

**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF GAS (Continued)**

20. Flexible Rate Provisions

20.1 Applicability

Customers receiving service under Rate Schedules SDS, LDS, RSS, RDS, RDGSS, RDGDS, DGDS, PS, SGSS, LGSS, SGDS, SCD, SS, NSS, MLSS, and MLDS ("Primary Schedule") may be charged a flexible distribution charge with respect to competition from alternate fuels.. Service under Rate RSS, RDS, RDGSS and RDGDS shall be firm and the Company will maintain firm capacity to serve such customers. Gas Costs to Rate Schedules RSS and RDS will not be flexed.

20.2 Election of Flexible Rate

Components of a customer's rate may be lowered when the customer submits a sworn affidavit that a lower rate is required to meet competition from an alternate fuel. Rate components eligible for a downward adjustment include the distribution charge, the elective balancing service charge for distribution service, and the retainage percentage for distribution service.

Prior to flexing distribution charges for distribution service customers, the Company may reduce charges that are for recovery of balancing service charges under Rider EBS and/or the retainage percentage applied to the gas received on behalf of the distribution service customer. However, any discount to the retainage percentage undertaken to compete with another NGDC will not be recoverable by the Company in its annual 1307(f) filing.

The Company reserves the right to verify the accuracy of statements included in this affidavit and the right to make final determination as to the quantities of natural gas used in each billing period in place of alternate fuels. The Company will notify customer of the applicable charge, if lower than the applicable distribution charge in the Primary Rate Schedule, that the Company determines is required to meet the delivered price of the alternate fuel four (4) days prior to the beginning of each billing month unless the rate is the same as charged by the Company in the prior month.

(C)

The Company will only lower its distribution charge below the maximum rate under the Primary Rate Schedule as a last resort, and only to the extent it is necessary to meet the demonstrated competitive alternate fuel price. Any lowered distribution charge shall be offered regardless of whether the customer is receiving sales or distribution service. For customers eligible for service under Rate RDS and SCD, the Company will advise NGSs upon request whether a particular customer is receiving or is eligible to receive a lowered distribution charge.

(C) Indicates Change

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20.2 Election of Flexible Rate – Cont'd

In the sworn affidavit submitted by the customer, the following must be documented:

- (a) The customer has alternate fuel capability in place and operable or would otherwise construct facilities to obtain gas service from an alternate source;
- (b) The quantity of natural gas transported by the Company which would be displaced by operation of the alternate fuel capability; (C)
- (c) The burner tip cost in thm equivalent of the customer's alternate fuel; and (C)
- (d) If the customer has an agreement with a producer for purchase of gas, the customer must verify that it has exercised all contractual rights available to the customer, including price redetermination, marketability or market reopener provisions, to reduce the city gate price of natural gas delivered to the Company for redelivery to the customer, and that the customer has the right to cease purchases under the agreement. Upon request by the Company customer agrees to submit a true copy of the currently effective agreement or agreements between customer and producer(s) for purchase of natural gas quantities delivered to the Company's city gate for redelivery to the customer. If the customer does not have an outstanding contract with a producer, the customer must verify that the customer is unable to purchase gas at a price, including cost of delivery by Columbia,that is equal to the cost of alternative fuel. (C)

(C) Indicates Change