annual Base Rate Adjustment Formula

The annual base rate adjustment formula shall be applied for each Base Rate Element of each Rate Schedule and shall be calculated in accordance with the following formula:

$$BR_{T}^{n,e} = (BR_{T-1}^{n,e} - BR_SIR_{T-1}^{n,e}) \times (1 + PBR_CAP_{T}^{n,e}) \times (1 + EE_ADJ_{T}^{n,e}) \pm BR_SIR_{T}^{n,e}$$

Where:

$BR_{T}^{n,e}$	The Base Rate Element *e* applicable to Rate Schedule *n* for the Rate Year
$BR_{T-1}^{n,e}$	The Base Rate Element *e* applicable to Rate Schedule *n* for the Prior Year
$BR_SIR_{T-1}^{n,e}$	The SIR Base Rate for Base Rate Element *e* applicable to Rate Schedule *n* for the Prior Year
$PBR_CAP_{T}^{n,e}$	The percentage change for Base Rate Element *e* applicable to Rate Schedule *n* for the Rate Year calculated pursuant to the Company's PBR Program.
$EE_ADJ_{T}^{n,e}$	The Energy Efficiency Adjustment Percentage for Base Rate Element *e* applicable to Rate Schedule *n* for the Rate Year
$BR_SIR_{T}^{n,e}$	The SIR Base Rate for Base Rate Element *e* applicable to Rate Schedule *n* for the Rate Year

ANNUAL BASE RATE ADJUSTMENT MECHANISM

6.0 Determination of Initial Base Rates

The initial base rates shall be those established by the Department in Docket No. D.T.E. 05-27. The initial base rates shall be set forth in Column (I) of the Currently Effective Rate Adjustment Table contained in Section 11.0 to be effective through October 31, 2006. The first ABRAM change to the initial base rates shall be effective November 1, 2006.

7.0 Calculation of PBR Annual Rate Adjustment

7.1 Description of PBR Program

The Company's PBR program replaces traditional cost of service ratemaking with an incentive-based mechanism. The PBR program includes price cap, earnings sharing and exogenous components. The price cap component limits the change in base rates to the rate of input price inflation representative of the gas distribution industry less offsets for productivity and a consumer dividend. The earnings sharing component provides for sharing of earnings that are outside symmetrical bands above and below Bay State's authorized Return on Equity. The exogenous cost component allows the Company to reflect costs or credits in the PBR mechanism that derive from unanticipated events that are beyond Bay State's direct control.

7.2 Definitions

(1) **Average Unit Price** shall be the price per therm calculated by dividing the total base revenues for the Customer Class for the Prior Year by the normalized annual throughput for the class for the Prior Year.

(2) **Basis Point** shall be one one-hundredth of a percentage point.

(3) **Consumer Dividend** is the benefit to consumers of future productivity gains attributable to performance-based ratemaking for Bay State's services as established by the Department in D.T.E. 05-27.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

(4) **Earnings Sharing Bandwidth** is the percentage range equal to 400 Basis Points below the percentage Return on Equity authorized by the Department to 400 Basis Points above the percentage Return on Equity authorized by the Department.

(5) **Exogenous Events** are occurrences that have a material and disproportionate impact on Bay State that are beyond the Company's control and are not otherwise reflected in the PBR formula.

(6) **Input Price Trend** is the measure of change in the prices for all inputs used to provide regulated gas distribution services.

(7) **Productivity Trend** is the measure of change in productivity associated with providing regulated gas distribution services.

(8) **Return on Equity** is the allowed rate of return on equity as established in D.T.E. 05-27.

(9) **X Factor** is the productivity growth index as established by the Department in D.T.E. 05-27.

(10) **Z Factor** is the sum of the cost impacts of material Exogenous Events.

7.3 PBR Price Cap Adjustment Formula

$$PBR_CAP_T = (GDPPI_{T-1} - X) + \frac{(Z_{REV} + ESM_{REV})}{(BASE_REV_{T-1} - SIR_REV_{T-1})}$$

and:

$$BASE_REV_{T-1} = \sum_{n=1}^{n=i} \sum_{e=1}^{e=j} BR_{T-1}^{n,e} \times BD^{n,e}$$

ANNUAL BASE RATE ADJUSTMENT MECHANISM

and:

$$SIR_REV_{T-1} = \sum_{n=1}^{n=i} \sum_{e=1}^{e=j} BR_SIR_{T-1}^{n,e} \times BD^{n,e}$$

and:

$$X = TFPT_{GDI-US} + IPT_{GDI-US} + CD$$

Where:

PBR_CAP_T	The percentage change in the Average Unit Price for all Rate Schedules pursuant to Bay State's PBR Program.
$GDPPI_{T-1}$	The average annual percentage change in the United States Gross Domestic Product Price Inflation for the four most recent quarterly reporting periods as of the second quarter of the Calendar Year as published by the United States Department of Commerce.
X	The productivity or X Factor, which shall be the sum of the Productivity Trend differential, Input Price Trend differential, and the Consumer Dividend, as established by the Department in D.T.E. 05-27.
Z_{REV}	The sum of cost impacts of all Exogenous Events, positive or negative, as provided for in Section 7.5.
ESM_{REV}	The earnings to be shared with customers under the mechanism specified in Section 7.7.
$BASE_REV_{T-1}$	The base revenues calculated by multiplying each Base Rate Element shown in Column (B) of the Currently Effective Rate Adjustment Table in Section 11 for each Company Rate Schedule, by the corresponding weather-normalized billing determinants for the most recent Calendar Year.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

SIR_REV_{T-1}	The SIR Revenues calculated by multiplying each SIR Base Rate shown in Column (C) of the Currently Effective Rate Adjustment Table in Section 11 for each Company Rate Schedule by the corresponding weather-normalized billing determinants for the most recent Calendar Year.
I	The total number of firm Rate Schedules to which the ABRAM is applicable.
J	The total number of Base Rate Elements for Rate Schedule *n*.
$BR^{n,e}_{T-1}$	The Base Rate Element *e* shown in Column (B) of the Currently Effective Rate Adjustment Table for Rate Schedule *n*.
$BD^{n,e}$	The most recent Calendar Year weather-normalized billing determinants corresponding to Base Rate Element *e* applicable to Rate Schedule *n*.
$BR_SIR^{n,e}_{T-1}$	The SIR Base Rate *e* shown in Column (C) of the Currently Effective Rate Adjustment Table for Rate Schedule *n*.
TPT_{GDI-US}	The total Productivity Trend differential between the gas distribution industry in the Northeast and the overall United States economy as approved by the Department in D.T.E. 05-27.
IPT_{GDI-US}	The total Input Price Trend differential between the gas distribution industry in the Northeast and the overall United States economy, as approved by the Department in D.T.E. 05-27.
CD	The Consumer Dividend, as approved by the Department in D.T.E. 05-27.

7.4 PBR Annual Rate Adjustment

The Company may apply a non-uniform percentage change to each Base Rate Element of each firm Rate Schedule so long as the change in the Average Unit Price for the Customer Class is equal to the PBR Price Cap Adjustment. For purposes of calculating the Average Unit Price, the Company shall employ the weather-normalized billing

ANNUAL BASE RATE ADJUSTMENT MECHANISM

determinants for the previous Calendar Year. The maximum percentage change to any individual Base Rate Element pursuant to the PBR mechanism shall be sum of the PBR Price Cap Adjustment and the X Factor.

7.5 Exogenous Events

The costs and/or cost reductions associated with unforeseen Exogenous Events that are beyond Bay State's control that occurred during the most recent Calendar Year and that are not reflected in the elements of the PBR price cap formula may be included in the PBR mechanism through the Z Factor. Examples of Exogenous Events are changes in tax laws that uniquely affect the local gas distribution industry, changes in accounting rules that uniquely affect the local gas distribution industry, and regulatory, legislative or judicial actions that uniquely affect the local gas distribution industry. Only material Exogenous Events, i.e. with cost impacts in excess of $600,000 positive or negative, shall be reflected in the Z Factor. The eligibility of the cost impacts of Exogenous Events for inclusion in the Z Factor shall be reviewed by the Department.

7.6 Revenue Exclusions

Base Rate revenue requirement items that are recovered through separate tracking mechanisms shall be excluded from the price indexing formula. The Company's SIR program costs described in Section 9 and Pension and Benefit Costs recovered through the Local Distribution Adjustment Clause shall be excluded from the PBR program.

7.7 Earnings Sharing

An Earnings Sharing component of the PBR program provides the Company and its Customers with protections in the event that the productivities achieved under the proposed program deviate materially from those anticipated and reflected in the PBR Price Cap Formula. In the event that the Company's actual Return on Equity for any annual period beginning January 1st of the years 2006 through the term of the PBR program is outside of the Earnings Sharing Bandwidth, the difference between actual earnings and earnings calculated at the authorized Return on Equity shall be shared 75%

ANNUAL BASE RATE ADJUSTMENT MECHANISM

to the Company and 25% to Customers. There shall be no earnings sharing when the Company's actual Return on Equity falls within the Earnings Sharing Bandwidth. The Company's net income and year-ending common equity balances as reported in its annual report to the Department shall be used to calculate the level of earnings sharing.

7.8 Information to be Filed with the Department

On or before June 1st of each year, the Company shall file information and supporting schedules with the Department necessary for the Department to review and approve the PBR Base Rate Adjustment to be included in the ABRAM for the subsequent Rate Year. Such information shall include the results of the calculation of the PBR Price Cap Adjustment Formula, descriptions and accounting of any Exogenous Events, and an earnings sharing calculation.

8.0 Calculation of Energy Efficiency Adjustment Factor

8.1 Applicability

The volumetric rates for firm Customer Classes that participate in the Company's energy efficiency programs shall be further adjusted to reflect the annualized impact of energy efficiency programs on the therm gas use of firm Customer Classes for the previous Calendar Year. The adjustment shall be calculated on a percentage basis for each Base Rate Element.

8.2 Determination of Energy Efficiency Savings

The Company shall calculate the therm gas use impact of the energy efficiency measures installed during the previous Calendar Year. The therm savings shall be annualized to reflect a full year's impact. The annualized therm savings shall be broken down by Customer Class and further disaggregated by Peak Period and Off-peak Period and by head and tail block, where applicable.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

8.3 Energy Efficiency Adjustment Factor Formula

$$EE_ADJ_T^{n,e} = \frac{BD^{n,e}}{BD^{n,e} - EE^{n,e}} - 1$$

Where:

$EE_ADJ_T^{n,e}$	The Energy Efficiency Adjustment Percentage for Base Rate Element *e* applicable to Rate Schedule *n* for the Rate Year
$BD^{n,e}$	The most recent Calendar Year weather-normalized billing determinants corresponding to Base Rate Element *e* applicable to Rate Schedule *n*.
$EE^{n,e}$	The annualized Energy Efficiency savings for the most recent Calendar Year associated with Base Rate Element *e* applicable to Rate Schedule *n*.

8.4 Information to be Filed with the Department

On or before June 1st of each year, the Company shall file information and supporting schedules with the Department necessary for the Department to review and approve the Energy Efficiency Adjustment to be included in the ABRAM for the subsequent Rate Year. Such information shall include a description of the energy efficiency measures installed and associated therm savings by Rate Schedule.

9.0 Calculation of SIR Base Rate Adjustment

9.1 Description of SIR Program

The Company's SIR program provides for the accelerated replacement of aging steel infrastructure in order to maintain safe and reliable service. The costs associated with the

ANNUAL BASE RATE ADJUSTMENT MECHANISM

program less any operations and maintenance ("O&M") expense savings are recovered through the ABRAM.

9.2 Definitions

(1) **Accelerated Gross Plant Investments** are the capitalized cost of SIR plant investments including applicable overhead recorded on the Company's books that exceed the Non-Accelerated Investment Threshold.

(2) **Accumulated Deferred Income Taxes** is the net reduction in Federal income and State franchise taxes associated with the use of accelerated depreciation allowed for income tax purposes.

(3) **Accumulated Reserve for Depreciation** is the net credit balance arising from the provision for Depreciation.

(4) **Carrying Costs** are the costs incurred by the Company to finance investments in Eligible Facilities prior to inclusion in the SIR Base Rate Adjustment mechanism

(5) **Depreciation Expense** is the return of the Company's investment in Rate Base at established annual rates as approved by the Department in D.T.E. 05-27.

(6) **Eligible Facilities** are those facilities in connection with the projects undertaken by the Company to replace bare and unprotected coated steel distribution mains on an accelerated basis.

(7) **Non-Accelerated Investment Threshold** is the typical annual level of steel infrastructure replacement investment as established by the Department in D.T.E. 05-27.

(8) **Rate Base** is the investment value upon which Bay State is permitted to earn its authorized rate of return.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

(9) **Property Tax Rate** is the composite property tax rate paid by the Company calculated in its most recent base rate proceeding as the ratio of total annual property taxes paid to total net plant in service.

(10) **SIR Savings** are the O&M expense savings realized by the Company attributable to the facilities installed under the SIR Program.

9.3 SIR Investments

SIR Investments are the costs of Eligible Facilities and shall include the costs of main replacement projects including any connected facilities such as services, meters or regulators that must be installed or replaced to enable the main replacement to become operational. SIR Investments may include investments in one or more of the following plant accounts:

(1) Account No. 367, Transmission Mains
(2) Account No. 376, Distribution Mains
(3) Account No. 380, Distribution Services
(4) Account No. 381, Meters
(5) Account No. 382, Meter Installations
(6) Account No. 383, House Regulators
(7) Account No. 385, Industrial Measuring and Regulating Equipment

9.4 Eligible SIR Revenue Requirements

Eligible SIR Revenue Requirements shall include depreciation, property taxes, return and associated income taxes associated with total SIR Investments made since the initiation of the SIR program. Carrying Costs on SIR Investments from the time each investment is placed into service until recovery begins shall also be considered Eligible SIR Revenue Requirements.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

9.5 Eligible SIR Savings

Eligible SIR Savings shall be the lower O&M expense associated with reduced leak repair activity and shall be reflected as an offset to SIR Revenues. Eligible SIR Savings shall be calculated based on the reduction in the number of leak repairs and the associated avoided cost of leak repairs.

9.6 SIR Revenue Requirements Formula

$$SIR_REV_T = (RB_{SIR} \times PTRR) + DEPR_{SIR} + PTMS_{SIR} + CC_{SIR} - SAV_{SIR}$$

and:

$$RB_{SIR} = AGP_{SIR} - ARD_{SIR} - ADIT_{SIR}$$

Where:

SIR_REV_T	The SIR Revenue Requirements for the Rate Year.
RB_{SIR}	The Rate Base associated with the SIR Program as of the end of the Calendar Year preceding the Rate Year.
PTRR	The pre-tax rate of return as established by the Department in D.T.E. 05-27.
$DEPR_{SIR}$	The depreciation expense associated with the plant investment in the SIR Program.
$PTMS_{SIR}$	The property taxes calculated based on the net plant investment in mains and services associated with the SIR Program multiplied by the Property Tax Rate.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

CC_{SIR}	Carrying Costs calculated monthly as the product of the Company's pre-tax rate of return multiplied by the Accelerated Gross Plant Investments associated with SIR Program plant placed in service, but not yet recovered through rates.
SAV_{SIR}	The total Eligible SIR Savings associated with reduced leak repair activity
AGP_{SIR}	The Accelerated Gross Plant Investments associated with the SIR Program as of the end of the Calendar Year preceding the Rate Year.
ARD_{SIR}	The Accumulated Reserve for Depreciation associated with the SIR Investments as of the end of the Calendar Year preceding the Rate Year.
$ADIT_{SIR}$	The Accumulated Deferred Income Taxes associated with the SIR Investments as of the end of the Calendar Year preceding the Rate Year.

9.7 SIR Base Rate Adjustment

The SIR Revenue Requirements shall be recovered from Customers through each Base Rate Element of the Company's firm Rate Schedules by applying a SIR Base Rate Adjustment to each existing Base Rate Element excluding the SIR Base Rate for the Prior Year. The SIR Base Rate Adjustments shall be derived by allocating the overall SIR Revenue Requirements to each Base Rate Element by the percentage of Prior Year total base revenues associated with each Base Rate Element. The resulting revenues by each Base Rate Element are then divided by the corresponding weather-normalized billing determinants for the Prior Year to derive the SIR Base Rate Adjustment.

9.8 Annual SIR Budget

In conjunction with its annual ABRAM filing each year, the Company shall provide the Department with a description of the SIR projects that it expects to complete during the

ANNUAL BASE RATE ADJUSTMENT MECHANISM

current construction cycle and to include in the SIR Base Rate Adjustment for the following year. In addition, the Company will estimate the gross plant investment associated with each project. The list of projects and associated cost estimates shall be based on information available to the Company at the time it prepares the Annual SIR Budget and shall be provided for informational purposes. The specific projects undertaken during the current construction cycle and the associated cost of each project may vary due to circumstances and information that are not known by the Company at the time that the Annual SIR Budget was prepared.

9.9 Information to be Filed with the Department

On or before June 1st of each year, the Company shall file information and supporting schedules with the Department necessary for the Department to review and approve the SIR Revenue Requirements and the SIR Base Rates to be included in the ABRAM for the subsequent Rate Period. Such information shall include descriptions of all SIR Investments and the results of the calculation of the SIR Revenue Requirements Formula for the Rate Year. The Company shall also describe any factors that affected changes to the list of projects undertaken from those identified to the Department in the Company's Annual SIR Budget filed the previous year as well as any material variances in the project costs.

10.0 Information Required to be Filed with the Department

Information pertaining to all of the components of the Annual Base Rate Adjustment Mechanism is to be filed with the Department as specified in Sections 7, 8 and 9. In addition, the Company shall file revised tariff sheets reflecting the impact of applying the base rate changes provided for herein.

ANNUAL BASE RATE ADJUSTMENT MECHANISM

11.0 Currently Effective Rate Adjustment Table

Customer Class And Charge	Previously Effective Rates			Currently Effective Rates				
	Base Rate	SIR Base Rate	Base Rate w/o SIR Base Rate	PBR ADJ %	PBR Adjusted Base Rate	Energy Eff. %	SIR Base Rate	TOTAL Base Rate
	Note 1/	Note 2/	(B) – (C)	Note 3/	(1+E) * (D)	Note 4/	Note 5/	(F) x (1 + G) + (H)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
R-1								
Customer Charge	$11.60	TBD	$11.60	TBD	TBD	TBD	$0.00	$11.60
Peak 0-12 therms	0.2393	TBD	0.2393	TBD	TBD	TBD	0.0000	0.2393
Peak 12+ therms	0.1928	TBD	0.1928	TBD	TBD	TBD	0.0000	0.1928
Off-Peak 0-10 therms	0.2393	TBD	0.2393	TBD	TBD	TBD	0.0000	0.2393
Off-Peak 10+ therms	0.1928	TBD	0.1928	TBD	TBD	TBD	0.0000	0.1928
R-2								
Customer Charge	$6.25	TBD	$6.25	TBD	TBD	TBD	$0.00	$6.25
Peak	0.1158	TBD	0.1158	TBD	TBD	TBD	0.0000	0.1158
Off-Peak	0.1158	TBD	0.1158	TBD	TBD	TBD	0.0000	0.1158
R-3								
Customer Charge	$12.10	TBD	$12.10	TBD	TBD	TBD	$0.00	$12.10
Peak 0-125 therms	0.3183	TBD	0.3183	TBD	TBD	TBD	0.0000	0.3183
Peak 90+ therms	0.2224	TBD	0.2224	TBD	TBD	TBD	0.0000	0.2224
Off-Peak 0-125 therms	0.3183	TBD	0.3183	TBD	TBD	TBD	0.0000	0.3183
Off-Peak 30+ therms	0.2224	TBD	0.2224	TBD	TBD	TBD	0.0000	0.2224
R-4								
Customer Charge	$6.25	TBD	$6.25	TBD	TBD	TBD	$0.00	$6.25
Peak	0.0708	TBD	0.0708	TBD	TBD	TBD	0.0000	0.0708
Off-Peak	0.0708	TBD	0.0708	TBD	TBD	TBD	0.0000	0.0708
OL								
Per Light per Month	$2.58	TBD	$2.58	TBD	TBD	TBD	$0.00	$2.58
G-40								
Customer Charge	$19.00	TBD	$19.00	TBD	TBD	TBD	$0.00	$19.00
Peak	0.3090	TBD	0.3090	TBD	TBD	TBD	0.0000	0.3090
Off-Peak	0.3090	TBD	0.3090	TBD	TBD	TBD	0.0000	0.3090

ANNUAL BASE RATE ADJUSTMENT MECHANISM

Customer Class And Charge	Previously Effective Rates			Currently Effective Rates				
	Base Rate	SIR Base Rate	Base Rate w/o SIR Base Rate	PBR ADJ %	PBR Adjusted Base Rate	Energy Eff. %	SIR Base Rate	TOTAL Base Rate
	Note 1/	Note 2/	(B) – (C)	Note 3/	(1+E) * (D)	Note 4/	Note 5/	(F) x (1 + G) + (H)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
G-50								
Customer Charge	$19.00	TBD	$19.00	TBD	TBD	TBD	$0.00	$19.00
Peak	0.2818	TBD	0.2818	TBD	TBD	TBD	0.0000	0.2818
Off-Peak	0.2818	TBD	0.2818	TBD	TBD	TBD	0.0000	0.2818
G-41								
Customer Charge	$65.00	TBD	$65.00	TBD	TBD	TBD	$0.00	$65.00
Peak	0.1920	TBD	0.1920	TBD	TBD	TBD	0.0000	0.1920
Off-Peak	0.1216	TBD	0.1216	TBD	TBD	TBD	0.0000	0.1216
G-51								
Customer Charge	$65.00	TBD	$65.00	TBD	TBD	TBD	$0.00	$65.00
Peak	0.1774	TBD	0.1774	TBD	TBD	TBD	0.0000	0.1774
Off-Peak	0.0826	TBD	0.0826	TBD	TBD	TBD	0.0000	0.0826
G-42								
Customer Charge	$213.00	TBD	$213.00	TBD	TBD	TBD	$0.00	$213.00
Peak	0.1794	TBD	0.1794	TBD	TBD	TBD	0.0000	0.1794
Off-Peak	0.0778	TBD	0.0778	TBD	TBD	TBD	0.0000	0.0778
G-52								
Customer Charge	$213.00	TBD	$213.00	TBD	TBD	TBD	$0.00	$213.00
Peak	0.1682	TBD	0.1682	TBD	TBD	TBD	0.0000	0.1682
Off-Peak	0.0657	TBD	0.0657	TBD	TBD	TBD	0.0000	0.0657
G-43								
Customer Charge	$781.00	TBD	$781.00	TBD	TBD	TBD	$0.00	$781.00
Peak	0.0507	TBD	0.0507	TBD	TBD	TBD	0.0000	0.0507
Off-Peak	0.0193	TBD	0.0193	TBD	TBD	TBD	0.0000	0.0193
Peak Demand	2.1586	TBD	2.1586	TBD	TBD	TBD	0.0000	2.1586
Off-Peak Demand	0.6713	TBD	0.6713	TBD	TBD	TBD	0.0000	0.6713

ANNUAL BASE RATE ADJUSTMENT MECHANISM

Customer Class And Charge	Previously Effective Rates			Currently Effective Rates				
	Base Rate	SIR Base Rate	Base Rate w/o SIR Base Rate	PBR ADJ %	PBR Adjusted Base Rate	Energy Eff. %	SIR Base Rate	TOTAL Base Rate
	Note 1/	Note 2/	(B) – (C)	Note 3/	(1+E) * (D)	Note 4/	Note 5/	(F) x (1 + G) + (H)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
G-53								
Customer Charge	$781.00	TBD		TBD	TBD	TBD	$0.00	$781.00
Peak	0.0507	TBD		TBD	TBD	TBD	0.0000	0.0507
Off-Peak	0.0193	TBD		TBD	TBD	TBD	0.0000	0.0193
Peak Demand	2.1586	TBD	2.1586	TBD	TBD	TBD	0.0000	2.1586
Off-Peak Demand	0.6713	TBD	0.6713	TBD	TBD	TBD	0.0000	0.6713

Notes: 1/ From Column (I) of the previous year's Annual Base Rate Adjustment Filing Rate Table.
2/ From Column (H) of the previous year's Annual Base Rate Adjustment Filing .
3/ Calculated in accordance with Section 7.4.
4/ Calculated in accordance with Section 8.3.
5/ Calculated in accordance with Section 9.7.
TBD – To be determined initially in the Company's first Annual Base Adjustment Mechanism filing.

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

PEAKING SUPPLY SERVICE
RATE PSS

AVAILABILITY

Peaking Service is available to all Suppliers or Customers acting as their own Suppliers that have been assigned Peaking Capacity on behalf of Customers in an Aggregation Pool, or on behalf of daily-metered Customers not included in an Aggregation Pool, upon execution of a Supplier Service Agreement with the Company.

APPLICABILITY

This tariff applies to all Suppliers, or Customers acting as their own Supplier, receiving Peaking Service from the Company pursuant to the Company's Terms and Conditions.

CHARACTER OF SERVICE

Gas provided on a firm basis and not subject to interruption or curtailment except as permitted under the Company's Terms and Conditions and the Supplier Service Agreement. The Supplier shall nominate Peaking Service quantities on a daily basis subject to the operational restrictions and nominations requirements set forth in the Company's Terms and Conditions. The Company shall be obligated to provide a quantity not to exceed the Maximum Daily Peaking Quantity ("MDPQ"), as specified in the Supplier Service Agreement. The level of supply provided by the Company is subject to operational restrictions during the service availability period as set forth in the Company's Terms and Conditions.

PEAKING SERVICE RATES

Service hereunder is subject to a two-part monthly rate comprising a Peaking Service Demand Charge and a Peaking Service Commodity Charge. Such charges shall reflect the costs described below and shall be computed and submitted within the Company's Cost of Gas Adjustment Clause ("CGAC") filings.

RATE PER MONTH

~~Issued: October 23, 2000~~

Issued by: Stephen H. Bryant
President

Issued On: April 27, 2005
Effective: ~~November~~June 1, ~~2000~~2005

~~BAY STATE GAS COMPANY~~
~~ALL DIVISIONS~~

PEAKING SUPPLY SERVICE
RATE PSS

The Peaking Service Demand Charge to the Supplier shall be the product of the currently effective monthly Peaking Service Demand Charge and the applicable MDPQ as established in the Supplier Service Agreement for that month for each Aggregation Pool.

The Peaking Service Commodity ~~Chare~~ Charge to the Supplier shall be the Peaking Supply Commodity Charge multiplied by the volumes of gas nominated for each Aggregation Pool each month under this rate.

MAXIMUM DAILY PEAKING QUANTITY

The MDPQ for each of a Supplier's Aggregation Pools shall be established in the Supplier Service Agreement pursuant to Section 13.4 of the Company's Terms and Conditions.

OPERATIONAL RESTRICTIONS

The availability of Peaking Service may be restricted in accordance with the operational standards established by the Company in its Terms and Conditions.

TERMS AND CONDITIONS

Service under this rate is subject to the Company's Terms and Conditions, in effect from time to time, where not inconsistent with any specific provision herein.

INTERRUPTIBLE TRANSPORTATION AGREEMENT

THIS AGREEMENT made and entered into as of this _____ day of _____ ~~19~~20__, by and between Bay State Gas Company, a Massachusetts corporation with headquarters at 300 Friberg Parkway, Westborough, Massachusetts (hereafter called "Bay State" or "Company"), and _____ (hereafter called "Customer"), pursuant to the following recitals and representations:

WHEREAS, Customer desires Bay State to transport on an interruptible basis such volumes of gas procured by Customer from _____ located at _____ (hereafter called "Customer's Supplier") for use at Customer's facility located at _____ (hereafter called "Point of Delivery"); and

WHEREAS, Bay State, subject to the Company's Distribution and Default Service Terms and Conditions and the conditions, limitations and provisions hereof, is willing to transport and deliver to Customer on an interruptible basis such volumes of ~~third-party~~ gas delivered by _____ located at _____ (hereafter called "Customer's Transporting Pipeline") to Bay State's distribution facilities located at _____ _____ (hereafter called "Point of Receipt").

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, Bay State and Customer agree as follows:

INTERRUPTIBLE TRANSPORTATION AGREEMENT

ARTICLE 1: MAXIMUM DAILY TRANSPORTATION QUANTITY

Bay State shall provide interruptible transportation to Customer from the Point of Receipt to the Point of Delivery during any Gas Day up to a Maximum Daily Transportation Quantity of _____ therms.

ARTICLE 2: ~~RATE~~CONDITIONS PRECEDENT

This Agreement is expressly conditioned upon Customer's agreement, at Bay State's option, to assume responsibility for the cost of any additional facilities required to serve Customer including, but not necessarily limited to, any required gas mains, service lines and meters

In addition, this Agreement is conditioned upon Customer's installation and maintenance, at its expense, of a standard modular telephone jack with two pair wiring connecting the jack to the telephone company's network interface device. Such jack shall be installed near the entry point of the gas service line, and the telephone line and jack shall be continuously in service with a dial tone and shall be for the exclusive use of the Company to automatically transmit meter readings over the telephone lines to the Company's computer.

ARTICLE 3: RATE

The charge to be assessed under this Agreement shall consist of a monthly "Customer Charge" and a "Volumetric Charge."

The ~~monthly~~ Customer Charge~~, expressed in dollars~~ shall be charged each month from April through November, and shall be Bay State's marginal customer cost incurred to provide ~~interruptible transportation service to Customer.~~Interruptible Transportation Service. The ~~customer charges shall be as follows:~~

INTERRUPTIBLE TRANSPORTATION AGREEMENT

~~Annual Throughput~~ Customer Charge shall be $943.00.

~~From 0 to 500 MMBtu $15.45 per month~~
~~From 501 to 3,999 MMBtu $32.78 per month~~
~~4,000 MMBtu or more $146.40 per month~~

The Volumetric Charge per therm for Interruptible Transportation service shall be at a rate per MMBtu established on a Value of Service ("VOS") basis in accordance with the following formula. While there will be no ceiling on the calculated IT rate, the floor price shall be based on the Company's most recently calculated marginal variable cost of providing IT service ~~of $0.032 per MMBtu,~~ plus the Customer ~~Charges~~ Charge set forth above. The marginal variable cost shall include meter and regulator operations expense, meter maintenance expense, services operations and maintenance expense and communications expense. Such current marginal variable cost is equal to $0.0380 per MMBtu. If the Customer has alternate fuel capabilities, the volumetric IT rate shall be equal to:

R = CAFC - DCGP

If the Customer has no alternate fuel capabilities, the IT rate shall be equal to:

R = MBVE - DCGP

where:

CAFC = Customer's Alternate Fuel Costs, expressed in dollars per MMBtu, determined as follows:
R = Interruptible Transportation Rate

CAFC = APP $\pm$ A

~~Issued: October 23, 2000~~

INTERRUPTIBLE TRANSPORTATION AGREEMENT

where:

A = An Adjustment, measured in dollars per MMBtu, may be granted by Bay State in its sole judgment to reflect any discount to the average posted price which is granted to Customer by Customer's energy supplier.

APP = Average Posted Price of Customer's alternate fuel expressed in dollars per MMBtu as specified on Exhibit A to this Agreement.

DCGP = Delivered City Gate Price of gas supply delivered to the Company's city gate, calculated as the Monthly Index Price of the Company's incremental gas supply as reported in the first publication each month of McGraw Hill, Inc.'s *Inside FERC Gas Market Report*, plus the variable cost of transportation, including fuel reimbursement, from the zone where the gas supply is first delivered to the Transporting Pipeline to the Company's city gate.

MBVE = Market Based Value of Energy supplied to the Customer's facility, expressed in dollars per MMBtu, mutually agreed upon by the Company and Customer.

In addition to the charges provided for above, Customer shall be subject to any applicable charges in accordance with the provision of the Company's Terms and Conditions.

ARTICLE ~~3~~4: TERM

This Agreement shall become effective on the date hereof and shall continue in full force and effect for an initial term of one (1) year. This Agreement shall further continue thereafter for successive one-year periods ending _____ of each subsequent year, unless terminated by either party with at least thirty (30) days prior written notice from either party to the other.

INTERRUPTIBLE TRANSPORTATION AGREEMENT

ARTICLE 45: NOMINATION AND BALANCING

The Company's nomination and balancing terms as set forth in Section 11.0 of the Distribution and Default Service Terms and Conditions for Daily Metered Distribution Service shall apply to Customer's usage hereunder. If Customer designates the Company as its gas supplier and executes an Interruptible Gas Supply Service Agreement, Customer shall not be subject to the aforementioned nomination and balancing terms.

ARTICLE 6: PEAK PERIOD INTERRUPTION

Service to Customer shall be interrupted beginning on December 1st of each year and shall remain interrupted through the following March 31st. Customer is responsible for securing its alternate fuel to meet its full requirements during the period of unavailability of natural gas service each winter. At is sole discretion and at no cost to Customer, Bay State may manually shut-off gas service to the Customer's meter during the winter period interruption. In the event that service is shut-off, Bay State shall charge Customer to turn on gas service at the start or during the Non-peak Period.

ARTICLE 7: NON-PEAK PERIOD INTERRUPTION AND CURTAILMENT

This service is subject to interruption and/or curtailment to the extent Bay State determines such interruption to be necessary to ensure the continued service to Bay State's firm sales or firm transportation customers. If notice of interruption is given by Bay State to Customer, Customer agrees to discontinue within two (2) hours the use of gas and change to its alternate fuel upon being notified of such interruption.

If notice of curtailment is given by Bay State to Customer, Customer agrees to reduce within two (2) hours its usage of gas by the level of curtailment specified by Bay State.

INTERRUPTIBLE TRANSPORTATION AGREEMENT

Customer shall be available to receive such notice twenty four (24) hours a day, seven (7) days a week. Customer agrees to provide Bay State with a telephone number(s) for providing such notice.

ARTICLE 8: UNAUTHORIZED USAGE

Failure by Customer to either (1) discontinue gas service during the interruption period of December 1 through March 31 or in the event of a notice of interruption or (2) to reduce usage in the event of a notice of curtailment shall constitute unauthorized use. Any suchuse shall be deemed to be aggravating a Critical Day and be subject to the unauthorized use penalty set out in Sections 11.6 and 12.6 of the Company's Distribution and Default Service Terms and Conditions.

ARTICLE 9: DISCLAIMER OF LIABILITY

Bay State shall not be liable to Customer for any loss or damage incurred by Customer resulting from any curtailment or interruption, including a permanent interruption in the delivery to Customer, whether or not notice of such curtailment or interruption has been given.

ARTICLE 10: CUSTOMER'S COVENANTS WITH RESPECT TO THE USE OF GAS

The Customer hereby covenants and agrees that all gas delivered by Bay State under the terms of this Agreement shall be used solely as fuel in Customer's dual-fueled equipment located at _____, and shall not be used interchangeably for gas supplied by Bay State under any other agreement or filed rate.

INTERRUPTIBLE TRANSPORTATION AGREEMENT

ARTICLE 11: ACCESS TO PREMISES

Customer shall provide Bay State such reasonable rights of way and rights of entry to Customer's facilities as may be required by Bay State in connection with this Agreement, including but not limited to access for any use, maintenance and periodic inspection of all gas facilities of Bay State or Customer including piping and metering equipment.

ARTICLE 12: AGREEMENT IN ITS ENTIRETY

This Agreement and the references herein constitute the entire agreement of the parties for transportation service to the Customer's facilities, and there are no oral or written understandings or agreements between Bay State and Customer relating to the subject matter of this Agreement other than those expressed herein.

Provisions of this Agreement shall be changed, waived, discharged or terminated only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

Either party may, without relieving itself of its obligations under this Agreement, assign any of its rights hereunder to an entity with which it is affiliated, but otherwise no assignment of this Agreement or any of the rights and obligations hereunder shall be made unless there first shall have been obtained the written consent of the other party.

ARTICLE ~~5~~13: PUBLIC REGULATIONS

This Agreement shall be subject to Bay State's Distribution and Default Service Terms and Conditions on file with the Massachusetts Department of ~~Public Utilities~~Telecommunication and Energy to the extent those Terms and Conditions are not inconsistent with the provisions of this

INTERRUPTIBLE TRANSPORTATION AGREEMENT

Agreement. Upon request, Bay State shall provide the Customer with copies of Bay State's complete filed Terms and Conditions thereafter provide all amendments or supplements to those documents promptly after filing.

ARTICLE 614: GOVERNING LAWS

This Agreement is entered into and shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

INTERRUPTIBLE TRANSPORTATION AGREEMENT

IN WITNESS WHEREOF, the parties hereto have signed and sealed this Agreement by their duly authorized officers:

Bay State Gas Company

By _____

Name: _____

Title: _____

Date: _____

_____
Witness

By _____

Name: _____

Title: _____

Date: _____

INTERRUPTIBLE TRANSPORTATION AGREEMENT

Witness

INTERRUPTIBLE TRANSPORTATION AGREEMENT

Bay State Gas Company
Appendix A

Customer Name: _____

Customer Address: _____

_____

_____

Customer's Alternate Fuel: _____

Source of monthly average price to determine MMBtu price equivalency: _____

Formula: _____

INTERRUPTIBLE GAS SUPPLY SERVICE AGREEMENT

THIS AGREEMENT made and entered into as of this _____ day of _____ 20 __, by and between Bay State Gas Company, a Massachusetts corporation with headquarters at 300 Friberg Parkway, Westborough, Massachusetts (hereafter called "Bay State" or "Company"), and _____ (hereafter called "Customer"), pursuant to the following recitals and representations:

WHEREAS, Customer desires Bay State to supply gas on an interruptible basis such volumes of gas to be used by Customer at its facilities located at _____;

WHEREAS, Bay State is prepared to sell gas to Customer on an interruptible basis; and

WHEREAS, Customer and Bay State have entered into a separate Interruptible Transportation Agreement in the form of that set forth in Bay State's Tariff providing for the delivery of gas supplied hereunder to Customer's location.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, Bay State and Customer agree as follows:

ARTICLE 1: DEFINITIONS

a. Btu - British Thermal Unit

b. MMBtu - One million (1,000,000) British Thermal Units

c. Gas Dispatching Center - Bay State's central gas dispatching center located on Ravenwood Drive, Ludlow, Massachusetts 01056. Telephone number 413-583-8342.

INTERRUPTIBLE GAS SUPPLY SERVICE AGREEMENT

ARTICLE 3: PRIORITY OF SERVICE

Interruptible gas supply service provided hereunder will be provided on a best efforts basis and will be subject to interruption and/or curtailment at the sole discretion of Bay State. This service is subject to interruption and/or curtailment to the extent Bay State determines such interruption to be necessary to ensure the continued service to Bay State's firm sales or firm transportation customers and Bay State's pursuit of a best-cost, long-term gas supply strategy. Bay State retains the right in its sole discretion to determine the priority of interruption and/or curtailment among and between all interruptible sales and interruptible transportation customers.

ARTICLE 4: NON-EFFECT ON OTHER SERVICES

Nothing herein shall be construed to limit Bay State during the term hereof, or otherwise, from contracting to provide sales or transportation services, to other customers, whether of a like or different nature and whether or not the performance of such services may impair Bay State's ability to render service to Customer as provided for herein.

ARTICLE 5: TERM

This Agreement shall become effective on the date hereof and shall continue in full force and effect for an initial term of one (1) year. This Agreement shall further continue thereafter for successive one-year periods ending _____ of each subsequent year, unless terminated by either party with at least thirty (30) days prior written notice from either party to the other.

INTERRUPTIBLE GAS SUPPLY SERVICE AGREEMENT

ARTICLE 6: SUPPLY RATE

The volumetric commodity charge to be assessed under this Agreement shall consist of the Company's monthly "Delivered City Gate Price".

The Interruptible Gas Supply Rate, expressed in dollars per MMBtu, shall be determined as follows:

IGSR = DCGP

where:

IGSR = Interruptible Gas Supply Rate

DCGP = Delivered City Gate Price of gas supply delivered to the Company's citygate, calculated as the monthly "index" price, as published by Platt's Inside FERC's Gas Market Report under the heading "Price of Spot Gas Delivered to Pipeline," for the Company's incremental gas supply, plus the variable cost of transportation and applicable fuel reimbursement required to deliver the gas to the Company's city gate for the applicable month.

Should Inside FERC's Gas Market Report fail to publish an appropriate monthly index price, the Company shall use Energy Intelligence's Natural Gas Week as a substitute publication to determine a monthly index price. The appropriate price shall be found under the heading "NATURAL GAS BIDWEEK PRICES" for the applicable month in question.

Should Inside FERC's Gas Market Report or Natural Gas Week change ownership or names, the Company will utilize the substitute publication(s).

ARTICLE 7: BILLING AND PAYMENT

Each month, Bay State shall send a bill to Customer for all quantities of gas which Customer has purchased during the previous calendar month plus the charges incurred in accordance with the Customer's Interruptible Transportation Agreement for rebundled Interruptible Sales Service. All bills

INTERRUPTIBLE GAS SUPPLY SERVICE AGREEMENT

submitted by Bay State to Customer hereunder shall be paid on or before the twentieth (20th) Calendar Day of each month (hereinafter called the "due date"). Payment shall be sent to the address designated on the bill.

Should Customer fail to pay all of the amount of any bill as herein provided when such amount is due, Customer shall pay a "Charge for Late Payment" which shall be included by Bay State on the next regular monthly bill rendered to Customer hereunder. Such Charge for Late Payment shall be determined by multiplying (a) the unpaid portion of the bill by (b) the ratio of the number of days from the due date to the date payment is received by Bay State to thirty (30), by (c) a monthly interest rate equivalent to one and one-half percent (1.5%) per month. If such failure to pay continues after payment is due, in addition to any other remedy it may have, Bay State may suspend further sales of gas until such amount is paid.

ARTICLE 8: DEPOSITS

At the request of Bay State, at any time prior to or during the term of this Agreement, Customer shall provide a deposit equal to a dollar amount estimated by Bay State to represent a reasonable projection of Customer's maximum gas supply bill for any two months for service under this Agreement.

ARTICLE 9: GAS SUPPLY SCHEDULING

During the term of this Agreement, Bay State agrees to sell to Customer and Customer agrees to purchase from Bay State such volumes of gas at Bay State's city gate as shall be mutually agreed upon by the parties. Since this gas shall be sold on an interruptible basis, with the availability of gas varying from season to season and day to day within the winter season, it is important that Bay State's Gas Dispatching Center keep Customer continually appraised relative to the availability of gas and Customer keep Bay

INTERRUPTIBLE GAS SUPPLY SERVICE AGREEMENT

State's Gas Dispatching Center informed relative to its anticipated requirements. Bay State shall consider that the Customer's gas use equals the gas Bay State has scheduled on the Customer's behalf as long as the Customer keeps Bay State informed of it's anticipated requirements. If the Customer fails to inform the Company of any significant change in daily requirements, the Customer may be subject to the daily balancing provisions referenced in Customer's Interruptible Transportation Agreement with the Company. Such daily balancing shall be predicated on the difference between the Company's expectation of the Customer's requirements as last communicated by Customer and the Customer's actual gas use.

ARTICLE 10: INTERRUPTION AND CURTAILMENT

Customer shall comply with all notices of interruption and/or curtailment provided by the Company pursuant to the terms of Customer's Interruptible Transportation Agreement. Failure to fully comply with a notice of interruption and/or curtailment will result in the assessment of unauthorized usage penalties to the Customer pursuant to Customer's Interruptible Transportation Agreement.

ARTICLE 12: DISCLAIMER OF LIABILITY

Bay State shall not be liable to Customer for any loss or damage incurred by Customer resulting from any curtailment or interruption, including a permanent interruption in the delivery to Customer, whether or not notice of such curtailment or interruption has been given.

ARTICLE 13: CUSTOMER'S COVENANTS WITH RESPECT TO THE USE OF GAS

The Customer hereby covenants and agrees that all gas purchased from Bay State under the terms of this Agreement shall be used solely as fuel in Customer's dual-fueled equipment located at, and shall

INTERRUPTIBLE GAS SUPPLY SERVICE AGREEMENT

not be used interchangeably for gas supplied by Bay State under any other agreement or filed rate.

ARTICLE 14: PROVISION FOR FUTURE TAXES

In addition to other payments provided for herein, Customer shall pay Bay State the amount of any sales tax or excise tax on the sale of gas, not now in effect, which Bay State may hereafter be required to pay or collect by any federal, state or local law.

ARTICLE 15: DEFAULT

If either party shall fail to perform or otherwise be in default of any of its obligations under this Agreement, the other party may terminate this Agreement by giving the defaulting party written notice stating specifically the nature of the default and giving notice of termination effective the date of such notice. Any termination of this Agreement shall be without prejudice to the right of Bay State to collect any payments due Bay State for sales service prior to the time of termination including interest and late payment charges.

ARTICLE 16: SPECIAL OR CONSEQUENTIAL DAMAGES

Neither Bay State nor Customer shall be liable to the other or any party claiming through the other for special, consequential or punitive damages.

ARTICLE 17: WAIVER

Notwithstanding any other provision to the contrary, no waiver by either party of any default or breach of any of the obligations contained in this Agreement to be performed by the other party shall be

INTERRUPTIBLE GAS SUPPLY SERVICE AGREEMENT

construed as a waiver of any succeeding default or breach of the same or any other obligation or condition.

ARTICLE 18: AGREEMENT IN ITS ENTIRETY

This Agreement and the references herein constitute the entire agreement of the parties for gas supply to the Customer's dual-fueled equipment as set forth in Article 13, and there are no oral or written understandings or agreements between Bay State and Customer relating to the subject matter of this Agreement other than those expressed herein. Provisions of this Agreement shall be changed, waived, discharged or terminated only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

All headings contained in this Agreement are for convenience only and shall not in any way affect the meaning of any of the provisions. This Agreement may be executed in one or more counterparts, each of which, when so executed and delivered, shall be deemed an original, but all of which together shall constitute one instrument. Subject to the provisions of Article 19, all terms of this Agreement shall be binding upon and enure to the benefit of the successors and assigns of the parties hereto.

ARTICLE 19: ASSIGNMENT

None of the rights and obligations under this Agreement may be assigned or otherwise transferred by either party hereto without the prior written consent of the other party.

INTERRUPTIBLE GAS SUPPLY SERVICE AGREEMENT

ARTICLE 20: NOTICES

Except as may otherwise be expressly provided, any notice required or desired to be served pursuant to this Agreement shall be in writing. In the absence of written notice of change of address to the other party to this Agreement, any such notice shall be hand delivered or mailed, first class with a postmark of the same day, to Bay State or Customer at the following addresses:

Bay State: Bay State Gas Company
300 Friberg Parkway
Westborough, MA 01581-5039
Attention: Gas Supply Department

The Customer:

ARTICLE 21: GOVERNING LAW

This Agreement is entered into and shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

ARTICLE 22: PUBLIC REGULATION

Bay State is a public utility subject to regulation by the Massachusetts Department of Telecommunications and Energy (hereinafter called "Department"). This Agreement is subject to any limitations imposed by the Department. Compliance by Bay State with any order of the Department or any other federal, state or local governmental authority issued before or after the effective date of this Agreement shall not be deemed to be breach hereof. In the event of the issuance of any order of the Department, which modifies the provisions of this Agreement, either Bay State or Customer, shall have

INTERRUPTIBLE GAS SUPPLY SERVICE AGREEMENT

the option within thirty (30) days after the issuance of said order to terminate this Agreement by giving notice of termination to the other party.

ARTICLE 23: APPLICABILITY OF FILED TERMS AND CONDITIONS

This Agreement shall be subject to Bay State's Distribution and Default Service Terms for service on file with the Department to the extent those Terms and Conditions apply to interruptible sales of gas and are not inconsistent with the provisions of this Agreement. In the event of a conflict, the terms of this Agreement shall govern.

IN WITNESS WHEREOF, the parties hereto have signed and sealed this Agreement by their duly authorized officers:

BAY STATE GAS COMPANY By _____

Name _____

Title _____

Date _____

_____
Witness

By _____

CUSTOMER Name _____

Title _____

Date _____

_____
Witness

SPECIAL PROVISION
FOR USE OF DUAL FUEL EQUIPMENT

PURPOSE

The purpose of this special provision is to enable a Customer taking service under a firm rate schedule to install dual fuel equipment thereby enabling the Customer to displace natural gas service provided by the Company at the Customer's discretion. The terms of this special provision allow the Company to recover a minimum annual revenue from the Customer in a manner reflecting the reduced utilization of the Company's firm service.

APPLICABILITY

This special provision is applicable to any Customer taking service under any one or more of the Company's Commercial & Industrial Service Medium or High Annual Use, or Extra High Annual Use, Rate Schedules (G-41, G-42, G-43, G-51, G-52, G-53, T-41, T-42, T-43, T-51, T-52, T-53) that has also installed equipment capable of burning natural gas and one or more other fuels.

NOTIFICATION REQUIREMENT

Customer is responsible for notifying the Company of any dual fuel equipment at Customer's location upon initial application for Distribution Service. Any Customer that installs or has previously installed dual fuel equipment at any time while taking Distribution Service from the Company shall notify the Company of the installation.

TERM

The minimum term shall be one (1) year from the initial operation of dual fuel equipment by the Customer. The initial term shall be automatically extended for successive one (1) year terms, unless terminated by written notice to the Company at least 30 days prior to the termination of the currently effective term. In the event that Customer ceases taking Distribution Service prior to the end of the term of this special provision, the terms of this special provision shall continue in effect until terminated in accordance with the terms herein.

MINIMUM ANNUAL REVENUE

Customer shall be responsible for payment to Company of a minimum annual revenue, net of any gas commodity-related revenues from the Company's Cost of Gas Clause and revenues from the application of the Company's Local Distribution Adjustment Clause ("LDAC").

SPECIAL PROVISION
FOR USE OF DUAL FUEL EQUIPMENT

For purposes of determining the minimum annual revenue, the Company shall calculate a Benchmark Usage each month as the sum of the following components:

(a) For All Dual Fuel Space Heating Equipment: The product of the rated hourly natural gas input of the equipment and 600 hours. The resulting total annual therm gas use shall be distributed monthly based on the pro-rata monthly number of the Company's Normal Effective Degree Days for the ten (10) months of September through June.

(b) For All Dual Fuel Non-Space Heating Equipment: The product of the rated hourly natural gas input of the equipment and 2,500 hours. The resulting total annual therm gas use shall be equally distributed among the twelve (12) months of the year.

The Company shall determine the Benchmark Distribution Revenue by aggregating the monthly Distribution Revenue calculated based on the Customer's Benchmark Usage for each month and applied to the monthly base rates of the Customer's applicable Rate Schedule. The customer's actual Distribution Revenue for the year shall be subtracted from the Benchmark Distribution Revenue for the year, and the difference, if positive, shall be charged to the customer pursuant to this special provision. For any year that the difference is zero or negative, no charge shall apply.