

GENERAL TERMS AND CONDITIONS

## 6.1 DEFINITIONS

1. The term "Agreement" shall mean the Service Agreement executed by the Customer and Seller and any exhibits, attachments and/or amendments thereto.
2. The term "Average Monthly Storage Volume" shall mean the sum of Customer's Working Storage Gas at the end of each Day of the Month divided by number of Days in the Month.
3. The term "BTU" shall mean one (1) British thermal unit, the amount of heat required to raise the temperature of one (1) pound of water one degree (1) Fahrenheit at sixty degrees (60) Fahrenheit. (BTU is measured on a dry basis at 14.73 psia.)
4. The term "Business Day" shall mean every Monday, Tuesday, Wednesday, Thursday or Friday, excluding all federal banking holidays for transactions in the United States and similar holidays for transactions in Canada and Mexico.
5. The term "Central Clock Time" shall mean Central Standard Time except for that period when daylight savings is in effect. During this period, Central Clock Time shall mean Central Daylight Time.
6. The term "Commission" and "FERC" shall mean the Federal Energy Regulatory Commission or any successor regulatory authority having jurisdiction.
7. The term "Customer" shall mean any person, corporation, partnership or any other party that executes a valid Service Agreement with Blue Lake Gas Storage Company for the Storage of Gas under the terms and conditions of Seller's FERC Gas Tariff.
8. The term "Daily Rate" shall mean the result of the calculation of multiplying the monthly rate by the number of Months in the rate period; dividing the result by the number of Days in the rate period; and taking the answer out to 5 decimal places and rounding up or down to the Seller's specific decimal place or by multiplying the Daily Rate times the number of Days in the rate period; dividing the result by the number of Months in the rate period; and taking the answer out to 5 decimal places and rounding up or down to the Seller's specific decimal place.
9. The term "Day" shall mean a period of consecutive hours, beginning at 9:00 a.m. Central Clock Time and ending on the following 9:00 a.m. Central Clock Time.
10. The term "Dekatherm" (Dth) shall mean the quantity of heat energy which is equivalent to one (1) million (1,000,000) BTU; thus the term MDth shall mean one (1) thousand Dth.

11. The determination of quantities deemed to be delivered for purposes of use of the term "Each Dekatherm Of Gas Which Is Delivered" shall be the pro rata allocation of the quantities of Gas nominated, after adjustments for Seller's Use and pursuant to Section 6.4.3 of these General Terms and Conditions, for injection into Storage or for withdrawal from Storage.
12. The term "Equivalent Quantities" shall mean a quantity of Gas containing an amount of Dths equal to the amount of Dths received by Seller for the account of Customer at the Point of Injection/Withdrawal reduced by the Dths removed for Seller's Injection and/or Withdrawal Use as attributable to the Storage of Customer's Gas.
13. The term "Gas" shall mean natural gas, including casinghead gas produced with crude oil, gas from gas wells and gas from condensate wells and synthetic natural gas.
14. The term "Liquids Revenues" shall mean revenue from the sale of liquid or liquefiable hydrocarbons removed by Seller's separation facilities from Gas withdrawn from Seller's facilities, net of any costs including, but not limited to, severance taxes, royalties, transportation costs and third-party processing fees which may include the retention of liquids or liquefiables.
15. The term "Maximum Storage Quantity" shall mean the greatest number of Dths that Seller is obligated to store on behalf of Customer on any Day.
16. The term "Month" shall mean the period beginning on the first Day of a calendar month and ending at the same hour on the first Day of the next succeeding calendar month.
17. "NAESB Standards" shall mean the standardized business practices, procedures and criteria which have been adopted and published by the North American Energy Standards Board and which have been adopted by reference by the Commission.
18. The term "North American Energy Standards Board" or "NAESB" shall mean the private, consensus standards developer whose wholesale natural gas standards are developed by representatives from all segments of the natural gas industry.
19. The term "OBA" shall mean a contract between two parties which specifies the procedures to manage operating variances at an interconnect.
20. The term "Operator" shall mean a party that operates the facilities that interconnect with Seller's facilities.

21. The term "Point of Injection/Withdrawal" shall mean the point of interconnection between Seller's Storage Facilities and third party transporter's facilities located in Kalkaska County, Michigan.
22. The term "Releasing Customer" shall mean any Customer releasing capacity under Section 5.1.8 of Rate Schedule FS.
23. The term "Replacement Customer" shall mean any Customer to which capacity is released under Section 5.1.8 of Rate Schedule FS.
24. The term "Seller" shall mean Blue Lake Gas Storage Company.
25. The term "Seller's Injection Use" shall mean the applicable percentage stated in Section 4.1 of this Tariff multiplied by the quantity of Gas injected into Storage for the account of Customer.
26. The term "Seller's Use" shall mean the sum of the Seller's Injection Use and the Seller's Withdrawal Use.
27. The term "Seller's Withdrawal Use" shall mean the applicable percentage stated in Section 4.1 of this Tariff multiplied by the quantity of Gas withdrawn from Storage for the account of Customer.
28. The term "Service Day" shall mean the Day during which Customer receives Storage Service pursuant to a nomination in accordance with Section 6.4 of these General Terms and Conditions.
29. The term "Storage" or "Storage Service" shall mean the storage of Gas.
30. The terms "Tender", "Tender Gas" and "Tender of Gas" shall mean that the delivering party is able and willing, and offers, to deliver Gas to or for the account of the receiving party at the Point of Injection/Withdrawal.
31. The term "Usage Charges" shall mean all variable charges associated with the injection/withdrawal of Gas by Seller.
32. The term "Wire Transfer" shall mean payments made/effectuated by wire transfer (Fedwire, CHIPS, or Book Entry), or Automated Clearinghouse, or any other recognized electronic or automated payment mechanism that is agreed upon by Seller in the future.
33. The term "Working Storage Gas" shall mean the quantity of Gas held in Storage at any given time, by Seller, for the account of Customer.

34. Capitalized terms not defined herein are defined pursuant to NAESB.

## 6.2 REQUESTS FOR STORAGE SERVICE

- 6.2.1 Requests. To seek to qualify for Storage Service pursuant to Rate Schedules FS or IS, a potential Customer shall submit a Request for such Service in writing to the Seller. Seller shall evaluate and respond to such requests as soon as is reasonably possible, and shall begin service, if an Agreement is executed, as soon as is reasonably possible, after execution of the Agreement. Such a Request shall be considered acceptable only if the information specified in Section 6.2.2, below, is provided in writing, but Seller may waive all or any portion of such information in individual instances, when the information is already in the possession of Seller. Each Request for Service under Rate Schedule FS by or on behalf of each proposed Customer shall be accompanied by refundable earnest money in the form of either Wire Transfer or a check payable to Blue Lake Gas Storage Company in the amount of the lesser of ten thousand dollars (\$10,000) or the aggregate reservation charges which would be due for two Months of service for such requested service, which amount shall be applied, until fully used, against the first amounts due by Customer to Seller as reservation charges; provided, however, that if the request is not accepted by Seller or if service is not otherwise offered, Seller will refund earnest money thirty (30) Days after notice to potential Customer that Seller is not accepting offer.

Requests for service shall be sent to:

Blue Lake Gas Storage Company  
700 Louisiana Street, Suite 1300  
Houston, Texas 77002-2700  
Attention: Commercial Operations

## 6.2.2 Form of Request for Storage Service.

- (a) Each request, to be considered as an acceptable and valid request, must furnish the portion of the information set forth below.
- (b) Requestor's Identification: Name, address, representative, telephone number of party requesting service.
- (c) Customer's Identification: (Note: The "Customer" is the party which proposes to execute the Agreement).
  - (1) Name, address, representative and telephone number of Customer.
  - (2) A statement of whether Customer is a local distribution company, an intrastate pipeline, an interstate pipeline, marketer/broker, producer, end user or other type of entity (which shall be described).
  - (3) A statement of whether Customer is acting for itself or as agent for someone else (who must be named).
  - (4) A statement of whether Customer is a Replacement Customer and the contract number under which Replacement Customer is requesting service.
- (d) Type of Service(s) Requested: Specify for which Volume No. 1 Rate Schedule service is desired.
- (e) Quantity: (stated in Dekatherms)
  - (1) Maximum Storage Quantity, which shall not be less than 100,000 Dekatherms, except for volumes under Section 5.1.8 of Rate Schedule FS.
  - (2) Storage Demand Withdrawal Quantity, which shall be one seventieth (1/70) of the Maximum Storage Quantity.
- (f) Term of Service:
  - (1) Date service is requested to commence.
  - (2) Date service is requested to terminate (Agreements for FS shall terminate on March 31).
- (g) Certified Statement: A certified statement that the Customer has, or will have, by the time of execution of an Agreement with Seller, title to, or the legal right to cause to be delivered to Seller, for Storage the Gas which is to be delivered to Seller and facilities or contractual rights which will cause such Gas to be delivered to and received from Seller.
- (h) Credit Evaluation:

- (1) Customer's Bank References.
- (2) Customer should submit year end audited financial statements of Customer together with the latest quarterly report.
- (3) Customer's Affiliates, including parent, subsidiaries of parent and of such subsidiaries, and subsidiaries of Customer.
- (4) In the event proceedings have been commenced by or against such Customer for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension; or in the event a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of such Customer, or of a substantial part of its property, or for the winding up or liquidation of its affairs, shall have been entered, or any substantial part of the property of such Customer shall be sequestered or attached and shall not be returned to the possession of such Customer or released from such attachment within thirty (30) Days thereafter; or in the event such Customer shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due, Customer shall be required to fully disclose any and all actions regarding the above described proceedings against Customer or related parties defined in Section 6.2.2(h)(3), above, in its Request for Service.
- (5) Any other information requested by Seller pursuant to Section 6.11.5 of these General Terms and Conditions.

6.2.3 Subsequent Information.

- (a) If any of the events or actions described in Section 6.2.2(h)(4), above, shall be initiated or imposed during the term of service hereunder, Customer shall provide notification thereof to Seller within two (2) working Days of any such initiated or imposed event or action. Customer shall also provide, forthwith, such additional Customer credit information as may be reasonably required by Seller, at any time during the term of service hereunder, to determine Customer's creditworthiness.
- (b) After receipt of a Request for Storage Service hereunder, Seller may require that Customer furnish additional information as a prerequisite to Seller offering to execute an Agreement with Customer. Such information may include proof of Customer's title to the Gas involved and/or its legal right to cause the Gas to be delivered to Seller for Storage and of Customer's contractual and/or physical ability to cause such Gas to be delivered to and received from Seller.

6.2.4 Request Validity. Customer's Request for Storage Service shall be considered null and void if Seller has tendered an Agreement for execution to Customer and Customer fails to execute the Agreement within thirty (30) Days thereafter. Seller will not execute an Agreement under this Rate Schedule FS for which it does not have sufficient available capacity. If sufficient capacity is available, but Customer does not desire to or cannot begin Storage Service within thirty (30) Days after the date the request is made pursuant to Section 6.2.1 of these General Terms and Conditions, or such other period as the parties may agree to in writing, then such Request shall be considered null and void.

6.2.5 Customer's Performance. If a Customer that has executed an Agreement for service under Rate Schedule IS fails, on the later of the date service is to commence or fifteen (15) Days after the Customer executes the Agreement or the completion of construction of any necessary facilities or the issuance of any necessary governmental authorization, to nominate, pursuant to Section 6.4.1 of these General Terms and Conditions, a quantity of Gas for Storage, or fails, having nominated a quantity of Gas and Seller having scheduled the quantity for Storage, pursuant to Section 6.4.3 of these General Terms and Conditions, to Tender such Gas for Storage on the date it is scheduled, the Seller may terminate Customer's Agreement and the Customer's request for service shall be deemed null and void; provided, however, that the Customer's Agreement shall not be terminated nor shall the Customer's request for service be deemed null and void if the Customer's failure to nominate or Tender is caused by an event of force majeure on Seller's system, as defined in Section 6.9 of these General Terms and Conditions.

6.2.6 Complaints. In the event that a Customer or potential Customer has a complaint relative to service under this Seller's Tariff, the Customer shall:

- (a) Provide a description of the complaint to Seller, verbally or in writing, including the identification of the Storage request (if applicable). Complaints should be directed to Seller's Chief Compliance Officer (CCO). The CCO's appropriate contact information is available via Seller's Internet Site.
- (b) Within forty-eight (48) hours, Seller will respond initially to the complaint and Seller shall respond in writing within thirty (30) Days advising Customer or potential Customer of the disposition of the complaint.

6.2.7 Information.

Contact information is available via Seller's Internet Site for any person desiring information on the availability, pricing, or other terms of the Storage Services.

#### 6.2.8 Relationship with Affiliates.

Information on any facilities that Seller's storage function employees share with any of the marketing function employees of its affiliate(s) will be available on its Internet Site, in accordance with the Commission's regulations.

### 6.3 STORAGE SERVICE

Treatment of Gas. Seller may subject or permit the subjection of Gas stored hereunder to compression, cooling, cleaning, or other processes to such extent as may be required in Seller's sole opinion.

## 6.4 NOMINATIONS, SCHEDULING AND ALLOCATION

- 6.4.1 (a) Nominations. Seller will accept nominations for Storage Service as provided herein. A valid nomination is a data set which contains, at a minimum, the mandatory data elements included in the NAESB Standards related to nominations, and any additional Seller-required data elements. All Timely and Intraday nominations for service shall be made via Electronic Delivery Mechanism ("EDM") as approved by the Commission. Seller will accept nominations via mail, fax, courier service or personal delivery. Seller will support the receipt of nominations, via the methods listed above, and EDM in a manner designed to enable Customers to submit nominations seven Days a week, twenty-four hours a Day.

Each nomination shall indicate whether it is being submitted as a Timely or Intraday nomination. The standard quantity for nominations, for confirmations and scheduling, in the United States, shall be Dekatherms per gas day. For Canada and Mexico it shall be Gigajoules per gas day. For commercial purposes the standard conversion factor between Dekatherms and Gigajoules shall be 1.055056 Gigajoules per Dekatherm. (For reference 1 Dekatherm - 1,000,000,000 BTUs and 1 Gigajoule = 1,000,000,000 Joules.) The standard BTU is the International BTU, which is also called the BTU(IT); the standard Joule is the Joule specified in the SI system of units.

Customer may use an agent to provide all or a portion of its nomination data, provided that Seller is so advised in advance in writing. A Customer that uses an agent for such nomination purposes shall hold Seller harmless for all actions or inactions of its agent.

- (b) Timely Nominations. A "Timely Nomination" is a nomination for Storage Service for any Day. The Timely Nomination shall include a begin date and end date, which must be within the term of the Customer's Service Agreement. Each Day within a date range nomination is considered an original nomination. Subsequent nomination for one or more Days within the range supersede only the Days specified. The Days outside the range of the subsequent nomination are unaffected. Nominations have a prospective effect only. Seller shall process all new or revised nominations that are submitted by 1:00 p.m. Central Clock Time and received by 1:15 p.m. Central Clock Time on the Day before the applicable Service Day. Customer may nominate zero (0) for a daily quantity, but in the event Customer nominates a daily quantity in excess of zero (0), such daily quantity shall not be less than five hundred (500) Dth. Customer shall also inform Seller in advance of each Month of the desired order of priority of injections and withdrawals under each Agreement and Seller may rely thereon (or in the absence of such information, upon Seller's judgment) if allocation under such Agreement is required.
- (c) The Timely Nominations Cycle. The timetable for Timely Nominations shall be as follows on the Day before a Service Day, Central Clock Time:

1:00 p.m. Nominations leave control of the service requester;

1:15 p.m. Nominations are received by Seller (including from Title Transfer Tracking Service Providers (TTTSPs));

1:30 p.m. Seller sends the quick response to the service requester;

4:30 p.m. Seller receives completed confirmations from confirming parties;

5:00 p.m. Service requester and point operator receive scheduled quantities from Seller.

Scheduled quantities resulting from Timely Nominations shall be effective at the start of the next Service Day.

In addition, at the end of each Service Day, the Seller should provide the final scheduled quantities for the just completed Service Day. With respect to the implementation of this process via EDI/EDM, the Seller should send an end of Service Day Scheduled Quantity (NAESB WGQ Standard 1.4.5) and Scheduled Quantity for Operator (NAESB WGQ Standard 1.4.6). A receiver of either of these documents can waive the Seller's requirement to send such documents.

Seller, as receiver of nominations, initiates the confirmation process. The party receiving a request for confirmation or an unsolicited confirmation response may waive the obligation of the Seller to send. The sending party will adhere to nomination, confirmation and scheduling deadlines. The party receiving the communication shall have the right to waive any deadline, on a non-discriminatory basis.

- (d) Other Nominations. Seller may, at its option, accept nominations which are not timely as described above. In that event, Seller shall not be required to comply with the Timely Nomination timeline set out above.

6.4.2 (a) Intraday Nominations. Any nomination submitted after the Timely Nomination deadline, by eligible Customers, shall be an Intraday Nomination. An Intraday Nomination shall be effective for one (1) Day only. Intraday Nominations may be used to nominate new supply or market. The nomination process set forth in Section 6.4.1(a), above, shall apply to the Intraday Nominations. An Intraday quantity shall be a revised daily quantity.

(1) Timetables for Intraday Nominations shall be as follows:

(a) Evening Nomination Cycle - shall be as follows on the Day before a Service Day, Central Clock Time:

6:00 p.m. Nominations leave control of the service requester;

6:15 p.m. Nominations are received by the Seller (including from TTTSPs);

6:30 p.m. Seller sends the quick response to the service requester;

8:30 p.m. Seller receives completed confirmations from confirming parties;

9:00 p.m. Seller provides scheduled quantities to the affected service requester and point operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Evening Nominations shall be effective at the start of the next Service Day.

(b) Intraday 1 Nomination Cycle - shall be as follows on the current Service Day, Central Clock Time:

10:00 a.m. Nominations leave control of the service requester;

10:15 a.m. Nominations are received by the Seller (including from TTTSPs);

10:30 a.m. Seller sends the quick response to the service requester;

12:30 p.m. Seller receives completed confirmations from confirming parties;

1:00 p.m. Seller provides scheduled quantities to the affected service requester and point operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 1 Nominations should be effective at 2:00 p.m. on the current Service Day.

- (c) Intraday 2 Nomination Cycle - shall be as follows on the Service Day, Central Clock Time:

2:30 p.m. Nominations leave control of the service requester;

2:45 p.m. Nominations are received by Seller (including from TTTSPs);

3:00 p.m. Seller sends the quick response to the service requester;

5:00 p.m. Seller receives completed confirmations from confirming parties;

5:30 p.m. Seller provides scheduled quantities to the affected service requester and point operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 2 Nominations shall be effective at 6:00 p.m. on the current Service Day.

- (d) Intraday 3 Nomination Cycle – shall be as follows on the Service Day, Central Clock Time:

7:00 p.m. Nominations leave control of the service requester;

7:15 p.m. Nominations are received by Seller (including from TTTSPs);

7:30 p.m. Seller sends the quick response to the service requester;

9:30 p.m. Seller receives completed confirmations from confirming parties;

10:00 p.m. Seller provides scheduled quantities to the affected service requester and point operator.

Scheduled quantities resulting from Intraday 3 Nominations shall be effective at 10:00 p.m. on the current Service Day. Bumping is not allowed during the Intraday 3 Nomination Cycle.

- (e) For purposes of Sections 6.4.2(a)(1) above, the word "provides" shall mean, for transmittals pursuant to NAESB WGQ Standards 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.

An Intraday nomination is subject to Operator's confirmations and Seller's operating conditions. If Operator confirmation is not received the Intraday nomination will not be accepted. Seller will not accept a reduced Intraday nomination for any quantity deemed already delivered based on an average hourly flow.

- (b) For purposes of providing notice of any nomination changes to a Customer and or Customer's agent, Seller shall contact either party by telephone or other instant communication device. With respect to changes initiated by Seller, if a Customer so elects, such Customer may provide a telephone number and Seller will contact Customer at such phone number to alert Customer that a change has been made; provided that where an interruptible Customer's nomination is bumped by a firm Customer's intraday nomination, Seller shall provide notice of such bump to the interruptible Customer in the same manner that Seller uses to notify Customers of OFOs.

- 6.4.3 Scheduling of Storage and Allocation of Service. For each Day, Seller will schedule injections and withdrawals of Gas, on the basis of: Storage nominations made by Customers (which Seller is hereby authorized to rely upon in its scheduling); Storage capacity available on Seller's system in light of nominations and requests; and overall operating conditions from time to time. If, on any Day, Seller determines that the capacity of its system is insufficient to serve all Storage nominations scheduled for such Day, or to accept the quantities of Gas tendered, capacity shall be allocated to provide service in the following order:
- (a) In scheduling deliveries of firm Storage nominations on any Day when capacity is constrained, Seller shall allocate service on a pro rata basis to those Customers nominating volumes on such Day based upon such Customer's contracted daily injection or withdrawal volumes compared to the contracted daily injection or withdrawal volumes of all other Customers nominating volumes on such Day.
  - (b) In scheduling nominated quantities for interruptible Storage Services hereunder, after providing for firm Storage Service, Seller shall utilize the priorities established in Section 6.10 of these General Terms and Conditions, provided however that no interruptible Customer shall have a claim of priority on any Day to quantities in excess of the lesser of (1) such interruptible Customer's Maximum Daily Injection Quantity or Maximum Daily Withdrawal Quantity as applicable or (2) such interruptible Customer's nomination.

- 6.4.4 Delivery of Gas. Seller, subject to the other provisions hereof, shall make daily delivery, to the extent practicable, of Equivalent Quantities of Gas at the Point of Injection/Withdrawal.

6.4.5 Hourly Variation. Injections and Withdrawals shall be made at uniform hourly rates to the extent practicable.

- 6.4.6 Limitation on Obligation. Should the quantities of Gas received from Customer(s) by Seller at the Point of Injection/Withdrawal exceed the Maximum Daily Injection Quantity plus the Seller's Injection Use, Seller shall notify Customer(s) of such fact, a reasonable time after such becomes known, and Customer(s) shall seek to reduce deliveries to Seller forthwith. In the event any such excess delivery would jeopardize the safety of Seller's operations and/or its ability to meet its contract commitments to others, such decisions being solely within the judgment and discretion of Seller, Seller shall have the right to refuse to accept, without any liability to Customer, or any other person, all or such part of said excess delivery as Seller deems necessary, and shall notify Customer accordingly.

- 6.4.7 Reduction in Maximum Storage Quantity. In the event that Customer nominates or utilizes less than 50% of its Maximum Storage Quantity under Rate Schedule IS for a period of one (1) year, Seller may reduce Customer's Maximum Storage Quantity to 125% of the average utilization during such year, which new Maximum Storage Quantity, as applicable, shall be effective on the first Day of the Month following the Month in which Seller gives Customer notice of such reduction.

## 6.5 PRESSURE AT POINT OF INJECTION/WITHDRAWAL

Pressure at Point of Injection/Withdrawal. Unless otherwise agreed to by the parties as set forth in the Service Agreement, Customer shall cause the Gas to be delivered at the Point of Injection/Withdrawal at a pressure sufficient to allow the Gas to enter Seller's system at the varying pressures that may exist in such system from time to time; provided, however, that such pressure of the Gas delivered or caused to be delivered by Customer shall not exceed the Maximum Allowable Operating Pressure ("MAOP") which Seller specifies for the Point of Injection/Withdrawal. In the event the MAOP of Seller's system, at the Point of Injection/Withdrawal hereunder, is from time to time increased or decreased, then the MAOP of the Gas delivered or caused to be delivered by Customer to Seller at the Point of Injection/Withdrawal shall be correspondingly increased or decreased upon notification by Seller to Customer.

Unless otherwise agreed to by the parties as set forth in the Service Agreement, Seller shall Tender the Gas to or for the account of Customer at the Point of Injection/Withdrawal hereunder at Seller's prevailing line pressure as such may vary from time to time.

Blue Lake Gas Storage Company  
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Effective May 27, 2010 No. 1

PART 6.5  
Docket No. RP10-72-00 T&C  
Pressure at Point of Injection/Withdrawal  
v.1.0.0 Superseding v.0.0.0

## 6.6 MEASUREMENT AND MEASUREMENT EQUIPMENT

Blue Lake Gas Storage Company  
Filed: October 22, 2010  
Effective May 27, 2010 No. 1

PART 6.6  
Docket No. RP10-72-00 T&C  
Measurement and Measurement Equipment  
v.1.0.0 Superseding v.0.0.0

### 6.6.1 Equipment.

- (a) The volume of Gas delivered to Seller hereunder or redelivered to or for the account of Customer hereunder shall be measured by:
  - (1) An orifice meter, designed, installed maintained and operated as recommended in the latest issue of American National Standard ANSI/API 2530 (American Gas Association Gas Measurement Report No. 3), entitled "Orifice Metering of Natural Gas and Other Related Hydrocarbon Fluids", as such publication may be revised from time to time (hereinafter referred to as "AGA Report No. 3"); or
  - (2) A turbine meter, designed, installed, maintained and operated as recommended in the latest issue of American Gas Association Transmission Measurement Committee Report No. 7, entitled "Measurement of Fuel Gas by Turbine Meters", as such publication may be revised from time to time (hereinafter referred to as "AGA Report No. 7"); or
  - (3) A positive displacement meter, installed and operated in accordance with generally accepted industry practices.
- (b) Auxiliary measuring equipment shall be installed, maintained and operated in accordance with generally accepted industry practices.

## 6.6.2 Measurement.

- (a) The volume of Gas delivered to Seller or redelivered to or for the account of Customer shall be calculated by means of either an electronic flow computer, or by the processing of meter charts, in either case in the following manner:
  - (1) When the measuring equipment is an orifice meter, the flow of Gas through the meter shall be computed in the manner recommended in AGA Report No. 3, properly using all factors set forth therein.
  - (2) When the measuring equipment is a turbine meter, the volume of Gas delivered through the meter shall be computed in the manner recommended in AGA Report No. 7, properly using all factors set forth therein.
  - (3) When the measuring equipment is a positive displacement meter, the volume of Gas delivered through the meter shall be computed by properly applying, to the volume delivered at flowing Gas pressures and temperatures, correction factors for (i) absolute static pressure, (ii) flowing Gas temperature, and (iii) compressibility ratio.
- (b) The volume of Gas injected or withdrawn hereunder shall be computed using the standards and factors determined as follows:
  - (1) The unit of volume for the purpose of measurement shall be one thousand cubic feet of Gas at a temperature of sixty degrees (60°) Fahrenheit and a pressure of 14.73 pounds per square inch absolute, dry. Volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry. Volumes reported in Gigacalories, the standard conditions are 1.035646 Kg/cm<sup>2</sup>, 15.6 degrees C, and dry. The Dekatherm equivalent of such unit of volume shall be determined by multiplying each such unit of volume by the total heating value per cubic foot of the Gas delivered hereunder (adjusted to a common temperature and pressure base) and by dividing the result by one thousand (1,000).
  - (2) The average absolute atmospheric (barometric) pressure at the Point of Injection/Withdrawal shall be assumed to be equal to 14.4 pounds per square inch.
  - (3) The flowing temperature of the Gas shall be determined by means of an instrument of standard manufacture accepted in the industry for this purpose.
  - (4) The supercompressibility factor used in computing the volume of Gas delivered through an orifice meter shall be determined in a manner which yields results consistent with the results produced by the procedures presented

in the American Gas Association Transmission Measurement Committee Report No. 8 entitled "Compressibility and Supercompressibility for Natural Gas and Other Hydrocarbon Gases."

- (5) The specific gravity of the Gas used in computing the volume of Gas delivered through a meter shall be determined by one of the following methods:
  - (i) At intervals of not more than six (6) Months, by means of an instrument of standard manufacture accepted in the industry for this purpose using a sample of Gas from the Gas stream at the Point of Injection/Withdrawal.
  - (ii) By means of an instrument of standard manufacture accepted in the industry for this purpose installed at a point to measure the specific gravity of the Gas stream from which Gas is being delivered at the Point of Injection/Withdrawal.
- (6) The compressibility ratio factor "s" used in computing the volume of Gas delivered through a turbine meter or a positive displacement meter shall be determined by the equation  $s = (Fpv)^2$ , in which "Fpv" is the supercompressibility factor determined as described in Section 6.6.2(b)(4), above.
- (7) In determining the flowing temperature factor, supercompressibility factor, and compressibility ratio factor "s" for use in computing the volume of Gas delivered through a meter, the flowing Gas temperature for only the period(s) of time that Gas was flowing through the meter shall be used.

### 6.6.3 Testing and Accuracy.

All flow, measuring, testing and related equipment shall be of standard manufacture and type approved by Seller. If applicable, Seller or Customer may install check measuring equipment, provided that such equipment shall be so installed as not to interfere with the operations of the Operator. Seller, or Customer, in the presence of the other party, shall have access to measuring equipment at all reasonable times, but the reading, calibrating, and adjusting thereof and the changing of charts, if any, shall be done by the Operator. Seller or Customer shall have the right to be present at the time of the installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating or adjusting done by the Operator of the measuring equipment. The records from such measuring equipment shall remain the property of the Operator, but upon request, the other party may request records, including charts, if any, together with calculations therefrom for inspection, subject to return within thirty (30) Days after receipt thereof. Reasonable care shall be exercised in the installation, maintenance and operation of the measuring equipment so as to avoid any inaccuracy in the determination of the volume of Gas injected and withdrawn. The accuracy of all measuring equipment shall be verified by Operator at reasonable intervals, and if requested, in the presence of representatives of the other party, but neither Seller nor Customer shall be required to verify the accuracy of such equipment more frequently than once in any thirty (30) Day period.

If either party at any time desires a special test of any measuring equipment, it will promptly notify the other party and the parties shall then cooperate to secure a prompt verification of the accuracy of such equipment. Transportation and related expenses involved in the testing of meters shall be borne by the party incurring such expenses.

The Operator, for purposes of this section, shall be the owner of the equipment referenced herein, or the agent of such owner, or such other person as the parties may agree in writing.

If, upon any test, Operator's measuring equipment is found to be in error, such errors shall be taken into account in a practical manner in computing the deliveries. If the resultant aggregate error in the computed receipts or deliveries is not more than 0.5% for chromatograph or calorimeter and two percent (2%) for other measuring equipment, then previous receipts or deliveries shall be considered accurate. All equipment shall, in any case, be adjusted at the time of test to record correctly. If, however, the resultant aggregate error in computing receipts or deliveries exceeds 0.5% for chromatograph or calorimeter and two percent (2%) for other measuring equipment, at a recording corresponding to the average hourly rate, of Gas flow rate for the period since the last preceding test, the previous recordings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, such correction shall be for a period extending over one-half of the time elapsed since the date of the last test.

#### 6.6.4 Correction Methods.

In the event any measuring equipment is out of service, or is found registering inaccurately and the error is not determinable by test, previous recordings of injections or withdrawals through such equipment shall be determined as follows; provided, however, that the correction period shall not exceed one (1) year:

- (a) by using the registration of any check meter or meters if installed and accurately registering, or in the absence of (a);
- (b) by correcting the error if the percentage of error is ascertainable by calibration, special test or mathematical calculation, or in the absence of both (a) and (b) then;
- (c) by estimating the quantity of receipt or delivery based on receipts or deliveries during preceding periods under similar conditions when the meter was registering accurately.

#### 6.6.5 New Methods of Measurement.

If at any time during the term hereof, a new method or technique is developed with respect to Gas measurement or the determination of the factors used in such Gas measurement, such new method or technique may be substituted upon mutual agreement thereto by both parties.

6.6.6 Preservation of Records.

The parties agree to preserve for a period of at least three (3) years or such longer period as may be required by public authority, all test data, charts, if any, and other similar records.

#### 6.6.7 Monthly Close and Adjustments.

In accordance with the provisions of Sections 6.6.3 and 6.6.4, above, Seller will use the best information available to close its allocation of quantities for a service Month. For the purposes of Sections 6.6.3 and 6.6.4, above, "close" shall mean five (5) Business Days after the applicable service Month. To the extent that adjustments are made after the date of such close such adjustments ("Prior Period Adjustments" or "PPA") shall be treated under this Section 6.6.7. If the PPA are due to the correction of measurement data or reallocation of volumes, such adjustments should be processed within six (6) Months of the applicable service Month. If the affected party disputes the as-adjusted quantity it is entitled to rebut the basis for the PPA, but only if it does so within three (3) Months of the processing of the as-adjusted quantity. Notwithstanding the above specified deadlines for processing/rebutting PPA, such deadlines shall not apply in the case of deliberate omission or misrepresentation or mutual mistake or fact. Parties' other statutory or contractual rights shall not be diminished by this standard. Mutual agreement between parties, legal decisions, and regulatory guidance may be necessary to determine if the event qualifies for an extension of the above time periods.

## 6.7 QUALITY

1. Heat Content. Heat content shall mean the gross heating value per cubic foot of Gas received or delivered hereunder. Such Gas shall have a heat content not less than 950 BTU per cubic foot when determined on a dry basis. Seller shall have the right to waive such BTU content limits if, in Seller's sole opinion, Seller is able to accept Gas with a BTU content outside such limits without affecting Seller's operations. The total heating value per cubic foot of Gas shall be determined by one of the following methods:
  - (a) by means of an instrument of standard manufacture installed to measure the heating value of the Gas.
  - (b) at intervals of not more than six (6) Months by means of an instrument of standard manufacture and a sample of Gas from the Gas stream.
  - (c) other method mutually agreed upon by both parties.

For the purpose of calculating injections and withdrawals, the heat content of the Gas so determined at each such point shall be deemed to remain constant at such point until the next determination. The unit of quantity for the purpose of determining total heating value shall be one (1) cubic foot of anhydrous Gas at a temperature of sixty degrees (60) Fahrenheit and an absolute pressure of 14.73 psia, dry.

2. Freedom from Objectionable Matter. The Gas injected and withdrawn hereunder:
  - (a) shall be commercially free from dust or other solid or liquid matter which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters and other equipment of Seller;
  - (b) shall not contain more than one quarter (.25) grain of hydrogen sulfide per one hundred (100) cubic feet of Gas, as determined by methods prescribed in Standards of Gas Service, Circular of the National Bureau of Standards, No. 405, page 134 (1934 edition), and shall be considered free from hydrogen sulfide (H<sub>2</sub>S) if a strip of white filter paper, moistened with a solution containing five percent (5%) by weight of lead acetate, is not distinctly darker than a second paper freshly moistened with the same solution, after the first paper has been exposed to the Gas for one and one-half (1-1/2) minutes in an apparatus of approved form, through which the Gas is flowing at the rate of approximately five (5) cubic feet per hour, the Gas from the jet not impinging directly upon the test paper; or the H<sub>2</sub>S content may be determined by an instrument of approved type and by approved methods agreeable to the parties;

- (c) shall not contain more than twenty (20) grains of total sulfur (including the sulfur in any hydrogen sulfide and mercaptans) per one hundred (100) cubic feet of Gas;
  - (d) shall not at any time have an oxygen content in excess of one percent (1%) by volume and the parties hereto shall make every reasonable effort to keep the Gas free of oxygen;
  - (e) shall not contain as nearly as practicable any free water nor contain more than four (4) pounds of water vapor per million cubic feet of Gas;
  - (f) shall not contain more than two percent (2%) by volume of carbon dioxide;
  - (g) shall be delivered at a temperature not in excess of one hundred twenty degrees (120°) Fahrenheit or less than forty degrees (40°) Fahrenheit;
  - (h) shall not contain more than three percent (3%) by volume of nitrogen; and
  - (i) shall not contain any polychlorinated biphenyls.
3. Failure to Meet Specifications. Should any Gas tendered for injection or withdrawal hereunder fail at any time to conform to any of the specifications of this Article, the affected Party shall notify the other party of any such failure and the affected party may at its option suspend all or a portion of the receipt of any such Gas, and shall be relieved of obligations hereunder for the duration of such time as the Gas does not meet such specifications.
4. Commingling. It is recognized that Gas delivered to Seller by Customer will be commingled with other Gas stored hereunder by Seller. Accordingly, the Gas of Customer shall be subject to such changes in heat content as may result from such commingling and Seller shall, notwithstanding any other provision herein, be under no obligation to withdraw for Customer's account, Gas of a heat content identical to that caused to be delivered by Customer to Seller.

6.8 BILLING AND PAYMENT

6.8.1 Billing. On or before the ninth (9th) Business Day of each Month, Seller shall render (for purposes of this Section 6.8.1, "render" shall mean (a) postmarked or (b) time-stamped and electronically transmitted via EDM to the designated site, whichever is applicable) an invoice to Customer setting forth the amount due for the preceding Month under the applicable Rate Schedule(s). Seller's invoice shall be based on actuals (if available) or best available data. Quantities at points where OBAs exit shall be invoiced based on scheduled quantities. Seller may utilize estimates of the quantity of Gas received for injection from or tendered to or for account of Customer during a Month, in place of actual quantities when actual quantities are not reasonably available; provided that adjustments shall be made in later invoices for differences between such estimated and actual quantities. Such invoice shall include credits for capacity assignment required by Section 5.1.8 of Rate Schedule FS, if any, and credits for revenue derived from the sale of liquids, if any, determined in accordance with Section 6.13 of these General Terms and Conditions.

When information necessary for invoicing purposes is in the control of Customer, Customer shall furnish such information to Seller on or before the third (3rd) Day of the Month.

Both Seller and Customer have the right to examine at reasonable times, books, records and charts of the other to the extent necessary to verify the accuracy of any invoice, charge or computation made under or pursuant to any of the provisions hereof.

6.8.2 Payment. Customer shall pay any invoice, on or before the tenth (10th) Day after the date of the invoice. Payments by Customer to Seller shall be made in the form of Wire Transfer directed to a bank account designated by Seller, unless otherwise agreed to by the parties. Customer shall identify the invoice number specified by Seller to which the payment relates. Party making payment should submit supporting documentation; party receiving payment should apply payment per supporting documentation provided by the paying party; and if payment differs from invoiced amount, remittance detail should be provided with the payment, except when payment is made by electronic funds transfer (EFT), in which case, the remittance detail is due within two Business Days of the payment due date.

If rendering of an invoice by Seller is delayed after the ninth (9th) Business Day of the Month, then the time of payment shall be extended accordingly unless Customer is responsible for such delay. Should Customer fail to pay all of the amount of any invoice as herein provided when such amount is due, interest on the unpaid portion of the invoice shall accrue from the due date until the date of payment at a rate of interest equal to the prime rate plus two percent (2%) charged by Citibank, N.A. during that period to responsible Commercial and industrial borrowers, but which in no event shall be higher than the Maximum Rate permitted by applicable law. If such failure to pay continues, then following thirty (30) Days prior written notice from Seller of its intent to abandon service under the Agreement, Customer shall be deemed to have consented to such abandonment of service, unless within the thirty (30) Day period Customer pays to Seller the entire balance due with interest, and Seller, in addition to any other remedy it may have hereunder, may suspend further injection or withdrawal of Gas for Customer and may enter into Agreements to provide service to others using Customer's capacity and deliverability provided, however, that if Customer in good faith shall dispute the amount of any such invoice or part thereof and shall pay to Seller such amounts not in dispute, accompanied by documentation supporting the basis for the dispute and, at any time thereafter within thirty (30) Days of a demand made by Seller, shall furnish a good and sufficient surety bond in an amount and with surety satisfactory to Seller or other assurance acceptable to Seller, guaranteeing payment to Seller of the amount ultimately found due upon such invoice after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Seller shall not be entitled to suspend further injection or withdrawal of such Gas or to terminate or abandon service under the Agreement unless and until default be made in the conditions of such bond. The foregoing shall be in addition to any other remedies Seller may have, at law or in equity, with respect to Customer's failure to pay the amount of any invoice.

6.8.3 Adjustment of Invoicing Errors. Subject to the provisions of Section 6.6 of these General Terms and Conditions, if it shall be found that at any time or times Customer has been overcharged or undercharged and Customer shall have actually paid the invoice containing such charges, then within thirty (30) Days after the final determination thereof, either Seller shall refund the amount of any such overcharge or Customer shall pay the amount of any such undercharge. In the event an error is discovered in the amount invoiced in any invoice rendered by Seller, such error shall be adjusted within thirty (30) Days of the determination thereof, provided that claim therefor shall have been made within thirty (30) Days from the date of discovery of such error, but in any event within six (6) Months from the date of such invoice. The party receiving such request for adjustment shall have three (3) Months to rebut such claim otherwise the invoice shall be adjusted as requested. The preceding time limits do not apply to deliberate omission or misrepresentation or mutual mistake of fact or government required rate changes. The parties' statutory or contractual rights shall not otherwise be diminished by this Section. Mutual agreement between parties, legal decisions, and regulatory guidance may be necessary to determine if the event qualifies for an extension of the above time periods. If the parties are unable to agree on the adjustment of any claimed error, any resort by either of the parties to legal proceedings shall be commenced within fifteen (15) Months after the supposed cause of action is alleged to have arisen, or shall thereafter be forever barred.

6.9 FORCE MAJEURE

6.9.1 Definition. The term "force majeure" as used herein shall mean acts of God, strikes, lockouts, or other industrial disturbances; acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms (including but not limited to tornadoes or tornado warnings), crevasses, floods, washouts; arrests and restraints of the government, either Federal or State, civil or military, civil disturbances. Relative to Seller's service and solely to the operation of its system, force majeure shall also mean shutdowns for purposes of necessary repairs, relocation, or construction of facilities; breakage or accident to machinery, wells or lines of pipe or casings; testing (as required by governmental authority or as deemed necessary by Seller for the safe operation of the underground storage reservoir and facilities required to perform the service hereunder), the necessity of making repairs or alterations to machinery or lines of pipe; failure of wells, surface equipment or pipe lines, well or line freeze ups; accidents, breakdowns, inability to obtain necessary materials, or supplies or permits, or labor or land rights to perform or comply with any obligation or condition of this Agreement; an occurrence of nominations made by Customers on any Day pursuant to Section 6.4 of these General Terms and Conditions that are greater than zero (0) and less than 50,000 Dekatherms, in the aggregate; and any other causes, whether of the kind herein enumerated or otherwise which are not reasonably in Seller's control. It is understood and agreed that the settlement of strikes or lockouts or controversies with landowners involving rights of way shall be entirely within Seller's discretion and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts or controversies with landowners involving rights of way by acceding to the demands of the opposing party when such course is inadvisable in the discretion of Seller.

6.9.2 Force Majeure. If by reason of force majeure either party hereto is rendered unable, wholly or in part, to carry out its obligations under this Agreement, it is agreed that on such party giving notice in full particulars of such force majeure in writing to the other party within a reasonable time after the occurrence of the cause relied on, the party giving such notice, so far as and to the extent that it is affected by such force majeure, shall not be liable in damages during the continuance of any inability so caused, but for no longer period, and such cause shall so far as possible be remedied with all reasonable dispatch. Seller shall not be liable in damages to Customer other than for acts of gross negligence or willful misconduct and then only where force majeure does not apply.

- 6.9.3 Limitations. Such force majeure affecting the performance hereunder by either Seller or Customer, however, shall not relieve such party of liability in the event of concurring negligence or in the event of failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve Customer, in whole or in part, from its obligations to pay the monthly charges provided for in Section 6.8 of these General Terms and Conditions.

## 6.10 PRIORITY OF SERVICE REQUESTS AND SERVICE AGREEMENTS

#### 6.10.1 Firm Storage.

- (a) **Priority of Request for Initial Firm Storage Agreements.** After notification, pursuant to Section 6.14 of these General Terms and Conditions hereof, that Seller has available firm Storage capacity which is not subject to contract or is released pursuant to Section 5.1.8 of Rate Schedule FS, Seller will accept requests that Seller enter into an Agreement for firm Storage Service. Except as provided in Section 6.10.1(b), below, the order of priority among such requests shall be based upon the economic value of the transaction to Seller, with the transaction producing the greatest economic value having the highest priority of request, provided, however, that nothing herein shall require Seller to provide service at any rates less than Seller's applicable Maximum Rates, and provided further, that Seller shall not be required to enter into Service Agreements with terms of more than one Year unless Customer has a long-term debt rating of at least Baa3 according to Moody's Investors Service or BBB- according to Standard & Poor's Corporation or if its obligations to the Seller are guaranteed by a person with a long-term debt rating equal to or greater than stated above. Economic value shall be determined on the basis of the product of the term of service in years in the request, (using a term not to exceed twenty (20) years) and the Reservation Charges for each year in the life of the Agreement agreed to in the request by the requesting party, discounted to present value by the then-current interest rate determined in accordance with Section 154.501(d) of the Commission's Rules and Regulations. The sum of the present value for each year in the life of the Agreement shall be the economic value of the Agreement. In the event two or more bids with equal economic values are received for combined capacity in excess of the quantity of available firm capacity, the capacity will be allocated on a first come first served basis. Irrespective of whether a bid has the highest NPV of the bids received, Seller may reject any bid(s) for service that, in Seller's judgment, (i) may detrimentally impact the operational integrity of Seller's system; (ii) do not satisfy all the terms of the specified posting; (iii) contain terms and conditions other than those set forth in Seller's FERC Gas Tariff; or (iv) contain discretionary terms and conditions set forth in Seller's FERC Gas Tariff to which Seller has determined are not agreeable.
- (b) **Right of First Refusal.** Any Customer or Replacement Customer with an FS Agreement paying Maximum Rates and (1) having a term of twelve (12) consecutive Months or more, or (2) a term for more than one year for a service not available 12 consecutive Months, may exercise a right to continue to receive service under that Agreement for all or a portion of the firm capacity under the Agreement at the expiration of the Agreement's term provided that Customer notifies Seller twelve (12) months prior to the expiration of the Agreement of its intent to continue service under the Agreement, and will match the best offer made by others for such capacity or portion thereof by offering a rate and term of Agreement that produces an equivalent or greater economic value for such capacity as defined in Section 6.10.1(a), above, provided that Seller shall not be obligated to enter into an

extension of any Agreement or continue service at any rate less than Seller's Maximum applicable Rates in effect at the time of renewal, nor shall Seller be obligated to enter into an extension of any Agreement or continue service to any Customer or Replacement Customer who fails to meet the Creditworthiness requirements set forth in Section 6.11.5 of these General Terms and Conditions.

If a Customer is not entitled to a right of first refusal under this Section 6.10.1(b), Seller may agree in writing to provide Customer with a contractual right of first refusal. Seller shall offer contractual rights of first refusal on a not unduly discriminatory basis.

After Customer has notified Seller of its intent to continue service, Seller will conduct an open season by posting the capacity available under Customer's Agreement for bid on Seller's Internet Site at least 45 days prior to the date the existing Agreement is scheduled to expire. The bid period will be no less than 5 business days in duration. Within five (5) Business Days of the date bidding ends, Seller will notify Customer of the bid received having the greatest economic value, as defined by Section 6.10.1(a), above. Customer will have ten (10) Business Days to notify Seller whether it will match the rate and term offered in the best bid, and if so will execute a new Service Agreement matching the offer prior to the termination of the existing Agreement.

If no bids are received, Customer may continue to receive service under a new Agreement at the applicable Maximum Rate, or at a rate agreed to by Customer and Seller.

- (c) Priority of Firm Storage under Agreements. All firm Storage Agreements shall have equal priority as to service, and shall have priority over interruptible Storage Services under Rate Schedule IS. Service under both FS and IS shall have priority over Overrun Service.

#### 6.10.2 Interruptible Storage.

- (a) Priority of Nominations for Interruptible Service: Seller, in determining the allocation of interruptible service capacity on any Day among Customers under Rate Schedule IS, which have nominated quantities of service desired on such Day, shall be assigned the order of priority of such service on the basis that the highest rate offered for such service shall be accorded the highest priority. If more than one nomination or request for interruptible Storage on a Day includes an offer of the same rate, then the order of priority as among such nominations or requests shall be the same, and if the available capacity is insufficient to provide the full level of service proposed in such nominations or requests, the service provided shall be allocated among such Customers pro rata based on the quantities nominated or requested.
- (b) A Customer desiring service under Rate Schedule IS in a Month shall submit to Seller, the rate that such Customer is willing to pay for such service in such Month. The rate submitted by Customer pursuant to the above provision shall be used to determine priority among nominations on each Day of such Month. Once Customer's nomination is accepted, and priority is assigned thereto pursuant to this section for such Month, such priority shall not be changed by the execution of new IS Agreements during the Month for service under Rate Schedule IS.
- (c) Notwithstanding the provisions of this Section 6.10.2, if a Customer under Rate Schedule IS fails to submit a timely nomination for service for a Month, pursuant to these General Terms and Conditions, for such service, then such Customer's priority for such service for that Month, shall be changed, on the first Day of that Month, to a ranking below that of all other Customers who have made timely nominations for service.

### 6.10.3 Overrun Service.

All requests for Overrun Service under Rate Schedules FS or IS shall rank in priority below requests for service which are within the Customers' respective Maximum Storage Quantities. If some, but not all, overrun service requests can be performed, the service shall be allocated pro rata to the Maximum Storage Quantities of the Customers requesting the overrun service.

#### 6.10.4 Communications.

In offering service from time to time pursuant to this Section 6.10, to a Customer under an Agreement, Seller may deem any offer made by telephone or other instant communication method to have been refused if acceptance thereof is not communicated to Seller within six (6) normal working hours after such offer, or as otherwise agreed to by the parties.

6.11 MISCELLANEOUS

6.11.1 Responsibility for Gas. Upon receipt of Gas to be stored, Seller shall be in exclusive control and possession of such Gas and responsible for any loss thereof, or any and all injury or damage caused thereby, until the Equivalent Quantities of Gas have been delivered for the account of Customer after which Customer shall be in exclusive control and possession of such Gas and responsible for any and all injury or damage caused thereby.

6.11.2 Warranty. Customer or Replacement Customer warrants for itself, its successors, and assigns, that it has, or will have, at the time of delivery of the Gas for injection hereunder good title to such Gas and/or good right to cause the Gas to be delivered to Seller for Storage. Customer or Replacement Customer warrants for itself, its successors, and assigns, that the Gas it warrants hereunder shall be free and clear of all liens, encumbrances or claims, that it will indemnify and save Seller harmless from all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of adverse claims of any and all persons to said Gas and/or to royalties, taxes, license fees, or charges thereon which are directly applicable to such delivery of Gas and that it will indemnify and save Seller harmless from all taxes or assessments which may be directly levied and assessed upon such delivery and which are by law payable and the obligation of the party making such delivery.

6.11.3 Waivers. No waiver by either Seller or Customer of any one or more defaults by the other in the performance of any provisions hereunder shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character. Seller shall retain the right to waive, with respect to Customer, any Section of these General Terms and Conditions and Rate Schedules FS and IS, if Seller does so in a non-discriminatory manner.

6.11.4 Assignments. Any company which shall succeed by purchase, merger or consolidation to the properties, substantially as an entirety, of Customer or of Seller, as the case may be, shall if eligible be entitled to the rights and shall be subject to the obligations of its predecessor in title under the Service Agreement(s) between Seller and Customer. Either Seller or Customer may assign any of its rights or obligations under its Service Agreement(s) to a financially responsible corporation with which it is affiliated at the time of such assignment. Furthermore, Seller may, as security for its indebtedness, assign, mortgage or pledge any of its rights or obligations under its Service Agreement(s), including its rights to receive payments, to any other entity, and Customer will execute any consent agreement with such entity and provide such certificates and other documents as Seller may reasonably request in connection with any such assignment. Customer also may assign or pledge its Service Agreement(s) under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may hereafter execute covering substantially all of its properties. Otherwise, except as provided in Section 5.1.8 of Rate Schedule FS neither party shall assign its Service Agreement(s) or any of its rights thereunder unless it first shall have obtained the consent thereto in writing of the other party.

6.11.5 Creditworthiness. Seller shall not be required to commence service or, subject to the following provisions, to continue to provide service and may terminate a Agreement with any Customer under Rate Schedule FS with a primary term of one year or less and Service Agreements under Rate Schedule IS, if:

- (1) Customer is or has become insolvent;
- (2) Customer has applied for bankruptcy under Chapter 11 of the Bankruptcy Code, or which is subject to similar proceedings under State or Federal law; or
- (3) Customer, when requested by Seller to demonstrate creditworthiness, fails to do so in Seller's reasonable judgement, in light of previous payment experience and changes thereto and the prudent credit analysis of information available; provided, however, that any such Customer that is receiving service shall continue to receive service for a period of fifteen (15) Days after written notice by Seller of any such circumstance, and shall continue thereafter to receive service if, within such fifteen (15) Day notice period, such Customer:
  - (i) deposits with Seller and maintains, on account, an amount which would be due for three (3) Months service at the full contract quantities set forth in the Service Agreement; or
  - (ii) furnishes good and sufficient security, which may include an acceptable standby letter of credit, or monthly prepayment agreement or other security as reasonably determined by Seller, of a continuing nature and in an amount equal to such amounts which would be due for service. If such payment on account or payment security is not received within such fifteen (15) Day notice period, Seller may, without waiving any rights or remedies it may have, suspend further service for a period of ten (10) Days.

If such payment on account or a payment security is not received within such ten (10) Day suspension period, then Seller shall no longer be obligated to continue to provide service to such Customer.

Seller shall not be required to commence service, or subject to the following provisions, to continue to provide service and may terminate a Service Agreement with any Customer under Rate Schedule FS having a term of more than one year if Customer, or its guarantor, fails to maintain a long-term debt rating issued by either Moody's Investors Service, or Standard and Poor's Corporation, or Customer's, or its guarantor's, long-term debt rating issued by Moody's Investors Service or Standard and Poor's Corporation falls below a rating of at least Baa3 according to Moody's Investors Service or BBB- according to Standard & Poor's Corporation; provided, however, that any such Customer that is receiving service shall continue to receive service for a period of three (3) Months during which Customer shall have the ability to:

- (1) attain minimum long-term debt ratings as described above; or
- (2) secure a guarantee by a person with a minimum long-term debt rating as described above, provided further, if Customer should fail to meet the requirements set forth within the three (3) Month period, Seller shall have the right to market the capacity underlying the Service Agreement(s) in question to other Customers meeting the requirements as set forth herein.

6.11.6 Interpretation of Laws. Any Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of Michigan.

6.11.7 Regulations. Any Agreement, and all terms and provisions herein, and the respective obligations of the parties thereunder are subject to valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction.

6.11.8 No Third-Party Beneficiary. It is expressly agreed that there is no Third-Party Beneficiary or any Agreement, and that the provisions of any Agreement and these General Terms and Conditions do not impart enforceable rights in anyone who is not a party or successor or assignee of any party to an Agreement herein.

6.11.9 Counterparts. Any Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

6.11.10 Heading. The headings contained in any Agreement are for reference purposes only and shall not affect the meaning or interpretation of any Agreement.

## 6.11.11 NAESB WGQ Standards

### Compliance with 18 CFR, Section 284.12

Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 4.0, and the standard revised by Minor Correction MC24002 marked with an asterisk [\*], which are required by the Commission in 18 CFR Section 284.12(a), as indicated below. Standards without accompanying identification or notations are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

### **Standards not Incorporated by Reference and their Location in Tariff:**

<u>NAESB Standard</u>	<u>Tariff record</u>
1.2.6	GT&C – OFO Operating Conditions, 6.17.3
1.3.1	GT&C – Definitions, 6.1(9)
1.3.2 (i)	GT&C – Nominations, 6.4.1(c)
1.3.2 (ii-vi)	GT&C – Intraday Nominations, 6.4.2(a)(1)
1.3.3	GT&C – Nominations, 6.4.1(c)
1.3.4	GT&C – Nominations, 6.4.1(a)
1.3.5	GT&C – Nominations, 6.4.1(b)
1.3.6	GT&C – Intraday Nominations, 6.4.2(a)
1.3.7	GT&C – Nominations, 6.4.1(b)
1.3.8	GT&C – Intraday Nominations, 6.4.2(a)
1.3.9	GT&C – Nominations, 6.4.1(a); GT&C – Intraday Nominations, 6.4.2(a)
1.3.11	GT&C – Intraday Nominations, 6.4.2(a)
1.3.13	GT&C – Intraday Nominations, 6.4.2(a)
1.3.14	GT&C – Nominations, 6.4.1(a)
1.3.19	Rate Schedule FS - Storage Overrun Service, 5.1.6; and Rate Schedule IS - Storage Overrun Service, 5.2.6
1.3.20	GT&C – Nominations, 6.4.1(c)
1.3.21	GT&C – Nominations, 6.4.1(c)
1.3.33	GT&C – Intraday Nominations, 6.4.2(a)
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NAESB Standard	Waiver or Extension of Time
1.3.17	Extension of Time
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## 6.12 FACILITIES

Unless otherwise agreed to by the parties, Seller shall not be required to own, construct and install any facilities to perform the service requested by Customer. In the event Seller agrees to own, construct and install facilities to perform the service requested by Customer including, but not limited to, hot tap, processing, measurement, injection/withdrawal wells, gathering system pipe line looping and/or compression facilities, Customer shall reimburse Seller for all Seller's costs associated therewith either on a lump sum or incremental fee basis as agreed to by the parties.

## 6.13 BILLING ADJUSTMENT FOR LIQUIDS REVENUES

1. Monthly Billing Adjustment. A billing adjustment shall be made monthly to Customer's bills rendered pursuant to Section 6.8 of these General Terms and Conditions, to reflect the credit, if any, for Liquids Revenues collected by Seller. A pro rata allocation of such revenue will be credited to each Customer, and will appear on the invoice for the next Month's business following actual receipt by Seller of such revenues.
2. Allocation Base. Customers will receive a pro rata allocation of a particular Month's Liquids Revenues, based upon the following allocation base:
  - (a) Rate Schedule FS Customers: The Maximum Storage Quantity such Customer had a right to store in the Month the Liquids Revenues were received; and
  - (b) Rate Schedule IS Customers: The Average Monthly Storage Volume the Customer stored in the Month the Liquids Revenues were received.
3. Monthly Credit. Each Customer will receive a Monthly credit based upon the formula

$X (Y / Z)$ , where:

X = Total Liquids Revenues collected by Seller in a Month

Y = The Customer's allocation base derived in accordance with Section 6.13 paragraph 2, above; and

Z = The Sum of all of Customers' allocation bases derived in accordance with Section 6.13 paragraph 2, above.

#### 6.14 INTERNET WEBSITE

Seller has established an Internet Website ("Internet Site") that will be available to any existing or potential Customer on Seller's system. The Internet Site shall be interactive and contain relevant informational posting requirements. Such site is located at [www.ebb.tceconnects.com/infopost/](http://www.ebb.tceconnects.com/infopost/). Seller shall notify Customer of any change to its Internet Site procedures or Web address.

Seller may also charge a fee to users of the Internet Site to recover variable costs associated with the Internet site.

## 6.15 RESPONSIBILITY FOR ASSOCIATED TRANSPORTATION

The transportation of quantities to be stored hereunder to and from the Point of Injection/Withdrawal is solely the Customer's responsibility.

## 6.16 TITLE TRANSFERS OF GAS IN STORAGE

1. A Customer may sell Working Storage Gas to any other Customer under a Rate Schedule with the same priority, either firm or interruptible, if:
  - (a) Both purchaser and seller of the Working Storage Gas provides Blue Lake with verification of the transfer in writing; and
  - (b) The purchase does not cause either Customer to exceed its Maximum Storage Quantity, as specified in the Customer's Service Agreement.
2. Blue Lake will recognize the transfer for purposes of computing available Working Storage Gas and applicable Injection and Withdrawal Quantities on a prospective basis within 24 hours after receiving the written verification required by Section 6.16 paragraph 1(a), above.

6.17 OPERATIONAL FLOW ORDER ("OFO")

6.17.1 General. Seller, in its discretion, shall have the right to issue OFOs when in its judgement it is necessary to maintain or restore the operational integrity of Seller's Storage system. Seller will not be required to issue an OFO:

- (a) to redeliver Gas to any Customer that has not tendered Equivalent Quantities of Gas to Seller's Storage system; or
- (b) to any other pipeline in order to obtain access to quantities of Gas, except to the extent that such quantities of Gas are being transported by such pipeline for the account of a Customer.

Seller shall not be required to respond to any OFO that it receives from an interstate pipeline that is not currently providing Equivalent Quantities and pressures of Gas to Seller, unless Seller is a customer on that pipeline.

6.17.2 Forms of OFOs. An OFO may:

- (a) direct any Customer to increase/decrease quantities injected or withdrawn or increase/decrease pressures at a Point of Injection/Withdrawal, in accordance with Section 6.17.4, below; or
- (b) implement verbal arrangements with transporters; or
- (c) enable Seller to take or require any other actions as may be deemed necessary by Seller in its judgement in order to maintain the operational integrity of Seller's Storage system.

6.17.3 OFO Operations Conditions. OFOs may be issued in any of the following circumstances:

- (a) to alleviate conditions that threaten the operational integrity of Seller's Storage system; or
- (b) to maintain minimum necessary pressures for Storage operations; or

The OFO will remain in effect until the operational condition requiring its issuance has been remedied.

6.17.4 Condition to Firm Service Agreements.

- (a) Seller may issue an effective OFO to any Customer under Rate Schedule FS to (1) increase/decrease quantities tendered to Seller for Storage at Customer's Point of Injection/Withdrawal, up to Customer's Maximum Daily Injection Quantity; (2) increase/decrease quantities requested to be withdrawn from Storage at the Point of Injection/Withdrawal, up to Customer's Maximum Daily Withdrawal Quantity. Customer will be required to comply with such OFO within twenty-four (24) hours prior notice.
- (b) Seller will require, as a condition in each firm Service Agreement, that Customer guarantee that Seller will have the right to issue an effective OFO to any transporter or owner of Gas being supplied to any Customer, whether such OFO is required to be effectuated at the Point of Injection/Withdrawal. Seller shall issue an OFO pursuant to this Section 6.17.4(b) only if (1) Customer has elected to grant such authority to Seller for the issuance of all OFOs; or (2) Seller is required to issue the OFO without providing the twenty-four (24) hours notice referenced in Section 6.17.4(a), above.
- (c) Seller shall develop a rotating schedule of Customers at the Point of Injection/Withdrawal to establish the priority of the Customer that will receive an OFO in the event Seller requires additional supplies.

6.17.5 OFO Notice, Contents and Procedures. Seller shall issue an OFO as expeditiously as is reasonably practicable in the circumstances, utilizing electronic communication, (information transmitted via Seller's Internet Site, electronic delivery mechanism prescribed by NAESB or other mutually agreed communication methodologies used to transmit and receive information, including communication by telephone). Seller shall post and provide Customers with updated information concerning the status of operational variables related to the OFO as soon as it is available. Each OFO will contain the following provisions:

- (a) time and date of issuance;
- (b) time that the OFO is considered to be effective (if no time is specified, the OFO shall be effective immediately);
- (c) duration of the OFO (if none is specified, the OFO will be effective until further notice);
- (d) the party or parties receiving the OFO;
- (e) the quantity of Gas required to remedy the operational condition requiring the issuance of the OFO; and
- (f) any other terms Seller may reasonably require to ensure the effectiveness of the OFO.

6.17.6 Failure to Comply with OFO. If Customer or agent fails to comply with the terms of an OFO, for any reason other than force majeure on an upstream or downstream pipeline, such Customer shall be: (a) liable for any damages including, but not limited to direct, consequential, exemplary or punitive damages incurred by Seller or any other affected party as a result of such failure. Notwithstanding anything to the contrary in this Section 6.17.6, if Customer is required to make a nomination pursuant to an OFO, unless critical circumstances dictate otherwise, no damages and/or penalties will be assessed unless Customer is given the opportunity to correct the circumstances giving rise to the OFO.

6.17.7 Seller's Liability for OFOs. Seller shall not be liable to any person for any costs, damages or other liability associated with the issuance of, or the failure to issue, any OFOs, provided, however, Seller shall be liable for acts of negligence or undue discrimination, such standards to be judged in light of the emergency conditions under which OFOs are issued.

6.17.8 Seller's Scheduling Authority. Seller shall have the right to act as a scheduling agent for a Customer's account if (a) the Customer refuses to schedule Gas injections or withdrawals as specified by an OFO issued pursuant to Section 6.17.4(a); or (b), above, if Seller requires additional quantities in less than the twenty-four (24) hour notice period normally required for an OFO, and the Customer has refused a verbal request to schedule the required quantity of Gas.

6.18 BILLING ADJUSTMENT FOR RATE SCHEDULE IS WITHDRAWAL PENALTY

6.18.1 Billing Adjustment. A billing adjustment shall be made to non-offending Customers' bills crediting all revenues from Rate Schedule IS Withdrawal Penalties collected by Seller, net of costs. All such revenue shall be generated from the sale of Working Storage Gas retained by Seller ("Penalty Gas"). A pro rata allocation of such revenue will be credited to each non-offending Customer, and will appear on the invoice for the next Month's business following actual receipt by Seller of such revenues. Seller shall have 90 Days from the end of the Month, in which such Penalty Gas was retained, to sell the Penalty Gas. The Penalty Gas shall be sold as near as practical to the market rate existing at the time the Penalty Gas is sold. If sale of Penalty Gas is made to an affiliate of Seller, Seller shall sell such Penalty Gas at no less than the spot market price on the Day of such sale.

6.18.2 Allocation Base. Customers will receive a pro rata allocation of net penalty revenue, based upon the following allocation base:

- (a) Non-offending Rate Schedule FS Customers: The Maximum Storage Quantity such Customer had a right to store in the Month Withdrawal Penalty invoked; and
- (b) Non-offending Rate Schedule IS Customers: The Average Monthly Storage Volume the Customer stored in the Month Withdrawal Penalty invoked.

6.18.3 Monthly Credit. Each Customer will receive a Monthly Credit based upon the formula:

$X (Y / Z)$ , where:

X = Total net Penalties collected by Seller in a Month

Y = The Customer's allocation base derived in accordance with Section 6.18.2, above; and

Z = The Sum of all of Customers' allocation bases derived in accordance with Section 6.18.2, above.

## 6.19 Operational Purchases & Sales of Gas

Seller may from time to time purchase or sell gas on an interruptible basis as necessary to manage system pressure and maintain system integrity. Prior to purchasing or selling gas pursuant to this section, Seller shall post notice of its intent to purchase or sell gas through its Internet Site. Purchase or sale of gas shall be made on a nondiscriminatory basis. Parties that purchase gas from the pipeline shall be responsible for separately arranging any necessary transportation.

### 1. Solicitation of Bids.

Seller shall post for bid its operational purchases and/or sales on its public Internet web site or, alternatively, on third party electronic bulletin board(s) in accordance with the applicable bidding provisions which will be posted at the time of the purchase and/or sale. Seller reserves its right, in its sole discretion, to: 1) withdraw its postings; 2) reject all bids due to operational changes; and 3) reject any bid which is not complete, which contains modifications to the terms of the posting, or which contains terms that are operationally unacceptable.

### 2. Reporting Requirements.

Seller will file an annual report on or before May 1 of each year reflecting the operational purchases and sales for the 12-month period ending the preceding December 31. The report will state: 1) the source of the gas purchased/sold; 2) the dates of the purchases/sales; 3) volumes; 4) the purchase/sales price; 5) the cost and revenues for such purchase/sales; 6) the disposition of the associated costs and revenues for all operational purchases and sales; and 7) an explanation of the purpose of any operational purchases and sales transaction.