

**38. BALANCING PROCEDURES FOR TRANSPORTATION CUSTOMERS AND TRANSPORTATION CUSTOMERS' GAS MARKETERS**

**A. OVERVIEW**

**1. Transportation Customers**

Transportation Customers are those Customers that procure their own Gas supplies and have the supplies delivered to Frontier at its City Gate in Salisbury, North Carolina. Frontier then takes possession of such supplies and transports (delivers) those supplies to the Transportation Customer at Frontier's meter on the Transportation Customer's site. The Transportation Customer will be billed monthly by Frontier for its transportation service in accordance with the applicable Rate Schedule 152 or 171. As a condition for Transportation Customers to procure their own Gas supplies, they are required to deliver volumes to Frontier's City Gate that match their Gas usage at the meter (Balancing). The Monthly Balancing Procedures herein cover three types of situations: 1) a Transportation Customer acting on its own behalf; 2) a Transportation Customer who authorizes a Marketer to act as its agent (Agent), but is not part of a pool; or, 3) a Transportation Customer who authorizes a Marketer to act as its agent (Agent) and is part of a pool. In all situations where a Customer has an Agent, all procedures pertaining to balancing, cash-out, and/or penalties or surcharges shall be conducted with that Agent, otherwise it will be conducted with the Customer.

**2. Balancing of Transportation Volumes**

It is the responsibility of the Customer (or Agent) to keep Gas supply receipts into Frontier's system in balance on a daily and monthly basis with Frontier's actual deliveries to Customer (or Agent). In case of imbalance, the Customer (or Agent) will be cashed out for the cost of Gas as described in Section A.3 below, and may be charged for any surcharges and penalties as described in Section A.4 below.

**3. Cashing Out**

The settlement of imbalances shall be based on Transco's cash-out procedure as set forth in Transco's FERC Gas Tariff, General Terms and conditions, Cash-Out Provisions Sections 37.1(d) and 37.1(e).

All Customers (or Agents) shall start with cash-outs calculated on a monthly basis. Frontier will monitor daily what Customers (or Agents) nominate versus Gas usage at the Customer's meter(s). Frontier will notify the Customer (or Agent) of any imbalance events in writing (i.e., e-mail, fax or letter) and advise them to adjust nominations as necessary to achieve overall monthly balance between Gas nominations and Gas usage. If the imbalance persists, Frontier will switch the Customer (or Agent) to Daily Cash-Out calculations as detailed in hereinafter.

#### **4. Surcharges and Penalties**

- a. In the event Frontier would have been assessed a charge and/or penalty by Transco due to an imbalance in receipts and deliveries caused by failure of a Customer (or Agent) to take scheduled quantities of Gas or Customer's delivery of Gas exceeding scheduled quantities, Frontier will calculate and invoice Customer (or Agent) for such charge and/or penalty and Customer (or Agent) shall pay such charge and/or penalty. These charges will be in addition to the normal monthly or daily balancing cash-outs.
- b. Any additional surcharges or penalties incurred by Frontier, for exceeding its Maximum Daily Quantity (MDQ), that are a direct result of an imbalance of a Customer (or Agent) may be added to its invoice. These charges will be in addition to the normal monthly or daily balancing cash-outs.
- c. Any other additional costs incurred by Frontier that are a direct result of an imbalance of a Customer (or Agent) may be added to its invoice. These charges will be in addition to the normal monthly or daily balancing cash-outs.

If the charges or penalties are due to a combined imbalance by two or more Customers (or Agents), the charges or penalties will be applied pro rata to the Customers (or Agents) involved.

#### **B. DETAILS**

##### **1. Switching a Customer (or Agent) from Monthly Balancing to Daily Balancing**

All Customers (or Agents) shall start with cash-outs calculated on a monthly basis. Frontier will monitor daily what Customers (or Agents) nominate versus Gas usage at the Customer's meter(s). Should Frontier determine that a Customer's (or Agent's) balances continue in a manner such that they are creating or causing daily imbalances exceeding 10% over-deliveries or exceeding 10% under-deliveries, Frontier will notify the Customer (or Agent) of such events in writing (i.e., e-mail, fax, or letter) and advise them to adjust nominations as necessary to achieve overall monthly balance between Gas nominations and Gas usage. Frontier will use the calculations described in the Monthly Cash-Outs section below as a guideline for its determinations. If the imbalance still exists after three (3) business days following Frontier's written notification, Frontier will notify the Customer (or Agent) in writing that daily balancing is being implemented and the effective date thereof. However, at any time if Frontier determines that a Customer (or Agent) does not take on the responsibility of make a reasonable effort to effectively manage gas supplies, Frontier, at its discretion, can convert the Customer (or Agent) from monthly Cash-Out to a daily calculation bypassing the above process.

##### **2. Switching a Customer (or Agent) Back to Monthly Balancing**

A Customer (or Agent) shall be switched back to monthly balancing after it has demonstrated the ability to effectively balance supplies with usage for two (2) consecutive calendar months. Supplies must be managed in such a way that they are not creating or causing imbalances, charges and/or penalties from Transco to Frontier and/or other Customer(s) (or Agent(s)).

When switching a Customer (or Agent) from a daily-calculated cash-out back to a monthly-calculated cash-out, it will be notified in writing indicating the effective dates.

### 3. Monthly Cash-Outs

At the end of each calendar month, the usage of a Customer (or Agent) will be compared to its deliveries. The monthly cash-out will be calculated, by taking into consideration the following:

- a. Cash-Out Indices for the applicable calendar month shall be for FT Service at Zone 5 as posted on Transco's website ([www.1line.williams.com](http://www.1line.williams.com)) on the first Monday of the subsequent month.
- b. If the monthly usage imbalance for a Customer (or Agent) does not fall within 5% of 1,000 Dekatherms (dts) – whichever is less – of its deliveries to Frontier's City Gate, then a Weighted Average Penalty Factor (WAPF) will apply to the indices. The WAPF will be calculated in accordance with Transco's FERC Gas Tariff, General Terms and Conditions, Cash-Out Provisions Section 37.1(d) and 37.1(e).
- c. For under-deliveries, where usage of a Customer (or Agent) exceed its deliveries to Frontier's City Gate, the WAPF, as set-forth in Transco's FERC Gas Tariff, General Terms and Conditions, Cash-out Provisions Sections 37.1(d) and 37.1(e), applies as follows:

i. 0 through 5%	1.0
ii. >5% through <10%	1.2
iii. 10% through <15%	1.3
iv. 15% through <20%	1.4
v. 20% and greater	1.5
- d. For over-deliveries, where deliveries of a Customer (or Agent) to Frontier's City Gate exceed its usage, the WAPF, as set-forth in Transco's FERC Gas Tariff, General Terms and Conditions, Cash-Out Provisions Sections 37.1(d) and 37.1(e), applies as follows:

i. 0 through 5%	1.0
ii. >5% through <10%	0.8
iii. 10% through <15%	0.7
iv. 15% through <20%	0.6
v. 20% or greater	0.5

### 4. Daily Cash-Outs

In the event a Customer (or Agent) has been switched to a daily balancing calculation, Frontier will calculate the imbalance on a daily basis by taking into consideration the following:

- a. Customer (or Agent) daily usage versus their daily deliveries to Frontier's City Gate.
- b. The daily index price for Gas

For under-deliveries, where usage of a Customer (or Agent) exceeds its deliveries to Frontier's City Gate, the daily index shall be Transco Zone 6 (non-NY) as published in Natural Gas Daily. Frontier will add \$.50/dt to the daily index as a disincentive for usage patterns that result in under-deliveries.

For over-deliveries, where deliveries of a Customer (or Agent) to Frontier's City Gate exceeds its usage, the daily index shall be Transco Zone 6 (non-NY) as published in Natural Gas Daily. Frontier will deduct \$.60/dt from the daily index as a disincentive for usage patterns that result in over-deliveries.

#### **5. Customer (or Agent) Confirmation**

Frontier will send letters to Customers (or Agents) to confirm its receipt of Frontier's Balancing Procedures and its commitment to comply with all elements thereof, Customer's (or Agent's) refusal to execute the letter or its failure to comply with Frontier's Balancing Procedures may result in Frontier terminating its ability to nominate and bring Gas through Frontier's distribution system.