LIBERTY UTILITIES (PEACH STATE NATURAL GAS) CORP.

LOCAL GAS TRANSPORTATION SERVICE – CONFORMING GAS

SCHEDULE 870: ALL SERVICE AREAS

1. Availability

   Service under this Tariff is available to any party who contracts with the Company to provide intrastate Transportation Service of Local Gas that meets the eligibility and Local Gas Quality criteria of this schedule, under the conditions provided herein.

2. Character of Service

   The Company shall transport Local Gas on a Firm basis from a Transportation Service Receipt Point to a Transportation Service Delivery Point, or facilitate the Sale for Resale of Local Gas at a Transportation Service Receipt Point.

3. Rate

   The Rate shall consist of an Application Fee, a Monthly Customer Charge per meter (regardless of the usage of gas) and a Volumetric Transportation Rate (per Ccf) as set forth more fully in the Summary Rate Sheet in effect from time to time.

   Additionally, bills for service are subject to charges for Franchise Tax Recovery charge (if the revenues are included in the applicable franchise tax calculation) and the Margin Loss Recovery Rider. The GRAM adjustments apply to service provided under this Rate Schedule. The minimum net monthly bill shall be the customer charge.

4. Definitions

   In addition to other Definitions contained in the Company's Tariff, the following Definitions shall apply to the Company's Local Gas Transportation Service (Schedule 870):

   (a) Transportation Customer: A Person who owns Local Gas or acts on behalf of a Person who owns Local Gas and who signs a Transportation Service Agreement with the Company to transport Local Gas on the Company's facilities.

   (b) Sale for Resale Customer: A Person who owns Local Gas or acts on behalf of a Person who owns Local Gas and who seeks to sell Local Gas to a Pool Manager delivered at a Transportation Service Receipt Point.

   (c) Transportation Service Receipt Point: As determined by the Company at its sole discretion, the location on the Company's system where the Transportation Customer delivers Local Gas to be transported by the Company to a Transportation Service Delivery Point or where the Transportation Customer delivers Gas that is sold for resale to a Pool Manager within the state of Georgia.

(d) Transportation Service Delivery Point: The location on the Company's system where the Company's distribution system interconnects with an interstate pipeline company.

(e) Sale for Resale: Unless otherwise specified in a service agreement or Transportation Service Agreement, a Sale for Resale Customer may cause Local Gas to be delivered to a Transportation Service Receipt Point where it will be sold to a Marketer Manager to serve customers in Georgia.

(f) Local Gas: Local Gas shall be either (1) Gas produced in Georgia from a landfill, livestock operation, wastewater treatment, or other Gas production site, or produced from natural underground strata containing natural gas; or, (2) liquefied natural gas that is vaporized in Georgia to Gas; or, (3) other forms of Gas produced or that may be produced in Georgia; provided that all Local Gas shall conform to the Company's Gas Quality specifications.

(g) Local Gas Quality: Local Gas Quality shall have the same meaning as under the Company's Tariff General Terms and Conditions for Gas Quality.

(h) Non-conforming Local Gas: Any Gas which does not conform to the more stringent of: (i) the Company's Gas Quality or Local Gas Quality specifications, or (ii) the pipeline gas quality standards for the interstate natural gas pipeline serving the Company nearest to the Special Gas Transportation Service Receipt Point.

5. Billing

The Company shall issue a bill to the Transportation Customer monthly, which shall be due and payable upon receipt.

6. Minimum Monthly Bill

The minimum monthly bill shall be the amount of the Monthly Customer Charge, plus applicable taxes, during the term of the Transportation Service Agreement.

7. Other Terms and Conditions

(a) Service is subject to all applicable laws and orders, and to the Company's Tariff.

(b) All transportation service under this Schedule shall require the execution of a Transportation Service Agreement by the Transportation Customer and the Company.

(c) An application for Transportation Service shall be made by a written request which shall be accompanied by the appropriate Application Fee as set forth in the Summary Rate Sheet. No Application Fee shall be required for the extension or renewal of an existing Transportation Service Agreement, but shall be required upon application to substantial amended an existing agreement.

(d) The Company shall not be required, at its own expense, to install any facilities of any kind to serve a Transportation Customer or a Sale for Resale Customer. In the event that any new or altered facilities are required to serve a Transportation Customer or Sale for Resale customer, said Customer shall execute a facilities construction contract, that may be part of the service agreement or Transportation Service Agreement required herein, and shall pay for all costs of additional facilities, including without limitation storage, distribution, and metering facilities.

(e) Lost and Unaccounted For Gas Adjustment

a. The Company shall transport Local Gas received from the Transportation Customer at designated Transportation Service Receipt Points, reduce metered volumes by a quantity of Local Gas equal to the Company's Lost and Unaccounted For percentage allocated to interruptible customers, and deliver the remaining quantities of Local Gas at the designated Transportation Service Delivery Points on a per Therm basis. Such reduction in Gas quantity delivered shall be deemed to reflect Gas consumed or lost in providing service hereunder.

b. Metered volumes of Local Gas sold to a Marketer Manager at a Transportation Services Receipt Point shall not be adjusted for Lost and Unaccounted for Gas.

(f) The Transportation Customer shall balance the quantity of Local Gas delivered for Transportation Service with the quantity of Local Gas scheduled for delivery. Failure to balance may result in penalties, incentive fees and other charges which shall be applied in accordance with the Company's Tariff covering balancing.

(g) A deposit may be required to be paid by a Transportation Customer at the time the Transportation Service Agreement is executed equal to the total estimated charges for the first two (2) full months of Transportation Service. The terms of the deposit arrangements shall be included in the Transportation Service Agreement.

(h) The Transportation Customer and the Sale for Resale Customer must warrant that: (i) all Local Gas transported under this Schedule will be consumed within the State of Georgia, and (ii) neither the Transportation Customer nor the Sale for Resale Customer will engage in activity that could be deemed to be circumventing the Federal Energy Regulatory Commission's jurisdiction over interstate transportation of natural gas.

8. Additional Terms and Provisions

Service under this schedule is subject to the Tariff, including the Terms of Service and Rules and Regulations of the Company, as filed with and approved by the Commission from time to time, as well as all current and future Riders and tariff provisions made applicable to service under this schedule by the Commission from time to time.