

**VALLEY ENERGY, INC. -
PENNSYLVANIA DIVISION**

NATURAL GAS SUPPLIER COORDINATION TARIFF

Issued: December 2, 2010

Effective: December 3, 2010

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LIST OF CHANGES MADE BY THIS TARIFF

PAGES

Tariff Gas – Pa. P.U.C. No. 1S proposes a new Natural Gas Supplier Coordination Tariff.

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DEFINITIONS

BUREAU OF CONSUMER SERVICES

The Bureau of the Commission responsible for handling informal Customer complaints.

CHAPTER 56

The Commission regulations that govern metering, billing and collections for residential gas and electricity service.

COMMISSION OR PUC

The Pennsylvania Public Utility Commission or any lawful successor thereto.

COMPANY

Valley Energy, Inc.

CUSTOMER

Any person, partnership, association, corporation, or other entity (i) in whose name a service account is listed, (ii) who occupies or is the ratepayer for any premises, building, structure, etc. or (iii) is primarily responsible for payment of bills. A Customer includes anyone taking Supplier of Last Resort Service and/or Distribution Service under this Tariff. For residential accounts, Customer includes a natural person in whose name the account is listed and any adult occupant whose name appears on the mortgage, deed or lease of the property.

DEMAND

Demand is the minimum amount of gas which Company is under contract to furnish to Customer and Customer is obliged to take and pay for, whether it is expressed in therms, cubic feet or any other unit of measurement. Initially it is the minimum amount specified in the application or contract or as shown by test.

DEFINITIONS (Continued)

Mcf

1,000 cubic feet of gas. This is a volume measure of gas usage.

NATURAL GAS DISTRIBUTION COMPANY

A state regulated natural gas utility which owns the gas lines and equipment necessary to deliver natural gas to the Customer.

NATURAL GAS SUPPLIER

Any person, corporation or other entity that has received a license from the Commission determining that it is eligible and licensed to supply natural gas supply services to Customers in the Company's service territory under and pursuant to the Act and that has met the additional criteria established by the Company to permit it to provide natural gas supply service to Customers.

TRANSPORTATION CUSTOMERS

Retail customers in the Company's territory that arrange with an NGS to purchase natural gas supply service.

RATE SCHEDULE NGS – NATURAL GAS SUPPLIER (NGS) SERVICE

The provisions of this Rate Schedule shall apply to brokers, marketers and other Natural Gas Suppliers (collectively "NGSs") of natural gas that wish to either act as agents for Transportation Customers or deliver natural gas supplies to Company's city gate for Transportation Customers. NGSs wishing to sell and/or deliver gas on the Company's system will be required to sign a Service Agreement in which they will agree to be bound by the terms and conditions of this Rate Schedule as well as other applicable terms and conditions of the Company's Retail Tariff.

TERM OF CONTRACT

The term of the contract shall not be less than (3) years and from month to month thereafter unless terminated on thirty (30) days written notice.

CREDITWORTHINESS

Company shall not be required to permit any NGS to sell or deliver gas on its system unless the NGS is licensed by the Commonwealth of Pennsylvania within the last twelve months and meets Company's standards for creditworthiness. Company may require that NGSs provide the following information:

1. Current financial statements (to include a balance sheet, income statement and statement of cash flow), annual reports, 10-K reports or other filings with regulatory agencies, a list of all corporate affiliates, parent companies and subsidiaries and any reports from credit agencies which are available. If audited financial statements are not available, then NGS also should provide an attestation by its chief financial officer that the information shown in the unaudited statements submitted is true, correct and a fair representation of the NGS's financial condition.
2. A bank reference and at least three trade references.
3. A written attestation from NGS that it is not operating under any chapter of the 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 informal creditor's committee agreement. An exception can be made for an NGS who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act but only with adequate assurances that any changes from the Company will be paid promptly as a cost of administration.
4. A written attestation from NGS that is not subject to the uncertainty of pending litigation or regulatory proceedings in state or federal courts which could cause a substantial deterioration in its financial condition or a condition of insolvency.
5. A written attestation from NGS that no significant collection lawsuits or judgments are outstanding which would seriously reflect upon the business entity's ability to remain solvent.

RATE SCHEDULE NGS - NGS SERVICE (Continued)**CREDITWORTHINESS (Continued)**

If NGS has an ongoing business relationship with Company, no uncontested delinquent balances should be outstanding for natural gas sales, storage, transportation services or imbalances previously billed by Company, and NGS must have paid its account during the past according to the established terms, and not made deductions or withheld payment for claims not authorized by contract.

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

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

1. Payment in advance for up to three (3) months service.
2. A standby irrevocable letter of credit in form and substance satisfactory to Company in a face amount up to three (3) months service. The letter of credit must be drawn upon a bank acceptable to Company.
3. A guaranty in form and substance satisfactory to Company, executed by a person that Company deems creditworthy, of NGS' performance of its obligations to Company.
4. Such other form of security as NGS may agree to provide and as may be acceptable to Company.

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

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

RATE SCHEDULE NGS - NGS SERVICE (Continued)**BALANCING**

The Company will balance fluctuations between NGS daily gas deliveries and their customers' Daily Gas Consumption Requirements through two distinct balancing services, Small Customer Balancing ("SCB") and Large Customer Balancing ("LCB"). The Company will balance monthly fluctuations between NGS gas deliveries and their customers' actual gas consumption by the cash settlement procedures set forth below. The Company provides balancing only for the inadvertent fluctuations between NGS deliveries and their customers' consumption. Balancing is not intended to use for speculation as to energy prices, to borrow gas for later replacement, or to store gas for future use during periods of interruption or curtailment. The Company may impose penalties pursuant to Section 4(b) below for the repeated inappropriate use of balancing. The NGS shall use its best efforts, including ongoing communication with customers, to balance its daily gas purchases, nominations, and deliveries with daily customer gas consumption requirements.

1. Small Customer Balancing ("SCB"): To the extent that an NGS wishes to provide service to customers under Rate Schedules "R", "C", and "SI" (less than 5,000 Mcf annual volumes), an NGS must agree to make deliveries of the Average Daily Delivery Quantity ("ADDQ") for these customers. The Company shall determine the Daily Delivery Quantity ("DDQ") for the NGS customers served under SCB to serve their expected daily gas requirements based upon the forecast of weather for a given day. Each day the Company will notify NGS of its DDQ obligation for the next succeeding day in writing to be delivered by facsimile or by other means selected by the Company no later than 10:00 a.m. Eastern Standard Time, the day immediately preceding the day in which NGS will be obligated to deliver the DDQ. If NGS does not agree with Company's determination of NGS' DDQ, it must notify Company in writing to be delivered by facsimile no later than 10:30 a.m. Eastern Standard Time the day immediately preceding the day in which NGS will be obligated to deliver the DDQ. The Company and NGS will reconcile any differences no later than 11:30 a.m. Eastern Standard Time on the day immediately preceding the day in which NGS will be obligated to deliver the DDQ.

2. Large Customer Balancing ("LCB"): To the extent that an NGS wishes to provide service to customers under Rate Schedules "I", "IS" and "SI" (more than 5,000 Mcf annual consumption), an NGS must agree to make daily deliveries of the lesser of (a) the amount specified in the customers' transportation contracts or (b) the actual gas consumed daily by NGS's customers served under LCB.

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

An NGS desiring to provide transportation service shall designate by signed affidavit a spokesperson having authority to notify the Company dispatcher of: total daily deliveries and each customer's allocation of such deliveries.

RATE SCHEDULE NGS - NGS SERVICE (Continued)**BALANCING** (continued)3. Load Balancing Charge

a) A charge of \$0.111 per Mcf shall be billed to the NGS for all gas consumed by all of its customers served under SCB. For an NGS that receives a release of interstate pipeline capacity from the Company that meets less than 100% of anticipated design day demand of its customers served under SCB, the NGS will received a credit of \$0.085 per Mcf.

b) A charge of \$0.064 per Mcf shall be billed to the NGS for all gas consumed by all of its customers served under LCB.

4. Daily Imbalance Charges: An NGS's daily gas delivery requirements shall consist of the daily DDQ for its customers under SCB, and the lesser of (a) the amount specified in the NGS's customers' transportation contracts or (b) the actual gas consumed daily by NGS's customers served under LCB.

a) Operational Flow Order ("OFO"): During the months of November through April, the NGS will be required to balance daily deliveries and daily requirements of transported gas when curtailment is in effect or in the Company's judgment its supply of gas is insufficient to meet base period volume requirements of all customers. However, the Company reserves the right to waive this requirement. The Company reserves the right during the months of November through April to require daily balancing on any other day in which the Company, in the exercise of its reasonable judgment, determines that such balancing is necessary for operational reasons. The Company will provide the NGS in all instances with at least twenty-four (24) hours advance notice that daily balancing will be imposed.

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

	Imbalance	Charge
	0% to 2.5%	\$0.00 per Mcf
	2.5% to 10%	\$10.00 per Mcf
Underdeliveries	> 10%	\$30.00 per Mcf
Overdeliveries	> 10%	\$10.00 per Mcf

The Company may, at its discretion, waive charges for overdeliveries provided such waiver is announced with a minimum twenty-four (24) hours notice.

RATE SCHEDULE NGS - NGS SERVICE (Continued)**BALANCING** (continued)

An NGS may aggregate its customers into a non-discriminatory daily balancing pool by notifying the Company in writing. If requested, the Company will aggregate the deliveries and receipts of gas of the NGS's customers participating in the pool for the purpose of determining whether imbalance charges will apply. In addition, Company will aggregate the daily deliveries and receipts of gas for all customers served by NGSs on its system to determine whether the aggregate imbalance exceeds 10% (overdeliveries or underdeliveries). If the aggregate daily imbalance exceeds 10%, Company will charge NGSs for the estimated incremental costs to manage the excessive imbalance swings above or below the 10% tolerance level, including, but not limited to, incremental storage cycling, intramonth market pricing and similar costs. The costs will be apportioned among NGSs in proportion to each NGS's responsibility for the excessive imbalance. The Company may implement an intolerance balance of less than 10% when the Company determines, in its reasonable discretion, that a lower intolerance balance is necessary for operational reasons.

b) Critical Day Flow Order (CDFO): The Company reserves the right to limit daily imbalances to plus or minus 2.5% of NGS daily deliveries and daily requirements of transported gas. If the Company limits daily imbalances to plus or minus 2.5%, all underdeliveries in excess of 2.5% shall be subject to the following charges:

(i) Thirty dollars (\$30.00) per Mcf on the difference.

(ii) A pro-rata share of any other charges incurred by the Company as a result of the NGS's noncompliance with the CDFO.

The Company will notify the NGS and its customers served under LCB of the CDFO. If an NGS's customer fails to comply with a CDFO, the Company reserves the right to suspend, for one year, the customer's right to subscribe to a transportation service or to require the customer to purchase Standby Service.

RATE SCHEDULE NGS - NGS SERVICE (Continued)**BALANCING** (continued)

5. **Monthly Cash-Out:** At the conclusion of every month, the Company will cash out imbalances between the NGS's Customers' receipts and the NGS's deliveries as follows:

- a) overdeliveries of between 0% and 2 ½% will be cashed out at a price equal to lower of (i) the Company's lowest contracted daily price per MMBtu for the month or (ii) Dominion South or North Point's lowest daily price per MMBtu for the month;
- b) overdeliveries of between 2 ½% and 10% will be cashed out at 90% of the lower of (i) the price of Company's lowest contracted daily price per MMBtu for the month or (ii) Dominion South or North Point's lowest daily price per MMBtu for the month;
- c) overdeliveries in excess of 10% will be cashed out at 75% of the lower of (i) the price of Company's lowest cost contracted daily price per MMBtu for the month or (ii) Dominion South or North Point's lowest daily price per MMBtu for the month;
- d) underdeliveries of between 0% and 2 ½% will be cashed out at the higher of (i) the Company's highest contracted daily price per MMBtu for the month, or (ii) Dominion South or North Point's highest daily market price per MMBtu for the month;
- e) underdeliveries of between 2 ½% and 10% will be cashed out at 110% of the higher of (i) the Company's highest contracted daily price per MMBtu for the month, or (ii) Dominion South or North Point's highest daily market price per MMBtu for the month;
- f) underdeliveries of more than 10% will be cashed out at the greater of 125% of the higher of (i) the Company's highest contracted daily price per MMBtu for the month, or (ii) Dominion South or North Point's highest daily market price per MMBtu for the month.

The offering of gas service above the 5% allowed imbalance for the month is at the sole discretion of the Company. If it determines that it cannot continue to provide such service or that it must limit such service, it will notify NGS. The use of service above the level allowed by the Company after notification shall constitute unauthorized use and shall be subject to the charges specified in the "Unauthorized Use" section of the appropriate Rate Schedule.

RATE SCHEDULE NGS - NGS SERVICE (Continued)**NOMINATIONS FOR SERVICE**

An NGS shall provide in writing to the Company at least ten (10) business days prior to the beginning of the calendar month an estimate of its deliveries into the Company's system for the month. These nominations must, in the aggregate, match the nominations of all Customers to whom the NGS will be delivering during the month. Failure to provide nominations may result in suspension of service to Customers of offending NGS.

In addition, NGS must identify interstate pipeline and shipper contract number(s) on which deliveries will be made at least twenty-four (24) hours prior to the flow of gas. Failure to comply with the Company's nominating procedures may result in curtailment of third party gas deliveries or additional monthly cash-outs.

PIPELINE IMBALANCES

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

INDEMNIFICATION

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

ALLOCATION OF SUPPLIES

If an NGS is delivering gas to Customers under Rate Schedules "R", "C", "SI", "I", and "IS," NGS will provide the Company with individual supply allocations no later than one (1) business day following the date the NGS receives final month end measurement data from the Company for customers under Rate Schedules "I", "IS" and "SI". If NGS fails to provide the supply allocations, then gas received by the Company in that month from the NGS shall be in the following priority:

Residential Service Customers	(Rate Schedule R)
Commercial Service Customers	(Rate Schedule C)
Small Industrial Customers	(Rate Schedule SI)
Industrial Firm Customers	(Rate Schedule I)
Interruptible Service Customers	(Rate Schedule IS)

RATE SCHEDULE NGS - NGS SERVICE (Continued)**ENROLLMENT OF CUSTOMERS UNDER RATE SCHEDULES "R", "C" AND "SI"**

NGS must enroll Customers under Rate Schedules "R", "C", and "SI" (less than 5,000 Mcf annual volumes) in accordance with the Company enrollment procedures. Customer consent is assumed if the NGS provides the Company with the Customer's account number and service address and any other information that may be required by the Company. Upon request by the Company, the NGS agrees to immediately provide, by fax or other means, a complete copy of the contract. NGS shall indemnify and hold Company harmless from any costs incurred by Company as a result of NGS' erroneous or improper enrollment of Customers.

Customers will be enrolled by the NGS with which they contract for gas supply service. Customers enrolled before the first business day of any month shall be notified by the Company in writing and be afforded a fourteen (14) day rescission period commencing on the first business day of the month. Gas Supply service from the NGS will commence on the next month's cycle meter reading date following the conclusion of the rescission period.

CAPACITY RELEASE

NGS serving customers under Rate Schedules "R", "C", and "SI" (less than 5,000 Mcf annual volumes) shall be assigned a release of base load, long haul interstate pipeline capacity from the Company in a quantity equal to long-haul capacity used by the Company to serve the Customers' anticipated design day demand. 100% of such capacity will consist of capacity from Tennessee Gas Pipe Line Corporation. Such capacity will be assigned for a one year term at the same maximum rates paid by the Company. Such capacity will be immediately recallable in the event that the NGS fails to deliver the DDQ for its customers served under Rate Schedules "R", "C", and "SI" (less than 5,000 Mcf annual volumes), or no longer serves customers under Rate Schedules "R", "C", and "SI" (less than 5,000 Mcf annual volumes).

If, in its sole discretion, the Company determines that it has additional interstate pipeline capacity available for release, it shall notify any interested third parties that such capacity is available and subject to bid. The Company reserves the right to release any interstate pipeline capacity to the highest bidder on a non-discriminatory basis.

TREATMENT OF REVENUE

All revenue produced under this service classification derived from monthly imbalance cash settlement, Daily Imbalance Charges and Load Balancing Charges shall be credited to Gas Cost Rate in Rider "A" of the Company's Tariff Gas – Pa. P.U.C. No. 2.

TERMS OF PAYMENT

All charges due from NGS under this service classification monthly imbalance cash settlement, Daily Imbalance Charges and Load Balancing Charges shall be paid in full within fifteen (15) days of the billing date. The NGS and the Company will resolve any disputed amounts. Adjustments, if any will be reflected on future billings. Failure to pay this charge in full within the time specified above will result in all of the NGS's customers being returned to sales.

RATE SCHEDULE NGS - NGS SERVICE (Continued)**COMPLAINT DISPUTE AND RESOLUTION PROCEDURES**

1. **General Complaints:** Inquiries and complaints from any customer will be received and processed in a timely manner. Residential customer inquiries and complaints will be handled in conformance with Chapter 56 of the Commission's Rules. When a customer inquiry or complaint relates to services provided by an NGS, the Company will refer the customer to the NGS for a response. If a customer inquiry or complaint involves issues or services provided by both the Company and the customer's NGS, the Company will maintain a system of tracking and coordinating the response to the customer inquiry or complaint from both parties. If a customer is dissatisfied with the Company's response, or indicates dissatisfaction with the NGS response to the customer with respect to the NGS services, the Company will inform the customer of the right to file an informal appeal with the Bureau of Consumer Services ("BCS") at the Commission and provide the customer with the toll-free telephone number and mailing address of the Commission.

2. **Alleged Slamming Complaints:** To the extent a ratepayer contacts the Company and alleges that its NGS has been changed without the ratepayer's consent, the Company shall:

- a) Consider the matter a ratepayer registered dispute;
- b) Investigate and respond to the dispute consistent with the requirements found in Sections 56.151 and 56.152 (relating to utility company dispute procedures) of the Commission's regulations;
- c) Within ten (10) days of notification or mailing of a utility company report, ratepayer may file an informal complaint with BCS at the Commission.
- d) Potential Remedies Available to Ratepayer:
 - (i) If the ratepayer's dispute has been registered within the first two (2) billing periods since the ratepayer should reasonably have known of a change of NGS and the dispute investigation establishes that the change occurred without the ratepayer's consent, the Company shall return the ratepayer to the previous NGS. Further, the ratepayer will not be responsible for any supplier charges rendered during that period and the company responsible for initiating the change of NGS shall issue a complete refund within thirty (30) days of the close of the dispute. The refund or credit provision shall only apply to the NGS.
 - (ii) Further, the BCS or the Commission may direct that a ratepayer who has had a NGS changed without having consented to that change may be switched back to the original NGS for no additional fee. Any charges involved in the switchback to the prior NGS shall be the responsibility of the company that initiated the change without the ratepayer's consent.

In addition to ratepayer-specific remedies, the Commission may, after investigation and decision, assess fines pursuant with Chapter 33 of the Public Utility Code 66 Pa. C.S. Sections 3301, et. Seq., and initiate proceedings to revoke the license of any supplier that demonstrates a pattern of violating the Commission regulations to obtain written authorization from every new ratepayer as a condition of providing service in this Commonwealth.

RATE SCHEDULE NGS - NGS SERVICE (Continued)**STANDARDS OF CONDUCT**

In addition to the above terms and conditions, NGS must abide by the following Standards of Conduct:

1. NGS's bills to end use customers must be in a clear and understandable format.
2. NGS's bills to end use customers must include telephone numbers of the Company's Customer Service Department and the Pennsylvania Public Utility Commission's customer hotline.
3. NGS must establish end use customer complaint procedures and respond to complaints in a timely manner.
4. NGS must provide adequate notice to end use customers prior to termination of commodity service.
5. NGS must inform, in the end use customers' contracts with NGS, that the Company is relieved of its obligation to provide natural gas commodity service at the applicable Gas Cost Rate.
6. NGS must inform, in the end use customers' contracts, that in the event NGS fail to comply with its financial obligation to the Company for service relative to the provision of commodity service to the end use customer, the customer remains liable for the costs incurred by the Company on the customer's behalf.
7. NGS has a continuing responsibility to conduct business in a legal and ethical manner. If, through customer complaints or through its own investigation, the Company determines that an NGS is not operating in a legal and ethical manner, then the Company will have the unilateral right to terminate its contract with an NGS. All NGSs shall comply with the Commission's Customer Information Guidelines at Docket No. M-00991249F0003 for requirements related to rights of Customers with respect to NGS disclosures of terms of service, marketing/sales activities, the right of rescission, and privacy of customer information.