

RULES & REGULATIONS FOR NATURAL GAS SERVICE

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1. FORWARD. These Rules & Regulations are filed with the North Carolina Utilities Commission for the mutual protection of both the Customer and Frontier. They are intended to promote safe and adequate service to the public, to provide standards for Frontier practices, and to establish a reasonable basis for meeting the public's demand for natural gas service.

2. DEFINITIONS. For the purposes of these Rules & Regulations, the following capitalized terms shall be defined as follows.

"Account" - Service supplied to any person at a single location on a single Rate Schedule.

"Applicant" - any Person applying for service.

"BTU Factor" - the factor used to convert CCF into therms.

"CIAC" - a non-refundable cash Contribution In Aid of Construction made by a Customer to Frontier to defray the cost of excess facilities installed by Frontier to provide Service to that Customer

"Commission" - the North Carolina Utilities Commission, which regulates gas utilities operating within the State of North Carolina.

"Frontier" - Frontier Energy, L.L.C., a natural gas utility operating under the jurisdiction of the Commission.

"Frontier Equipment" - any piping, mains, gas service lines, meters, meter assemblies, regulating or other gas delivery equipment located upstream of the Delivery Point.

"Customer" - any account being supplied Service by Frontier.

"Customer Equipment" - any piping, appliances, gas-burning devices, regulating or other gas delivery equipment located downstream of the Delivery Point.

"Dekatherm" - the unit of energy equivalent to 10 Therms, or 1,000,000 BTU. It is the basic energy *purchasing* unit of Frontier.

"Delivery Point" - the physical point in the Gas delivery system where the Customer's Equipment meets the outlet of Frontier's Meter Assembly.

"Excise Tax" - a tax applicable to all piped natural gas received for consumption as required by North Carolina Session Law 1998-22 (Senate B11 1327)

"Facilities Charge" - A fixed amount billed each month regardless of the amount of gas used. It covers the basic cost of providing gas service.

"Feasibility Test" - an economic test to be performed by Frontier whereby the Net Present Value (NPV) of the cost of certain facilities is compared to the anticipated NPV of the revenue to be received by Frontier from service through those same facilities.

"Gas" - natural gas, or a substitute for or mixture thereof, as delivered by Frontier.

"Gas Service Line" - the pipe that runs, owned by Frontier, between a Main and a Customer's Meter.

"Main" - a gas pipe other than a Gas Service Line, owned, operated or maintained by Frontier, and used for the purpose of transmission or distribution of Gas.

"Meter" or "Meter Assembly" - any of Frontier's meters, regulators, piping valves, vents, relief valves, gauges and/or other apparatus, including remote meter reading devices, required to measure and control flow or pressure of Gas

"Person" - an individual, partnership, corporation, trust, governmental agency or other association.

"Premises" - a piece of land or real estate, including buildings and other appurtenances thereon where a Customer receives Service.

"Rate Schedule(s)" - Frontier's approved tariffs on file with the Commission describing rates and charges for Service.

"Service" - the delivery and all other activities incidental to the delivery of Gas by Frontier to a Customer at its Delivery Point.

"Service Agreement" - Frontier's standard natural gas Service Application and all subsequent modifications adopted by Frontier.

"Therm" - the unit of energy equivalent to 100,000 British Thermal Units (BTU). It is the basic energy *billing* unit of Frontier.

3. CAPTIONS/GENDER. The captions and headings contained herein are solely for convenience and reference and are not intended to define any provision. All words and phrases in these Rules & Regulations shall be construed to include the singular or plural number, and the masculine, feminine, or neuter gender, as the context requires.
4. CONFLICTS BETWEEN DOCUMENTS. Frontier may not make any representation that conflicts with its rate schedules or these Rules & Regulations. In the event there is a conflict between any of the provisions contained in these Rules & Regulations and the currently effective Rate Schedules, the Rate Schedules shall govern. The Rules & Regulations of the Commission shall govern in the event of a conflict with the service regulations or rate schedules.
5. NON WAIVER. No delay or failure of Frontier to exercise any right or remedy provided by these Rules & Regulations, the Rate Schedules, the Service Agreement or other documents controlling the terms of Service will impair any such right or remedy; nor shall it be construed to be a waiver of any breach or default, or an acquiescence therein of any similar subsequent breach or default. No waiver shall be valid unless it is in writing and signed by the party against which it is sought to be enforced. Any written waiver will be effective only to the extent specifically set forth.
6. OBLIGATIONS OF FRONTIER AND CUSTOMER.
 - (a) Frontier's obligations to provide Service and the Customer's obligations upon receipt of Service are set forth in:
 - (1) the applicable provisions of Chapter 62 of the North Carolina General Statutes,
 - (2) the applicable Commission Rules & Regulations,
 - (3) the applicable Rate Schedule(s),
 - (4) these Rules & Regulations, and
 - (5) any written application or other document approved in form by the Commission and executed by Frontier and the customer pertaining to such Service.
 - (b) Copies of these documents are available for inspection at each of the business offices of Frontier. Upon a Customer's request, Frontier will provide the Customer with a copy of the applicable Rate Schedule(s), these Rules & Regulations, and any written application for Service or other documents executed by Frontier and the Customer pertaining to such Service. No promise, statement or representation by any Frontier employee or agent or by any other person shall bind Frontier to provide Service or to change the terms of Service unless the same is in writing and is executed by an authorized Frontier representative.
 - (c) In no event shall the Customer be relieved from the obligation to pay in full the amount due for Service received.

7. APPLICATION.

- (a) Service will be supplied pursuant to Frontier's standard Service Agreement under the applicable Rate Schedule(s) and these Rules & Regulations. Except as provided in the following paragraph, Frontier shall not be required to supply Service unless and until such Service Agreement has been executed by the Customer and Frontier. Frontier may not give an unreasonable preference or advantage to any customers, nor may it discriminate unreasonably against any customer in terms of service or charges.
- (b) When no charges for excess facilities are involved, an Applicant's application for Service and Frontier's acceptance may be verbal. In such event, the applicable Rate Schedule(s), the terms of the standard Service Agreement, and these Rules and Regulations shall nevertheless become effective. In the absence of an executed Service Agreement or other written agreement, such a verbal agreement shall be conclusively presumed to exist if gas supplied by Frontier is used by the Customer or on the Customer's Premises.
- (c) Where Service has been discontinued at a Premises for any reason except for repairs or other necessary work by Frontier, Frontier shall have the right to refuse Service at the same Premises to any other Applicant residing with the former Customer at the same Premises. Frontier may require reasonable proof of identity of the Applicant for Service.
- (d) The Customer's rights to Service and rights provided under any Service Agreement are personal and shall not be transferred or assigned by the Customer without the written consent of Frontier, which may be arbitrarily refused.

8. SERVICE USED IN ADVANCE. In the event Service is used by the Customer before the Service Agreement is effective or before establishment of credit, such Service shall nevertheless be governed by these Rules & Regulations and the applicable Rate Schedule(s). Consistent with the Commission's Rules on discontinuance of service, Frontier may discontinue such Service at any time upon failure or refusal of the Customer to agree to the conditions of Service, including the failure to establish credit and/or pay in full the amount due for Service to that date.

9. ESTABLISHMENT OR REESTABLISHMENT OF SERVICE.

- (a) Before the commencement of Service or during the first ten business days after commencement of Service, the Applicant (whether a former Customer or not) must satisfactorily establish credit in accordance with Commission Rule R12-2. An Applicant for residential Service shall not be denied Service for failure to pay bills for classes of non-residential Service.

(b) In the event that the conditions of Service or the basis on which credit was originally established have materially changed, Frontier may require a Customer to reestablish credit in accordance with Commission Rule R12-2.

(c) Should a disagreement arise with respect to the establishment or reestablishment of credit with Frontier, it shall be the Applicant's or Customer's right to have this problem reviewed and acted upon by Frontier's supervisory personnel. If unresolved after that review, then the Applicant or Customer shall have the right to have the problem reviewed by the Commission pursuant to Commission Rule R12-7.

10. DEPOSITS. Frontier may require a cash deposit prior to establishing or reestablishing Service to a Customer in accordance with the provisions of Commission Rule R12.

11. BILLING AND TERMS OF PAYMENT

(a) Meters will be read and bills rendered monthly on a cycle basis of approximately 30 days. All bills are due when rendered and are payable at the office of Frontier during regular business hours. Residential bills become past due 25 days after the billing date. All other bills become past due 15 days after the billing date.

(b) A late payment charge of 1% per month will be applied to all Customers' balances not paid within 25 days from the billing date. This charge is applicable to unpaid balances of \$10.00 or more until paid. This charge is applicable to all Customers and all classes of Service.

(c) A charge of \$20.00 will be made for checks or drafts returned by a Customer's bank.

(d) Frontier will endeavor to deliver to the Customer a monthly bill by first-class mail to the mailing address furnished by the Customer. The Customer will be responsible for keeping Frontier informed of the current billing address. In the event the Customer fails to do so, delivery to the Premises address will be deemed delivery to the Customer. Failure to receive a bill will not entitle the Customer to any extension of time for payment beyond the past-due date.

(e) No claim which the Customer may have against Frontier shall be offset or counterclaimed against the payment of any sum of money due Frontier by the Customer for Services rendered. All such sums shall be paid in accordance with the terms of the bill, these Rules & Regulations, and the Service Agreement, regardless of such claim.

- (f) In the event Frontier, with good cause, determines a likelihood that the Customer cannot pay an outstanding Gas bill, and the Customer's deposit, if any, does not provide Frontier with adequate security, Frontier may accelerate the past due or delinquent date and proceed with disconnect procedures under Commission Rule R12-8 by issuing a written statement of cause to the Customer and filing a copy of such statement with the Commission.
- (g) Facilities charges shall not be prorated. Any summer-winter seasonal change in rates shall be implemented on a "bills rendered" basis. Rate changes occurring from general rate cases and purchased gas adjustment proceedings shall be implemented on a "service rendered" or prorated basis. Estimated readings are permitted but Frontier will use its best efforts to avoid sending the Customer two successive estimated bills. Frontier will make any necessary adjustment on the succeeding bill when the Meter is read.
- (h) Frontier does not allow the combining of meters for billing customers unless the design of the metering facilities requires the use of multiple meters. At its sole discretion, Frontier may set an additional meter when requested to do so by a customer. The additional meter will be considered a separate account, and the Customer is responsible for paying a separate facilities charge and for separate billing through the steps of the rate if applicable.

12. BUDGET BILLING.

- (a) Residential customers with current paid-up accounts may elect, at their option, to pay monthly bills for service on a Budget Billing Plan beginning with the May billing month. The monthly amount to be paid under the Budget Billing Plan is equal to the billing for the most recent twelve months' usage per the current rate schedule, divided by the current calculation factor. The calculation factor is subject to change by the Company as conditions warrant.
- (b) Said monthly payment shall be made for eleven successive months. The twelfth month's payment shall be a settlement amount equal to the difference between the total of the prior eleven months' payments and the actual billings for the twelve-month period. If the settlement amount is a credit balance, the Company will apply the credit to future billings. If the settlement amount is a debit balance owed by the Customer and exceeds \$100, the Customer may elect to pay the debit over a two-month period with at least one half of the total debit balance payable in the settlement month.

- (c) If a Customer electing the Budget Billing Plan fails to pay the Budget Billing obligation in any month, normal collection procedures shall be applicable for the outstanding Budget Billing amount. Upon termination of service of a Customer on the Budget Billing Plan, the entire balance amount of the account for actual usage shall be due and payable by Customer to Company if a debit balance exists or shall be refunded to Customer if a credit balance exists.
- (d) The monthly budget billing amount will be adjusted for changes in the Company's base rates and for unusual changes in gas cost (when such changes would result in a 10% or more increase or decrease in Customer's anticipated annual billing for gas service).

13. RECONNECTION & TRANSFER FEES

- (a) Where Service has been discontinued at the request of the Customer or a member of Customer's family at the same residence, and reconnection of Service is requested by the same Customer or a family member on the same Premises within 1 year after the date of discontinuance, a reconnection fee shall be charged as follows:

Residential Customers	\$35.00 per account
Non-residential Customers	\$50.00 per account

- (b) In cases where Service is discontinued for nonpayment of bills, a Customer shall do the following before Frontier is obligated to restore Service:

- (1) pay the arrears portion of the bill in full;
- (2) reestablish credit in accordance with Commission Rule R12-2; and,
- (3) pay the applicable reconnection fee.

- (c) For transfers of service from one person (as defined above) to another when the gas service is not otherwise changed or interrupted, an account transfer fee shall be charged as follows:

Residential Customers	\$25.00 per account
Non-residential Customers	\$40.00 per account

- (d) All fees charged under this Section are subject to applicable sales taxes.

14. EXTENSION OF SERVICE.

- (a) Frontier will extend mains in streets that are at an established final grade for distances up to 100 feet without charge to the Customer.
- (b) From an existing or new main, Frontier will install up to 100 feet of Gas Service Line at no charge to the Customer, if the estimated load is at least equivalent to central gas heating. The length of the service line is measured from the premises' property line to the meter on the Customer's premises. For installations beyond 100 feet of service line, or for estimated loads less than for central heating, the Customer may be required to pay a CIAC.
- (c) If facilities in addition to a simple main extension and service line are required, a Feasibility Test will be performed to determine whether or not these additional facilities will require a CIAC.
- (d) A CIAC may be required for facilities located at a point other than that selected by Frontier or deviating from the route selected by Frontier.
- (e) At any time a feasibility test is required, Frontier shall also calculate the estimated cost of (1) the main beyond the free allowance of 100 feet of main, and (2) the service line beyond the free allowance of 100 feet of service line for new Customers occupying existing structures. For proposed new subdivisions, the free allowance should only be considered for existing structures that plan to use gas at the time the main is to be extended. Any CIAC shall be the lesser (i) the CIAC calculated in the Feasibility' Test, or (ii) the full cost of extending the lines beyond the 100 foot initial allowances. The aforementioned Feasibility Test shall include all costs directly associated with the service extension.

15. FARM TAP SERVICE.

- (a) Whenever an Applicant requests Service which can only be supplied from a high pressure Main, Frontier may, subject to the results of a Feasibility Test, tap the Main, install regulating equipment and extend its facilities to the Delivery Point on the Customer's premises. The Customer will provide Frontier with all necessary right-of-way on its premises at no expense to Frontier. Whether a CIAC is required of the Customer prior to the installation of such facilities will be determined by the results of the Feasibility Test.

- (b) For a farm tap Customer requiring less than 100 feet of service line, a Feasibility Test shall be performed which includes only the cost of the excess equipment required for the farm tap. The CIAC shall be the amount calculated in the Feasibility Test. For a Customer requiring service line in excess of 100 feet, a Feasibility Test shall be performed which includes all costs. The CIAC shall be the amount calculated by the Feasibility Test, less an amount equal to the unit cost for the service line multiplied by 100 feet.
- (c) Charges for Service will be billed on the applicable Frontier rate schedule. All other terms and conditions of the applicable Frontier rate schedule(s) apply to Customers using farm tap service.

16. RIGHT-OF-WAY

- (a) The Customer shall at all times furnish Frontier a satisfactory and lawful right-of-way, at no cost to Frontier, through Customer's premises for Frontier equipment necessary or incidental to the furnishing of Service. The Customer shall also furnish satisfactory protection for Frontier equipment installed on the premises.
- (b) Frontier's obligation to supply Service is dependent upon its securing and retaining all necessary rights-of-way for delivery of such Service. Frontier shall not be liable to the Customer for any failure to deliver Service because of Frontier's inability to secure or retain such rights-of-way.
- (c) A request for Service and the Customer's acceptance of such Service from Frontier shall be deemed to be a granting to Frontier of an implied right-of-way over the Premises.

17. FRONTIER FACILITIES. Frontier will install and maintain all necessary pipelines and mains, service lines, meters and regulators, and other equipment or facilities required to provide service. All Frontier Equipment shall be installed and maintained in compliance with the Frontier Operations & Maintenance Plan and applicable gas pipeline safety regulations. All Frontier Equipment shall be the sole property and sole responsibility of Frontier up to the Delivery Point at the outlet of the meter assembly, irrespective of whether the Customer was required to make a CIAC.

18. METERS.

- (a) Frontier will furnish all necessary Meters for its measurement requirements and the Customer will provide a location for such. Frontier reserves the right to approve the location of the Meter on the Premises.
- (b) Frontier shall have the right at its option and at its own expense, to place additional Frontier Equipment on the Premises for billing, testing or other purposes related to the delivery of Service. Where Frontier elects to install remote meter reading devices, the Customer shall cooperate with Frontier to effect installation of any required power and phone service to the Meter site.
- (c) Frontier shall have the right to periodically test its meters and equipment.
- (d) In case of failure, inaccuracy or non-registering of a Meter, the Customer's bills for the period of such failure or inaccuracy shall be calculated as provided in Commission Rule R6-15.

19. CUSTOMER'S EQUIPMENT.

- (a) An Applicant or Customer shall give Frontier notice prior to installing any Customer Equipment on the Premises to enable Frontier to verify the feasibility of providing Service to such Equipment. Frontier shall provide information concerning the availability of service, delivery pressure, meter location and other information which may be pertinent to the installation.
- (b) The Customer's Equipment must be installed and maintained in accordance with approved installation standards and the requirements of applicable local, State and Federal agencies. All Customer Equipment shall be maintained by and be the sole responsibility of the Customer and/or owner of the Premises.
- (c) If the Customer's Equipment might create a vacuum, back pressure, or any other condition which in Frontier's sole opinion could cause operating difficulties on Frontier's system, a device meeting Frontier's specifications must be installed and maintained by the Customer, at its sole expense, to fully protect Frontier's system.

20. RESPONSIBILITY BEYOND DELIVERY POINT. Frontier is responsible for the Service through the Delivery Point at the outlet of the meter assembly. Frontier shall not be responsible for the transmission, use, or control of Gas beyond the Delivery Point. Frontier shall not be liable for any loss, damage or injury to person or property whatsoever, accruing or resulting in any manner from the receipt, use or discontinuance of use of the Gas beyond that point, defective Customer Equipment, or any cause not resulting from the direct, exclusive negligence or willful acts of Frontier.

21. INSIDE GAS SERVICES RENDERED BY COMPANY. The Company will not perform installation or maintenance services on Customer Equipment downstream of the meter. Some health - and safety-related services shall be provided by Company free of charge to its customers. Such services are limited to the following:

- (a) Response to gas leak complaints regardless of cause.
- (b) Response to fires regardless of cause.
- (c) Restore service when outage is caused by Company.
- (d) Bill investigations, meter and meter reading investigations, and routine maintenance of Company facilities.

22. ACCESS TO CUSTOMER'S PREMISES

- (a) Frontier shall have the right of ingress and egress over the Customer's Premises, at all reasonable times, for any and all purposes associated with the Service or the exercise of any and all rights under the Service Agreement. Frontier shall have the right, at its option and its expense, to place additional metering, telemetering, and other instruments on the customer's premises to ensure accurate and timely service.
- (b) If a condition exists on a Premises, which in Frontier's opinion is dangerous to Frontier employees or Frontier Equipment and/or prevents reasonable access to Frontier's Equipment, Frontier may remove or relocate its Frontier Equipment at the Customer's expense.

23. RELOCATION OF FACILITIES. Frontier may change the location of facilities and rights-of-way upon Customer's request, but the Customer must bear the expense of the change. However, no change will be made where it will interfere with or jeopardize Frontier's Service, either to the Customer requesting the change or to any other Customer(s). All privileges of Frontier incident to the original location shall apply to the new location. When facilities are relocated at Frontier's option, all expense shall be borne by Frontier.

24. INTERFERENCE OR TAMPERING WITH FRONTIER PROPERTY.

- (a) The Customer shall not interfere with, alter or remove Frontier's Equipment or permit the same to be done by others. The Customer shall not construct any addition or structure over utility-owned mains, service lines, or meters without the Company's written consent. The Customer shall not enclose exposed portion of gas service facilities with any unventilated enclosure. The Customer shall notify Company of any leak or defect observed in Company's facilities. Damage or loss to Frontier Equipment caused or permitted by the Customer shall be paid for by the Customer.
- (b) N.C.G.S. Sec. 14-151.1 makes it unlawful to alter, tamper with or bypass a Gas Meter. This statute provides for fines, imprisonment, and civil action by Frontier in such cases. Any cost of litigation incurred by Frontier to prosecute for damages or recover losses will be paid by the Customer.

25. EXCAVATION NEAR FRONTIER FACILITIES. The Customer shall inform Frontier of excavation activities near Frontier Equipment located on the Customer's Premises by calling the toll free number 1-800-632-4949 at least 48 hours in advance of such activities. The customer shall give a similar notice to Frontier prior to any additions or changes in Customer's Premises which will extend over, under, or near Frontier's Equipment. Any damaged incurred or gas loss will be billed to the Customer.

26. REQUEST TO INCREASE LOAD. Residential Customers receiving Service will be permitted to increase their residential gas loads at the same Premises without the consent of Frontier. All other Customers shall make a request to Frontier before increasing their gas loads and before changing the purpose for which they use gas. The request will be in writing and will specify, at a minimum, the name of the Customer, type of service needed, estimated monthly gas consumption, and the date needed. If, in Frontier's opinion, it has the capability to provide the additional or changed gas service without interfering with the ability to provide Service to other Customers, Frontier will permit the Customer to increase Customer's load or to change the purpose for which the Customer uses gas. A CIAC may be required depending on the nature of the request.

27. INTERCONNECTIONS. When Service is supplied to the Customer under more than one of the Rate Schedule(s), the Customer shall not use the higher priority' service as a standby for its lower priority requirements nor shall it install any interconnection between the fuel lines supplying gas delivered under separate accounts.

28. PROHIBITION AGAINST RESALE OF GAS. The Customer shall not directly or indirectly sell, resell, assign or otherwise transfer Gas to any Person unless such transfer is pursuant to a contract or franchise acceptable to Frontier and the Commission. Frontier will not supply gas for resale in competition with Frontier. Prohibition against resale shall not apply to purchases for resale as Compressed Natural Gas vehicle fuel.
29. EMERGENCY USES. It is expressly understood and agreed that Frontier does not furnish uninterruptible service for emergency power generation, pumping water, or other emergency use. In the event a Customer uses gas for emergency uses, the Customer shall, at all times, provide a standby supply of energy so that it will not be necessary to rely on gas during a time of emergency. Frontier shall not, in any event, be liable to any Customer, nor to any inhabitants of any municipal Customer, nor to any Person, for any loss or injury of or to property or persons occasioned by, or resulting directly or indirectly from, the failure of any emergency apparatus to operate, whether said failure shall be due to the act or omission of Frontier or otherwise.
30. INTERRUPTIONS OF SERVICE. Except where interruptions of Service are permitted by Frontier's tariff or in accordance with Commission Rule R6-19.2, Frontier shall make reasonable efforts to avoid interruptions of Service. When interruptions occur for any reason, Service shall be reestablished within the shortest time practical under the conditions. Frontier shall not be liable for any loss or damage resulting from such failure or interruptions of Service.
31. ACTION TO MAINTAIN SYSTEM INTEGRITY. Frontier shall have the right to curtail delivery of Gas to any Customer, if Frontier determines that curtailment is necessary to maintain the integrity or public safety of the gas delivery system.
32. UNAVOIDABLE CESSATION OF CONSUMPTION. In the event the Customer's Premises are destroyed or the operation of its facilities is shut down due to causes beyond the Customer's control, resulting in a complete cessation of the use of Service, then upon written notice to Frontier advising that the Customer intends to resume Service as soon as possible, any Customer charge, minimum charge or guarantee for which the Customer may be held liable may, in the discretion of the Company, be waived during the period of such cessation. To be effective, such notice must be received by Frontier within thirty (30) days of the occurrence of the cessation.

33. REASONS FOR DENYING OR DISCONTINUING SERVICE. Frontier shall have the right to suspend Service or to deny Service for any of the following reasons:

- (a) Frontier determines that a hazardous condition exists;
- (b) Service to the Customer adversely affects Frontier's Equipment or Frontier's Service to others;
- (c) Frontier's Equipment has been tampered with;
- (d) the unauthorized use of gas by the Customer;
- (e) any material misrepresentation made by the Customer in connection with its Application for Service;
- (f) for any breach of these Rules & Regulations, or any terms and conditions of the Service Agreement, or violation of any order, regulation, rule or statute of the Commission or any governmental agency;
- (g) the Customer's failure to fulfill the contractual obligations for service;
- (h) failure to establish satisfactory credit;
- (i) the Customer's failure to permit Frontier reasonable access to Frontier Equipment;
- (j) nonpayment of bill pursuant to Commission Rule R12;
- (k) the Customer's failure to continually furnish such Customer Equipment, permits, certificates and/or rights-of-way as shall have been required by Frontier as a condition to obtaining service; or,
- (l) Customer Equipment is installed or in use on the Customer's Premises which permits the gas to be used without passing through Frontier's Meter, which prevents or interferes with the measuring of the gas by Frontier's Meter or which interconnects fuel systems supplied on separate rate schedules.

The procedure for termination or suspension of Service shall be in accordance with the Commission's Rules.

34. VACATED PREMISES. The Customer will notify Frontier at least twenty-four (24) hours before vacating the Premises served and will pay upon presentation all bills due for Service rendered to the Premises. Frontier shall have no liability for any damages incurred as a result of Customer vacating premises such as frozen water pipes, damaged equipment, etc.

35. REMOVAL OF EQUIPMENT. In the event Service is discontinued, Frontier shall have the right to remove all Frontier Equipment from the Customer's Premises. Such removal shall be at Frontier's sole expense. Frontier shall not be liable to any Person for any damages or repairs to the Premises reasonably caused or necessitated by removal of Frontier Equipment. This section does not apply to repossession of appliances or other property on the customer's side of the meter assembly.

36. RATE SCHEDULE & PRIORITY CLASSIFICATION.

(a) Each year, Frontier will analyze each customer's gas consumption to determine the proper Rate Schedule and priority classification, pursuant to Commission Rules R6-12 and R6-19.2. As used in this Procedure, the following definitions shall apply:

"Actual Annual Usage" means the actual natural Gas volumes sold to or transported for the Customer by the utility for a given Review Period as reflected on the utility's invoices for that Customer.

"Classification Usage" means Natural Gas volumes in an amount equal to Actual Annual Usage for a Customer for a Review Period divided by the Service Days for that same period.

"Involuntary Curtailment Days" means those days or portions of days in a given Review Period where curtailment of the Customers Natural Gas Service was imposed by the utility's decision to curtail.

"Prospective Priority classification" means the then-current priority curtailment classification a Customer would otherwise qualify for, based solely on the Classification Usage for a given Review Period.

"Prospective Rate Schedule" means the utility's then-current rate schedule that a Customer would otherwise qualify for based solely on the Classification Usage for a given Review Period.

"Review Period" means the twelve (12) months ended June 30.

"Service Days" means 365 less the number of involuntary Curtailment Days.

(b) The following procedure shall be used:

- (1) During July and August of each year, the Prospective Rate Schedule shall be determined for each Customer for the Review Period just ended.
- (2) If the Prospective Rate Schedule is the *same* schedule on which a Customer is currently billed, no further review is necessary. That Customer shall remain on that rate schedule.
- (3) If the Prospective Rate Schedule is *different* from the current rate schedule, the Customer's usage for two prior years shall be analyzed.
 - (i) If the Prospective Rate Schedule for *either* of two prior years is the current rate schedule, no change is made.
 - (ii) If the Prospective Rate Schedule is the same for both prior years, that Customer shall be reclassified to that Prospective Rate Schedule effective the next September 1.
- (4) The reclassified Customer shall be given notice of such reclassification as required by Commission Rule R6-12(7).
- (5) A similar procedure shall be followed for determining the proper curtailment priority for each Customer by using Prospective Priority Classification.

37. COMPLAINTS Customers who have a disagreement that cannot be resolved satisfactorily through normal channels with the Company may contact the NCUC Public Staff Consumer Services Division for assistance:

NC Utilities Commission Public Staff
Consumer Services Division
P0 Box 29520
Raleigh, NC 27626-0520

919) 733-9277
919) 733-9565 fax

Appendix A

PROCEDURE FOR RATE ADJUSTMENTS UNDER G.S. 62-133.4

1. PURPOSE. The purpose of this Appendix is to set forth the procedures by which Frontier Energy, L.L.C. can file to adjust its rates pursuant to G.S. 62-133.4. The intent of these procedures is to permit Frontier to recover 100% of its prudently incurred gas costs applicable to its North Carolina operations.
2. DEFINITIONS. As used in this Appendix, the following definitions shall apply:

"LDC" shall mean Frontier Utilities of North Carolina Inc.

"Gas Costs" shall mean the total delivered cost of gas paid or to be paid to Suppliers, including but not limited to all commodity/gas charges, demand charges, peaking charges, surcharges, emergency gas purchases, overrun charges, capacity charges, standby charges, reservation fees, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges, take-and-pay charges, storage charges, service fees and transportation charges, and any other similar charges in connection with the purchase, storage or transportation of gas for the LDC's system supply.

"Suppliers" shall mean any person or entity, including affiliates of the FLDC, who locates, produces, purchases, sells, stores and/or transports natural gas or its equivalent for or on behalf of the LDC. Suppliers may include, but not be limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of Liquefied Natural Gas, Liquefied Petroleum Gas, Synthetic Natural Gas and other hydrocarbons used as feed stock, other local gas distribution companies and end-users.

"Benchmark Commodity Gas Costs" shall mean the LDC's estimate of the City Gate Delivered Gas Costs for long-term gas supplies, excluding Demand Charges and Storage Charges as approved in the LDC's last general rate case or gas cost adjustment proceeding. The Benchmark Commodity Gas Costs may be amended from time to time as provided in Section (3)(a).

"City Gate Delivered Gas Costs" shall mean the total delivered Gas Costs to the LDC at its city gate.

"Commodity and Other Charges" shall mean all Gas Costs other than Demand Charges and Storage Charges and any other gas costs determined by the Commission to be properly recoverable from sales customers.

"Demand Charges and Storage Charges" shall mean all Gas Costs which are not based on the volume of gas actually purchased or transported by the LDC, and any other gas costs determined by the Commission to be property recoverable from applicable customers, including company use and unaccounted for costs.

"Apportionment Percentage" shall mean the percent of fixed gas costs allocated to each rate schedule.

3. RATE ADJUSTMENTS UNDER THESE PROCEDURES.

(a) **Sales Rates.** In the event the LDC anticipates a change in its City Gate Delivered Gas Costs, the LDC may apply and file revised tariffs in order to increase or decrease its rates to its customers as hereinafter provided. The Commission may issue an order allowing the rate change to become effective simultaneously with the effective date of the change or at any other time ordered by the Commission. If the Commission has not issued an order within 120 days after the application, the LDC may place the requested rate adjustment into effect. Any rate adjustment under this Section (3)(a) is subject to review under Section (6).

(i) **Demand Charges and Storage Charges.**
NOT APPLICABLE AT THIS TIME

(ii) **Commodity and Other Charges.** Whenever the LDC's estimate of its Benchmark Commodity Gas Costs changes, the LDC may (as herein above provided) change the rates to its customers purchasing gas under all of its sales rate schedules by an amount computed as follows:

[[Volumes of gas purchased* (excluding
Company Use and Unaccounted For)
x (New Benchmark Commodity Gas costs
- Old Benchmark Commodity Gas Costs)]
] x NC Portion*
_____ = Increase (Decrease) Per Unit

[Volumes of gas purchased for System Supply*
(excluding Company Use and Unaccounted For)*]
x NC Portion*'

* Established by the Commission in the last general rate case

- (b) **Transportation Rate.** Firm and/or interruptible transportation rates shall be computed on a per unit basis by subtracting the per unit Commodity and Other Charges included in the applicable firm or interruptible sales rate schedule from the applicable firm or interruptible rate schedule exclusive of any decrements or increments. Commodity deferred account increments or decrements shall not apply to transportation rates unless the Commission specifically directs otherwise. Demand and storage increments or decrements may apply to transportation rates.
- (c) **Other Changes In Purchased Gas Costs.** The intent of these procedures is to permit the LDC to recover its actual prudently incurred Gas Costs. If any other Gas Costs are incurred, they will be handled as in Section (3)(a)(i) if they are similar to Demand Charges and Storage Charges or as in Section (3)(a)(ii) if they are similar to Commodity and Other Charges.

4. TRUE-UP OF GAS COSTS.

- (a) **Demand Charges and Storage Charges.**
NOT APPLICABLE AT THIS TIME
- (b) **Commodity and Other Charges.** On a monthly basis, the LDC shall determine with respect to gas sold (including company use and unaccounted for) during the month the per unit difference between (a) the Benchmark Commodity Gas Costs most recently approved and (b) the actual Commodity and Other Charges. The product of the actual volumes multiplied by the per unit difference shall be recorded in the LDC's deferred account for commodity and other charges. Increments and decrements for Commodity and Other Charges flow to all sales rate schedules.
- (c) **Company Use and Unaccounted For.** The LDC will true-up Gas Costs associated with company use and unaccounted for volumes annually. This shall be done by comparing the actual North Carolina company use and unaccounted for volumes during the true-up period with the rate case approved North Carolina company use and unaccounted volumes used to establish rates during the twelve month true-up period. Where there are more than one approved company use and unaccounted for volumes during the true-up period, the average monthly level will be used. The resulting volumes will be multiplied by the average of the Benchmark Commodity Gas Costs at the end of each month of the true-up period, and the resulting amount will be recorded in the deferred account.
- (d) **Supplier Refunds and Direct Bills.** In the event the LDC receives supplier refunds or direct bills with respect to gas previously purchased, the amount of such supplier refunds or direct bills will be recorded in the appropriate deferred account, unless directed otherwise by the Commission.

5. OTHER

- (a) Gas Costs changes not tracked concurrently shall be recorded in the LDC's appropriate deferred account.
- (b) The Commodity and other Charges portion of gas inventories shall be recorded at actual cost and the difference in that cost and the cost last approved under Section (3)(a)(ii) shall be recorded in the deferred account when the gas is withdrawn from inventory.
- (c) The LDC shall file with the Commission (with a copy to the Public Staff) a complete monthly accounting of the computations under these procedures, including all supporting work papers, journal entries, etc., within 45 days after the end of each monthly reporting period. All such computations shall be deemed to be in compliance with these procedures unless within 60 days of such filing the Commission or the Public Staff notifies the LDC that the computations may not be in compliance; provided, however, that if the Commission or the Public Staff requests additional information reasonably required to evaluate such filing, the running of the 60 day period will be suspended for the number of days taken by the LDC to provide the additional information.
- (d) Periodically, the LDC may file to adjust its rates to refund or collect balances in these deferred accounts through decrements or increments to current rates. In filing for an increment or decrement, the LDC shall state the amount in the deferred account, the time period during which the increment or decrement is expected to be in effect, the rate classes to which the increment or decrement is to apply, and the level of volumes estimated to be delivered to those classes. Any such increments or decrements shall be made on the applicable apportionment percentage basis for all affected rate classes, unless otherwise ordered by the Commission.
- (e) Notwithstanding the provisions of this Rule, the LDC may offset negotiated losses in any manner authorized by the Commission. As of the effective date of this Appendix, the LDC is permitted to negotiate rates to certain industrial customers when necessary or appropriate to meet the price of competitive fuels or otherwise to avoid the loss of sales to these customers. To permit the LDC to make sales to these customers without suffering a loss of margin, the LDC shall record the sales and transportation negotiated losses in the appropriate deferred account. If the LDC should negotiate rates for any purpose other than for the purpose of meeting competition from alternate fuel, the LDC will file a report with the Commission stating the reason for any such negotiation. Such reports will be filed within 45 days after the month in which the negotiation took place.

6. ANNUAL REVIEW.

- (a) Annual Test Periods and Filing Dates. The LDC will submit to the Commission the information and data required in Section (6)(c) for a historical 12-month test period. This information will be filed on or before August 1 of each year based on a test period ended May31.
- (b) Public Hearings. The Commission will schedule an annual public hearing pursuant to G.S. 62-133.4(c) in order to compare the LDC's prudently incurred Gas Costs with Gas Costs recovered from all its customers that it served during the test period. The public hearing will be on the first Tuesday of October. The Commission, on its own motion or the motion of any interested party, may change the date for the public hearing and/or consolidate the hearing required by this section with any other docket(s) pending before the Commission with respect to the affected LDC.
- (c) Information Required In Annual Filings. The LDC will file information and data showing the LDC's actual gas costs, volumes of purchased gas, weather-normalized sales volumes, sales volumes, negotiated sales volumes and transportation volumes and such other information as may be directed by the Commission. All such information and data will be accompanied by work papers and direct testimony and exhibits of witnesses supporting the information.
- (d) Notice of Hearings. The LDC will publish a notice for two (2) successive weeks in a newspaper or newspapers having general circulation in its service area, normally beginning at least 30 days prior to the hearing, notifying the public of the hearing before the Commission pursuant to G.S. 62-133.4 and setting forth the time and place of the hearing.
- (e) Petitions to Intervene. Persons having an interest in any hearing held under the provisions of this Procedure may file a petition to intervene setting forth such interest at least 15 days prior to the date of the hearing. Petitions to intervene filed less than 15 days prior to the date of the hearing may be allowed in the discretion of the Commission for good cause shown.
- (f) Filing of Testimony and Exhibits by the Public Staff and Intervenors. The Public Staff and other intervenors may file direct testimony and exhibits of witnesses at least 15 days prior to the hearing date. If a petition to intervene is filed less than 15 days prior to the hearing date, it shall be accompanied by any direct testimony and exhibits of witnesses the intervenor intends to offer at the hearing.
- (g) Filing of Rebuttal Testimony. The LDC may file rebuttal testimony and exhibits within 10 days of the actual receipt of the testimony of the party to whom the rebuttal testimony is addressed.

Appendix B

PROCEDURE FOR WEATHER NORMALIZATION ADJUSTMENT

NOT APPLICABLE AT THIS TIME