

GENERAL TERMS AND CONDITIONS

6. BALANCING AND CONTRACT OVERRUNS

6.1 Shipper's Obligations.

- (a) Shipper shall endeavor to monitor and, if necessary, adjust deliveries and receipts of Gas in order to maintain a daily balance of deliveries and receipts. Transporter shall not be obligated to receive Gas in excess of the Scheduled Input Quantities, nor shall Transporter be obligated to deliver to Shipper at the Delivery Point(s) quantities in excess of Scheduled Equivalent Quantities. Shipper shall maintain receipts at levels at or below the Maximum Input Quantities (as adjusted for the L & U Percentage) and its Maximum Equivalent Quantities. Transporter will monitor, to the extent practicable, deliveries and receipts for each Transportation transaction and, based upon information available, advise Shipper of any imbalance situation which has occurred or may occur unless corrective action is taken. Upon notification, Shipper shall endeavor to adjust deliveries and receipts to avoid any imbalance. Any adjustment to deliveries and receipts by Shipper, whether or not pursuant to notification from Transporter, shall be coordinated with Transporter and shall be in accordance with the nomination and scheduling procedures set forth in Section 4 of the General Terms and Conditions of this Tariff.
- (b) If Shipper fails to maintain a balance of deliveries and receipts, inaccurately schedules deliveries and receipts, or exceeds its Maximum Input Quantity or its Maximum Equivalent Quantity, then, in addition to all other charges owing, Transporter shall impose all of the applicable imbalance, scheduling and overrun charges set forth in this Section, as applicable.

6.2 Scheduling Penalty.

- (a) Receipt Point Scheduling. If on any day Shipper delivers a quantity of Gas to Transporter at any Receipt Point which exceeds or falls short of the Scheduled Input Quantity for such Receipt Point by the greater of ten percent or 400 MMBtu, then for all quantities in excess of or which fall short of the Scheduled Input Quantity by more than the greater of ten percent or 400 Dth of the Scheduled Input Quantity for such Receipt Point, Shipper shall pay Transporter a penalty equal to the maximum Rate Schedule IT rate.
- (b) Delivery Point Scheduling. If on any day Shipper takes delivery of a quantity of Gas from Transporter at any Delivery Point which exceeds or falls short of the Scheduled Equivalent Quantity for such Delivery Point by the greater of ten percent or 400 MMBtu, then for all quantities in excess of or which fall short of the Scheduled Equivalent Quantity by more than the greater of ten percent or 400 Dth of the Scheduled Equivalent Quantity for such Delivery Point, Shipper shall pay Transporter a penalty equal to the maximum Rate Schedule IT rate.
- (c) On any day on which Shipper may be liable for Scheduling Penalties under both Sections 6.2(a) and 6.2(b) of the General Terms and Conditions of this Tariff, Transporter shall impose on Shipper only the greater of the two penalties.

6.3 Balancing Penalty.

- (a) Daily Balancing. If on any day Shipper delivers to Transporter Input Quantities at the Receipt Point(s) which (after adjustment for the L & U Percentage) are in excess of or deficient by the greater of 1,000 MMBtu or ten percent of the Equivalent Quantities taken by Shipper at the Delivery Point(s), Transporter shall provide Shipper 48 hours notification, or such lesser period of time as reasonably required by Transporter to protect the integrity of its system, to initiate corrective action. In the event Shipper fails to agree upon the appropriate corrective action to be implemented with Transporter or fails to initiate the corrective action mutually agreed upon by Shipper and Transporter within the period provided, Transporter shall charge Shipper a penalty equal to the maximum applicable rate under Rate Schedule IT per MMBtu for any receipts which are in excess of or deficient by the greater of ten percent or 1,000 MMBtu of deliveries after the time at which corrective action was to have taken effect.

- (b) Monthly Balancing. At least seven days prior to the end of each Month Transporter will notify Shipper if it appears that Input Quantities will be in excess of or deficient of the quantities taken by Shipper at all Delivery Points. In the event Shipper fails to agree upon the appropriate corrective action to be implemented with Transporter within five Business Days after notification, or fails to carry out the corrective action agreed upon within the agreed upon time frame, Transporter shall charge Shipper a penalty equal to the maximum applicable rate under Rate Schedule IT per MMBtu for any excess of deliveries over receipts that has not been made up, and Transporter shall retain any excess of receipts over deliveries that has not been made up.

Imbalances for any Month that become apparent after the time for notice has expired shall be considered as an imbalance for the Month following the Month in which the imbalance became apparent.

- 6.4 Overrun Penalty. If on any day Shipper takes delivery of a quantity of Gas from Transporter at any Delivery Point which exceeds Shipper's Maximum Equivalent Quantity at such Delivery Point by two percent, then Shipper shall pay to Transporter \$2.50 for each MMBtu up to 50 MMBtu in excess of the applicable Maximum Equivalent Quantity, and \$25.00 per MMBtu for any additional quantity of Unauthorized Daily Overrun taken by Shipper at such Delivery Point.

- 6.5 Operational Balancing Agreement ("OBA"):

- (a) An OBA is a contract between two parties which specifies the procedures to manage operating variances at an interconnect.
- (b) Transporter will enter into an Operational Balancing Agreement with the Receiving Party. The Receiving Party is the downstream pipeline or local distribution company (LDC) that takes delivery of the Gas at the Delivery Point for its own account and/or the account of its Transportation customers. The Receiving Party will be responsible for any imbalances at the Delivery Points and for any scheduling and/or balancing penalties resulting from these imbalances.

- 6.6 Penalty Provisions Inapplicable.

- (a) No monthly imbalance charge shall be assessed unless Transporter has notified Shipper that an imbalance has occurred or will occur without corrective action and Shipper has failed to take action in coordination with Transporter's Gas dispatchers which corrects such imbalance within 45 days of notification. Transporter will not assess imbalance or scheduling penalties in the event Shipper's failure to take corrective action or Shipper's failure to correctly schedule Gas deliveries is caused by Transporter's actions or force majeure conditions as defined in Section 18 of the General Terms and Conditions of this Tariff. In addition, in any Month in which Shipper may be liable for both daily and monthly imbalance penalties, the sum of the imbalance quantities for which Shipper has been assessed a daily penalty shall be deleted from the imbalance quantities used in calculating the monthly penalty. In calculating excess and deficient quantities, Transporter shall take into consideration (1) scheduled make-up quantities, and (2) any offsetting excess or deficiency in deliveries under other Transportation Service Agreements between Transporter and Shipper.

- 6.7 Penalty Provisions Not Exclusive. Nothing in this Section 6 shall limit Transporter's right to take such action as may be required to adjust deliveries or receipts in order to alleviate conditions which threaten the integrity of its system, nor prevent Transporter from exercising any other legal remedies which may be available. In the event that Transporter reasonably determines that Shipper's receipts or deliveries must be adjusted in order to alleviate a threat to the integrity of Transporter's system, and Shipper fails after reasonable notice to implement the action prescribed by Transporter to alleviate the threat to system integrity, then in addition to all other remedies Transporter may have, Transporter may assess a penalty equal to two times the maximum IT Rate Schedule rate per MMBtu by which Shipper's receipts or deliveries exceed the level specified by Transporter.

- 6.8 Proceeds resulting from penalties, net of costs, including imbalance, overrun and OFO penalties, shall be credited to Shippers receiving service under Rate Schedules

FT and IT. The credits will be allocated pro rata based on the total revenues received from each Shipper under Rate Schedules FT and IT during the calendar year, compared to the total revenues received from all Shippers under Rate Schedules FT and IT during the calendar year. Penalty revenue credits will be allocated only to those Shippers that were not assessed penalties on the day(s) for which such penalty revenues are to be credited. Penalty revenue credits will be reflected as a credit billing adjustment to each May billing for credits accrued during the prior calendar year.