

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

TREE TOP, INC., a Washington Corporation)	DOCKET UG-210745
)	
Complainant,)	
)	
v.)	
)	
CASCADE NATURAL GAS CORPORATION, a Washington Corporation)	
)	
Respondent.)	

EXH. BGM-5

Selection from NW Pipeline Fifth Revised Tariff (Nov. 10, 2017)

DIRECT TESTIMONY OF BRADLEY G. MULLINS

ON BEHALF OF

TREE TOP, INC.

April 8, 2022

FERC GAS TARIFF
FIFTH REVISED VOLUME NO. 1
(Superseding Fourth Revised Volume No. 1)
Of
NORTHWEST PIPELINE LLC
Filed with
FEDERAL ENERGY REGULATORY COMMISSION

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STATEMENT OF RATES (Continued)

Effective Rates Applicable to
Rate Schedules TF-1, TF-2, TI-1, TFL-1 and TIL-1 (Continued)

(Dollars per Dth)

Entitlement Unauthorized Overrun and Underrun (8)	Rate
General System Unauthorized Daily Overrun	(9)
General System Unauthorized Daily Underrun	10.00000
General System Unauthorized Underrun Imbalances not eliminated after 72 hours	10.00000
Customer-Specific Entitlement Penalty	10.00000

Footnotes

- (1) Rate excludes surcharges approved by the Commission.
- (2) Annual Charge Adjustment ("ACA") surcharge may be applicable. Section 16 of the General Terms and Conditions describes the basis and applicability of the ACA surcharge.

STATEMENT OF RATES (Continued)

Effective Rates Applicable to
Rate Schedules TF-1, TF-2, TI-1, TFL-1 and TIL-1 (Continued)

(Dollars per Dth)

Footnotes (Continued)

- (5) Rates for Rate Schedules TF-1, TF-2 and TFL-1 are also applicable to capacity release service except for short-term capacity release transactions for a term of one year or less that take effect on or before one year from the date on which Transporter is notified of the release, which are not subject to the stated Maximum Base Tariff Rate. (Section 22 of the General Terms and Conditions describes how bids for capacity release will be evaluated.) The reservation rate is the comparable volumetric bid reservation charge applicable to Replacement Shippers bidding for capacity released on a one-part volumetric bid basis.
- (6) For Rate Schedule TF-1 (Small Customer), the Maximum Base Tariff Rate is comprised of \$0.68529 for transmission costs and \$0.00898 for storage costs. Transporter will not schedule gas for delivery to a Small Customer subject to this Rate Schedule TF-1 under any transportation Service Agreement (excluding its Rate Schedule TF-2 Service Agreement at Plymouth held at the time of storage service unbundling in RP93-5) unless such Small Customer has scheduled its full Contract Demand for firm service under its Rate Schedule TF-1 (Small Customer) Service Agreement(s) for that day.
- (7) Rate Schedule TI-1 maximum base tariff volumetric rate is comprised of \$0.39403 for transmission costs and \$0.00462 for storage costs.
- (8) Applicable to Rate Schedules TF-1, TF-2, TI-1, TFL-1 and TIL-1 pursuant to Section 15.5 of the General Terms and Conditions.
- (9) The General System Unauthorized Daily Overrun Charge per Dth is the greater of \$10 or 150 percent of the highest midpoint price at NW Wyo. Pool, NW s. of Green River, Stanfield Ore., NW Can. Bdr. (Sumas), Kern River Opal, or El Paso Bondad as reflected in the Daily Price Survey published in "Gas Daily."

GENERAL TERMS AND CONDITIONS (Continued)

1. DEFINITIONS (Continued)

Operational Balancing Agreement ("OBA"): "An OBA is a contract between two parties which specified the procedures to manage operating variances at an interconnect." NAESB WGQ Standard 2.2.1.

Operational Flow Order ("OFO"): "An operational flow order is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity, of the transportation service provider's system or to maintain operations required to provide efficient and reliable firm service. Whenever a Transportation Service Provider experiences these conditions, any pertinent order should be referred to as an Operational Flow Order." NAESB WGQ Standard 1.2.6.

Operational Impact Area: "Operational Impact Area is the term used to describe a Transportation Service Provider's designation of the largest possible area(s) on its system in which imbalances have a similar operational effect." NAESB WGQ Standard 2.2.2. Transporter designates its entire system, except the laterals under Rate Schedules TFL-1 and TIL-1, as one Operational Impact Area for purposes of netting and trading Shipper Imbalances and Receiving Party Imbalances. Each lateral under Rate Schedules TFL-1 and TIL-1 is designated as an Operational Impact Area for purposes of netting and trading Shipper Imbalances and Receiving Party Imbalances.

Point of Unbundling: With respect to sales provided pursuant to Section 32, Point of Unbundling means the Clay Basin and/or Jackson Prairie storage facility receipt point(s) into Transporter's system.

Pooling Party: Any party utilizing the pooling services outlined in Section 14.19 of the General Terms and Conditions of this tariff.

Primary Firm Service Rights: the quantity of Primary Firm Service Rights pursuant to a Firm Transportation Service Agreement at Receipt and Delivery Points is the greater of the quantity designated respectively as "MDQs" and "MDDOs" in such Firm Service Agreement or the Scheduled Quantity at any receipt or delivery point for the Day on such Agreement (excluding Scheduled Overrun). The quantity of Primary Firm Service Rights at any given point on the mainline or on a lateral is the greater of:

GENERAL TERMS AND CONDITIONS (Continued)

1. DEFINITIONS (Continued)

a) The lesser of the sum of the MDQs upstream of any applicable point and the sum of the MDDOs downstream of any point in such Firm Transportation Service Agreement; or b) the Scheduled Quantity (excluding Scheduled Overrun) at any given point for the Day on such Agreement. MDQs, MDDOs and Contract Demand are adjusted for any released capacity pursuant to Section 22.

Psia: Pressure expressed in pounds per square inch absolute.

Receiving Party: The party who controls the facilities into which the gas is delivered for Shipper.

Receiving Party Imbalance: A Receiving Party Imbalance will result when there is a difference between scheduled deliveries and actual measured deliveries for a given delivery point operator.

Recourse Rate: The rate designated as the Maximum Base Tariff Rate on Sheet Nos. 5, 6, 7 or 8.1 of this Tariff. For purposes of this Tariff, Recourse Rate and Maximum Base Tariff Rate are synonymous.

Related Income Taxes:

a) Related Income Taxes, if associated with a contribution in aid of construction, is defined as the current federal and state income taxes resulting from the reimbursement of actual facility costs less the present value of the income tax benefit received by Transporter from the tax depreciation of the new facilities. The cash flow discount factor for the present value calculation will be the weighted average cost of capital as stated in the facilities agreement or, if not stated in a facilities agreement, the last stated litigated or settled general rate case weighted average cost of capital.

b) Related Income Taxes, if associated with a facilities agreement buy-out, is defined as the current federal and state income taxes on the net book value and the present value amount of the unpaid removal obligation charge reimbursed by the Shipper to Transporter less the income tax benefit received by Transporter resulting from the facilities defined in the facilities agreement. The income tax benefit received by Transporter is the sum of: 1) the present value of any future tax benefits received by Transporter from the tax depreciation of the facilities after the effective date of the buyout, discounted at the weighted average cost of capital currently in effect for the facilities agreement, and 2) the balance of accumulated deferred Income tax as of the effective date of the buy-out.

GENERAL TERMS AND CONDITIONS
(Continued)

1. DEFINITIONS (Continued)

- c) For both a) and b) above, Related Income Taxes include a gross-up calculation to cover the income tax that Transporter must pay on the Related Income Taxes that are collected from the Shipper.

Renewable Natural Gas ("RNG"): Renewable Natural Gas, also known as biomethane, refers to the portion of biogas that has been purified. Sources may include landfill gas, dairies or feedlots, publicly owned treatment works, sewage treatment plants, and wastewater plants. RNG must conform to the gas quality specifications and testing/monitoring requirements in Section 3 of the GT&C and be free from bacteria, pathogens, and any other substances injurious to pipeline facilities or that would cause the gas to be unmarketable.

Scheduled Quantity: The quantity of gas Transporter has scheduled to transport from specific receipt point(s) to specific delivery point(s), Transportation Service Agreements or zones for a defined period pursuant to an executed Service Agreement; the quantity of gas Transporter has scheduled for aggregation/dis-aggregation from a Pool.

Secondary Firm Service Rights: For purposes of Section 12.1, the quantity of Secondary Firm Service Rights pursuant to a Firm Transportation Service Agreement at any Receipt and/or Delivery Point, on the mainline or on a lateral is equal to the Contract Demand on a Firm Service Agreement (as adjusted for any released capacity pursuant to Section 22) less the quantity at such point that is designated as Primary Firm Service Rights, as defined in Section 1.42.

- a) Secondary Firm Service Rights include rights designated as subordinate in any Firm Service Agreement with non-conforming provisions that have been approved by the Commission.
- b) Secondary Firm Service Rights include rights delineated in Rate Schedule TF-2, Section 11.

Service Requester: A Shipper or any other party that executes with Transporter a Business Associate Information form and/or a Trading Partner Agreement.

Shipper: A party that executes a Service Agreement with Transporter under one of the Rate Schedules contained in this tariff.

Shipper Imbalance: A Shipper Imbalance will result when there is a difference between a Shipper's scheduled net receipts and deliveries due to an upstream and/or downstream confirmation.

GENERAL TERMS AND CONDITIONS
(Continued)

1. DEFINITIONS (Continued)

Thermally Equivalent: An equal number of Dths.

Trading Partner Agreement: An agreement entered into by Transporter and requesting party which governs the EDI between Transporter and Service Requester.

Transportation: The receipt of Shipper's gas at input points on Transporter's mainline transportation system (referred to as "Receipt Points") and the delivery of thermally equivalent quantities by Transporter to Shipper or for Shipper's account (after making allowance for any requisite fuel reimbursement furnished in-kind) at other points on Transporter's mainline transportation system (referred to as "Delivery Points") regardless of the direction of flow of gas in Transporter's pipelines between the Receipt and Delivery Points, or of changes in such directions of flow. Transportation also means the receipt of Shipper's gas for injection or liquefaction into Transporter's storage facilities and the storage and subsequent withdrawal or vaporization of thermally equivalent quantities, less fuel use, for Shipper's account. All storage references in this tariff, shall be considered to be a part of the term Transportation.

Transporter: Northwest Pipeline LLC, Northwest or Transportation Service Provider.

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

14.6 Declared Entitlement Period.

(a) General. A Declared Entitlement Period is a time period, declared by Transporter, during which unauthorized overrun or underrun provisions apply as a result of an interruption or curtailment due to capacity constraints (including constraints that cause Deficiency Periods as defined in Section 10.2 of Rate Schedule TF-1), supply interruptions, or the existence of any undertake or overtake situation which jeopardizes system integrity.

(b) Declared Entitlement Notice, Contents and Procedures.

(i) Declaration of Entitlement Period via Portal Posting

As early as reasonably possible but no later than two hours prior to commencement of the gas day, Transporter will notify Receiving Party(s) when a Declared Entitlement Period is in effect. Transporter may not announce a Declared Entitlement for the coming gas day after close of the confirmation process (Evening Nomination Cycle) on the day prior to such gas day unless (i) Transporter has given a warning based on available data by posting to Transporter's Designated Site the possibility of a Declared Entitlement Period prior to the close of such confirmation period, or (ii) changes to operational circumstances or data occur after the close of such confirmation process which Transporter determines require a Declared Entitlement.

Operating conditions that may trigger post-confirmation, same-day entitlements are extensive supply failure, storage facility failure, pipeline or compression failure, excess linepack drafting, unexpected and extremely cold weather, or firm curtailment. Transporter will provide Shippers with actual notice of such operating conditions in the form of posting an All Shippers Notice to Transporter's Designated Site. Each Shipper shall designate an operational contact, and/or a third party designee, for Transporter to notify on a 24-hour a day, 365 days a year basis. If Transporter is unable to notify any Shipper because that Shipper's contact is unavailable, such Shipper shall be solely responsible for any consequences arising from such failure of communication.

(ii) Declared Entitlement Period Notice

To issue a general system or customer-specific Declared Entitlement Period, Transporter will post an entitlement notification that contains the following:

- (a) Time and Date of issuance;
- (b) Date that the entitlement is considered effective;

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

(c) Identify that portion of the system contributing to the operational problem and, in the case of a customer-specific entitlement, provide notification to each Receiving Party that (1) has contributed to the adverse operating conditions for at least two consecutive days; and (2) whose actual measured deliveries have deviated from scheduled deliveries for the previous Gas Day by the greater of 10,000 Dth or 5 percent. Before issuing a customer-specific entitlement, Transporter will attempt to remedy the adverse operating condition through requests for voluntary action; provided, however, exigent circumstances may exist which require immediate issuance of a customer-specific entitlement. Transporter will not issue a customer-specific Receiving Party entitlement for the same time period and portion of the system in which a general system Declared Entitlement Period has been issued. Due to operational constraints on Transporter's system, there may be instances when a general system Declared Entitlement Period will apply to Transporter's entire system;

(d) Specify the entitlement as either an overrun or an underrun entitlement and will specify the percentage, as detailed in Section 15.5(c), by which a Receiving Party's unauthorized overruns or underruns may differ from daily entitlements, as outlined in Section 15.5(b), before Section 15.5 penalties are imposed; and

(e) Any other terms Transporter may reasonably require to ensure the effectiveness of the Declared Entitlement Period.

After an entitlement has been lifted, Transporter will post to its Designated Site information on factors that caused the entitlement to be issued and then lifted.

If deliveries to Receiving Party exceed scheduled and authorized volumes during any day that such a general system or customer-specific Declared Entitlement Period is in effect or deliveries are less than scheduled and authorized volumes in an undertake situation, the unauthorized overrun or underrun charge provisions as described in Section 15 of the General Terms and Conditions will apply.

The provisions of Section 14.3, Nomination Changes After the Start of the Gas Day, are applicable to allow Shippers to adjust receipts and/or deliveries as necessary during such Declared Entitlement Period.

GENERAL TERMS AND CONDITIONS
(Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES

15.1 RESERVED FOR FUTURE USE.

15.2 Imbalances and Penalties at Delivery Points. Penalties and overrun and underrun charges as described in Sections 15.3 and 15.5 will be levied by Transporter against the Receiving Party who controls the facilities into which gas is delivered unless the Receiving Party has executed an OBA with Transporter and that OBA also covers receipts by Transporter from the Receiving Party. If the Receiving Party has not executed an OBA and incurs either an overage or underage in takes from Transporter, due to a failure to take quantities of gas equivalent to the total of all Nominating Party nominations for deliveries into its facilities, such penalties and overrun or underrun charges will be applied as described in this Section. Such Receiving Party will be responsible for all Receiving Party Imbalances and associated penalties and charges. Unless otherwise agreed upon by the parties, Receiving Party imbalances will reside on one of the Receiving Party's executed Service Agreements.

GENERAL TERMS AND CONDITIONS (Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES (Continued)

Transporter will waive any penalties due to Receiving Party/Shipper Imbalances which result from errors made by Transporter or which result from force majeure invoked by Transporter. Transporter also will waive Receiving Party/Shipper Imbalance penalties for other good cause, including Transporter's reasonable judgment that Receiving Party's/Shipper's actions have not impaired Transporter's ability to provide reliable firm service. Such waivers will be applied uniformly in a not unduly discriminatory manner.

15.3 Receiving Party Imbalances and Penalties. If Receiving Party's cumulative monthly Receiving Party Imbalance exceeds the greater of 5,000 Dth or (a) 5 percent during the period of March through July or (b) 3 percent during the period of August through February above or below total confirmed nominations for that month ("Tolerance Limit"), Transporter shall notify Receiving Party that Receiving Party's Imbalance exceeds the allowed tolerance. Such notice shall be provided by the fifteenth day of the month following the month service is rendered. Transporter will notify Receiving Party when their Receiving Party Imbalance exceeds the Tolerance Limit, and specify whether a penalty situation exists. Receiving Party will have 45 non-entitlement, Balancing-Approved Days from the date of notification by Transporter to bring its Receiving Party Imbalance within tolerance. The 45 non-entitlement, Balancing-Approved Day period will be extended proportionately if, and to the extent that Shipper's failure to bring its imbalance within tolerances is caused by Transporter's inability to accommodate Shipper's make-up or payback nomination(s).

If the Receiving Party fails to get within tolerance at any point during the 45 non-entitlement, Balancing-Approved Day period, Receiving Party shall pay a penalty to Transporter equal to \$10.00/Dth on the imbalance over the Tolerance Limit, as described above. Receiving Party Imbalances shall be cumulative and Receiving Party must specifically adjust nominations as necessary to eliminate such imbalances.

Under a customer-specific Declared Entitlement Period, a Receiving Party will no longer be subject to the customer-specific entitlement once the system's integrity, which was jeopardized by the Receiving Party's actions, has been restored or Transporter has issued a general system Declared Entitlement Period that involves such Receiving Party.

15.4 Receiving Party Imbalance Netting. Upon Shipper's request, Transporter will net Receiving Party Imbalances with Receiving Party Imbalances, and Receiving Party Imbalances with Shipper Imbalances (as defined in Section 15.7 hereof), between a Shipper's Service Agreements within an Operational Impact Area. Netting between a Shipper's Service Agreements, when offsetting a Receiving Party Imbalance with a Shipper Imbalance, will be limited to a maximum quantity equal to the smallest imbalance under the agreements being netted.

GENERAL TERMS AND CONDITIONS
(Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES (Continued)

If a Receiving Party fails to eliminate Receiving Party Imbalances within the allowed period referenced above, in addition to any penalties applied hereunder, Transporter shall have the right to adjust nominations, receipts or deliveries in order to achieve a balance. Receiving Party imbalances may also be eliminated by trading imbalances between Service Agreements with third parties as set forth in Section 15.9.

15.5 Daily Entitlement Overrun and Underrun Provisions.

(a) Unauthorized Overrun and Underrun Volumes. If on any day during a Declared Entitlement Period, the total physical quantity of gas taken by Receiving Party from Transporter exceeds or is less than the total quantity of gas which Receiving Party is entitled to take on such day as defined below, then all gas taken in excess of such entitlement or not taken within said entitlement shall constitute unauthorized overrun or underrun volume. Each general system or customer-specific Declared Entitlement Period shall be specified as either an overrun or an underrun entitlement for Receiving Party such that only one penalty condition may exist at one time.

(b) Receiving Party's Daily Entitlement. The total quantity of gas which Receiving Party is entitled to take from Transporter on any day consists of the sum of the following quantities:

(i) The volume of gas in Dth authorized by a confirmed nomination for delivery to Receiving Party on such day under firm transportation Service Agreements.

(ii) The volume of gas in Dth authorized by a confirmed nomination for delivery to Receiving Party on such day under interruptible transportation Service Agreements.

(c) Daily Unauthorized Overrun and Underrun Charges. The Daily Unauthorized Overrun or Underrun Charges shall be applied, as explained below, during a Declared Entitlement Period, either as a result of capacity constraints, supply interruption, or an overtake or an undertake situation applicable to any Receiving Party, when Transporter has so notified such Receiving Party prior to the start of the Gas Day. These charges are not intended to apply to occasional or minor supply interruptions which would not have a detrimental impact on Transporter's operations or on other Receiving Parties. Under such circumstances, Transporter would not notify Receiving Party that a Declared Entitlement Period is in effect.

GENERAL TERMS AND CONDITIONS
(Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES (Continued)

In the event an undertake situation exists, Transporter will evaluate operational conditions and determine if immediate relief is needed to return the system to a reasonable operational level. If immediate relief is needed, Transporter will notify each Receiving Party of the quantity required to be taken off the system within the next 72 hours as imbalance make-up to eliminate the underrun imbalances so as to return the system to a reasonable operational level and avoid the imbalance penalty as specified in Section 15.5(c) (ii). Such quantities shall be based upon cumulative underrun imbalances which contributed to the underrun imbalance problem as determined by Transporter's operational data up to the date of the Declared Entitlement Period and calculated for each Receiving Party in proportion to such party's undertakes. Daily unauthorized underrun charges as specified in Section 15.5(c) (i) will also apply if Receiving Party causes additional unauthorized underrun imbalances during a Declared Entitlement Period.

Receiving Party shall pay Transporter for all unauthorized overrun or underrun quantities, as defined in Section 15.5(a) above, that exceed the percentage specified by Transporter in its Declared Entitlement. For a general system or customer-specific Declared Entitlement Period, such percentage will be: (i) in Transporter's sole discretion 3 percent, or, in the case of a Declared Entitlement Period announced on the day it is to be in effect, 5 percent for that day (Stage I), 8 percent (Stage II) or 13 percent (Stage III) of Receiving Party's entitlement as set forth in Section 15.5(b) with respect to unauthorized overrun quantities, and (ii) 5 percent (Stage I), 8 percent (Stage II) or 13 percent (Stage III) of Receiving Party's entitlement as set forth in Section 15.5(b) with respect to unauthorized underrun quantities (individually, the "Threshold Percentage").

The following amounts will be payable in addition to the amounts otherwise payable by Receiving Party to Transporter under Transporter's applicable Rate Schedules, subject only to the provisions set forth in (d) below:

- (i) During a general system or customer-specific Declared Entitlement Period, the daily unauthorized overrun or underrun charge will be the product of the daily unauthorized overrun/underrun quantity (i.e., the quantity which exceeds the Threshold Percentage of Receiving Party's entitlement for such day), multiplied by a rate per Dth as set forth in the Statement of Rates of this Tariff.

GENERAL TERMS AND CONDITIONS
(Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES (Continued)

(ii) In addition to (i) above, for that part of the unauthorized underrun imbalances where immediate relief is requested but not provided within a 72 hour period as set forth in Section 15.5(c), the additional 72 hour penalty will be the product of the underrun imbalance quantity not eliminated multiplied by a rate per Dth as set forth in the Statement of Rates of this tariff.

(iii) If an unauthorized overrun or underrun quantity causes Transporter to pay demand or reservation charge credits to any Shipper under the provisions of this Tariff for any day, the Shipper(s) which caused such demand or reservation charge credits to be incurred shall on a pro rata basis reimburse Transporter for such demand or reservation charge credit payments through a special charge included on Transporter's invoices to each affected Shipper.

(iv) If a Receiving Party is initially below the Threshold Percentage based on estimated measured volumes but exceeds the Threshold Percentage once actual measured volumes are available, the Receiving Party will be provided with the opportunity to avoid a penalty situation for that Gas Day if the Receiving Party submits a valid request, within ten (10) days of receiving notification from Transporter that the Threshold Percentage has been exceeded, to increase/remove the Scheduled Quantities that exceed the Threshold Percentage and such request is confirmed by the upstream/downstream operators and Transporter. Transporter will only confirm the change in Scheduled Quantities if Transporter could have authorized the change, based on operationally available capacity, for the Gas Day in which the Threshold Percentage was exceeded.

(d) Exception. The Daily Unauthorized Overrun and Underrun Charges provided in Section 15.5(c) shall not apply on any day when either (i), (ii), or (iii) below is applicable:

(i) When the unauthorized overrun volume on the particular day during either a general system or customer-specific Declared Entitlement Period does not exceed the Threshold Percentage as set forth in Section 15.5(c) of Receiving Party's entitlement for such day as set forth in Section 15.5(b), or 2,000 Dth, whichever is larger.

(ii) When the unauthorized underrun volume on the particular day during either a general system or customer-specific Declared Entitlement Period does not exceed the Threshold Percentage as set forth in Section 15.5(c) of Receiving Party's entitlement for such day as set forth in Section 15.5(b), or 2,000 Dth, whichever is larger.

GENERAL TERMS AND CONDITIONS (Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES (Continued)

(iii) If Transporter has not made notification to Receiving Party of a Declared Entitlement Period in accordance with Section 14.6.

(e) Waiver. Transporter will waive all or a portion of the Daily Unauthorized Overrun and Underrun Charges provided in Section 15.5(c) when Transporter fails to make Scheduled Quantities available to point operators and Shippers, including bumped parties, at the times specified in Section 14.1(a) for any of the Nomination Cycles, provided that:

(i) Transporter was solely at fault for the failure to make the Scheduled Quantities available; and

(ii) the affected party demonstrates that the failure to provide Scheduled Quantities on a timely basis materially impacted such party's ability to stay within Declared Entitlement levels.

The waiver will not apply (1) to gas that flowed more than one hour after the start of the Gas Day if Scheduled Quantities are made available prior to the start of the Gas Day or (2) to gas that flowed more than one hour after Scheduled Quantities were made available for nominations submitted during the Intraday 1, Intraday 2 or Intraday 3 Nomination Cycles.

15.6 Penalty Crediting. Except for the penalty payments pursuant to Section 15.5(c) (iii), one hundred percent (100%) of all penalties received by Transporter during any applicable month will be credited to firm and interruptible transportation Shippers. Such credits will be allocated to all Shippers under Rate Schedule TF-1 (excluding discounted firm transportation service and Shippers receiving service under a capacity release Service Agreement), Rate Schedule TF-2 and Rate Schedule TI-1 paying the Maximum Base Tariff Rate, (collectively, the Specified Shippers), that were not assessed an unauthorized overrun or underrun penalty on the day for which such penalties are to be credited.

GENERAL TERMS AND CONDITIONS (Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES (Continued)

The penalty credits will be allocated to the Specified Shippers pro rata in proportion to total revenue excluding surcharges, net of credits from capacity releases as described in Section 23 of the General Terms and Conditions, received by Transporter from each and all of the Specified Shippers for each applicable month. Such penalty credits shall be reflected as a credit billing adjustment to each March billing for credits received during the prior calendar year. In the event that such credit billing adjustments would result in a credit total invoice to any Shipper, Transporter will refund the credit billing adjustment to the Shipper by check within 15 days after determination of the amount of the credit due to the Shipper.

15.7 If a Shipper's cumulative monthly Shipper Imbalance is more than 5,000 Dth or 5 percent, above or below total confirmed nominations for the month, whichever is greater, the Shipper will have exceeded allowed tolerances. If Shipper exceeds allowed tolerances, Transporter will provide an imbalance statement to Shipper on or before Transporter's next invoice date and Shipper will then have 15 non-entitlement Balancing-Approved Days from the date of Transporter's invoice to eliminate such excess imbalance; otherwise, Shipper will be subject to a Shipper Imbalance penalty as described in Section 15.10. The fifteen-day period will be extended proportionately if, and to the extent that, Shipper's failure to eliminate its excess imbalance is caused by Transporter's inability, due to operating or force majeure conditions to accommodate Shipper's make-up nominations, provided such nominations are from Shippers primary receipt point(s). A Shipper may eliminate Shipper Imbalances by scheduling imbalance gas in accordance with the procedures outlined in Section 14 hereof.

15.8 Shipper Imbalance Netting. Upon Shipper's request, Transporter will net Shipper Imbalances with Shipper Imbalances, and Shipper Imbalances with Receiving Party Imbalances, between its Service Agreements. Netting between a Shipper's Service Agreements, when offsetting a Receiving Party Imbalance with a Shipper Imbalance, will be limited to a maximum quantity equal to the smallest imbalance under the agreements being netted. Shipper Imbalances may also be eliminated by trading imbalances with third parties as set forth in Section 15.9.

GENERAL TERMS AND CONDITIONS (Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES (Continued)

15.9 Shipper/Receiving Party Imbalance Trading. A Shipper or Receiving Party may eliminate imbalances by trading imbalances between Service Agreements with third parties within the same Operational Impact Area. Trading between Service Agreements of third parties, when a Receiving Party Imbalance is traded with a Shipper Imbalance or another Receiving Party Imbalance, will be limited to a maximum quantity equal to the smallest imbalance under the agreements being traded.

(a) All imbalance trading shall be conducted through Transporter's Designated Site. Shippers or Receiving Parties may post an open or prearranged trade. Trading can be done at any time and will occur once the confirming trader accepts the posting by the initiating trader. If Shipper or Receiving Party desires to trade imbalances, Shipper or Receiving Party must consent to Transporter's release of necessary information regarding its imbalance.

(b) Shippers or Receiving Parties are responsible for making whatever arrangements among themselves that they deem necessary prior to finalizing the imbalance trade on Transporter's Designated Site.

GENERAL TERMS AND CONDITIONS
(Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES (Continued)

(c) Transporter will not be liable for any losses incurred by a Shipper if a Shipper is unable to complete an imbalance trade once Shipper has notified Transporter of his desire to consummate an imbalance trade.

(d) Any imbalance gas being traded will still be deemed to be imbalance gas and will be subject to: 1) scheduling provisions in Section 14; 2) the priority of service provisions in Section 12; and 3) the penalty provisions in Section 15.

15.10 Assessment of Shipper Imbalance Penalties. Shipper shall have 15 non-entitlement, Balancing-Approved Days from the date of Transporter's invoice to adjust excess Shipper Imbalances as described in Section 15.7 to allowed tolerance levels or be subject to the following:

(a) For excess Shipper Imbalances resulting from confirmed nominations for deliveries by Transporter exceeding confirmed Shipper nominations for receipts from an interconnecting pipeline, Shipper will pay a penalty of \$5.00 per Dth, such penalty to be payable within 10 days after receipt of any assessment from Transporter.

(b) For excess Shipper Imbalances resulting from confirmed nominations for receipt from Shipper exceeding confirmed nominations for deliveries by Transporter to an interconnecting pipeline, any such excess volumes shall become the property of Transporter at no cost to Transporter and shall be free and clear of any adverse claims related thereto.

Transporter shall exempt Shippers from Shipper Imbalance penalties resulting from OFO compliance and provide an additional 30 days to correct OFO-related Shipper Imbalances.

15.11 Assessment of Charges on Imbalances at Termination of Service Agreement. Transporter and Shipper shall eliminate any cumulative imbalances between receipts and deliveries of gas existing at the termination of a Service Agreement within 15 non-entitlement, Balancing-Approved Days after the date of Transporter's invoice. The fifteen-day period will be extended proportionately if, and to the extent that, Shipper's failure to eliminate its remaining cumulative imbalance is caused by Transporter's inability, due to operating or force majeure conditions to accommodate Shipper's make-up nominations provided such nominations are from Shipper's primary receipt point(s).

GENERAL TERMS AND CONDITIONS
(Continued)

15. DETERMINATION OF DELIVERIES AND IMBALANCES (Continued)

At the end of the 15 day period, any gas which was delivered by Transporter for which equivalent volumes were not received by Transporter from Shipper shall be paid for by Shipper at \$5.00 per Dth. Shipper shall pay such amount within 10 days after receipt of such bill. Any gas received by Transporter in excess of that delivered for Shipper which remains in Transporter's system at the end of the 15 day period shall become the property of Transporter at no cost to Transporter and free and clear of any adverse claims related thereto.

15.12 Imbalances with Other Parties. Transporter shall not be responsible for eliminating any imbalances in volumes transported that accrue between Receiving Party or Shipper and any other party, including without limitation any volume imbalances that accrue between local distribution companies and specific end-users or between producers or pipelines and local distribution companies or end-users. Furthermore, Transporter shall not be obligated to adjust or deviate from its standard operating and accounting procedures in order to alleviate such imbalances.

15.13 Netting and Trading within Operational Impact Area. NAESB WGQ Flowing Gas Related Standard 2.3.30 will apply.

15.14 LNG Boil-off Balance in Excess of Allowed Tolerances. If Shipper's Boil-off balance is more than 10,000 Dths or 10 percent of Shipper's Storage Capacity, whichever is greater, Transporter will notify Shipper that the Boil-off balance exceeds allowed tolerances. Shipper will then have 45 non-entitlement, Balancing-Approved Days to eliminate such excess balance. The 45 non-entitlement, Balancing-Approved Day period will be extended proportionately if, and to the extent that Shipper's failure to bring its balance within tolerances is caused by Transporter's inability, due to operating or force majeure conditions to accommodate Shipper's re-liquefaction/transportation request. Any excess quantities not brought within tolerance within the required timeframe shall become the property of Transporter at no cost to Transporter and will be free and clear of any adverse claims related thereto.

In the event a Service Agreement containing a Boil-off balance terminates, Shipper will have 45 non-entitlement, Balancing-Approved Days from the date of termination to eliminate the entire Boil-off balance. For any quantities owed to Shipper after this period, Transporter will take title to such quantities free and clear of any adverse claims. For any quantities owed to Transporter after this period, Transporter shall invoice Shipper for each Dth owed the greater of five dollars or two times the highest absolute price at NW Wyoming Pool, NW south of Green River, NW Stanfield, NW Sumas, or El Paso Bondad as reflected in the Daily Price Survey published in "Gas Daily" for the first Gas Day after Shipper's Service Agreement termination date. Shipper shall pay such amount within 10 days of receipt of such invoice.