

Heritage Propane

To: Galway Cooperative
Mr. Michael Casadei President
Galway Co-Op
P.O. Box 600
Galway, New York, 12074

May 5, 2008

From: Douglas Ouweleen
Heritage Propane
V.P. & Region Manager
49 Sunset Road
Wellsburg, New York 14894

CC: Steve Sheffield
Richard Smith
File

Subject: Galway Co-Op Contract Term Margin Adjustment

Dear Michael,

We first would like to thank you and the membership of your co-op for your business over the past two (2) years. While our initial first years level of participation was well below our original expectations of 100,000 gallons for both parties, in our second year we experienced a nice increase in your membership to 171 accounts and volume sales through the end of March closing in on the 100,000 gallon threshold.

As outlined in our agreement with the Galway Co-Op, at the end of the first two (2) years, Titan Propane D/B/A Tri County Bottle Gas, Saratoga Propane & Snyder Propane, has the ability to 1) adjust our **Delivered Cost** and 2) adjust our margins.

This letter is to advise the Galway Co-Op that:

- 1) Delivery Cost will be increasing from \$.0459 to the maximum cost allowed under our agreement to \$.0899 to defray a portion of our increased delivery cost that have been past along to us from our suppliers.
- 2) Increase present **residential volume margins** as by the individual volume categories as follows:
 - Residential 1 – 200 gallons from \$2.709 to \$2.909
 - 201 – 400 gallons \$1.409 to \$1.609
 - 401 - 700 gallons from \$.90 to \$1.05
 - 701 - > gallons from \$.775 to \$.875
 - Residential Customer owned from \$.48 to \$.60

 - Commercial 1000 – 3000 gallons from \$.45 to \$.50
 - 3001 – 10,000 gallons from \$.35 to \$.40
 - 10,001 - > gallons from \$.25 to \$.30

These increases are necessary to cover a portion of the increased cost of doing business that have occurred over the past two (2) years and are projected to take place over the next eighteen (18) months of this contract.

These increases will become effective July 6, 2008.

In conclusion, we would like to thank you and your membership for their patronage and look forward to working with you in the future.

Regards,

Douglas Ouweleen