

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: _____

The parties to this Base Contract are the following:

PARTY A [INSERT COUNTERPARTY LEGAL ENTITY NAME]	PARTY NAME	PARTY B [INSERT COUNTERPARTY LEGAL ENTITY NAME]
ADDRESS		
WWW. _____	BUSINESS WEBSITE	WWW. _____
CONTRACT NUMBER		
D-U-N-S® NUMBER		
US FEDERAL: _____ OTHER: _____	TAX ID NUMBERS	US FEDERAL: _____ OTHER: _____
JURISDICTION OF ORGANIZATION		
<input type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____	COMPANY TYPE	<input type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____
GUARANTOR (IF APPLICABLE)		
CONTACT INFORMATION		
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	• COMMERCIAL	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	• SCHEDULING	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	• CONTRACT AND LEGAL NOTICES	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	• CREDIT	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	• TRANSACTION CONFIRMATIONS	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ACCOUNTING INFORMATION		
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	• INVOICES • PAYMENTS • SETTLEMENTS	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____	WIRE TRANSFER NUMBERS (IF APPLICABLE)	BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____
BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____	ACH NUMBERS (IF APPLICABLE)	BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____
ATTN: _____ ADDRESS: _____	CHECKS (IF APPLICABLE)	ATTN: _____ ADDRESS: _____

Base Contract for Sale and Purchase of Natural Gas

(Continued)

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select the appropriate box(es) from each section:

Section 1.2 Transaction Procedure <input type="checkbox"/> Oral (default) OR <input type="checkbox"/> Written	Section 10.2 Additional Events of Default <input type="checkbox"/> No Additional Events of Default (default) <input checked="" type="checkbox"/> Indebtedness Cross Default <input type="checkbox"/> Party A: _____ <input type="checkbox"/> Party B: _____ <input type="checkbox"/> Transactional Cross Default Specified Transactions: _____ _____
Section 2.7 Confirm Deadline <input type="checkbox"/> 2 Business Days after receipt (default) OR <input type="checkbox"/> _____ Business Days after receipt	
Section 2.8 Confirming Party <input type="checkbox"/> Seller (default) OR <input type="checkbox"/> Buyer <input type="checkbox"/> _____	
Section 3.2 Performance Obligation <input type="checkbox"/> Cover Standard (default) OR <input type="checkbox"/> Spot Price Standard	Section 10.3.1 Early Termination Damages <input type="checkbox"/> Early Termination Damages Apply (default) OR <input type="checkbox"/> Early Termination Damages Do Not Apply
Note: The following Spot Price Publication applies to both of the immediately preceding.	
Section 2.31 Spot Price Publication <input type="checkbox"/> Gas Daily Midpoint (default) OR <input type="checkbox"/> _____	Section 10.3.2 Other Agreement Setoffs <input type="checkbox"/> Other Agreement Setoffs Apply (default) <input type="checkbox"/> Bilateral (default) <input type="checkbox"/> Triangular OR <input type="checkbox"/> Other Agreement Setoffs Do Not Apply
Section 6 Taxes <input type="checkbox"/> Buyer Pays At and After Delivery Point (default) OR <input type="checkbox"/> Seller Pays Before and At Delivery Point	
Section 7.2 Payment Date <input type="checkbox"/> 25 th Day of Month following Month of delivery (default) OR <input type="checkbox"/> Day of Month following Month of delivery	Section 15.5 Choice Of Law _____
Section 7.2 Method of Payment <input type="checkbox"/> Wire transfer (default) <input type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check	Section 15.10 Confidentiality <input type="checkbox"/> Confidentiality applies (default) OR <input type="checkbox"/> Confidentiality does not apply
Section 7.7 Netting <input type="checkbox"/> Netting applies (default) OR <input type="checkbox"/> Netting does not apply	
Special Provisions Number of sheets attached: _____ Addendum(s): _____	

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

(INSERT COUNTERPARTY LEGAL ENTITY NAME)	PARTY NAME	(INSERT COUNTERPARTY LEGAL ENTITY NAME)
By:	SIGNATURE	By:
(Insert Name)	PRINTED NAME	(Insert Name)
(Insert Title)	TITLE	(Insert Title)

General Terms and Conditions

Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.9.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Additional Event of Default" shall mean Transactional Cross Default or Indebtedness Cross Default, each as and if selected by the parties pursuant to the Base Contract.

2.2. "Affiliate" shall mean, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of at least 50 percent of the voting power of the entity or person.

- 2.3. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.
- 2.4. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.
- 2.5. "British thermal unit" or "Btu" shall mean the international BTU, which is also called the Btu (IT).
- 2.6. "Business Day(s)" shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S.
- 2.7. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.8. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.9. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation, all of which shall form a single integrated agreement between the parties.
- 2.10. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.11. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.12. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.13. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as cash, an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, guaranty, or other good and sufficient security of a continuing nature.
- 2.14. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.15. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.16. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.17. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.18. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.19. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.20. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.21. "Guarantor" shall mean any entity that has provided a guaranty of the obligations of a party hereunder.
- 2.22. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.23. "Indebtedness Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it or its Guarantor, if any, experiences a default, or similar condition or event however therein defined, under one or more agreements or instruments, individually or collectively, relating to indebtedness (such indebtedness to include any obligation whether present or future, contingent or otherwise, as principal or surety or otherwise) for the payment or repayment of borrowed money in an aggregate amount greater than the threshold specified in the Base Contract with respect to such party or its Guarantor, if any, which results in such indebtedness becoming immediately due and payable.

- 2.24. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any imbalance charges as set forth in Section 4.3 related to its interruption after the nomination is made to the transporter and until the change in deliveries and/or receipts is confirmed by transporter.
- 2.25. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.26. "Month" shall mean the period beginning on the first day of the calendar month and ending immediately prior to the commencement of the first day of the next calendar month.
- 2.27. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due seller for gas received by buyer in the previous month.
- 2.28. "Receiving Transporter" shall mean the transporter receiving gas at a delivery point, or absent such receiving transporter, the transporter delivering gas at a delivery point.
- 2.29. "Scheduled Gas" shall mean the quantity of gas confirmed by transporter(s) for movement, transportation or management.
- 2.30. "Specified Transaction(s)" shall mean any other transaction or agreement between the parties for the purchase, sale or exchange of physical gas, and any other transaction or agreement identified as a Specified Transaction under the Base Contract.
- 2.31. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the delivery point(s) for the relevant day; provided, if there is no single price published for such location for such day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first day for which a price or range of prices is published that next precedes the relevant day; and (ii) the price (determined as stated above) for the first day for which a price or range of prices is published that next follows the relevant day.
- 2.32. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular delivery period.
- 2.33. "Transactional Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it shall be in default, however therein defined, under any Specified Transaction.
- 2.34. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a firm obligation to deliver gas in the case of seller or to receive gas in the case of buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.
- 2.35. "Transporter(s)" shall mean all gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting gas for seller or buyer upstream or downstream, respectively, of the delivery point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

- 3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a firm or interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a firm obligation to deliver or receive gas shall be recovery of the following: (i) in the event of a breach by seller on any day(s), payment by seller to buyer in an amount equal to the positive difference, if any, between the purchase price paid by buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the delivery point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by seller for such day(s) excluding any quantity for which no replacement is available; or (ii) in the event of a breach by buyer on any day(s), payment by buyer to seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by seller utilizing the Cover Standard for the resale of such gas, adjusted for commercially reasonable differences in transportation costs to or from the delivery point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by buyer for such day(s) excluding any quantity for which no sale is available; and (iii) in the event that buyer has used commercially reasonable efforts to replace the gas or seller has used commercially reasonable efforts to sell the gas to a third party, and no such replacement or sale is available for all or any portion of the Contract Quantity of gas, then in addition to (i) or (ii) above, as applicable, the sole and exclusive remedy of the performing party with respect to the gas not replaced or sold shall be an amount equal to any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable delivery point, multiplied by the quantity of such gas not replaced or sold. Imbalance charges shall not be recovered under this Section 3.2, but seller and/or buyer shall be responsible for imbalance charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five business days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) In the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) In the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the Invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed without undue delay. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 15.8. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury (including death) or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury (including death) or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. The parties agree that the delivery of and the transfer of title to all Gas under this Contract shall take place within the Customs Territory of the United States (as defined in general note 2 of the Harmonized Tariff Schedule of the United States 19 U.S.C. §1202, General Notes, page 3); provided, however, that in the event Seller took title to the Gas outside the Customs Territory of the United States, Seller represents and warrants that it is the Importer of record for all Gas entered and delivered into the United States, and shall be responsible for entry and entry summary filings as well as the payment of duties, taxes and fees, if any, and all applicable record keeping requirements.

8.5. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, Invoices, payment instructions, and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder shall be in writing and may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is

not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

9.4. The party receiving a commercially acceptable Notice of change in payment instructions or other payment information shall not be obligated to implement such change until ten Business Days after receipt of such Notice.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y or its Guarantor, if applicable), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to X, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or guaranty. Y hereby grants to X a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Y to X pursuant to this Section 10.1. Upon the return by X to Y of such Adequate Assurance of Performance, the security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its Guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; or ix) be the affected party with respect to any Additional Event of Default, then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is legally permissible, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and

Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

Bilateral Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff any Net Settlement Amount against (i) any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; and (ii) any amount(s) (including any excess cash margin or excess cash collateral) owed or held by the party that is entitled to the Net Settlement Amount under any other agreement or arrangement between the parties.

Triangular Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option, and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff (i) any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; (ii) any Net Settlement Amount against any amount(s) (including any excess cash margin or excess cash collateral) owed by or to a party under any other agreement or arrangement between the parties; (iii) any Net Settlement Amount owed to the Non-Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Non-Defaulting Party or its Affiliates to the Defaulting Party under any other agreement or arrangement; (iv) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party to the Non-Defaulting Party or its Affiliates under any other agreement or arrangement; and/or (v) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party or its Affiliates to the Non-Defaulting Party under any other agreement or arrangement.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of the Net Settlement Amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount as well as any setoffs applied against such amount pursuant to Section 10.3.2, shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount as adjusted by setoffs, shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Contract; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6, Section 10, Section 13, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MARKET DISRUPTION

If a Market Disruption Event has occurred then the parties shall negotiate in good faith to agree on a replacement price for the Floating Price (or on a method for determining a replacement price for the Floating Price) for the affected Day, and if the parties have not so agreed on or before the second Business Day following the affected Day then the replacement price for the Floating Price shall be determined within the next two following Business Days with each party obtaining, in good faith and from non-affiliated market participants in the relevant market, two quotes for prices of Gas for the affected Day of a similar quality and quantity in the geographical location closest in proximity to the Delivery Point and averaging the four quotes. If either party fails to provide two quotes then the average of the other party's two quotes shall determine the replacement price for the Floating Price. "Floating Price" means the price or a factor of the price agreed to in the transaction as being based upon a specified index. "Market Disruption Event" means, with respect to an index specified for a transaction, any of the following events: (a) the failure of the index to announce or publish information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) both parties agree that a material change in the formula for or the method of determining the Floating Price has occurred. For the purposes of the calculation of a replacement price for the Floating Price, all numbers shall be rounded to three decimal places. If the fourth decimal number is five or greater, then the third decimal number shall be increased by one and if the fourth decimal number is less than five, then the third decimal number shall remain unchanged.

SECTION 15. MISCELLANEOUS

15.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

15.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

15.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

15.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

15.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

15.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

15.7. There is no third party beneficiary to this Contract.

15.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

15.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

15.10. Unless the parties have elected on the Base Contract not to make this Section 15.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to comply with a regulatory agency's reporting requirements including but not limited to gas cost recovery proceedings; or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure,

and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

15.11. The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties

15.12. Any original executed Base Contract, Transaction Confirmation or other related document may be digitally copied, photocopied, or stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the Transaction Confirmation, if introduced as evidence in automated facsimile form, the recording, if introduced as evidence in its original form, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the recording, the Transaction Confirmation, or the Imaged Agreement on the basis that such were not originated or maintained in documentary form. However, nothing herein shall be construed as a waiver of any other objection to the admissibility of such evidence.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

**TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY**

EXHIBIT A

Letterhead/Logo	Date: _____ Transaction Confirmation #: _____	
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.		
SELLER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	
Contract Price: \$ _____ /MMBtu or _____		
Delivery Period: Begin _____ End _____		
Performance Obligation and Contract Quantity: (Select One)		
Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day
Delivery Point(s): _____ (If a pooling point is used, list a specific geographic and pipeline location):		
Special Conditions:		
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____	

Base Contract for Sale and Purchase of Natural Gas**Canadian Addendum**

This Canadian Addendum ("Canadian Addendum") is entered into as of the following date: _____
The parties to this Canadian Addendum are the following:

PARTY A [INSERT COUNTERPARTY LEGAL ENTITY NAME]	PARTY NAME	PARTY B [INSERT COUNTERPARTY LEGAL ENTITY NAME]
	ADDRESS	
www. _____	BUSINESS WEBSITE	www. _____
	CONTRACT NUMBER	
	CONTRACT DATE	
	D-U-N-S® NUMBER	
<input type="checkbox"/> US FEDERAL:		<input type="checkbox"/> US FEDERAL:
<input type="checkbox"/> CANADIAN GST:	TAX ID NUMBERS	<input type="checkbox"/> CANADIAN GST:
<input type="checkbox"/> OTHER:		<input type="checkbox"/> OTHER:

IN WITNESS WHEREOF, the parties hereto agree to the terms and conditions set forth herein and have executed this Canadian Addendum in duplicate.

[INSERT COUNTERPARTY LEGAL ENTITY NAME]	PARTY NAME	[INSERT COUNTERPARTY LEGAL ENTITY NAME]
	SIGNATURE	
By: _____		By: _____
[Insert Name]	PRINTED NAME	[Insert Name]
[Insert Title]	TITLE	[Insert Title]

Addendum: This Canadian Addendum constitutes an addendum to that certain Base Contract for Sale and Purchase of Natural Gas, as identified above, between the parties ("Base Contract"), and supplements and amends the Base Contract affecting transactions thereunder. Capitalized terms used in this Canadian Addendum which are not herein defined will have the meanings ascribed to them in the Base Contract.

The parties hereby agree to the following provision. In the event the parties fail to check a box, the default provision for this section shall apply. **Select only 1 box from this section:**

Section 2.31: Spot Price Publication: Delete the selection made on the cover page of the Base Contract and replace it with the following:

- ☐ Canadian Gas Price Reporter (default)
☐ Gas Daily Midpoint
☐ _____

The parties hereby agree to the following provision. In the event the parties fail to check a box, the default provision for this section shall apply. **Select only 1 box from this section:**

Section 10.4: Termination Currency

- ☐ U. S. Dollars (default)
☐ Canadian Dollars
☐ _____

The parties hereby agree to the following provision. In the event the parties fail to check a box, the default provision for this section shall apply. **Select only 1 box from this section:**

Section 15.5: Choice of Law: If a selection is made herein, delete the selection made on the cover page of the Base Contract and replace it with the following:

☐ Province of Alberta, Canada (default)

Delete the last sentence of Section 1.3 and replace it with the following:

"In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Special Provisions to the Base Contract, if applicable (iv) the Canadian Addendum, (v) other addendums to the Base Contract executed between the parties and (vi) the General Terms and Conditions of the Base Contract as limited by selections on its cover pages, the terms of the documents shall govern and have priority in the sequence listed in this sentence."

Delete Section 2.2 and replace it with the following:

2.2.1 "Affiliate" shall mean, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of at least 50 percent of the voting power of the entity or person; and "entity" shall include a partnership of any kind.

Delete Section 2.3 and replace it with the following:

2.3 "Alternative Damages" shall mean such damages, expressed in United States dollars or United States dollars per MMBtu, or Canadian dollars or Canadian dollars per GJ, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

Delete Section 2.6 and replace it with the following:

2.6 "Business Day" shall mean any day except Saturday, Sunday, or a statutory or banking holiday observed in the jurisdiction specified pursuant to Section 15.5. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant party's principal place of business. The relevant party, in each instance unless otherwise specified, shall be the party to whom the Notice is being sent and by whom the Notice is to be received.

Delete Section 2.10 and replace it with the following:

2.10 "Contract Price" shall mean, if the Delivery Point is in the United States, the amount expressed in U.S. Dollars per MMBtu or, if the Delivery Point is in Canada, the amount expressed in Canadian Dollars per GJ, unless specified otherwise in a transaction, to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.

Delete Section 2.13 and replace it with the following:

2.13 "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a security interest in an asset, a guaranty, Other Credit Support in the Form of Cash as described in Section 10.1(b), or other good and sufficient security of a continuing nature.

Delete Section 2.21 and replace it with the following:

2.21 "Guarantor" shall mean any entity that has provided a guaranty of the Financial Obligations of a party hereunder.

Add the following as Section 2.36:

2.36 "GJ" shall mean 1 gigajoule. 1 gigajoule = 1,000,000,000 Joules. The standard conversion factor between Dekatherms and GJ's is 1.055056 GJ's per Dekatherm.

Add the following as Section 2.37:

2.37 "Joule" shall mean the joule specified in the SI system of units.

Add the following as Section 2.38:

2.38 "Termination Currency Equivalent" shall mean, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency that the Non-Defaulting Party would be required to pay, on the Early Termination Date, to purchase such amount of Other Currency for spot delivery, as determined by the Non-Defaulting Party in a commercially reasonable manner.

Add the following as Section 2.39:

2.39 "Cash" or "cash" shall mean lawful currency of Canada or the United States of America, as the case may be.

Add the following as Section 2.40:

2.40 "Financial Obligations" shall mean with respect to a party, all present and future debts, liabilities and financial obligations, direct or indirect, absolute or contingent, matured or not, extended or renewed, of that party under the Base Contract including, but not limited to, Credit Support Obligation(s).

Delete Section 5 and replace it with the following:

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry or one GJ, as agreed to by the parties in a transaction. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

Add the following to Section 6:

Sections 6.2, 6.3 and 6.4 apply if the Delivery Point is in Canada.

6.2 The Contract Price does not include any amounts payable by Buyer for the goods and services tax ("GST") imposed pursuant to the Excise Tax Act (Canada) ("ETA") or any similar or replacement value added or sales or use tax enacted under successor legislation. Notwithstanding whether the parties have selected "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract, Buyer will pay to Seller the amount of GST payable for the purchase of Gas in addition to all other amounts payable under the Contract. Seller will hold the GST paid by Buyer and will remit such GST as required by law. Buyer and Seller will provide each other with the information required to make such GST remittance or claim any corresponding input tax credits, including GST registration numbers.

6.3 Where Buyer indicates to Seller that Gas will be exported from Canada, the following shall apply:

6.3.1 Where Buyer is not registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes. If Seller, in its sole discretion, agrees to so treat such Gas, then Buyer hereby declares, represents and warrants to Seller that Buyer will: (i) export such Gas as soon as is reasonably possible after Seller delivers such Gas to Buyer (or after such Gas is delivered to Buyer after a zero-rated storage service under the ETA) having regard to the circumstances surrounding the export and, where applicable, normal business practice; (ii) not acquire such Gas for consumption or use in Canada (other than as fuel or compressor gas to transport such Gas by pipeline) or for supply in Canada (other than to supply natural gas liquids or ethane the consideration for which is deemed by the ETA to be nil) before export of such Gas; (iii) ensure that, after such Gas is delivered and before export, such Gas is not further processed, transformed or altered in Canada (except to the extent reasonably necessary or incidental to its transportation and other than to recover natural gas liquids or ethane from such Gas at a straddle plant); (iv) maintain on file, and provide to Seller, if required, or to the Canada Customs and Revenue Agency, evidence satisfactory to the Minister of National Revenue of the export of such Gas by Buyer; and/or (v) comply with all other requirements prescribed by the ETA for a zero-rated export of such Gas.

6.3.2 Where Buyer is registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes, and Buyer hereby declares, represents and warrants to Seller that Buyer intends to export such Gas by means of pipeline or other conduit in circumstances described in Section 6.3.1 (i) to (iii).

6.3.3 Without limiting the generality of Section 8.3, Buyer indemnifies Seller for any GST, penalties and interest and all other damages and costs of any nature arising from breach of the declarations, representations and warranties contained in Section 6.3.1 or 6.3.2, or otherwise from application of GST to Gas declared, represented and warranted by Buyer to be acquired for export from Canada.

6.4 In the event that any amount becomes payable pursuant to the Contract as a result of a breach, modification or termination of the Contract, the amount payable shall be increased by any applicable Taxes or GST remittable by the recipient in respect of that amount.

Delete Section 7.5 and replace it with the following:

7.5 If the Invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or, If the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for Canadian currency commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

Delete Section 7.7 and replace it with the following:

7.7 Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, in the same currency, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

Add the following as Section 7.8:

7.8 For each transaction, all associated payments shall be made in the currency of the Contract Price for such transaction.

Delete Section 8.4 in its entirety.

Delete Section 10.1 and replace it with the following:

10.1 If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y or its Guarantor, if applicable), X may demand Adequate Assurance of Performance or Other Credit Support in the Form of Cash, where:

- (i) "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to X, including, but not limited to a standby irrevocable letter of credit, a prepayment in the form of cash, a security interest in an asset or a guaranty; or
- (ii) "Other Credit Support in the Form of Cash" shall mean: a) Y transfers to X Cash (excluding prepayment in the form of cash) as credit support, and b) the relationship between Y and X is a relationship of creditor and debtor, respectively, and (c) all right, title and interest in the Other Credit Support in the Form of Cash is transferred absolutely by Y to X. Although no security interest is created in Other Credit Support in the Form of Cash, Party Y hereby pledges to X as security for the Financial Obligations and grants to X a first priority continuing security interest in, lien on and right to setoff Other Credit Support in the Form of Cash against any amounts payable by Y with respect to the Financial Obligations. This right of setoff can be exercised in the same circumstances as X can exercise its rights under Paragraph 10.3. Party X shall have the right to sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Other Credit Support in the Form of Cash transferred to it by Y in accordance with the terms hereof, free from any claim or right of any nature whatsoever of Y, including any equity or right of redemption by Y.

Upon the return by X to Y of such Adequate Assurance of Performance or Other Credit Support in the Form of Cash, as the case may be, the security interest and lien granted hereunder on that Adequate Assurance of Performance or Other Credit Support in the Form of Cash shall be released automatically and, to the extent possible, without any further action by either party.

In Section 10.2(vii) delete the term "Adequate Assurance of Performance" and substitute therefore the term "Adequate Assurance of Performance or Other Credit Support in the Form of Cash".

Add the following as Section 10.3.4:

10.3.4 The Non-Defaulting Party shall use the Termination Currency Equivalent of any amount denominated in a currency other than the Termination Currency in performing any netting, aggregation or setoff required or permitted by Section 10.3.1 or 10.3.2.

Delete Section 10.4 and replace it with the following:

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of the Net Settlement Amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount as well as any setoffs applied against such amount pursuant to Section 10.3.2, shall be paid, in the Termination Currency, by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount as adjusted by setoffs, shall accrue from the date due until the date of payment at a rate equal to the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for Canadian currency commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

Delete Section 10.5 and replace it with the following:

10.5 The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code. The parties also agree that the transactions hereunder constitute an "eligible financial contract" within the meaning of the Bankruptcy and Insolvency Act (Canada) and the Companies Creditors Arrangements Act (Canada), and similar Canadian legislation.

Delete the last sentence of Section 14 and replace it with the following:

"For the purposes of the calculation of a replacement price for the Floating Price, all numbers shall be rounded to four decimal places. If the fifth decimal number is five or greater, then the fourth decimal number shall be increased by one and if the fifth decimal number is less than five, then the fourth decimal number shall remain unchanged."

Delete Section 15.5 and replace it with the following:

The interpretation and performance of this Contract shall be governed by the laws of the personal jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

Section 15.10:

In the first sentence on line 3 after the phrase "that the employees, lenders, royalty owners, counsel, accountants and other agents of the party" insert the following phrase ", or its Affiliates"

Delete Exhibit A ("Transaction Confirmation") and replace it with the following:

**TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY**

EXHIBIT A

Letterhead/Logo	Date: _____ Transaction Confirmation #: _____			
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____				
This Transaction Confirmation is also subject to the Canadian Addendum between Seller and Buyer dated _____ Yes (default) No				
The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract				
SELLER: _____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____			
Contract Price: U.S. \$ _____/MMBtu or Canadian \$ _____/GJ or _____				
Delivery Period: Begin _____ End: _____				
Performance Obligation and Contract Quantity: (Select One) Units: <input type="checkbox"/> MMBtu or <input type="checkbox"/> GJ or Other _____ <table style="width:100%; border: none;"> <tr> <td style="width:33%; vertical-align: top;"> Firm (Fixed Quantity): _____ Units/day <input type="checkbox"/> EFP </td> <td style="width:33%; vertical-align: top;"> Firm (Variable Quantity): _____ Units/day Minimum _____ Units/day Maximum subject to Section 4.2 at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller </td> <td style="width:33%; vertical-align: top;"> Interruptible: Up to _____ Units/day </td> </tr> </table>		Firm (Fixed Quantity): _____ Units/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ Units/day Minimum _____ Units/day Maximum subject to Section 4.2 at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ Units/day
Firm (Fixed Quantity): _____ Units/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ Units/day Minimum _____ Units/day Maximum subject to Section 4.2 at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ Units/day		
Delivery Point(s): _____ (If a pooling point is used, list a specific geographic and pipeline location)				
Canadian Export Zero Rating (Section 6.3): No (default) Yes				
Special Conditions:				
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____			

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: _____ The parties to this Base Contract are the following:

 Duns Number: _____
 Contract Number: _____
 U.S. Federal Tax ID Number: _____

 Duns Number: _____
 Contract Number: _____
 U.S. Federal Tax ID Number: _____

Notices:

Attn: _____
 Phone: _____ Fax: _____

Attn: _____
 Phone: _____ Fax: _____

Confirmations:

Attn: _____
 Phone: _____ Fax: _____

Attn: _____
 Phone: _____ Fax: _____

Invoices and Payments:

Attn: _____
 Phone: _____ Fax: _____

Attn: _____
 Phone: _____ Fax: _____

Wire Transfer or ACH Numbers (if applicable):

BANK: _____
 ABA: _____
 ACCT: _____
 Other Details: _____

BANK: _____
 ABA: _____
 ACCT: _____
 Other Details: _____

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select only one box from each section:

Section 1.2 Transaction Procedure <input type="checkbox"/> Oral (default) <input type="checkbox"/> Written	Section 7.2 Payment Date <input type="checkbox"/> 25 th Day of Month following Month of delivery (default) <input type="checkbox"/> _____ Day of Month following Month of delivery
Section 2.5 Confirming Deadline <input type="checkbox"/> 2 Business Days after receipt (default) <input type="checkbox"/> _____ Business Days after receipt	Section 7.2 Method of Payment <input type="checkbox"/> Wire transfer (default) <input type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check
Section 2.6 Confirming Party <input type="checkbox"/> Seller (default) <input type="checkbox"/> Buyer	Section 7.7 Netting <input type="checkbox"/> Netting applies (default) <input type="checkbox"/> Netting does not apply
Section 3.2 Performance Obligation <input type="checkbox"/> Cover Standard (default) <input type="checkbox"/> Spot Price Standard	Section 10.3.1 Early Termination Damages <input type="checkbox"/> Early Termination Damages Apply (default) <input type="checkbox"/> Early Termination Damages Do Not Apply
Note: The following Spot Price Publication applies to both of the immediately preceding. Section 2.26 Spot Price Publication <input type="checkbox"/> Gas Daily Midpoint (default) <input type="checkbox"/> _____	Section 10.3.2 Other Agreement Setoffs <input type="checkbox"/> Other Agreement Setoffs Apply (default) <input type="checkbox"/> Other Agreement Setoffs Do Not Apply
Section 6 Taxes <input type="checkbox"/> Buyer Pays At and After Delivery Point (default) <input type="checkbox"/> Seller Pays Before and At Delivery Point	Section 14.5 Choice Of Law _____
<input type="checkbox"/> Special Provisions Number of sheets attached: _____ <input type="checkbox"/> Addendum(s): _____	Section 14.10 Confidentiality <input type="checkbox"/> Confidentiality applies (default) <input type="checkbox"/> Confidentiality does not apply

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate

Party Name _____

Party Name _____

By _____
 Name _____
 Title _____

By _____
 Name _____
 Title _____

General Terms and Conditions

Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

2.2. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.3. "British thermal unit" or "Btu" shall mean the International BTU which is also called the Btu (IT).

- 2.4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.
- 2.5. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.6. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.7. "Contract" shall mean the legally binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.
- 2.8. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.9. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.10. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.11. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.
- 2.12. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.13. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.15. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.16. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.17. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.18. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.19. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.20. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.21. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.22. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.
- 2.23. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.24. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.25. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.26. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average

of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.

2.28. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.29. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means; a nationally recognized overnight courier service; first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to this Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the

date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MISCELLANEOUS

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

14.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11 The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAEBS does not mandate the use of this Contract by any party. NAEBS DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAEBS'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAEBS KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAEBS BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

**TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY**

EXHIBIT A

<p align="center">Letterhead/Logo</p>	<p>Date: _____</p> <p>Transaction Confirmation #: _____</p>			
<p>This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.</p>				
<p>SELLER:</p> <p>_____</p> <p>_____</p> <p>Attn: _____</p> <p>Phone: _____</p> <p>Fax: _____</p> <p>Base Contract No. _____</p> <p>Transporter: _____</p> <p>Transporter Contract Number: _____</p>	<p>BUYER:</p> <p>_____</p> <p>_____</p> <p>Attn: _____</p> <p>Phone: _____</p> <p>Fax: _____</p> <p>Base Contract No. _____</p> <p>Transporter: _____</p> <p>Transporter Contract Number: _____</p>			
<p>Contract Price: \$ _____/MMBtu or _____</p>				
<p>Delivery Period: Begin: _____ End: _____</p>				
<p>Performance Obligation and Contract Quantity: (Select One)</p> <table style="width:100%;"> <tr> <td style="width:33%; vertical-align: top;"> <p>Firm (Fixed Quantity):</p> <p>_____ MMBtus/day</p> <p>? EFP</p> </td> <td style="width:33%; vertical-align: top;"> <p>Firm (Variable Quantity):</p> <p>_____ MMBtus/day Minimum</p> <p>_____ MMBtus/day Maximum</p> <p>subject to Section 4.2. at election of</p> <p>? Buyer or ? Seller</p> </td> <td style="width:33%; vertical-align: top;"> <p>Interruptible:</p> <p>Up to _____ MMBtus/day</p> </td> </tr> </table>		<p>Firm (Fixed Quantity):</p> <p>_____ MMBtus/day</p> <p>? EFP</p>	<p>Firm (Variable Quantity):</p> <p>_____ MMBtus/day Minimum</p> <p>_____ MMBtus/day Maximum</p> <p>subject to Section 4.2. at election of</p> <p>? Buyer or ? Seller</p>	<p>Interruptible:</p> <p>Up to _____ MMBtus/day</p>
<p>Firm (Fixed Quantity):</p> <p>_____ MMBtus/day</p> <p>? EFP</p>	<p>Firm (Variable Quantity):</p> <p>_____ MMBtus/day Minimum</p> <p>_____ MMBtus/day Maximum</p> <p>subject to Section 4.2. at election of</p> <p>? Buyer or ? Seller</p>	<p>Interruptible:</p> <p>Up to _____ MMBtus/day</p>		
<p>Delivery Point(s): _____</p> <p>(If a pooling point is used, list a specific geographic and pipeline location):</p>				
<p>Special Conditions:</p>				
<p>Seller: _____</p> <p>By _____</p> <p>Title: _____</p> <p>Date: _____</p>	<p>Buyer: _____</p> <p>By _____</p> <p>Title: _____</p> <p>Date: _____</p>			

Base Contract for Sale and Purchase of Natural Gas

Canadian Addendum

This Canadian Addendum ("Canadian Addendum") is entered into as of the following date: _____

The parties to this Canadian Addendum are the following:

_____	and	_____
Duns Number _____		Duns Number _____
Base Contract Number _____		Base Contract Number _____
Base Contract Date _____		Base Contract Date _____
U.S. Federal Tax ID Number _____		U.S. Federal Tax ID Number _____
Canadian GST Number _____		Canadian GST Number _____

IN WITNESS WHEREOF, the parties hereto agree to the terms and conditions set forth herein and have executed this Canadian Addendum in duplicate.

Party _____	Party _____
By _____	By _____
Name _____	Name _____
Title _____	Title _____

Addendum: This Canadian Addendum constitutes an Addendum to that certain Base Contract for Sale and Purchase of Natural Gas, as identified above, between the parties ("Base Contract"), and supplements and amends the Base Contract affecting transactions thereunder. Unless amended herein, the Base Contract continues to apply. Capitalized terms used in this Canadian Addendum which are not herein defined will have the meanings ascribed to them in the Base Contract. In the event of a conflict between the terms of this Canadian Addendum and the Base Contract, the terms of this Canadian Addendum shall apply.

Term: This Canadian Addendum shall be effective from and after the date on which it is entered into and continues in effect until terminated by either party upon 30 Days' written Notice to the other party, provided, however, that this Canadian Addendum may not be terminated prior to the expiration of the latest Delivery Period of any transactions previously agreed to by the parties which are subject to this Canadian Addendum. The obligation to make payment hereunder, including any related adjustments, shall survive the termination of this Canadian Addendum.

The parties hereby agree to the following provisions. In the event the parties fail to check a box, the default provision for each section shall apply. Select only 1 box from each section:

Section 2.26: Spot Price Publication: Delete the selection made on the cover page of the Base Contract and replace it with the following:

- ☐ Canadian Gas Price Reporter (default if the Delivery Point is in Canada)
- ☐ Gas Daily Midpoint (default if the Delivery Point is in the United States)
- ☐ _____

Section 10.4: Termination Currency

- ☐ U. S. Dollars (default)
- ☐ Canadian Dollars
- ☐ _____

Section 14.5: Choice of Law: If a selection is made herein, delete the selection made on the cover page of the Base Contract and replace it with the following:

☐ _____

Delete Section 2.1 and replace it with the following:

2.1 "Alternative Damages" shall mean such damages, expressed in United States dollars or United States dollars per MMBtu, or Canadian dollars or Canadian dollars per GJ, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

Delete Section 2.4 and replace it with the following:

2.4 "Business Day" shall mean any day except Saturday, Sunday, or a statutory or banking holiday observed in the jurisdiction specified pursuant to Section 14.5. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant party's principal

place of business. The relevant party, in each instance unless otherwise specified, shall be the party to whom the Notice is being sent and by whom the Notice is to be received.

Delete Section 2.8 and replace it with the following:

2.8 "Contract Price" shall mean, if the Delivery Point is in the United States, the amount expressed in U.S. Dollars per MMBtu or, if the Delivery Point is in Canada, the amount expressed in Canadian Dollars per GJ, unless specified otherwise in a transaction, to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.

Add the following as Section 2.30:

2.30 "GJ" shall mean 1 gigajoule; 1 gigajoule = 1,000,000,000 Joules. The standard conversion factor between Dekatherms and GJ's is 1.055056 GJ's per Dekatherm.

Add the following as Section 2.31:

2.31 "Joule" shall mean the joule specified in the SI system of units.

Add the following as Section 2.32:

2.32 "Termination Currency Equivalent" shall mean, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency that the Non-Defaulting Party would be required to pay, on the Early Termination Date, to purchase such amount of Other Currency for spot delivery, as determined by the Non-Defaulting Party in a commercially reasonable manner.

Delete Section 5 and replace it with the following:

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry or one GJ, as agreed to by the parties in a transaction. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

Add the following to Section 6:

Sections 6.2, 6.3 and 6.4 apply if the Delivery Point is in Canada.

6.2 The Contract Price does not include any amounts payable by Buyer for the goods and services tax ("GST") imposed pursuant to the Excise Tax Act (Canada) ("ETA") or any similar or replacement value added or sales or use tax enacted under successor legislation. Notwithstanding whether the parties have selected "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract, Buyer will pay to Seller the amount of GST payable for the purchase of Gas in addition to all other amounts payable under the Contract. Seller will hold the GST paid by Buyer and will remit such GST as required by law. Buyer and Seller will provide each other with the information required to make such GST remittance or claim any corresponding input tax credits, including GST registration numbers.

6.3 Where Buyer indicates to Seller that Gas will be exported from Canada, the following shall apply:

6.3.1 Where Buyer is not registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes. If Seller, in its sole discretion, agrees to so treat such Gas, then Buyer hereby declares, represents and warrants to Seller that Buyer will: (i) export such Gas as soon as is reasonably possible after Seller delivers such Gas to Buyer (or after such Gas is delivered to Buyer after a zero-rated storage service under the ETA) having regard to the circumstances surrounding the export and, where applicable, normal business practice; (ii) not acquire such Gas for consumption or use in Canada (other than as fuel or compressor gas to transport such Gas by pipeline) or for supply in Canada (other than to supply natural gas liquids or ethane the consideration for which is deemed by the ETA to be nil) before export of such Gas; (iii) ensure that, after such Gas is delivered and before export, such Gas is not further processed, transformed or altered in Canada (except to the extent reasonably necessary or incidental to its transportation and other than to recover natural gas liquids or ethane from such Gas at a straddle plant); (iv) maintain on file, and provide to Seller, if required, or to the Canada Customs and Revenue Agency, evidence satisfactory to the Minister of National Revenue of the export of such Gas by Buyer; and/or (v) comply with all other requirements prescribed by the ETA for a zero-rated export of such Gas.

6.3.2 Where Buyer is registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes, and Buyer hereby declares, represents and warrants to Seller that Buyer intends to export such Gas by means of pipeline or other conduit in circumstances described in Section 6.3.1 (i) to (iii).

6.3.3 Without limiting the generality of Section 8.3, Buyer indemnifies Seller for any GST, penalties and interest and all other damages and costs of any nature arising from breach of the declarations, representations and warranties contained in Section 6.3.1 or 6.3.2, or otherwise from application of GST to Gas declared, represented and warranted by Buyer to be acquired for export from Canada.

6.4 In the event that any amount becomes payable pursuant to the Contract as a result of a breach, modification or termination of the Contract, the amount payable shall be increased by any applicable Taxes or GST remittable by the recipient in respect of that amount.

Delete Section 7.5 and replace it with the following:

7.5 If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for Canadian currency commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

Delete Section 7.7 and replace it with the following:

7.7 Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, in the same currency, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

Add the following as Section 7.8:

7.8 For each transaction, all associated payments shall be made in the currency of the Contract Price for such transaction.

Add the following as Section 10.3.4:

10.3.4 The Non-Defaulting Party shall use the Termination Currency Equivalent of any amount denominated in a currency other than the Termination Currency in performing any netting, aggregation or setoff required or permitted by Section 10.3.1 or 10.3.2.

Delete Section 10.4 and replace it with the following:

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid, in the Termination Currency, by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the date of payment at a rate equal to the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for Canadian currency commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

Delete Section 10.5 and replace it with the following:

10.5 The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code. The parties also agree that the transactions hereunder constitute an "eligible financial contract" within the meaning of the Bankruptcy and Insolvency Act (Canada) and the Companies Creditors Arrangements Act (Canada), and similar Canadian legislation.

Delete Exhibit A ("Transaction Confirmation") and replace it with the following:

**TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY**

EXHIBIT A

Letterhead/Logo	Date: _____ Transaction Confirmation #: _____
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____	
This Transaction Confirmation is also subject to the Canadian Addendum between Seller and Buyer dated _____; <input type="checkbox"/> Yes (default) <input type="checkbox"/> No	
The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.	
SELLER: _____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____
Contract Price: U.S. \$ _____ /MMBtu or Canadian \$ _____ /GJ or _____	
Delivery Period: Begin: _____ End: _____	
Performance Obligation and Contract Quantity: (Select One) Units: <input type="checkbox"/> MMBtu or <input type="checkbox"/> GJ or <input type="checkbox"/> Other: _____	
Firm (Fixed Quantity): _____ Units/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ Units/day Minimum _____ Units/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller
Interruptible: Up to _____ Units/day	
Delivery Point(s): _____ (If a pooling point is used, list a specific geographic and pipeline location):	
Canadian Export Zero Rating (Section 6.3): <input type="checkbox"/> No (default) <input type="checkbox"/> Yes	
Special Conditions:	
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____

BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

This Base Contract is entered into as of the following date:
by parties to this Base Contract are the following:

and

Duns # _____
Contract # _____
Attn: _____
Phone: _____ Fax: _____
Federal Tax ID Number: _____

Invoices and Payments:

Attn: _____
Phone: _____ Fax: _____
Wire Transfer or ACH Nos. (if applicable) _____

Duns # _____
Contract # _____
Attn: _____
Phone: _____ Fax: _____
Federal Tax ID Number: _____

Attn: _____
Phone: _____ Fax: _____
Wire Transfer or ACH Nos. (if applicable) _____

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Short-Term Sale and Purchase of Natural Gas published by the Gas Industry Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions (select only one from each box, but see "Note" relating to Section 2.2.4.):

Section 1.2 Transaction Procedure	<input type="checkbox"/> Oral <input type="checkbox"/> Written	Section 6. Taxes	<input type="checkbox"/> Buyer Pays At and After Delivery Point <input type="checkbox"/> Seller Pays Before and At Delivery Point
Section 2.4 Confirm Deadline	<input type="checkbox"/> 2 Business Days after receipt (default) <input type="checkbox"/> Business Days after receipt	Section 7.2 Payment Date	date of Month following Month of delivery
Section 2.5 Confirming Party	<input type="checkbox"/> Seller <input type="checkbox"/> Buyer	Section 7.2 Method of Payment	<input type="checkbox"/> Wire Transfer (WT) <input type="checkbox"/> Automated Clearinghouse (ACH) <input type="checkbox"/> Check
Section 3.2 Performance Obl.	<input type="checkbox"/> Cover Standard <input type="checkbox"/> Spot Price Standard	Section 13.5 CHOICE OF LAW:	
<i>Note: The following Spot Price Publication applies to both of the immediately preceding Standards and must be filled in after a Standard is selected.</i> Section 2.2.4 Spot Price Publication: _____			
<input type="checkbox"/> Special Provisions: Number of sheets attached: _____			

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

(Party Name)

(Party Name)

By _____
Title _____

By _____
Title _____

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. This Contract is intended for Interruptible transactions or Firm transactions of one month or less and may not be suitable for Firm transactions of longer than one month. Further, GISB does not mandate the use of this Contract by any party. GISB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO GISB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT GISB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. ANY USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL GISB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS

GENERAL TERMS AND CONDITIONS BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas.

The parties have selected either the "Oral" version or the "Written" version of transaction procedures as indicated on the Base Contract.

Oral Transaction Procedure:

1.2 The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party.

Written Transaction Procedure:

1.2 The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of non-conflicting Transaction Confirmation or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. The entire agreement between the parties shall be those provisions contained in both the Base Contract and any effective Transaction Confirmation. In the event of a conflict among the terms of (i) a Transaction Confirmation, (ii) the Base Contract, and (iii) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

SECTION 2 DEFINITIONS

2.1. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein.

2.2. "British thermal unit" or "Btu" shall have the meaning ascribed to it by the Receiving Transporter.

2.3. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.

2.4. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received, or if applicable, on the Business Day agreed to by the parties in the Base Contract, provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

2.5. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.6. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract and (ii) the provisions contained in any effective Transaction Confirmation.

2.7. "Contract Price" shall mean the amount expressed in US Dollars per MMBtu, as evidenced by the Contract Price on the Transaction Confirmation.

2.8. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as set forth in the Transaction Confirmation.

2.9. "Cover Standard", if applicable, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the non-defaulting party shall use commercially reasonable efforts to obtain Gas or alternate fuels, or sell Gas, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the defaulting party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the defaulting party.

2.10. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.

2.11. "Delivery Period" shall be the period during which deliveries are to be made as set forth in the Transaction Confirmation.

2.12. "Delivery Point(s)" shall mean such point(s) as are mutually agreed upon between Seller and Buyer as set forth in the Transaction Confirmation.

2.13. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

2.14. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm".

2.15. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3. related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.16. "Gas" shall mean any mixture of hydrocarbons and non-combustible gases in a gaseous state consisting primarily of methane.

2.17. "Imbalance Charge" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.18. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3. related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

2.19. "MMBtu" shall mean one million British thermal units which is equivalent to one dekatherm.

2.20. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.21. "Payment Date" shall mean a date, selected by the parties in the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

2.22. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

2.23. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

2.24. "Spot Price" as referred in Section 3.2 shall mean the price listed in the publication specified by the parties in the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.25. "Transaction Confirmation" shall mean the document, substantially in the form of Exhibit A, setting forth the terms of a purchase and sale transaction formed pursuant to Section 1. for a particular Delivery Period.

2.26. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular Transaction Confirmation.

SECTION 3 PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as specified in the Transaction firmation.

The parties have selected the "Cover Standard" version or the "Spot Price Standard" version as indicated on the Base Contract.

Cover Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard for replacement Gas or alternative fuels and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the exclusive and sole remedy of the non-breaching party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s).

Spot Price Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price.

3.3. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, IN NO EVENT WILL EITHER PARTY BE LIABLE UNDER THIS CONTRACT, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, FOR INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES.

SECTION 4 TRANSPORTATION, NOMINATIONS AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s) and for delivering such Gas at a pressure sufficient to effect such delivery but not to exceed the maximum operating pressure of the Receiving Transporter. Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's actions or inactions (which shall include, but shall not be limited to, Buyer's failure to accept quantities of Gas equal to the Scheduled Gas), then Buyer shall pay for such Imbalance Charges, or reimburse Seller for such Imbalance Charges paid by Seller to the Transporter. If the Imbalance Charges were incurred as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to deliver quantities of Gas equal to the Scheduled Gas), then Seller shall pay for such Imbalance Charges, or reimburse Buyer for such Imbalance Charges paid by Buyer to the Transporter.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either the "Buyer Pays At and After Delivery Point" version or the "Seller Pays Before and At Delivery Point" version as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes which are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

Buyer shall remit the amount due in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 days after receipt of the invoice by Buyer, provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. If Buyer fails to remit the full amount payable by it when due, interest on the unpaid portion shall accrue at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum from the date due until the date of payment, or (ii) the maximum applicable lawful interest rate. If Buyer, in good faith, disputes the amount of any such statement or any part thereof, Buyer will pay to Seller such amount as it concedes to be correct; provided, however, if Buyer disputes the amount due, Buyer must provide supporting documentation acceptable in industry practice to support the amount paid or disputed.

7.3. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with Section 7.2. above.

7.4. A party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This examination right shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate unless objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7. shall be paid in full by the party owing payment within 30 days of notice and substantiation of such inaccuracy.

SECTION 8. TITLE, WARRANTY AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8., as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission, if the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered two Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. When reasonable grounds for insecurity of payment or title to the Gas arise, either party may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form and for the term reasonably specified by the party demanding assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or a performance bond or guarantee by a creditworthy entity. In the event either party shall (i) make an assignment or any general arrangement for the benefit of creditors, (ii) default in the payment obligation to the other party, (iii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it, (iv) otherwise become bankrupt or insolvent (however evidenced), or (v) be unable to pay its debts as they fall due, then the other party shall have the right to either withhold and/or suspend deliveries or payment, or terminate the Contract without prior notice, in addition to any and all other remedies available hereunder. Seller may immediately suspend deliveries to Buyer hereunder in the event Buyer has not paid any amount due Seller hereunder on or before the second day following the date such payment is due.

10.2. Each party reserves to itself all rights, set-offs, counterclaims, and other defenses which it is or may be entitled to arising from the Contract.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment due under Section 7. and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption of firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with a reasonable dispatch; or (iii) economic hardship. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide notice to the other party. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

SECTION 12. TERM

This Contract may be terminated on 30 days' written notice, but shall remain in effect until the expiration of the latest Delivery Period of any Transaction Confirmation(s). The rights of either party pursuant to Section 7.4., the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any Transaction Confirmation.

SECTION 13. MISCELLANEOUS

13.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party, which consent will not be unreasonably withheld or delayed; provided, either party may transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any transfer and assumption, the transferor shall not be relieved of or discharged from any obligations hereunder.

13.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

13.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

13.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective Transaction Confirmation(s). This Contract may be amended only by a writing executed by both parties.

13.5. The interpretation and performance of this Contract shall be governed by the laws of the state specified by the parties in the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

13.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any Federal, State, or local governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or Transaction Confirmation or any provisions thereof.

13.7. There is no third party beneficiary to this Contract.

13.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

**TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY**

EXHIBIT A

Letterhead/Logo

Date: _____
Transaction Confirmation #: _____

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____.
The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:

BUYER:

Attn: _____
Phone: _____
Fax: _____
Base Contract No. _____
Transporter: _____
Transporter Contract Number: _____

Attn: _____
Phone: _____
Fax: _____
Base Contract No. _____
Transporter: _____
Transporter Contract Number: _____

Contract Price: \$ _____ /MMBtu or _____

Delivery Period: Begin: _____ End: _____

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity):

_____ MMBtu/day
☐ EFP

Firm (Variable Quantity):

_____ MMBtus/day Minimum
_____ MMBtus/day Maximum
subject to Section 4.2. at election of
☐ Buyer or ☐ Seller

Interruptible:

Up to _____ MMBtus/day

Delivery Point(s): _____
(If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions:

Seller: _____
By: _____
Title: _____
ate: _____

Buyer: _____
By: _____
Title: _____
Date: _____

GasEDI BASE CONTRACT FOR
SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

GENERAL TERMS AND CONDITIONS

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SECTION 1 - PURPOSE AND PROCEDURES

1.1 These General Terms and Conditions are intended to facilitate Transactions on a Firm or Interruptible basis.

1.2.a Any Transaction may be effected orally or electronically with the offer and acceptance constituting the valid, binding and enforceable agreement of the parties. The parties are legally bound from the time they agree to Transaction terms. Any such Transaction is considered a "writing" and to have been "signed". Notwithstanding the previous sentence, the parties agree that Confirming Party shall confirm a Transaction by sending the other party a Transaction Confirmation by facsimile or mutually agreeable electronic means by the close of the next Business Day. Confirming Party adopts its confirming letterhead or the like as its signature on any Transaction Confirmation and as the identification and authentication of Confirming Party.

1.2.b If a Transaction Confirmation sent by Confirming Party is materially different from the other party's understanding of the agreement referred to in Section 1.2.a, that party shall give Confirming Party Notice clearly identifying such difference on Confirming Party's Transaction Confirmation and return the annotated Transaction Confirmation to the Confirming Party by the Confirm Deadline. The failure of the other party to so notify Confirming Party by the Confirm Deadline is further evidence of the agreement between the parties and constitutes the other party's acknowledgement that the terms of the Transaction described in Confirming Party's Transaction Confirmation are accurate.

1.2.c If the other party does not receive a Transaction Confirmation from Confirming Party by the deadline set out in Section 1.2.a, then the other party shall notify Confirming Party by sending its own Transaction Confirmation by the close of the Business Day following the deadline set out in Section 1.2.a. If a Transaction Confirmation sent by the other party is materially different from Confirming Party's understanding of the agreement referred to in Section 1.2.a, Confirming Party shall give the other party Notice clearly identifying such difference on the other party's Transaction Confirmation and return the annotated Transaction Confirmation to the other party by the Confirm Deadline. The failure of Confirming Party to so notify the other party by the Confirm Deadline is further evidence of the agreement between the parties and constitutes the Confirming Party's acknowledgement that the terms of the Transaction described in the other party's Transaction Confirmation are accurate.

1.2.d The entire agreement between the parties shall be those provisions contained in (i) an effective Transaction Confirmation, (ii) the oral or electronic agreement of the parties, (iii) the Base Contract, and (iv) these General Terms and

Conditions (collectively, the "Contract"). In the event of a conflict among the foregoing, the terms shall govern in the priority listed in the previous sentence. The parties agree that all Transactions entered into shall form a single integrated agreement between the parties and each Transaction shall be merged into the Contract.

1.3 Communications occurring via a telephone conversation may be recorded by either party and each party consents to same without further notice to, or consent from, the other party. Each party shall, to the extent required by applicable law, give notice to, and obtain consent from, each of its employees, contractors and other representatives who may have their communications recorded hereunder. Any recordings of communications relevant to a Transaction may be used as evidence in any legal, arbitration or other dispute resolution procedure, and the parties hereby expressly waive all rights to, and expressly agree not to, contest or otherwise argue against such use of any recordings relevant to the disputed Transaction.

1.4 Each party shall be entitled, upon reasonable request, to access the other party's recording(s), if any, associated with a disputed Transaction.

1.5 The parties hereby expressly waive all rights to, and expressly agree not to, contest any Transaction, or assert or otherwise raise any defences or arguments related to any Transaction to the effect that such is not binding, valid or enforceable in accordance with its terms because either the employee(s) or representative(s) who entered into the Transaction on behalf of a party, and who appeared to have the requisite authority to do so, did not, in fact, have such authority or because the provisions of certain applicable laws require the Transaction to be in writing and/or executed by one or both parties.

SECTION 2 - DEFINITIONS

2.1 The following terms, when used herein, shall have the following meanings:

"10³m³" shall mean the quantity of Gas occupying a volume of 1000 cubic metres at a temperature of 15 degrees Celsius and at a pressure of 101.325 kilopascals absolute.

"Accelerated Payment Invoice" shall have the meaning set forth in Section 7.7.

"Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein.

"British Thermal Unit" or "Btu" shall mean the International Btu, which is also called the Btu(IT).

"Business Day" shall mean any day except Saturday, Sunday, or a statutory or banking holiday observed in the jurisdiction specified pursuant to Section 13.5. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant party's principal place of business. The relevant party, in each instance unless otherwise specified, shall be the party to whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

"Buyer" refers to the party receiving Gas hereunder.

"Claims" shall have the meaning set forth in Section 8.3.

"Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Business Day a Transaction Confirmation is received, or if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

"Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

"Contract" shall have the meaning set forth in Section 1.2.d.

"Contract Price" shall mean, if the Delivery Point is in the United States, the amount expressed in U.S. Dollars per MMBtu or U.S. Dollars per Dekatherm or, if the Delivery Point is in Canada, the amount expressed in Canadian Dollars per GJ, unless specified otherwise in a Transaction.

"Contract Quantity" shall mean the quantity of Gas to be delivered and received pursuant to a Transaction.

"Contract Value" of a Transaction is the net present value (applying the Present Value Discount Rate) of the product of (1) the quantity of Gas remaining under a Transaction which the parties are obligated to transact, multiplied by (2) the Contract Price.

"Costs" shall mean all reasonable costs, legal fees and expenses incurred by the Non-Defaulting Party to replace a Transaction or in connection with termination of a Transaction pursuant to Section 10.

"Cover Standard" as referred to in Section 3.2 shall mean, if applicable, if there is an unexcused failure to take or deliver any quantity of Gas pursuant to the Contract, then the Performing Party shall use commercially reasonable efforts to obtain Gas or alternate fuels, or sell Gas, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the Non-Performing Party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the Non-Performing Party.

"Day" shall mean 9:00 a.m. to 9:00 a.m. central clock time.

"Defaulting Party" shall have the meaning set forth in Section 10.2.

"Dekatherm" shall mean one million British Thermal Units.

"Delivery Period" shall be the period during which deliveries are to be made as set forth in the Transaction Confirmation.

"Delivery Point(s)" shall mean such point(s) as are mutually agreed upon between Seller and Buyer as set forth in the Transaction Confirmation.

"Early Termination Date" shall have the meaning set forth in Section 10.3

"EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm"

"ETA" shall mean the Excise Tax Act (Canada).

"Event of Default" shall mean (i) the failure to make payment when due under the Contract, which is not remedied within 2 Business Days after receiving Notice thereof (except for a failure to pay an Accelerated Payment invoice which shall immediately constitute an Event of Default); (ii) the making of an assignment or any general arrangement for the benefit of creditors, the filing of a petition or otherwise commencing, authorizing, or acquiescing in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or having such petition filed or proceeding commenced against it, any bankruptcy or insolvency (however evidenced) or the inability to pay debts as they fall due; (iii) the failure to provide Performance Assurance in accordance with Section 10.1; (iv) a party's failure to deliver or receive Gas, unless excused by the other party's Non-Performance or prevented by Force Majeure, for the greater of 4 cumulative Days or 5% of the number of Days in a Delivery Period, rounded up to a full Day, in any one Transaction; or (v) the failure to perform any other material obligation under the Contract, other than a failure to deliver or accept delivery of

Gas which remedy is as set forth in Section 7.7 (except as provided in part (iv) of this definition), if not remedied within 5 Business Days after receiving Notice thereof.

"Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is excused by the other party's Non-Performance or is prevented by Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

"Gas" shall mean any mixture of hydrocarbons and non-combustible gases in a gaseous state consisting primarily of methane.

"GJ" shall mean 1 gigajoule; 1 gigajoule = 1,000,000,000 Joules. The standard conversion factor between Dekatherms and GJ's is 1.055056 GJ's per Dekatherm.

"GST" shall have the meaning set forth in Section 6.2.

"Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

"Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

"Joule" shall mean the joule specified in the SI system of units.

"Liquidation Amount" shall have the meaning set forth in Section 10.4.

"Market Value" of a Transaction is the net present value (applying the Present Value Discount Rate) of the product of (1) the quantity of gas remaining under a Transaction which the parties are obligated to transact, multiplied by (2) a market price for a similar transaction considering the remaining Delivery Period, Contract Quantity and Delivery Point; with such market price to be established by either (i) a bona fide offer accepted by the Non-Defaulting Party from a third party in an arms-length negotiation for a replacement transaction or (ii) quotations obtained by the Non-Defaulting Party, in good faith, from five Reference Market Makers, where the highest and lowest of such quotations shall be disregarded, and the arithmetic average of the three remaining quotations shall be the market price.

"MMBtu" shall mean one million British Thermal Units which is equivalent to one Dekatherm.

"Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

"Non-Defaulting Party" shall have the meaning set forth in Section 10.2.

"Non-Performance" shall mean the failure by a party to purchase and receive, or sell and deliver, Gas required by any Transaction hereunder which is not excused because of the non-performance (non-delivery or non-receipt, as applicable) of the other party, or by Force Majeure.

"Non-Performing Party" shall mean a party in relation to which a Non-Performance has occurred.

"Notice" shall have the meaning set forth in Section 9.1.

"Payment Date" shall mean a date, selected by the parties in the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

"Performance Assurance" shall mean security in the form, amount and term reasonably specified by the party demanding the Performance Assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or performance bond or guarantee by an entity acceptable to the party demanding the Performance Assurance.

"Performing Party" shall mean, if a Non-Performance has occurred, the party which is not the Non-Performing Party.

"Potential Event of Default" shall mean any event or circumstance which would, with Notice, the passage of time, or both, constitute an Event of Default.

"Present Value Discount Rate" shall mean with respect to any Transaction: (i) if the amount payable is in Canadian currency, the yield of Canadian Government Treasury Bills with a term closest to the time remaining in the Delivery Period, plus 100 basis points; or (ii) if the amount payable is in United States currency, the "Ask Yield" interest rate for United States Government Treasury notes as quoted in the "Treasury Bonds, Notes, and Bills" section of the Wall Street Journal most recently published with a term closest to the time remaining in the Delivery Period, plus 100 basis points.

"Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

"Reference Market Makers" shall mean leading dealers in the physical gas trading market or the energy swap market, selected by the Non-Defaulting Party from among dealers of the highest credit standing, which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit.

"Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

"Seller" refers to the party delivering Gas hereunder.

"Spot Price" as referred to in Section 3.2 shall mean, if applicable, the price listed in the publication specified by the parties in the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

"Taxes" shall have the meaning set forth in Section 6.1.

"Termination Payment" for a Transaction is the difference between the Market Value and the Contract Value, adjusted for Costs, as of the Early Termination Date. If the Non-Defaulting Party is Seller and Market Value minus Costs is greater than the Contract Value, the Termination Payment will be positive (gain) and if the Market Value minus Costs is less than the Contract Value, the Termination Payment will be negative (loss). If the Non-Defaulting Party is the Buyer and the Contract Value minus Costs is greater than the Market Value, the Termination Payment will be positive (gain) and if the Contract Value minus Costs is less than the Market Value, the Termination Payment will be negative (loss).

"Total Termination Payment" will be the sum of the Termination Payments for all Transactions terminated pursuant to Section 10. The Total Termination Payment is a reasonable pre-estimate of the loss suffered, and is not intended as a penalty.

"Transaction" shall mean any gas sale, purchase or exchange agreement effected pursuant to the Base Contract.

"Transaction Confirmation" shall mean the document, substantially in the form of Exhibit A, setting forth the terms of a Transaction formed pursuant to Section 1 for a particular Delivery Period.

"Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular Transaction.

SECTION 3 - PERFORMANCE OBLIGATION

3.1 Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular Transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed in a Transaction.

The parties have selected either the "Cover Standard" version or the "Spot Price Standard" version as indicated on the Base Contract.

Cover Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, subject to Section 10.5, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard for replacement Gas or alternative fuels and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the exclusive and sole remedy of the non-breaching party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s).

Spot Price Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, subject to Section 10.5, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price.

SECTION 4 - TRANSPORTATION, NOMINATIONS AND IMBALANCES

4.1 Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s) and for delivering such Gas at a pressure sufficient to effect such delivery but not to exceed the maximum operating pressure of the Receiving Transporter. Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2 The parties shall coordinate their Gas nomination and scheduling activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior operational notice, sufficient to meet the requirements of all Transporter(s) involved in the Transaction, of the quantities of Gas to be delivered and purchased each Day. Such operational notice may be made by any mutually agreeable means, including phone, fax and email. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3 The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's actions or inactions (which shall include, but shall not be limited to, Buyer's failure to accept quantities of Gas equal to the Scheduled Gas), then Buyer shall pay for such Imbalance Charges, or reimburse Seller for such Imbalance Charges paid by Seller to the Transporter. If the Imbalance Charges were incurred as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to deliver quantities of Gas equal to the Scheduled Gas), then Seller shall pay for such Imbalance Charges, or reimburse Buyer for such Imbalance Charges paid by Buyer to the Transporter.

SECTION 5 - QUALITY AND MEASUREMENT

5.1 All Gas delivered by Seller shall meet the quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of the Contract shall be specified as one MMBtu dry, one Dekatherm dry, one GJ or one 10³m³. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6 - TAXES

The parties have selected either the "Buyer Pays At and After Delivery Point" version or the "Seller Pays Before and At Delivery Point" version as indicated on the Base Contract	
Buyer Pays At and After Delivery Point:	
6.1	Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses, interest or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.
Seller Pays Before and At Delivery Point:	
6.1	Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses, interest or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes which are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

6.2 The Contract Price does not include any amounts payable by Buyer for the goods and services tax ("GST") imposed pursuant to the ETA or any similar or replacement value added or sales or use tax enacted under successor legislation. Notwithstanding the selection made pursuant to Section 6.1, Buyer will pay to Seller the amount of GST payable for the purchase of Gas in addition to all other amounts payable under the Contract. Seller will hold the GST paid by Buyer and will remit such GST as required by law. Buyer and Seller will provide each other with the information required to make such GST remittance or claim any corresponding input tax credits, including GST registration numbers.

6.3.a Where Buyer is not registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes. If Seller, in its sole discretion, agrees to so treat such Gas, then Buyer hereby declares, represents and warrants to Seller that Buyer will: (i) export such Gas as soon as is reasonably possible after Seller delivers such Gas to Buyer (or after such Gas is delivered to Buyer after a zero-rated storage service under the ETA) having regard to the circumstances surrounding the export and, where applicable, normal business practice; (ii) not acquire such Gas for consumption or use in Canada (other than as fuel or compressor gas to transport such Gas by pipeline) or for supply in Canada (other than to supply natural gas liquids or ethane the consideration for which is deemed by the ETA to be nil) before export of such Gas; (iii) ensure that, after such Gas is delivered and before export, such Gas is not further processed, transformed or altered in Canada (except to the extent reasonably necessary or incidental to its transportation and other than to recover natural gas liquids or ethane from such Gas at a straddle plant); (iv) maintain on file, and provide to Seller, if required, or to the Canada Customs and Revenue Agency, evidence satisfactory to the Minister of National Revenue of the export of such Gas by Buyer, and/or (v) comply with all other requirements prescribed by the ETA for a zero-rated export of such Gas.

6.3.b Where Buyer is registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes, and Buyer hereby declares, represents and warrants to Seller that Buyer intends to export such Gas by means of pipeline or other conduit in circumstances described in Section 6.3.a (i) to (iii).

6.3.c Without limiting the generality of Section 6.3, Buyer indemnifies Seller for any GST, penalties and interest and all other damages and costs of any nature arising from breach of the declarations, representations and warranties contained in Section 6.3.a or 6.3.b, or otherwise from application of GST to Gas declared, represented and warranted by Buyer to be acquired for export from Canada.

6.4 In the event that any amount becomes payable pursuant to the Contract as a result of a breach, modification or termination of the Contract, the amount payable shall be increased by any applicable Taxes or GST remittable by the recipient in respect of that amount.

SECTION 7 - BILLING, PAYMENT AND AUDIT

7.1 Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2 Buyer shall remit the amount due in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 days after receipt of the invoice by Buyer, provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. If Buyer, in good faith, disputes the amount of any such statement or any part thereof, Buyer will pay to Seller such amount as it concedes to be correct; provided, however, if Buyer disputes the amount due, Buyer must provide supporting documentation acceptable in industry practice to support the amount paid or disputed.

7.3 In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with Section 7.2 above.

7.4 If a party fails to remit the full amount payable by it when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum, compounded monthly; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum, compounded monthly, or (ii) the maximum applicable lawful interest rate.

7.5 Payment shall be made in the currency of the Contract Price.

7.6 The parties shall net all same currency amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any credit support document or agreement shall be subject to netting under this or any other provision of the Contract. In the event that the parties have executed a separate netting agreement, the terms and conditions therein shall prevail.

7.7 A Performing Party may accelerate the payment owed by the Non-Performing Party related to a Non-Performance by sending to the Non-Performing Party an invoice (an "Accelerated Payment Invoice") for the amounts due it under Section 3.2, setting forth the calculation thereof and a statement that pursuant to this Section 7.7 such amount is due in 3 Business Days. If the Performing Party does not deliver an Accelerated Payment Invoice, amounts payable pursuant to Section 3.2 shall be invoiced and payable in accordance with Sections 7.1 and 7.2. The Non-Performing Party must pay the Accelerated Payment Invoice when due and the Non-Performing Party: (i) shall not be entitled to net amounts owed to it hereunder by the Performing Party against its obligation to make payment on an Accelerated Payment Invoice; and (ii) shall, notwithstanding Section 7.2, pay the full amount of this Accelerated Payment Invoice despite any dispute it may have as to the amount owing thereunder.

7.8 A party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This examination right shall not be available with respect to proprietary information not directly relevant to Transactions. All invoices and billings shall be conclusively presumed final and accurate unless objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 days of notice and substantiation of such inaccuracy.

SECTION 8 - TITLE, WARRANTY AND INDEMNITY

8.1 Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2 Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims.

8.3 Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable legal fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4 Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5, or Seller's warranty obligations pursuant to Section 8.2.

SECTION 9 - NOTICES

9.1 All Transaction Confirmations, invoices, payments and other communications made pursuant to the Contract ("Notices") shall be in writing and made to the addresses for Notices specified by each respective party from time to time

9.2 All Notices required hereunder may be sent by facsimile or mutually agreeable electronic means, a nationally recognized overnight courier service or hand delivered.

9.3 Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent electronically or by facsimile shall be deemed to have been received upon the sending party's receipt of confirmation of a successful transmission; if the day on which such electronic or facsimile Notice is received is not a Business Day or is after five p.m. on a Business Day, then such Notice shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party.

SECTION 10 - FINANCIAL RESPONSIBILITY, DEFAULTS AND REMEDIES

10.1 If a party has reasonable grounds for insecurity regarding the payment, performance or enforceability of any obligation under the Contract, such party may demand Performance Assurance, whether or not an Event of Default, Non-Performance or Potential Event of Default has occurred, which Performance Assurance shall be provided by the other party by the end of the 5th Business Day after the demand is received. The Performance Assurance shall not exceed the amount calculated in accordance with the procedure for determining the Total Termination Payment, as of the date of the demand, as if all Transactions had been terminated plus all other outstanding amounts owed or accrued under the Contract.

10.2 If an Event of Default or Potential Event of Default occurs with respect to a party (the "Defaulting Party"), then the other party (the "Non-Defaulting Party") shall have the right to, in addition to any other remedies available hereunder: (i) upon 1 Business Day's Notice, suspend its performance under any or all Transactions under the Contract; and/or (ii) withhold any amounts owed to the Defaulting Party under the Contract, any Transaction or any other agreement between the parties (whether or not yet due) and setoff against such withheld amounts any amounts owed the Non-Defaulting Party hereunder (whether or not yet due).

10.3 In addition to the provisions of Section 10.2, upon the occurrence of an Event of Default, the Non-Defaulting Party may, for so long as the Event of Default is continuing, terminate, accelerate and liquidate all Transactions then outstanding or not yet commenced in accordance with the provisions of this Section 10 by (i) providing Notice to the Defaulting Party, and (ii) establishing an early termination date, which date shall be between 1 and 20 Business Days following the Event of Default, on which all such Transactions shall terminate ("Early Termination Date"). If an Early Termination Date has been designated, the Non-Defaulting Party shall calculate the Total Termination Payment and notify the Defaulting Party of such amount including detailed support for the Total Termination Payment calculation.

10.4 The Non-Defaulting Party may net the Total Termination Payment against all other amounts owing (whether or not yet due) between the parties under the Contract and any other agreements between the parties. This amount constitutes the "Liquidation Amount" payable by the Defaulting Party within 2 Business Days or payable by the Non-Defaulting Party on the 25th of the Month following the Early Termination Date, as applicable. A disputed amount hereunder shall be paid by the Defaulting Party, subject to refund.

10.5 In the event a party is a Non-Performing Party, the Performing Party shall have the right to, in addition to any other remedies available hereunder: (i) withhold any or all payments due the Non-Performing Party hereunder for the period of the applicable Non-Performance and net or set-off amounts due the Performing Party against such withheld amounts; (ii) during the period of the applicable Non-Performance, upon at least 1 Business Day's Notice, suspend its performance under any or all Transactions; and/or (iii) if the Non-Performing Party fails to pay any Accelerated Payment Invoice when due, the Performing Party may, without further Notice to the Non-Performing Party, declare an Early Termination Date with respect to the particular Transaction to which the Non-Performance relates in accordance with Section 10.3. The failure of the Performing Party to exercise any of the rights or remedies contained in this Section 10.5 shall not constitute a waiver of the Non-Performance, the requirement for payment as contemplated by Section 3.2 or any of the other rights or remedies of the Performing Party in connection therewith.

10.6 Each party reserves to itself all rights, set-offs, counterclaims, and other defences which it is or may be entitled to arising from the Contract.

SECTION 11 - FORCE MAJEURE

11.1 Except with regard to a party's obligation to make payment due under the Contract, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure.

11.2 Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption of firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, Insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3 Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming Force Majeure failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4 Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the party expending such disturbance.

11.5 The party whose performance is prevented by Force Majeure must provide notification to the other party. Initial notification may be given orally; however, Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

SECTION 12 - TERM

12.1 The Contract may be terminated on 30 days' Notice, but shall remain in effect until the expiration of the latest Delivery Period of any Transaction Confirmation(s). The rights of either party pursuant to Section 7.8, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Contract.

SECTION 13 - MISCELLANEOUS

13.1 The Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of the Contract shall run for the full term of the Contract. No assignment of the Contract, in whole or in part, will be made without the prior written consent of the non-assigning party, which consent will not be unreasonably withheld or delayed, provided, either party may transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any transfer and assumption, the transferor shall not be relieved of nor discharged from any obligations hereunder.

13.2 If any provision in the Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of the Contract.

13.3 No waiver of any breach of the Contract shall be held to be a waiver of any other or subsequent breach.

13.4 The Contract sets forth all understandings between the parties respecting each Transaction, and any prior contracts, understandings and representations, whether oral or written, relating to such Transactions are merged into and superseded by the Contract and any effective Transaction Confirmation(s). The Base Contract may be amended only by a writing executed by both parties.

13.5 The interpretation and performance of the Contract shall be governed by the laws of the jurisdiction specified by the parties in the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

13.6 The Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any Federal, State, Province, or local governmental authority having jurisdiction over the parties, their facilities, or Gas supply, or the Contract.

13.7 There is no third party beneficiary to the Contract.

13.8 Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes the Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

13.9 For currency conversions required under the Contract, to convert Canadian or United States currency to the other, the parties shall use the average of the Bank of Canada posted noon spot exchange rates as quoted for each Day during the Month during which Gas was, or was obligated to be, delivered and received.

13.10 Any controversy or claim arising out of or relating to the Contract shall be determined by arbitration in accordance with the International Arbitration Rules of the American Arbitration Association.

SECTION 14 - LIMITATIONS

14.1 EXCEPT AS SET FORTH HEREIN, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

EXHIBIT A

TRANSACTION CONFIRMATION - FOR IMMEDIATE DELIVERY

Letterhead / Logo

Date: _____
Transaction Confirmation #: _____

This Transaction Confirmation is subject to the Base Contract between Buyer and Seller dated _____.
The terms of this Transaction Confirmation are binding unless disputed in writing by the Confirm Deadline, unless otherwise specified in the Base Contract.

SELLER

BUYER

	Party	
_____	Base Contract #	_____
_____	Transporter	_____
_____	Transporter Contract #	_____
_____	TRANSACTION	
_____	Contact	_____
_____	Phone	_____
_____	Fax	_____
_____	Email	_____

Contract Price: USD \$ _____ / Dekatherm or CAD \$ _____ / GJ or _____		
Delivery Period: Begin: _____ End: _____		
Delivery Point(s): _____		
If a pooling point is used, list a specific geographic and pipeline location _____		
Contract Quantity Units and Performance Obligation (Select 1 in Each Category)		
Units: <input type="checkbox"/> Dekatherms	<input type="checkbox"/> GJ	<input type="checkbox"/> Other _____
Firm (Fixed Quantity): _____ Units/Day	Firm (Variable Quantity): _____ Units/Day Minimum _____ Units/Day Maximum subject to Section 4.2 at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ Units/Day
<input type="checkbox"/> EFP		
Canadian Export Zero Rating (Section 8.3) <input type="checkbox"/> No (default) <input type="checkbox"/> Yes		

Special Conditions:

SELLER

Party
Signature
Name
Title
Phone
Fax
Email
Date

BUYER

GasEDI BASE CONTRACT FOR
SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

COVER SHEET

This Base Contract Is entered into as of the following date: _____
The parties to this Base Contract are the following:

PARTY A		PARTY B
	Party	
	Address 1	
	Address 2	
	City	
	State / Province	
	Zip / Postal Code	
	Base Contract #	
	Duns #	
	US Federal Tax ID #	
	Canadian GST #	
	Bank	
	Branch	
	Account	
	NOTICES	
	Contact	
	Phone	
	Fax	
	Email	
	24 HOUR OPERATIONS	
	Contact	
	Phone	
	Fax	
	Email	
	INVOICES & PAYMENTS	
	Contact	
	Phone	
	Fax	
	Email	

This Base Contract incorporates by reference for all purposes the General Terms and Conditions of the GasEDI Base Contract for Short-Term Sale and Purchase of Natural Gas as published by GasEDI. The parties hereby agree to the following provisions offered in said General Terms and Conditions (select only one from each box, but see "Note" relating to Section 3.2.):

Section 2: Confirm Deadline <input type="checkbox"/> 2 Business Days after receipt (default) <input type="checkbox"/> _____ Business Days after receipt	Section 6: Taxes <input type="checkbox"/> Buyer Pays At and After Delivery Point <input type="checkbox"/> Seller Pays Before and At Delivery Point
Section 2: Confirming Party <input type="checkbox"/> Seller <input type="checkbox"/> Buyer <input type="checkbox"/> _____	Section 7.2: Payment Date _____ date of Month following Month of delivery
Section 3.2: Performance Obligation <input type="checkbox"/> Spot Price Standard <input type="checkbox"/> Cover Standard Note: The following Spot Price Publication applies to both of the immediately preceding Standards and must be filled in after a Standard is selected: _____	Section 7.2: Method of Payment <input type="checkbox"/> Automated Clearinghouse - Credit Only (ACH) <input type="checkbox"/> Check <input type="checkbox"/> Electronic Funds Transfer (EFT) <input type="checkbox"/> Financial Electronic Data Interchange (FEDI) <input type="checkbox"/> Wire Transfer (WT)
Section 13.5: Choice of Jurisdiction: _____	Section 13.10: Dispute Resolution: <input type="checkbox"/> Included (default) or <input type="checkbox"/> Excluded
<input type="checkbox"/> Special Provisions: Number of Sheets Attached: _____	

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

PARTY A _____ _____ _____ _____ _____	Party Signature Name Title Date	PARTY B _____ _____ _____ _____ _____
-----------------------------------------------------------------	-------------------------------------------------------------	-----------------------------------------------------------------

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of sale, purchase or exchange of natural gas. This Contract is intended for interruptible transactions or firm transactions of one year or less and may not be suitable for transactions of longer than one year. Further, GasEDI does not mandate the use of this Contract by any party. GasEDI DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO GasEDI's DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT GasEDI KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL GasEDI BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

EFET

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General Agreement

Concerning The Delivery And Acceptance Of Natural Gas

Between

having its registered office at _____

(*"[abbreviation of name]"*)

and

having its registered office at _____

(*"[abbreviation of name]"*)

(referred to jointly as the "Parties" and individually as a "Party")

entered into on _____ (the "Effective Date")

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§ 1

Subject of Agreement

1. **Subject of Agreement:** Unless otherwise specified in the Election Sheet, this General Agreement (which includes its Annexes and the election sheet ("Election Sheet")) governs all transactions the Parties shall enter into for the purchase, sale, delivery and acceptance of Natural Gas including Options on the purchase, sale, delivery and acceptance of Natural Gas (each such transaction being an "Individual Contract"). The Parties enter into this General Agreement and into Individual Contracts on the understanding that all Individual Contracts and this General Agreement shall form a single agreement between the Parties (collectively referred to as the "Agreement") and that the Parties would not enter into Individual Contracts if this was not the case. The provisions of this General Agreement constitute an integral part of, but may be supplemented by the terms of, each Individual Contract.

2. **Pre-Existing Contracts:** If § 1.2 (Pre-Existing Contracts) is specified as applying in the Election Sheet, each transaction between the Parties regarding the purchase, sale, delivery and acceptance of Natural Gas, including Options on such transactions, entered into before the Effective Date but which remain either not yet fully or partially performed by one or both Parties, is deemed to be an Individual Contract under the Agreement.

§ 2

Definitions and Construction

1. **Definitions:** Terms used in the Agreement shall have the meanings set out in Annex 1.

2. **Inconsistencies:** In the event of any inconsistency between the provisions of the Election Sheet and the other provisions of this General Agreement, the Election Sheet shall prevail. In the event of any inconsistency between the terms of an Individual Contract (whether evidenced in a Confirmation or by other means) and the provisions of this General Agreement (including its Election Sheet), the terms of the Individual Contract shall prevail for the purposes of that Individual Contract.

3. **Interpretation:** Headings and titles are for convenience only and do not affect the interpretation of the Agreement.

4. **References to Time:** References to time shall be to Central European Time (CET) unless otherwise specified in the Election Sheet or the terms of an Individual Contract.

5. **Energy Units:** If the terms of an Individual Contract do not specify which energy units shall apply, the Parties shall operate such Individual Contract in MWh unless the Parties agree otherwise.

§ 3

Concluding and Confirming Individual Contracts

1. **Conclusion of Individual Contracts:** Unless otherwise agreed between the Parties, Individual Contracts may be concluded in any form of communication (whether orally or otherwise) and shall be legally binding and enforceable from the time the terms of such Individual Contract are concluded.

2. **Confirmations:** In the event that an Individual Contract is not concluded in written form, both Parties shall be free to confirm, or have confirmed, in writing their understanding of the agreed terms of the Individual Contract (each such written confirmation constituting a "Confirmation"). A Confirmation shall not constitute a requirement for a legally valid Individual Contract. A Confirmation shall contain the information stipulated in, and shall be substantially in the form of the applicable confirmation sheet from among those attached to this General Agreement as Annex 2 a – d.

3. **Objections to Confirmations:** Without prejudice to the provisions of § 3.2 (*Confirmations*), if a Party receives a Confirmation, it shall promptly review the terms of such Confirmation and if they differ from its understanding of the terms of the applicable Individual Contract notify the other Party of any inconsistency without delay. If both Parties send a Confirmation without delay and their terms contradict, then each such Confirmation shall be deemed to be a notice of objection to the terms of the other Party's Confirmation.

4. **Authorised Persons:** If § 3.4 (*Authorised Persons*) is specified as applying to a Party in the Election Sheet, Individual Contracts may be negotiated, confirmed and signed on behalf of that Party exclusively by those persons listed by it for such purposes as may be specified in an Annex to this General Agreement. Each Party may unilaterally amend and supplement in writing the list of persons currently authorised to act on its behalf at any time. Such amendments and supplements shall become effective upon their receipt by the other Party.

§ 4

Primary Obligations For Delivery and Acceptance of and Payment For Natural Gas

1. Delivery and Acceptance and Net Scheduling Obligations:

- (a) In accordance with each Individual Contract, the Seller shall Schedule and deliver, or cause to be delivered, at the Delivery Point the Contract Quantity during each Time Unit of the Total Supply Period and the Buyer shall Schedule and accept, or cause to be accepted, at the Delivery Point the Contract Quantity during each Time Unit of the Total Supply Period. In performing their respective obligations under this § 4.1, the Seller and the Buyer shall Schedule against the Applicable Code.
- (b) Provided that (i) the Parties are mutually agreeable to Scheduling their receipts and deliveries on a net basis and (ii) it is possible to so Schedule at the relevant Delivery Point; then where in respect of any Time Unit there is more than one Individual Contract between the Parties for delivery of Natural Gas at the same Delivery Point, each Party shall be deemed to have fulfilled its obligations to Schedule in respect of the Contract Quantity for each such Individual Contract for the relevant Time Unit if it Schedules to the Network Operator the aggregate net result of all Contract Quantities being bought and sold under all relevant Individual Contracts between the Parties in such Time Unit at such Delivery Point (the "Net Contract Quantity"); in such circumstances the Party delivering Natural Gas shall be the "Net Seller" and the Party receiving Natural Gas shall be the "Net Buyer". In instances where the Net Contract Quantity for a Time Unit and Delivery Point is zero, the Parties shall be relieved of any obligation to Schedule in respect of such Time Unit. For the avoidance of doubt, the Parties fully intend at the time of entering into each Individual Contract that such Individual Contract will result in physical delivery, and it is simply for administrative convenience that the Parties may agree to net Schedule. Unless otherwise provided, if there is more than one Individual Contract between the Parties for delivery of Natural Gas at the same Delivery Point in the same Time Unit, all references in this General Agreement and an Individual Contract to a "Seller" shall be deemed to be references to a "Net Seller", references to a "Buyer" shall be deemed to be references to a "Net Buyer", references to a "Contract Quantity" to a "Net Contract Quantity" and references to an "Individual Contract" shall be deemed to be references to all such Individual Contracts.

2. Definition of Schedule and Applicable Code:

"Schedule" shall mean, as applicable, those actions necessary for a Party to effect its respective delivery or acceptance obligations, which may include nominating, scheduling, matching, notifying, requesting and confirming with the other Party, their respective designated agents and authorised representatives, and the Network Operator, as applicable, the Contract Quantity (and exchanging relevant shipper codes), for each Time Unit for each Individual Contract as required in accordance with (a) any relevant terms of the Individual Contract, (b) the Nomination and Allocation Arrangements and (c) any applicable rules and/or procedures of the Network Operator.

The "Applicable Code" shall be determined as follows:

- (a) the Applicable Code shall either be the code issued by, in the case of the Buyer, the Physical Downstream Transporter to the person to whom delivery is to be made or, in the case of the Seller, the code issued by the Physical Upstream Transporter to the person who is to make the delivery;
- (b) the Parties acknowledge that the Applicable Code that they are required to Schedule against may not be the other Party's code provided that the Applicable Code is a code of a person who has the right to offtake Natural Gas from the Physical Upstream Transportation System at the Delivery Point or of a person who has transportation capacity from the Delivery Point in the Physical Downstream Transportation System, as applicable;
- (c) each Party shall, in respect of each Time Unit in the Total Supply Period, provide the other Party with the Applicable Code(s) on a timely basis taking into account the rules and procedures of the Physical Upstream Transporter and the Physical Downstream Transporter;
- (d) subject to the Buyer complying with its obligations under § 4.2(c), if the Seller fails in respect of a Time Unit to Schedule against the Applicable Code, the Seller shall be deemed to be in Seller's Default for the purposes of § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*);
- (e) subject to the Seller complying with its obligations under § 4.2(c), if the Buyer fails in respect of a Time Unit to Schedule against the Applicable Code, the Buyer shall be deemed to be in Buyer's Default for the purposes of § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*); and
- (f) neither the Seller nor the Buyer shall be entitled to claim Force Majeure for any failure by the relevant Network Operator to deliver Natural Gas to or from the Delivery Point in a Time Unit which failure results from an act or omission of a person whose Applicable Code they have provided to the other Party for such Time Unit in accordance with this § 4.2.

3. Payment for Natural Gas: In respect of each Individual Contract the Buyer shall pay the Seller for the Delivered Quantity in respect of each Time Unit of each Month at the Contract Price in accordance with the provisions of § 13 (*Invoicing and Payment*).

§ 5

Primary Obligations for Options

1. Delivery and Acceptance Pursuant to an Option: When an Individual Contract provides for the purchase and sale of a physical option to buy Natural Gas (a "Call Option") or to sell Natural Gas (a "Put Option") (each, an "Option"), the seller of the Option (the "Writer") grants to the purchaser of the Option (the "Holder") the right, but not the obligation, by complying with certain designated procedures described below in this § 5 (*Primary Obligations for Options*), to require each Party to meet its respective obligations under § 4 (*Primary Obligations for Delivery and Acceptance of and Payment for Natural Gas*) for the delivery and acceptance of, and payment for, Natural Gas in accordance with that respective Individual Contract.

2. Premium for the Option: The Holder shall pay the Writer the Premium for the Option on or before the Premium Payment Date (and if no Premium Payment Date is designated in the terms of the Individual Contract, the Premium Payment Date shall be the fifth (5th) Business Day following the day on which the Parties entered into the Individual Contract). If the Option is Exercised, invoicing and payment of the Contract Price for the Delivered Quantities in each Time Unit shall be in accordance with §13 (*Invoicing and Payment*) unless otherwise agreed.

3. Exercise of Option and Deadline: The Holder of an Option may exercise its rights under the Option (in accordance with § 5.4 (*Notice of Exercise*)) by giving the Writer irrevocable notice of such Exercise during the Exercise Period. Unless otherwise agreed in the Election Sheet, if no Exercise Deadline is specified in an

Individual Contract for an Option, the Exercise Deadline shall be 1700 hours on the fifth Business Day prior to commencement of the Total Supply Period under such Individual Contract.

4. **Notice of Exercise:** Each notice of Exercise shall be effective upon receipt by the Writer and may be given in writing or verbally, provided that Exercise may not be effected by email and verbal Exercise may not be effected by leaving a message on a voicemail or similar verbal electronic messaging system. In the case of verbal Exercise, the Holder shall promptly confirm the Exercise in writing (including without limitation by facsimile), provided that such written confirmation is not a prerequisite to the validity of verbal Exercise.

§ 6

Delivery, Measurement, Transportation and Risk

1. **Off-Spec Gas:** The provisions of § 8a (*Off-Spec Gas*) shall apply in respect of Off-Spec Gas.
2. **Flat Transactions:** In respect of an Individual Contract the Contract Quantity shall be the same for each Time Unit during the Total Supply Period unless otherwise agreed by the Parties.
3. **Transfer of Rights to Natural Gas:** In respect of each Individual Contract the Seller warrants and represents to the Buyer that in each Time Unit it has the right to transfer (or cause to be transferred) to the Buyer full entitlement to the Delivered Quantity at the Delivery Point free and clear of any adverse claims and the Seller shall indemnify and hold harmless the Buyer against any such adverse claims in respect of the Delivered Quantity or any part thereof.
4. **Measurement of Natural Gas Deliveries and Receipts:** In respect of an Individual Contract and each Time Unit of the Total Supply Period, the quantity of Natural Gas delivered by the Seller and accepted by the Buyer (the "Delivered Quantity") for such Individual Contract for such Time Unit shall be determined in accordance with the Nomination and Allocation Arrangements at the Delivery Point and the allocation statements of the relevant Network Operator; provided, however, that, subject to § 4.1(b) (*Delivery and Acceptance and Net Scheduling Obligations*), where there is more than one Individual Contract between the Parties for a Time Unit at the same Delivery Point, the Delivered Quantity shall be deemed to be a reference to the Quantity of Natural Gas delivered by the Net Seller and accepted by the Net Buyer in respect of all such Individual Contracts. The Parties may agree which meter readings and/or allocation statements shall prevail in respect of an Individual Contract. The meaning of "Nomination and Allocation Arrangements" shall be construed taking into account any such agreement in respect of an Individual Contract.
5. **Documentation of Scheduled Quantities and Delivered Quantities:** Upon reasonable request, a Party shall:
 - (a) provide to the other Party documentation in its possession or control that evidences quantities Scheduled and Delivered Quantities in respect of an Individual Contract for the purposes of determining the cause of any deviations between the Contract Quantities for each Time Unit pursuant to the terms of an Individual Contract and the Delivered Quantities for such Time Units; and
 - (b) use its reasonable and diligent efforts to request and acquire from the Network Operator, and shall share with the requesting Party, any additional documentation necessary to reconcile inconsistencies between Contract Quantities and Delivered Quantities pursuant to any Individual Contracts.

PROVIDED THAT the obligations of a Party under (a) and (b) above shall only require it to extract from such documentation and provide to the other Party information relating to Individual Contracts between the Parties and not information relating to contracts or transactions with other counterparties.

Without prejudice to (a) and (b) above, where the Parties have agreed in respect of an Individual Contract that a single set of allocation statements shall prevail, the Party receiving them if so requested by the other Party shall, within three Business Days of receiving such allocation statements, provide copies of them (or of the relevant information in, or derived from, them) relating to the Individual Contract to the requesting Party except where both Parties have received copies of such allocation statements from the Network Operator.

6. **Reimbursement of External Costs:** In the event that a Party, at the request of the other Party or to resolve a dispute raised by the other Party, incurs reasonable external expenses in verifying that it has properly

performed its delivery or acceptance obligations or that the other Party has failed to properly perform its delivery or acceptance obligations under the terms of an Individual Contract, such expenses shall, upon request by the Party which incurred them, be reimbursed by the Party that raised such dispute or requested such verification if the Party requesting reimbursement is shown to have been right.

7. Seller and Buyer Risks: Subject to § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*), in respect of each Individual Contract and each Time Unit of the Supply Period,:

- (a) Seller shall bear all risks associated with and shall be responsible for any costs or charges imposed on or associated with Scheduling, transportation and delivery of the Contract Quantity up to the Delivery Point (including all risks associated with the Seller's System, if applicable); and
- (b) Buyer shall bear all risks associated with and shall be responsible for any costs or charges imposed on or associated with Scheduling, acceptance and transportation of, the Contract Quantity at and from the Delivery Point (including all risks associated with the Buyer's System, if applicable).

§ 7

Non-Performance Due to Force Majeure

1. Definition of Force Majeure: Unless otherwise specified in the Election Sheet, for purposes of the Agreement "Force Majeure" means an occurrence beyond the reasonable control of the Party claiming Force Majeure (the "Claiming Party") which it could not reasonably have avoided or overcome and which makes it impossible for the Claiming Party to perform or procure performance of its delivery or acceptance obligations, including, but without limitation, due to one or more of the following:

- (a) the failure of communications or computer systems of the relevant Network Operator(s) which prevents the Claiming Party from performing its obligations of delivery or acceptance; or
- (b) the relevant Network's Operator failure to respond to all efforts by the Claiming Party to communicate with such Network Operator;

Provided that "Force Majeure" shall not include any curtailment or interruption of transportation rights or any problem, occurrence or event affecting any relevant pipeline system unless this constitutes a Transportation Failure.

2. Release from Delivery and Acceptance Obligations: If a Party is fully or partly prevented due to Force Majeure from performing or procuring performance of its obligations of delivery or acceptance under one or more Individual Contracts and such Party complies with the requirements of § 7.3 (*Notification and Mitigation of Force Majeure*) then, without prejudice to § 7.5 (*Long Term Force Majeure Limit*), no breach or default on the part of the Claiming Party shall be deemed to have occurred and it shall be released (and not merely suspended) from those obligations but only for the period of time and to the extent that such Force Majeure prevents its performance. Without prejudice to § 7.5 (*Long Term Force Majeure Limit*), no obligation to pay damages pursuant to § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*) will accrue to the Claiming Party with respect to Default Quantities arising under such Individual Contracts as a result of Force Majeure affecting the Claiming Party's obligation.

3. Notification and Mitigation of Force Majeure: The Claiming Party shall as soon as practicable after learning of the Force Majeure notify the other Party of the commencement of the Force Majeure and of the Individual Contract(s) affected thereby and, to the extent then available, provide to it a bona fide non-binding estimate of the extent and expected duration of its inability to perform. The Claiming Party shall use all commercially reasonable efforts to mitigate and overcome the effects of the Force Majeure (which, in the case of a Transportation Failure, shall include using all commercially reasonable efforts to procure that the relevant Network Operator mitigates and overcomes the effects of the Transportation Failure) and shall, during the continuation of the Force Majeure, provide the other Party with reasonable bona fide updates, when and if available, of the extent and expected duration of its inability to perform such Individual Contract(s).

4. **Effects of Force Majeure on Other Party:** In the event, and to the extent, that a Seller's delivery obligations are released by Force Majeure, the Buyer's corresponding acceptance and payment obligations shall also be released. In the event, and to the extent that a Buyer's acceptance obligations are released by Force Majeure, the Seller's corresponding delivery obligations shall also be released.

5. **Long Term Force Majeure Limit:** Where in respect of an Individual Contract the obligations of the Claiming Party have been adversely affected by Force Majeure on each Day for a consecutive period of Days exceeding the Long Term Force Majeure Limit and by on average more than fifty (50) per cent of the contracted quantity during such period, then the Party which is not the Claiming Party shall have the right to terminate such Individual Contract forthwith by written notice to the Claiming Party. Such termination shall be without prejudice to the accrued rights and obligations of the Parties under such Individual Contract up to the date of termination but neither Party shall have any liability whatsoever to the other in respect of the unexpired portion of the Total Supply Period under such Individual Contract after the date of termination.

§ 8

Remedies for Failure to Deliver or Accept the Contract Quantity

1. **Underdelivery:** If in respect of a Time Unit and an Individual Contract, the Contract Quantity exceeds the Delivered Quantity by more than the Tolerance by reason of Seller's Default, the Seller shall pay to the Buyer as compensation for its resulting losses an amount equal to the product of:

- (a) the amount, if positive, by which the price, at which the Buyer acting in a commercially reasonable manner is or would be able to contract to purchase or otherwise acquire in an arm's length purchase from a third party (which may include the relevant Network Operator) an equivalent quantity of Natural Gas to replace the Default Quantity for such Time Unit, exceeds the Contract Price; and
- (b) the Default Quantity.

Such amount shall be increased by the amount of any incremental transportation costs and charges and other reasonable and verifiable costs or expenses incurred by the Buyer in respect of the Default Quantity.

2. **Under Acceptance:** If in respect of a Time Unit and an Individual Contract, the Contract Quantity exceeds the Delivered Quantity by more than the Tolerance by reason of Buyer's Default, the Buyer shall pay to the Seller as compensation for its resulting losses an amount equal to the product of:

- (a) the amount, if positive, by which the Contract Price exceeds the price at which the Seller acting in a commercially reasonable manner is or would be able to contract to sell a quantity of Natural Gas equivalent to the Default Quantity in an arm's length sale to a third party (which may include the relevant Network Operator) for such Time Unit; and
- (b) the Default Quantity.

Such amount shall be increased by the amount of any incremental transportation costs and charges and other reasonable and verifiable costs or expenses incurred by the Seller in respect of the Default Quantity.

3. **Overdelivery:** If in respect of a Time Unit and an Individual Contract, the Delivered Quantity exceeds the Contract Quantity by more than the Tolerance by reason of Seller's Default, the Seller shall pay to the Buyer as compensation for its resulting losses an amount equal to the product of:

- (a) the amount, if positive, by which the Contract Price exceeds the price at which the Buyer acting in a commercially reasonable manner is or would be able to contract to sell in an arm's length sale to a third party (which may include the relevant Network Operator) a quantity of Natural Gas equal to the absolute value of the Default Quantity for such Time Unit; and
- (b) the absolute value of the Default Quantity.

Such amount shall be increased by the amount of any incremental transportation costs and charges and other reasonable and verifiable costs or expenses incurred by the Buyer in respect of the Default Quantity or such arm's length sale.

4. Over Acceptance: If in respect of a Time Unit and an Individual Contract, the Delivered Quantity exceeds the Contract Quantity by more than the Tolerance by reason of Buyer's Default, the Buyer shall pay to the Seller as compensation for its resulting losses an amount equal to the product of:

- (a) the amount, if positive, by which the price, at which the Seller acting in a commercially reasonable manner is or would be able to contract to purchase or otherwise acquire in an arm's length purchase from a third party (which may include the relevant Network Operator) a replacement quantity of Natural Gas for such Time Unit equal to the absolute value of the Default Quantity, exceeds the Contract Price; and
- (b) the absolute value of the Default Quantity.

Such amount shall be increased by the amount of any incremental transportation costs and charges and other reasonable and verifiable costs or expenses incurred by the Seller in respect of the Default Quantity or the acquisition of such replacement quantity.

5. Definitions and Interpretation: For the purposes of this § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*) the following definitions and interpretation shall apply:

- (a) a Default Quantity shall be deemed to arise by reason of "Seller's Default" if it arises because the Seller failed, in respect of the relevant Time Unit and Individual Contract, to comply with its obligations under § 4.1 (*Delivery and Acceptance*) or the Default Quantity is attributable to the Seller pursuant to § 6.7 (*Seller and Buyer Risks*) unless, in each case, the Seller is relieved from liability on the grounds of Force Majeure in accordance with § 7 (*Non-Performance Due to Force Majeure*);
- (b) a Default Quantity shall be deemed to arise by reason of "Buyer's Default" if it arises because the Buyer failed, in respect of the relevant Time Unit and Individual Contract, to comply with its obligations under § 4.1 (*Delivery and Acceptance*) or the Default Quantity is attributable to the Buyer pursuant to § 6.7 (*Seller and Buyer Risks*) unless, in each case, the Buyer is relieved from liability on the grounds of Force Majeure in accordance with § 7 (*Non-Performance Due to Force Majeure*);
- (c) for the purposes of § 8.1 (*Underdelivery*) and § 8.3 (*Overdelivery*) and subject to § 4.1(b) (*Delivery and Acceptance and Net Scheduling Obligations*), where there is more than one Individual Contract between the Parties in respect of a Time Unit and a Delivery Point, the Contract Quantity shall be the Net Contract Quantity, the Contract Price shall be the energy weighted average of the Contract Prices of the relevant Individual Contracts for that Time Unit and that Delivery Point in respect of which the Net Seller is the Seller and the "Default Quantity" shall be the difference between the Net Contract Quantity and the Delivered Quantity; and
- (d) for the purposes of § 8.2 (*Under Acceptance*) and § 8.4 (*Over Acceptance*) and subject to § 4.1(b) (*Delivery and Acceptance and Net Scheduling Obligations*), where there is more than one Individual Contract between the Parties in respect of a Time Unit and a Delivery Point, the Contract Quantity shall be the Net Contract Quantity, the Contract Price shall be the energy weighted average of the Contract Prices of the relevant Individual Contracts for that Time Unit and that Delivery Point in respect of which the Net Buyer is the Buyer and the "Default Quantity" shall be the difference between the Net Contract Quantity and the Delivered Quantity.

6. Amounts Payable: Amounts that are due according to this § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*) shall be invoiced and paid in accordance with § 13 (*Invoicing and Payment*).

7. Genuine and Reasonable Estimate: The Parties agree and acknowledge that sums calculated in accordance with § 8.1 (*Underdelivery*) to § 8.4 (*Over Acceptance*) (as applicable) will represent a genuine and reasonable estimate of the costs and losses likely to be suffered by the Buyer in the event of Seller's Default or by the Seller in respect of Buyer's Default.

8. Use of Tolerance: Where, in respect of an Individual Contract and a Time Unit, the absolute value of the Default Quantity is less than the Tolerance, the Tolerance shall be deemed to be zero (notwithstanding that a non-zero Tolerance is specified in the Election Sheet or in the terms of the Individual Contract) in the event that

the Party (which would, in the absence of the non-zero Tolerance, be required to make a payment under this § 8) has failed to take all the steps within its reasonable control to Schedule the correct Contract Quantity for such Individual Contract for such Time Unit.

§ 8a

Off-Spec Gas

1. **Seller's Obligation:** In respect of an Individual Contract, the Seller shall procure that Natural Gas delivered at the Delivery Point conforms to the Transportation Requirements.

2. **Notification:** As soon as reasonably practicable after the Seller becomes aware that Natural Gas which is being delivered at the Delivery Point, or which is about to be delivered, is Off-Spec Gas, it shall:

- (a) serve notice of that fact on the Buyer, specifying the nature and extent of the non-conformity with the Transportation Requirements, and the cause and probable duration of the non-conformity;
- (b) take such steps as are reasonably practicable to procure that Natural Gas which conforms with the Transportation Requirements is made available as soon as reasonably practicable;

and the Seller shall keep the Buyer fully informed in relation to the problem and the steps being taken to remedy it. If the Buyer becomes aware that Natural Gas which is being delivered at the Delivery Point is Off-Spec Gas (before it receives notice from the Seller pursuant to § 8a.2(a)) it shall notify the Seller of that fact and of any information available to it as to the nature, extent and cause of the non-conformity.

3. **Rights of the Buyer:** If Natural Gas to be delivered or being delivered at the Delivery Point is Off-Spec Gas and if the Physical Downstream Transporter has refused to take delivery of such Off-Spec Gas, the Buyer will, promptly following its receipt of notice of such refusal from the Physical Downstream Transporter, give notice to the Seller by telephone or in writing stating that it does not wish to take delivery of quantities of Natural Gas until the non-conformity with the Transportation Requirements has been remedied, and the Buyer shall not be in breach of any of its obligations by reason thereof. For the avoidance of doubt, the Buyer shall be obligated to take delivery of Off-Spec Gas if the Physical Downstream Transporter is willing to accept delivery of such Off-Spec Gas from the Buyer; provided, however, that in the event the Physical Downstream Transporter subsequently refuses to accept delivery of Off-Spec Gas it had previously agreed to accept from the Buyer or if Buyer is charged with any additional costs as a result of delivering the Off-Spec Gas to the Physical Downstream Transporter, then the Seller shall indemnify the Buyer in accordance with the terms of § 8a.5 hereof. Any notice given pursuant to § 8a.3 by telephone shall be confirmed in writing as soon as reasonably practicable.

4. **Underdelivery due to Off-Spec Gas:** To the extent that the Delivered Quantity is less than the Contract Quantity in any Time Unit by reason of any of the circumstances described in or actions of the Parties taken in accordance with § 8a.3 (*Rights of the Buyer*), unless the Seller is relieved from liability under 8.1 (*Underdelivery*) due to Force Majeure in accordance with § 7 (*Non-Performance due to Force Majeure*), this shall constitute an underdelivery due to Seller's Default and the provisions of § 8.1 (*Underdelivery*) shall apply in relation to the Default Quantity

5. **Indemnity:** If, in respect of an Individual Contract:

- (a) any quantities of Natural Gas are delivered at the Delivery Point without or prior to the Buyer becoming aware that such quantities constitute Off-Spec Gas, or
- (b) any quantities of Natural Gas are delivered to the Buyer when the Buyer serves a notice on the Seller in accordance with § 8a.3 and before the non-conformity has been remedied, or
- (c) Buyer is charged with additional costs pursuant to § 8a.3 (*Rights of the Buyer*) as a result of the delivery of Off-Spec Gas to the Physical Downstream Transporter;

then the Seller shall (irrespective of any event of Force Majeure affecting the Seller in relation to such Off-Spec Gas) indemnify the Buyer from and against all direct loss, damage and expense for which the Buyer is or becomes liable as a result of the delivery of such quantities of Off-Spec Gas, arising as a result of a claim by the Physical Downstream Transporter under its transportation agreement with the Buyer or with the relevant shipper transporting such quantities away from the Delivery Point. Unless

otherwise agreed in the terms of an Individual Contract, the Seller's aggregate liability to the Buyer under this § 8a.5 (*Indemnity*) or otherwise in respect of quantities of Off-Spec Gas delivered under an Individual Contract shall be unlimited.

6. **Payment for Off-Spec Gas:** Without prejudice to the foregoing provisions of this § 8a (*Off-Spec Gas*), the Buyer's obligation to pay for quantities of Natural Gas delivered pursuant to an Individual Contract, in accordance with § 13 (*Invoicing and Payment*), shall not be affected or diminished by the delivery of Off-Spec Gas.

§ 9

Suspension of Delivery or Acceptance

In addition to any other rights or remedies available to a Party (the "Non-Defaulting Party"), should a Party (the "Defaulting Party") default on any payment that is due under the Agreement, or should it or its Credit Support Provider fail to provide, replace or increase the amount of any Credit Support Document or any Performance Assurance as required pursuant to the Agreement, the Non-Defaulting Party shall be entitled, no earlier than three (3) Business Days after sending a written notice to the Defaulting Party immediately to cease further delivery or acceptance (as the case may be) of Natural Gas (and be released (and not merely suspended) from its underlying delivery or acceptance obligations) under all Individual Contracts and (provided that the Non-Defaulting Party has already exercised any rights available to it to set off its obligations to make payments under the Agreement to the Defaulting Party against amounts owed by the Defaulting Party to it) the Non-Defaulting Party shall have the right to withhold payments owed by it to the Defaulting Party under the Agreement in each case until such time as the Non-Defaulting Party, has received either the required Credit Support Document or Performance Assurance or full payment (including all applicable default interest and expenses) of all outstanding amounts owed to the Non-Defaulting Party.

§ 10

Term and Termination Rights

1. **Term:** This General Agreement shall come into force as of the Effective Date. It may be terminated in accordance with either § 10.2 (*Expiration Date and 30 Day Termination Notice*) or § 10.3 (*Termination for Material Reason*) through § 10.5 (*Definition of Material Reason*).

2. **Expiration Date and 30 Day Termination Notice:** This General Agreement will terminate on the Expiration Date (if one is specified in the Election Sheet) or if no Expiration Date has been specified in the Election Sheet, by a Party giving the other Party 30 days prior written notice of termination (in both cases "Ordinary Termination"). In the event of Ordinary Termination, the General Agreement shall remain legally binding on the Parties until, but only in respect of, all rights and obligations already created or existing under the Agreement prior to the date of the Ordinary Termination are fully performed by both Parties.

3. **Termination for Material Reason:**

- (a) If a Material Reason (as defined below) with respect to a Party has occurred and is continuing, the other Party (the "Terminating Party") may terminate the Agreement ("Early Termination") by giving the other Party notice. A notice of Early Termination may be given by telephone if that notice is confirmed in writing within two Business Days.
- (b) A notice of Early Termination shall specify the relevant Material Reason for the Early Termination and shall designate a day as an early termination date (the "Early Termination Date"). The Early Termination Date may not be earlier than the day the notice is deemed to have been received under the Agreement nor later than 20 days after such day. With effect from the Early Termination Date all further payments and performance in respect of all Individual Contracts shall be released (and not merely suspended) and existing duties and obligations of the Parties shall be replaced by the obligation of one Party to pay the Termination Amount to the other Party as calculated in accordance with § 11.1 (*Termination Amount*).
- (c) If notice designating an Early Termination Date is given, the Early Termination Date shall occur on the date so designated even if the applicable Material Reason is no longer continuing. On, or as soon as practicable after, the Early Termination Date, the Terminating Party shall

calculate in a commercially reasonable manner, and shall notify the other Party of, the Termination Amount (if any) to be received or paid by it by deriving the same from aggregating all Settlement Amounts as stipulated in § 11 (*Calculation of Termination Amount*).

- (d) The Termination Amount shall be payable by the relevant Party to the other Party within three (3) Business Days of its notification by the Terminating Party (a "Due Date").
- (e) The Terminating Party may take into account any Performance Assurance or credit support available pursuant to the Agreement or any Credit Support Document.
- (f) The right to designate an Early Termination Date under this §10.3 (*Termination for Material Reason*) is in addition to any other remedies available under the Agreement or at law.

4. **Automatic Termination:** If "Automatic Termination" is specified as applying to a Party in the Election Sheet, and upon the occurrence of a Material Reason described in § 10.5(c) (*Winding-up/Insolvency/Attachment*), the Terminating Party need not send that Party any notice of the designation of an Early Termination Date and the Early Termination Date in such event shall be as specified in the Election Sheet. Except as provided in this § 10.4 (*Automatic Termination*), Early Termination by virtue of operation of Automatic Termination shall be as provided in § 10.3 (*Termination for Material Reason*).

5. **Definition of Material Reason:** The Agreement may be terminated at any time for one or more of the following reasons (each, a "Material Reason"):

- (a) **Non-Performance:** The failure of a Party or its Credit Support Provider, when required, to make a payment, to deliver any Performance Assurance or to perform any other material obligation (other than when such obligation is released pursuant to § 7 (*Non-Performance Due to Force Majeure*)):
 - (i) under the Agreement; provided, that in the case of a failure to pay, such failure is not cured within two (2) Business Days of a written demand, or, in the case of any other failure of performance (not covered by sub-paragraphs (ii) or (iii) below), such failure is not cured within ten (10) Business Days of a written demand;
 - (ii) under any Credit Support Document (after giving effect to any applicable notice or grace period thereunder); or
 - (iii) in accordance with § 17 (*Performance Assurance*).
- (b) **Cross Default and Acceleration:**
 - (i) any default, event of default or other similar condition or event (however described) in respect of such Party, such Party's Credit Support Provider (if such Party has a Credit Support Provider) or such Party's Controlling Party (if such Party does not have a Credit Support Provider but has a Controlling Party) under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the Threshold Amount (as specified for that Party in the Election Sheet) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable, or
 - (ii) the default of a Party or its Credit Support Provider or Controlling Party (individually or collectively) to make one or more payments on the due date thereof in an aggregate amount of not less than the Threshold Amount (as specified for that Party in the Election sheet) under one or more agreements or instruments relating to Specified Indebtedness (after giving effect to any applicable notice requirement or grace period)
- (c) **Winding-up/Insolvency/Attachment:** A Party or its Credit Support Provider:
 - (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
 - (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

- (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
 - (iv) institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation and, if specified in the Election Sheet, is not withdrawn, dismissed, discharged, stayed or restrained within such period as specified in the Election Sheet;
 - (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
 - (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
 - (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets;
 - (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in § 10.5(c)(i) to § 10.5(c)(vii) (inclusive); or
 - (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts referred to in this § 10.5(c).
- (d) **Failure to Deliver or Accept:** If specified as applying in the Election Sheet, the failure of a Party to comply with its obligation to deliver or accept Natural Gas under an Individual Contract, (other than, when such obligation is released pursuant to § 7 (*Non-Performance due to Force Majeure*)) for more than seven consecutive days or for more than seven (7) days in aggregate within a period of sixty (60) days.
- (e) **Representation or Warranty:** A representation or warranty when made or repeated or deemed to have been made or repeated by a Party to this General Agreement or an Individual Contract or by its Credit Support Provider in a Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated.

Unless otherwise specified in the Election Sheet, the above Material Reasons shall constitute the exclusive reasons for Early Termination under this § 10 (*Term and Termination Rights*).

§ 11

Calculation of the Termination Amount

1. **Termination Amount:** The Terminating Party shall calculate an amount (the "Termination Amount") to be paid in accordance with § 10.3 (*Termination for Material Reasons*) and § 10.4 (*Automatic Termination*) by calculating the sum (whether positive or negative) of all Settlement Amounts for all Individual Contracts and taking account of any or all other amounts payable between the Parties under or in connection with the Agreement. If the Termination Amount is negative, an amount equal to the absolute value of the Termination Amount shall be payable to the Terminating Party by the other Party. If the Termination Amount is positive, an amount equal to the Termination Amount shall be payable by the Terminating Party to the other Party.

2. **Settlement Amount:** The "Settlement Amount" for an Individual Contract shall be the Gains less the aggregate of the Losses and Costs which the Terminating Party incurs as a result of the termination of the Individual Contract. For the purpose of this provision:

- (a) "Costs" means brokerage fees, commissions and other third party costs and expenses reasonably incurred by the Terminating Party either in terminating any arrangement pursuant to which it has hedged its obligation or entering into new arrangements which replace a

terminated Individual Contract and all reasonable legal fees, costs and expenses incurred by the Terminating Party in connection with its termination of such Individual Contract;

- (b) "Gains" means an amount equal to the present value of the economic benefit to the Terminating Party, if any (exclusive of Costs), resulting from the termination of an Individual Contract, determined in a commercially reasonable manner; and
- (c) "Losses" means an amount equal to the present value of the economic loss to the Terminating Party, if any (exclusive of Costs), resulting from its termination of an Individual Contract, determined in a commercially reasonable manner.

In calculating the Settlement Amounts, the Terminating Party may, but is not obliged, to calculate its Gains and Losses as at the Early Termination Date, at its discretion, without entering into any replacement transactions.

§ 12

Limitation of Liability

1. **Application of Limitation:** This § 12 (*Limitation of Liability*) will apply unless otherwise specified by the Parties in the Election Sheet.

2. **Exclusion of Liability:** Subject to § 12.3 (*Consequential Damage and Limitation of Liability*) and § 12.4 (*Intentional Default, Fraud and Other Mandatory Rules*) and except in respect of any amounts payable under § 6.3 (*Transfer of Rights to Natural Gas*), § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*), § 8a (*Off-Spec Gas*), § 10.3 (*Termination for Material Reason*), § 10.4 (*Automatic Termination*), § 13 (*Invoicing and Payment*) and § 14 (*VAT and Taxes*), a Party and its employees, officers, contractors and/or agents, shall not be liable to the other Party for any loss, cost, expense or damages ("Damages"), incurred by the other Party under or in connection with the Agreement, except where such Damages are due to the negligence, intentional default or fraud of a Party or its employees, officers, contractors and/or agents used by such Party in performing its obligations under the Agreement.

3. **Consequential Damage and Limitation of Liability:** Subject to § 12.4 (*Intentional Default, Fraud and Other Mandatory Rules*), the liability of each Party to the other Party under or in connection with this Agreement:

- (a) shall (except as provided in § 6.3 (*Transfer of Rights to Natural Gas*), § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*), § 8a (*Off-Spec Gas*), § 10.3 (*Termination for Material Reason*), § 10.4 (*Automatic Termination*), § 13 (*Invoicing and Payment*) and § 14 (*VAT and Taxes*)) exclude liability for loss of profit, goodwill, business opportunity or anticipated saving and for indirect or consequential Damages (and the above categories of loss shall be considered independently and the *eiusdem generis* rule of construction under English law shall not apply); and
- (b) shall be limited to an aggregate amount equal to the aggregate amounts payable for Natural Gas supplied or to be supplied by a Party under any relevant Individual Contract provided that such limitation shall not apply to payments due in accordance with § 6.3 (*Transfer of Rights to Natural Gas*), § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*), § 8a (*Off-Spec Gas*), § 10.3 (*Termination for Material Reason*), § 13 (*Invoicing and Payment*) or § 14 (*VAT and Taxes*)).

4. **Intentional Default, Fraud and other Mandatory Rules:** Nothing in the Agreement operates to exclude or limit a Party's liability for:

- (a) intentional default;
- (b) fraud; or
- (c) personal injury or death resulting from the negligence of such Party or any of its officers or employees.

5. **Duty to Mitigate Losses:** For the avoidance of doubt, and subject to applicable law, each Party agrees that it has a duty to mitigate its Damages and covenants that it will use commercially reasonable efforts to minimise any Damages it may incur under or in connection with the Agreement.

§ 13

Invoicing and Payment

1. **Invoice:** Each Party who is a Seller of Natural Gas in an Individual Contract shall transmit to the other Party in the course of the calendar month following delivery of Natural Gas under Individual Contract(s) for the previous month an invoice setting forth the total quantities of Natural Gas that were sold by it under each Individual Contract in the previous calendar month. In connection with such invoice the Party shall state all amounts then owed between the Parties pursuant to each Individual Contract for which it is the Seller including, without limitation, all amounts owed for the purchase and sale of Natural Gas, fees, charges, reimbursements, damages, interest, and other payments or credits owed between the Parties (including, without limitation, under § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*), § 8a (*Off-Spec Gas*) and § 14 (*VAT and Taxes*)) and the net amount due for payment in respect of each Individual Contract. Invoicing of Premiums due under an Individual Contract for Options shall be as agreed by the Parties in the Individual Contracts.

2. **Payment:** On or before the later to occur of (a) the twentieth (20th) day of the calendar month or if not a Business Day the immediately following Business Day; or (b) the tenth (10th) day following receipt of an invoice (whichever being the "Due Date"), a Party owing an invoiced amount shall pay, by wire transfer in freely available funds, the amount set forth on such invoice to the payment address or bank account provided by the other Party as specified in the Election Sheet. Such payment shall be made, unless otherwise agreed, in EURO, and subject to § 14 (*VAT and Taxes*) and the remitter shall pay its own bank charges. Notwithstanding the foregoing, the Due Date for payment of a Premium under an Individual Contract for Options shall be the Premium Payment Date applicable to the Individual Contract.

3. **Payment Netting:** If this § 13.3 (*Payment Netting*) is specified as applying in the Election Sheet, if on any day the Parties are each required to pay one or more amounts in the same currency (for which purpose all EURO currencies shall be considered a single currency) under one or more Individual Contracts then such amounts with respect to each Party shall be aggregated and the Parties shall discharge their respective payment obligations through netting, in which case the Party, if any, owing the greater aggregate amount shall pay the other Party the difference between the aggregate amounts owed.

4. **Invoicing and Payment of Scheduled Contract Quantities:** Invoicing and payment shall (so far as available at the time of invoicing) be based on the Delivered Quantities in respect of Individual Contracts for all Time Units of the respective month; provided, however, that, subject to § 4.1(b) (*Delivery and Acceptance and Net Scheduling Obligations*), with respect to Time Units for which there was more than one Individual Contract between the Parties for delivery of Natural Gas at the same Delivery Point, invoicing and payment shall be based on the Delivered Quantity plus any Quantity of Natural Gas which was sold by the Seller to the Buyer but was not Scheduled because it was the subject of net Scheduling or because there was no requirement to Schedule pursuant to § 4.1 (*Delivery and Acceptance and Net Scheduling Obligations*). However, to the extent such data is not available to the Seller at the time of invoicing, the Seller's invoice shall be based on Contract Quantities for Individual Contracts for such Time Units. When and if data becomes available confirming the Delivered Quantities in respect of Individual Contracts for such Time Units and the discrepancies between Delivered Quantities and Contract Quantities, invoicing and payment will be adjusted to reflect any discrepancies between the Contract Quantities and Delivered Quantities including any payment (or adjustments to payments) due under § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*).

5. **Default Interest:** Late payments shall accrue interest from, and including, the Due Date to, but excluding, the date of payment, at the Interest Rate. For this purpose the "Interest Rate" shall be the rate of interest specified in the Election Sheet.

6. **Disputed Amounts:** If a Party, in good faith, disputes the accuracy of an invoice, it shall on or before the Due Date provide a written explanation of the basis for the dispute and shall pay:

- (a) if this § 13.6(a) is specified as applying in the Election Sheet, the full amount invoiced no later than the Due Date. If any amount paid under dispute is finally determined to have not been due, such overpayment shall, at the election of the owed Party, be credited or returned to it within ten (10) days of such determination, along with interest accrued at the Interest Rate from, and including, the date such amount was paid, to the other Party, but excluding, the date returned or credited; or
- (b) if this § 13.6(b) is specified as applying in the Election Sheet, the undisputed amount invoiced no later than the Due Date. If any amount withheld under dispute is finally determined to have been due, such withheld amount shall, at the election of the owed Party, be credited or returned to it within ten (10) days of such determination, along with interest accrued at the Interest Rate from, and including, the date such amount was due, to the other Party, but excluding, the date paid or credited.

7. Invoices Based on Contract Quantities: For the avoidance of doubt, it is acknowledged that each invoice shall be based on the Contract Quantities agreed by the Parties pursuant to each Individual Contract and not the Net Contract Quantities which are used pursuant to § 4.1(b), to calculate the net Quantities to be Scheduled, made available and offtaken by the Parties pursuant to § 4.1 (*Delivery and Acceptance and Net Scheduling Obligations*) after aggregating all Individual Contracts between the Parties for the relevant Time Unit at the same Delivery Point. It is further acknowledged that, subject to § 4.1(b), to the extent there is Buyer's Default by the Net Buyer under § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*) in circumstances where there is more than one Individual Contract between the Parties for a Time Unit at the same Delivery Point then the Default Quantity for the relevant Time Unit shall be allocated on a pro rata basis to those Individual Contracts under which the Net Buyer is the Buyer (such allocation to be calculated by the Net Seller) and to the extent there is a Seller's Default by the Net Seller under § 8 (*Remedies for Failure to Deliver or Accept the Contract Quantity*), then the Default Quantity shall be allocated on a pro rata basis to those Individual Contracts under which the Net Seller is the Seller (such allocation shall be calculated by the Net Buyer).

§ 14

VAT and Taxes

1. VAT: All amounts referred to in this General Agreement are exclusive of VAT. The VAT treatment of the supply of Natural Gas under an Individual Contract shall be determined pursuant to the VAT laws of the jurisdiction where a taxable transaction for VAT purposes is deemed to take place. If VAT is payable on any such amounts, the Buyer shall pay to the Seller an amount equal to the VAT at the rate applicable from time to time; provided that such amount shall only be required to be paid once the Seller provides the Buyer with a valid VAT invoice (applicable in the jurisdiction of supply) in relation to that amount.

Where, in accordance with EU and/or national legislation, any supplies under an Individual Contract may be Zero-Rated and/or subject to the reverse charge in accordance with Articles 38, 39 or 195 of Council Directive 2006/112/EC, the following shall apply:

- (a) the Buyer and the Seller hereby covenant that they will do all such proper acts, deeds and things as are necessary (which may include and shall not be limited to providing to the Seller all such proper, true and accurate documentation or assistance as may reasonably be required by the relevant taxing authority) to ensure that such supply is Zero-Rated or subject to the reverse charge for the purposes of such legislation;
- (b) in the event that the Buyer or the Seller fails to comply with such obligation, the non-complying Party shall indemnify the other Party in respect of any and all VAT, penalties and interest incurred by the other Party as a result of the non-complying Party's failure to comply with the above covenant; and
- (c) in the absence of the Buyer providing any documentation as referred to in (a) above, the Seller reserves the right to charge local VAT.

2. Other Taxes: All amounts referred to in this General Agreement are exclusive of Other Taxes. In the case of Other Taxes, if the cost of an Other Tax is charged or passed on by the Seller to the Buyer, the Buyer

shall pay this amount of Other Tax to the Seller; provided that such amount of Other Tax is identified separately on the invoice issued by the Seller and confirmation is received by the Buyer, where applicable, that such amount of Other Tax has been duly paid or accounted for to the relevant Tax authority, as appropriate.

Where in accordance with EU and/or national legislation there is an exemption or other relief, as applicable, from Other Taxes in respect of any supplies under an Individual Contract, the following shall apply:

- (a) the Buyer and the Seller hereby covenant that they will do all such proper acts, deeds and things as are necessary (which may include and shall not be limited to providing to the Seller all such proper, true and accurate documentation or assistance as may reasonably be required by the relevant taxing authority) to ensure that such supply is exempt from Other Taxes for the purposes of such legislation;
- (b) in the event that the Buyer or the Seller fails to comply with such obligation, the non-complying Party shall indemnify the other Party in respect of any and all Other Taxes, penalties and interest incurred by the other Party as a result of the non-complying Party's failure to comply with the above covenant; and
- (c) in the absence of the Buyer providing any documentation as referred to in (a) above the Seller reserves the right to charge Other Taxes.

3. Seller's and Buyer's Tax Obligation: The Seller shall pay or cause to be paid all Tax on or with respect to Natural Gas delivered pursuant to an Individual Contract arising before the transfer of risk and title at the Delivery Point. The Buyer shall pay or cause to be paid all Tax on or with respect to the Natural Gas delivered pursuant to an Individual Contract arising after the transfer of risk and title at the Delivery Point. Subject to §14.2 the Parties shall pay all Tax arising at the transfer of risk and title at the Delivery Point in accordance with applicable local laws. In the event that the Seller is required by law to pay any Tax which is properly for the account of the Buyer, the Buyer shall promptly indemnify or reimburse the Seller in respect of such Tax. In the event that the Buyer is required by law to pay any Tax which is properly for the account of the Seller, the Buyer may deduct the amount of any such Tax from the sums due to the Seller under the Agreement and the Seller shall promptly indemnify or reimburse the Buyer in respect of any such Tax not so deducted.

4. Taxes Targeted at End-Users: The Buyer covenants to the Seller that, for the purposes of a Tax which is targeted at the end-user, burner or consumer of Natural Gas, either:

- (a) it will not be an end-user, burner or consumer of such Natural Gas delivered to it under any Individual Contract, or
- (b) that the Buyer has the status of an intermediary or any equivalent status as defined in any applicable legislation, or
- (c) that the Natural Gas so delivered will either be transported out of the jurisdiction in which the Delivery Point is situated under such Individual Contract or will be re-sold within such jurisdiction,

and the Buyer will provide such documentation as may be required by applicable legislation to evidence any of the foregoing.

5. Exemption Certificates: If, however, the Buyer intends to burn or otherwise consume any of the Natural Gas delivered under an Individual Contract, the Buyer shall provide to the Seller, if required under the applicable legislation, a Valid Certificate evidencing the exemption of the Buyer's relevant facility from the Tax which is targeted at the end-user, burner or consumer of Natural Gas, in respect of its energy supply to the reasonable satisfaction of the Seller. If such a Valid Certificate, which is required by any applicable legislation, is not provided and/or the Seller is not so satisfied by the relevant time of invoicing and the Seller is liable to pay the Tax targeted at the end-user, burner or consumer of Natural Gas, the Seller shall charge the Buyer and the Buyer shall pay to the Seller in addition to the Contract Price an amount equal to the Tax which is applicable to the end-user, burner or consumer of Natural Gas on the Natural Gas delivered under such Individual Contract, at the rate applicable at the time of the sale. If the Buyer, subsequent to the Seller charging such Tax, provides the Seller within the applicable time (if any) with a Valid Certificate, the Seller shall reimburse the Buyer for any such Taxes paid by the Buyer, provided the Seller has reclaimed such Tax.

6. **Indemnity:** In the event that, in respect of an Individual Contract, a Party is in breach of its obligations under § 14.4 (*Taxes Targeted at End-Users*) or § 14.5 (*Exemption Certificates*), it shall indemnify and hold harmless the other Party against any liability for Tax which is targeted at the end-user, burner or consumer of Natural Gas (and any associated charges or penalties) in respect of Natural Gas delivered under such Individual Contract.

7. **New Taxes:** If any New Tax is applicable to an Individual Contract, and the Buyer is, by the use of reasonable endeavours, able to obtain any available exemption or relief therefrom or is contractually able to pass the same through to or be reimbursed in respect thereof by, a third party, the Buyer shall pay or cause to be paid, or reimburse the Seller if the Seller has paid, such New Tax, and the Buyer shall indemnify, defend and hold harmless the Seller from and against any claims for such New Tax.

8. **Termination for New Tax:** Unless otherwise specified in the Election Sheet or in the terms of an Individual Contract, the provisions of this § 14.8 shall only apply in respect of an Individual Contract if the period from the date on which the Parties concluded such Individual Contract pursuant to § 3.1 (*Conclusion of Individual Contracts*) to the end of the Total Supply Period exceeds two years.

Where the provisions of this § 14.8 apply in respect of an Individual Contract and:

- (a) a New Tax is imposed on a Party (the "Taxed Party") in respect of the Contract Quantity; and
- (b) having used reasonable endeavours to do so, the Taxed Party is unable contractually to pass on the cost of the New Tax to the other Party or a third party; and
- (c) the total amount of the New Tax that would be payable in respect of the balance of the total amount of Natural Gas to be delivered during the remainder of the Total Supply Period (the "Remaining Contract Quantity"), unless otherwise specified in the Election Sheet, shall exceed five percent (5%) of the product of the Remaining Contract Quantity and the Contract Price

then, the Taxed Party shall be entitled to terminate the Individual Contract subject to the following conditions:

- (a) the Taxed Party must give the other Party (the "Non-Taxed Party") at least five (5) Business Days' prior written notice (the "Negotiation Period") of its intent to terminate the Individual Contract (and which notice shall be given no later than 180 Days after the later of the enactment or the effective date of the relevant New Tax), and prior to the proposed termination the Taxed Party and the Non-Taxed Party shall attempt to reach an agreement as to the sharing of the New Tax;
- (b) if such agreement is not reached, the Non-Taxed Party shall have the right, but not the obligation, upon written notice to the Taxed Party within the Negotiation Period, to pay the New Tax for any continuous period it so elects on a calendar month to calendar month basis, and in such case the Taxed Party shall not have the right during such continuous period to terminate the Individual Contract on the basis of the New Tax;
- (c) should the Non-Taxed Party elect to pay the New Tax on a calendar month to calendar month basis, the Non-Taxed Party may elect to cease the payment of the New Tax upon giving five (5) Business Days' prior written notice to the Taxed Party of its election to cease payment of such New Tax, in which case the Non-Taxed Party shall indemnify the Taxed Party for the New Tax and related interest and penalties that may be incurred by the Taxed Party in respect of the period during which the Non-Taxed Party had elected to pay the New Tax and the Taxed Party shall again be subject to the provisions of this § 14.8 as if the New Tax had an effective date as of the date on which the Non-Taxed Party ceased payment of such New Tax;
- (d) if agreement as to sharing a New Tax is not reached and the Non-Taxed Party does not elect to pay the New Tax for any period of time within the Negotiation Period, the Individual Contract affected shall be terminated on the expiry of the Negotiation Period;
- (e) upon termination of the Individual Contract, the provisions of § 11 (*Calculation of the Termination Amount*) relating to the calculation and payment of the Termination Amount

shall apply but only in respect of the Individual Contract(s) so terminated, and for these purposes:

- (i) the Non-Taxed Party shall be understood to be the Terminating Party for the calculation of the Termination Amount; and
- (ii) the effect (if any) of the relevant New Tax on the calculation of the Termination Amount (or any Settlement Amount) shall be expressly excluded

9. **Withholding Tax:** If this § 14.9 is specified as applying in the Election Sheet, the following shall apply between the Parties:

- (a) **Payments Free and Clear:** All payments under an Individual Contract shall be made without any withholding of or deduction for or on account of any Tax unless such withholding or deduction is required by law. If a Party is so required to withhold or deduct Tax from a payment to be made by it, then that Party ("Paying Party") shall notify the other Party ("Receiving Party") immediately of such requirement and pay to the appropriate authorities all amounts withheld or deducted by it. If a receipt or other evidence can be issued evidencing the payment to the authorities, the Paying Party shall deliver such evidence (or a certified copy thereof) to the Receiving Party.
- (b) **Grossing-Up:** The Paying Party shall increase the amount of any payment which is required to be made subject to a withholding or deduction to the extent necessary to ensure that, after the making of the required withholding or deduction, the Receiving Party receives the same amount it would have received had no such withholding or deduction been made or required to be made, except that no increase shall be made in respect of any Tax:
 - (i) which is only imposed as a result of a connection between the Receiving Party and the jurisdiction of the authority imposing the Tax (including, without limitation, a connection arising from the Receiving Party having or having had a permanent establishment or other fixed place of business in that jurisdiction, or having been present or engaged in business in that jurisdiction) other than the mere execution or delivery of this General Agreement, any Confirmation or any Credit Support Document; or
 - (ii) which could have been avoided if the Receiving Party had delivered to the Paying Party or to the appropriate authority as reasonably requested by the Paying Party, any declaration, certificate, or other documents specified in the Election Sheet in a form reasonably satisfactory to the Paying Party; or
 - (iii) which is only imposed as a result of any Tax representation made by the Receiving Party in the Election Sheet for the purposes of this § 14.9, failing or ceasing to be true and accurate provided that this paragraph (iii) shall not apply (and the Paying Party shall be obliged to increase the amount of any payment pursuant to this § 14.9(b)) if such representation has failed or ceased to be true and accurate by reason of:
 - (aa) any change in, or in the application or interpretation, of any relevant law, enactment, directive, or published practice of any relevant Tax authority being a change occurring on or after the date on which the relevant Individual Contract is entered; or
 - (bb) any action taken by a Tax authority, or brought in a court of competent jurisdiction, on or after the date on which the relevant Individual Contract is entered into.

§ 15

Floating Prices and Fallback Procedure for Market Disruption

1. **Calculation of Floating Contract Prices:** In the event the Contract Price is based on an index, exchange or any other kind of variable reference price (such price being a "Floating Price") the Contract Price

shall be determined on the Settlement Date at the Settlement Price as specified in the applicable Individual Contract. The Settlement Price shall be determined in accordance with the Calculation Method on the Calculation Date as specified in the Individual Contract. The Calculation Date is the date specified as such in the Individual Contract on which the Settlement Price for the specific delivery is determined. The Calculation Agent shall provide prompt notice of the Settlement Price determined as well as the amount to be paid on the Due Date. Payment shall be made pursuant to § 13 (*Invoicing and Payment*).

2. **Market Disruption:** Upon the occurrence of a Market Disruption Event as specified in § 15.4 (*Definition of Market Disruption Event*), the Calculation Agent shall determine an alternative price to which the relevant Individual Contract shall be settled (the "Alternative Settlement Price") according to the applicable Fallback Mechanism contained in the provisions of § 15.3 (*Fallback Mechanism*). In the event of a Market Disruption Event, the order of succession of § 15.3 (*Fallback Mechanism*) from (a) to (c) shall be binding upon the Calculation Agent. The Calculation Agent can only use the next following Fallback Mechanism provision if the previous Fallback Mechanism provision is not available due to a Market Disruption Event or otherwise as provided in § 15.3 (*Fallback Mechanism*), as applicable.

3. **Fallback Mechanism:** In the event of a Market Disruption Event the Calculation Agent shall determine the Alternative Settlement Price according to the following procedure (each a "Fallback Mechanism"):

- (a) **Fallback Reference Price:** The Calculation Agent shall determine the Alternative Settlement Price which shall be the price for that Calculation Date of the first Alternate Commodity Reference Price (if any, specified in the applicable Individual Contract), which is not itself subject to a Market Disruption Event; if an Alternate Commodity Reference Price has not been agreed on in the Individual Contract, the next applicable Fallback Mechanism shall apply for the relevant Individual Contract.
- (b) **Negotiated Fallback:** Each Party shall promptly negotiate in good faith to agree with the other on an Alternative Settlement Price (or a method for determining the Alternative Settlement Price), and, if the Parties have not so agreed on or before the fifth Business Day following the first Calculation Date on which the Market Disruption Event existed, the next applicable Fallback Mechanism shall apply.
- (c) **Dealer Fallback:** On or after six Business Days following the first Calculation Date on which the Market Disruption Event occurred or existed, the Parties shall promptly and jointly agree upon three independent leading participants in the relevant market ("Dealers") selected in good faith from among participants of the highest credit standing which satisfy all the criteria that the Parties apply generally in deciding whether to offer or to make an extension of credit or to enter into a transaction comparable to the Individual Contract that is affected by the Market Disruption Event. The Dealers shall be appointed to make a determination of the Alternative Settlement Price taking into consideration the latest available quotation for the relevant commodity reference price and any other information that in good faith is deemed relevant. The Alternative Settlement Price shall be the arithmetic mean of the three amounts determined to be the Alternative Settlement Price by each Dealer, in which case the calculation shall be binding and conclusive in the absence of manifest error.

4. **Definition of Market Disruption Event:** "Market Disruption Event" under this § 15 (*Floating Prices and Fallback Procedure for Market Disruption*) shall mean the events stipulated under § 15.4(a) through § 15.4(f) (the existence of which shall be determined in a commercially reasonable manner by the Calculation Agent). For purposes of this § 15.4 (*Definition of Market Disruption Event*), "Price Source" shall mean any institution determining and publishing the price for a relevant commodity (a "Commodity Reference Price") including exchanges trading in any relevant future contracts or commodities on which the Floating Price is based:

- (a) the failure of any relevant Price Source to announce or publish information necessary for determining the Commodity Reference Price;
- (b) the temporary or permanent objective unavailability of any relevant Commodity Reference Price;
- (c) a temporary or permanent closing of the Price Source of any relevant Commodity Reference Price;

- (d) the discontinuance or suspension of, or the imposition of a material limitation on, trading in any relevant futures contract or commodity offered by the relevant exchange for the Commodity Reference Price;
- (e) the occurrence since the date such Individual Contract was entered into of a material change in the details of the composition of or specifications for any relevant commodity or Commodity Reference Price (i) which are entered into or incorporated in any relevant futures contract or offered by the relevant exchange or (ii) which are used by any other relevant institution for determining the Commodity Reference Price in compiling the price information necessary for determining such Floating Price; or
- (f) the occurrence since the commencement of the relevant Individual Contract of a material change in the method of calculation used for any relevant Commodity Reference Price to determine the price information necessary for determining such floating price.

5. **Calculation Agent:** Unless the Parties otherwise specify in the Election Sheet or in the relevant Individual Contract, the Seller shall be the Calculation Agent.

§ 16

Guarantees and Credit Support

To address each Party's risk relating to the creditworthiness of the other Party, and to secure the prompt fulfilment of all obligations resulting from this General Agreement and Individual Contracts, the Parties may agree, on or at any time after the Effective Date, or at the time of the concluding of each Individual Contract, upon the circumstances in which Credit Support Documents may be required to be provided for the benefit of a Party, including, the form of Credit Support Documents, the amount of credit support, and the identity of one or more acceptable Credit Support Providers.

§ 17

Performance Assurance

1. **Right to Require Performance Assurance:** At any time and from time to time, when a Party (the "Requesting Party") believes in good faith that a Material Adverse Change has occurred in respect of the other Party, the Requesting Party shall be entitled to require, by written notice, that the other Party provide to it or increase in amount: (a) a Letter of Credit; (b) cash; or (c) other security (including a bank or parent guarantee), in a form, amount and from an entity which is reasonably acceptable to the Requesting Party (each a "Performance Assurance"). Upon receipt of such written notice, the other Party shall within three Business Days provide to the Requesting Party the Performance Assurance required. For the avoidance of doubt, in the event that an entity providing Performance Assurance on behalf of a Party does not thereafter continue to be reasonably acceptable to the Requesting Party, the Requesting Party shall have the right to require the other Party to provide to it additional Performance Assurance in accordance herewith.

2. **Material Adverse Change:** A Material Adverse Change shall have occurred if any one or more of following events has occurred and is continuing in so far as such event is specified as applying to a Party in the Election Sheet:

- (a) **Credit Rating:** If the Credit Rating of an Entity listed in (i) to (iii), each such Entity being a "Relevant Entity" of such Party, is withdrawn or downgraded below the rating set out for such Party in the Election Sheet:
 - (i) the other Party (unless all of that other Party's financial obligations under the Agreement are fully guaranteed or assured under a Credit Support Document);
 - (ii) the other Party's Credit Support Provider or provider of Performance Assurance (other than a bank); or
 - (iii) any Entity who is a party to a control and/or profit transfer agreement (Berherrschungs-Gewinnabführungsvertrag) within the meaning of the German Stock Corporation Act (Aktengesetz; AktG) (a "Control and Profit Transfer Agreement") with the other Party and such other Party is in relation to such Entity, its subsidiary over which such Entity has control (a "Controlling Party"); or

- (b) **Credit Rating of a Credit Support Provider or Provider of Performance Assurance That is a Bank:** If the Credit Rating of a bank serving as the other Party's Credit Support Provider or provider of Performance Assurance is withdrawn or downgraded below the Credit Rating set out in the Election Sheet.
- (c) **Financial Covenants:** In so far as a Relevant Entity does not have a Credit Rating, if such Relevant Entity does not fulfil any of the following financial requirements as determined by reference to its most recent financial statement:
 - (i) **EBIT to Interest:** The ratio of EBIT to the sum of all interest and any amounts in the nature of interest charged to expense relating to financial indebtedness for borrowed money (which includes debts payable to Affiliates as well as debt instruments to financial institutions) for such Relevant Entity in any fiscal year is greater than the ratio specified in the Election Sheet.
 - (ii) **Funds from Operations:** The ratio of Funds from Operations to Total Debt for such Relevant Entity in any fiscal year is greater than the ratio specified in the Election Sheet.
 - (iii) **Total Debt to Total Capitalisation:** The ratio of Total Debt to Total Capitalisation for such Relevant Entity in any fiscal year is less than the ratio specified in the Election Sheet.
- (d) **Decline in Tangible Net Worth:** If the Tangible Net Worth of a Relevant Entity falls below the amount specified in the Election Sheet.
- (e) **Expiry of Performance Assurance or Credit Support Document:** If any Performance Assurance or any Credit Support Document expires or terminates with respect to any outstanding obligations of the other Party under the Agreement, or, if a Performance Assurance or Credit Support Document is due to expire or terminate within the period of time, if any, specified in the Election Sheet, or the failing or ceasing of such Credit Support Document or Performance Assurance to be in full force or effect for the purpose of the Agreement (in each case other than in accordance with its terms or the terms of the Agreement) before the satisfaction of all outstanding obligations of such other Party under the Agreement to which such Credit Support Document or Performance Assurance relates, without the written consent of the Requesting Party.
- (f) **Failure of Performance Assurance or Credit Support Document:** If any Credit Support Provider or provider of Performance Assurance of the other Party disaffirms, disclaims, revokes, repudiates or rejects in whole or in part, or challenges the validity of, any Credit Support Document or Performance Assurance provided by it or otherwise fails to comply with or perform its obligations under or in respect of such Credit Support Document or Performance Assurance and such failure is continuing after any applicable grace or cure period.
- (g) **Failure of Control and Profit Transfer Agreement:** If any Controlling Party of the other Party disaffirms, disclaims, revokes, repudiates or rejects in whole or in part, or challenges the validity of any Control and Profit Transfer Agreement entered into by it or otherwise fails to comply with or perform its obligations under such Control and Profit Transfer Agreement.
- (h) **Impaired Ability to Perform:** If in the reasonable and good faith opinion of the Requesting Party, the ability of the Relevant Entity to perform its obligations under the Agreement, any Credit Support Document or any Control and Profit Transfer Agreement, as the case may be, is materially impaired.
- (i) **Amalgamation/Merger:** If the other Party or its Credit Support Provider undergoes a change of control, consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganises, incorporates, reincorporates, or reconstitutes into or as, another Entity, or another Entity transfers all or substantially all its assets to, or reorganises, incorporates, reincorporates, or reconstitutes into or as, such other Party or its Credit Support Provider and:
 - (i) the creditworthiness of such Party, its Credit Support Provider or the resulting, surviving, transferee or successor Entity is materially weaker than that of the other

Party or such Credit Support Provider, as the case may be, immediately prior to such action;

- (ii) the resulting, surviving, transferee or successor Entity fails to assume all the obligations of that other Party or such Credit Support Provider under the Agreement or any Credit Support Document to which it or its predecessor was a party either by operation of law or pursuant to an agreement reasonably satisfactory to the Requesting Party; or
- (iii) the benefits of any Credit Support Document cease or fail to extend (without the consent of the Requesting Party) to the performance by such resulting, surviving, transferee or successor Entity of its obligations under the Agreement.

§ 18

Provision of Financial Statements and Tangible Net Worth

1. **Provision of Financial Statements:** Unless otherwise specified in the Election Sheet, if requested by a party, the other Party shall deliver:

- (a) within 120 days following the end of each fiscal year, a copy of such other Party's, or for such period the other Party's obligation are supported by a Credit Support Provider or if it is a party to a Control and Profit Transfer Agreement, its Credit Support Provider's or its Controlling Party's, as the case may be, annual report containing audited consolidated financial statements for such fiscal year; and
- (b) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of its quarterly report containing unaudited consolidated financial statements.

2. **Decline in Tangible Net Worth:** If this § 18.2 is specified as applying in the Election Sheet, as soon as it becomes aware of such decline, each Party shall promptly notify the other Party of the occurrence of a decline in its Tangible Net Worth or the Tangible Net Worth of its Credit Support Provider or Controlling Party, to a level below the amount specified in the Election Sheet.

3. **Accounting Principles:** In all cases the financial statements referred to in this § 18 (*Provision of Financial Statements and Tangible Net Worth*) shall be prepared in accordance with generally accepted accounting principles in the relevant jurisdiction.

§ 19

Assignment

1. **Prohibition:** Neither Party shall be entitled to assign its rights and/or transfer its obligations under the Agreement to a third party without the prior written consent of the other Party. Such consent shall not be unreasonably delayed, refused or withheld.

2. **Assignment to Affiliates:** If this § 19.2 is specified as applying in the Election Sheet, each Party shall be entitled to assign and transfer the Agreement without the prior written consent of the other Party to an Affiliate of an equivalent or greater creditworthiness, provided that such Affiliate is incorporated in the same jurisdiction as the assigning and transferring Party. Such assignment and transfer shall only become effective upon notice being received by the other Party and provided that any Credit Support Document issued or agreed on behalf of the assigning and transferring Party has first been reissued or amended to support the obligations of the Affiliate for the benefit of the other Party.

§ 20

Confidentiality

1. **Confidentiality Obligation:** Unless this § 20 (*Confidentiality*) is specified as not applying in the Election Sheet, and subject to § 20.2 (*Exclusions from Confidential Information*), neither Party shall disclose the terms of an Individual Contract ("*Confidential Information*") to a third party.

2. **Exclusions from Confidential Information:** Confidential Information shall not include information which:

- (a) is disclosed with the other Party's prior written consent;
- (b) is disclosed by a Party to a Network Operator, its directors, employees, Affiliates, agents, professional advisers, bank or other financing institution, rating agency or intended assignee;
- (c) is disclosed to comply with any applicable law, regulation, or rule of any exchange, Network Operator or regulatory body, or in connection with any court or regulatory proceeding; provided that each Party shall, to the extent practicable and permissible under such law, regulation, or rule, use reasonable efforts to prevent or limit the disclosure and to give the other Party prompt notice of it;
- (d) is in or lawfully comes into the public domain other than by a breach of this § 20 (*Confidentiality*); or
- (e) is disclosed to price reporting agencies or for the calculation of an index provided that such disclosure shall not include the identity of the other Party.

3. **Expiration:** A Party's obligation in respect of an Individual Contract under this § 20 (*Confidentiality*) shall expire one year after the expiration of such Individual Contract.

§ 21

Representations and Warranties

If specified as applying to a Party in the Election Sheet, that Party hereby represents and warrants to the other Party upon entering into this General Agreement and each time it enters into an Individual Contract as follows:

- (a) it is an Entity duly organised, validly existing and in good standing under the laws of its jurisdiction of incorporation or organisation;
- (b) the signing and the entering by it into of the General Agreement, any Credit Support Document to which it is a party and each Individual Contract and the carrying out of the transactions contemplated therein, shall not violate any provision of its constitutional documents;
- (c) it has the power and is authorised to execute, deliver and perform its obligations under the Agreement and any Credit Support Document to which it is a party and has taken all necessary action to authorise that execution, delivery, performance and its entry into the Agreement and its execution, delivery and the performance of the Agreement and any Credit Support Document do not violate or conflict with any other term or condition of any contract to which it is a party or any constitutional document, rule, law or regulation applicable to it;
- (d) no Material Reason for termination as outlined in § 10.5 (*Definition of Material Reason*), with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under the Agreement;
- (e) it has all governmental, regulatory and other authorisations, licences, approvals and consents necessary for it legally to perform its obligations under the Agreement and any Credit Support Document to which it is party;
- (f) it has negotiated, entered into and executed the Agreement and any Credit Support Document to which it is a party as principal (and not as agent or in any other capacity, fiduciary or otherwise);

- (g) it regularly enters into agreements for the trading of Natural Gas as contemplated by the Agreement, and does so on a professional basis in connection with its principal line of business, and may be reasonably characterised as a professional market party;
- (h) it is acting for its own account (and not as advisor, agent, broker or in any other capacity, fiduciary or otherwise), has made its own independent decision to enter into this General Agreement and each Individual Contract and as to whether this General Agreement and each such Individual Contract is appropriate or proper for it based upon its own judgement, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of, and understands and accepts, the terms, conditions and risks of the Agreement;
- (i) the other Party is not acting as its fiduciary or adviser;
- (j) it is not relying upon any representation made by the other Party other than those expressly set forth in the Agreement or any Credit Support Document to which it is a party;
- (k) with respect to a Party, it is not insolvent, and there are no pending or threatened legal or administrative proceedings to which it is a party which to the best of its knowledge would materially adversely affect its ability to perform any Individual Contract under the Agreement or any Credit Support Document to which it is party, such that it could become insolvent;
- (l) with respect to a Party that is a governmental Entity or public gas system or municipality, such governmental Entity or public gas system or municipality represents and warrants to the other Party as follows: (i) all acts necessary for the valid execution, delivery and performance of the Agreement, including without limitation, competitive bidding, public notice, election, referendum, prior appropriation or other required procedures have or shall be taken and performed; (ii) entry into and performance of the Agreement by a governmental Entity or public gas system or municipality are for a proper public purpose within the meaning of relevant constitutional or other governing documents and applicable law; and (iii) the term of the Agreement does not extend beyond any applicable limitation imposed by any relevant constitutional or other governing documents and applicable law.

§ 22

Governing Law and Arbitration

OPTION A

1. **Governing Law:** If Option A is specified in the Election Sheet, this Agreement shall be construed and governed by English law, excluding any application of the "United Nations Convention on Contracts for the International Sale of Goods of 11 April 1980."

2. **Arbitration:** If Option A is specified in the Election Sheet, any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the Rules of the London Court of International Arbitration, which Rules are deemed to be incorporated by reference into this clause. The number of arbitrators shall be three, each Party having the right to nominate one arbitrator. The place of arbitration shall be London, England where all hearings and meetings shall be held, unless the Parties agree otherwise. Unless otherwise specified in the Election Sheet, the language to be used in the arbitral proceedings shall be English and the Parties hereby expressly waive any right of appeal to any court having jurisdiction on any question of fact or law. It is agreed that the arbitrators shall have no authority to award exemplary or punitive damages of any type under any circumstances whether or not such damages may be available under the relevant applicable law, the parties hereby waiving their right, if any, to recover such damages.

OPTION B

1. **Governing Law:** If Option B is specified in the Election Sheet, this Agreement shall be construed and governed by the substantive law of the Federal Republic of Germany, excluding any application of the "United Nations Convention on Contracts for the International Sale of Goods of April 11, 1980".

2. **Arbitration:** If Option B is specified in the Election Sheet, any disputes which arise in connection with this Agreement shall be referred for resolution to the German Institution of Arbitration (DIS) and decided

according to its rules, ousting the jurisdiction of the ordinary courts. The number of arbitrators shall be three. The arbitration shall be conducted in the language specified in the Election Sheet.

DEFAULT RULE

If neither Option A nor Option B is specified in the Election Sheet and the Parties' agreed choice of law and dispute resolution procedure is not specified in the Election Sheet or in the terms of the Individual Contract, then § 22.1 (*Governing Law*) and § 22.2 (*Arbitration*) of Option A shall apply.

§ 23

Miscellaneous

1. **Recording Telephone Conversations:** Each Party is entitled to record telephone conversations held in connection with the Agreement and to use the same as evidence. Each Party waives any further notice of such recording and acknowledges that it has obtained all necessary consents of its officers and employees to such recording.
2. **Notices and Communications:** Except as otherwise provided herein or agreed with respect to an Individual Contract, all notices, declarations or invoices sent by one Party to the other shall be in writing and shall be delivered by letter (overnight mail or courier, postage pre-paid) or facsimile as provided in the Election Sheet. Each Party may change its notice information by written notice to the other. Written notices, declarations and invoices shall be deemed received and effective:
 - (a) if delivered by hand, on the Business Day delivered or on the first Business Day after the date of delivery if delivered on a day other than a Business Day;
 - (b) if sent by first class post, on the second Business Day after the date of posting, or if sent from one country to another, on the fifth Business Day after the day of posting; or
 - (c) if sent by facsimile transmission and a valid transmission report confirming good receipt is generated, on the day of transmission if transmitted before 17.00 hours (recipient's time) on a Business Day or otherwise at 09.00 hours (recipient's time) on the first Business Day after transmission.
3. **Amendments:** Except as provided in § 3 (*Concluding and Confirming Individual Contracts*) with respect to Confirmations, any amendments or additions to this General Agreement shall be made only in writing signed by both Parties.
4. **Partial Invalidity:** If, at any time, any provision of this General Agreement or an Individual Contract is or becomes illegal, invalid or unenforceable, in any respect, under the law of any relevant jurisdiction, neither the legality, validity nor enforceability of the remaining provisions of this General Agreement or of any Individual Contract, shall be in any way affected or impaired thereby. The Parties undertake to replace any illegal, invalid or unenforceable provision with a legal, valid and enforceable provision which comes as close as possible to the invalid provision as regards its economic intent.
5. **Third Party Rights:** The Parties do not intend that any third party shall have any rights under or be able to enforce the Agreement and the Parties exclude to the extent permitted under applicable law any such third party rights that might otherwise be implied.

Executed by the duly authorised representative of each Party effective as of the Effective Date.

[Name of Party]

[Name of Party]

[Name of Signatory/ies]

[Name of Signatory/ies]

[Title of Signatory/ies]

[Title of Signatory/ies]

EFET

European Federation of Energy Traders

ANNEX 1 To The General Agreement Defined Terms

Terms used in the General Agreement shall have the following meanings:

"Affiliate" means with respect to a Party, any Entity Controlled, directly or indirectly, by that Party, any Entity that Controls, directly or indirectly that Party or any Entity directly or indirectly under the common Control of a Party;

"Agreement" has the meaning specified in § 1.1 (*Subject of Agreement*);

"Alternate Commodity Reference Price" has the meaning, if any, specified in each Individual Contract containing a Floating Price;

"Alternative Settlement Price" has the meaning specified in § 15.2 (*Market Disruption*);

"American Style Option" means a style of Option which may be Exercised during an Exercise Period that consists of more than one day;

"Automatic Termination" has the meaning specified in § 10.4 (*Automatic Termination*);

"Business Day" means a day (other than Saturday or Sunday) on which commercial banks are open for general business at the places where each Party has its registered office;

"Buyer" has the meaning specified in the Individual Contract;

"Buyer's Default" has the meaning specified in § 8.5(b);

"Buyer's System" means, in respect of an Individual Contract, the gas pipeline system(s) referred to as such in the terms of such Individual Contract;

"Calculation Agent" has the meaning specified in § 15.5 (*Calculation Agent*);

"Calculation Date" has the meaning specified in a Floating Price Individual Contract;

"Calculation Method" has the meaning specified in a Floating Price Individual Contract;

"Call Option" has the meaning specified in § 5.1 (*Delivery and Acceptance Pursuant to an Option*);

"Central European Time" or "CET" means GMT + 2 hours during the summer-time period and GMT + 1 hour during the rest of the year and for these purposes the "summer-time period" shall be as defined in the Eighth Directive (97/44/EC) and Directive 2000/84/EC and any succeeding EC legislation on summer-time arrangements;

"Claiming Party" has the meaning specified in § 7.1 (*Definition of Force Majeure*) and refers to a Party claiming relief under § 7 (*Non-Performance Due to Force Majeure*);

"Commodity" means, unless otherwise provided in the Election Sheet, any tangible or intangible commodity of any type or description (including, without limitation, electric power, electric power capacity, natural gas, natural gas liquids, heating oil and other petroleum by-products or fuels).

"Commodity Reference Price" has the general meaning specified in § 15.4 (*Definition of Market Disruption Event*), and with respect to a Floating Price Individual Contract, as specified in that Floating Price Individual Contract;

"Confidential Information" has the meaning specified in § 20.1 (*Confidentiality*);

"Confirmation" has the meaning specified in § 3.2 (*Confirmations*);

"Contract Price" means, in respect of an Individual Contract, the price agreed between the Parties;

"Contract Quantity" means, in respect of an Individual Contract, the quantity of Natural Gas, expressed in MWh, to be delivered by the Seller and accepted by the Buyer in a Time Unit pursuant to such Individual Contract as agreed between the Parties;

"Control" means ownership of more than 50% of the voting power of a Party or Entity and **"Controlled"** or **"Controlling"** shall be construed accordingly;

"Control and Profit Transfer Agreement" has the meaning specified in § 17.2(a)(iii) (*Credit Rating*);

"Controlling Party" has the meaning specified in § 17.2(a)(iii) (*Credit Rating*);

"Costs" has the meaning specified in § 11.2(a) (*Settlement Amount*);

"Credit Rating" means in respect of an Entity any of the following:

- (i) the long-term unsecured, unsubordinated (unsupported by third party credit enhancement) public debt rating;
- (ii) the debt issuer's credit rating; or
- (iii) the corporate credit rating given to that entity, in each of cases (i) to (iii) by Standard & Poor's Rating Group (a division of McGraw-Hill Inc.) or Moody's Investor Services Inc.;

"Credit Support Documents" has the meaning specified with respect to a Party in the Election Sheet, which may include, without limitation, a parent guarantee, bank guarantee, letter of awareness, letter of credit or any credit support agreement;

"Credit Support Provider" has the meaning specified with respect to a Party in the Election Sheet;

"Damages" has the meaning specified in § 12.2 (*Exclusion of Liability*);

"Day" means a period commencing at 0600 hours CET on any day and ending at 0600 hours CET on the following day, unless otherwise agreed by the Parties for an Individual Contract;

"Dealers" has the meaning specified in § 15.3(c) (*Dealer Fallback*);

"Defaulting Party" has the meaning specified in § 9 (*Suspension of Delivery or Acceptance*);

"Default Quantity" means, in respect of a Time Unit and an Individual Contract, the quantity equal to the Contract Quantity minus the Delivered Quantity;

"Delivered Quantity" has the meaning specified in § 6.4 (*Measurement of Natural Gas Deliveries and Receipts*);

"Delivery Point" means, in respect of an Individual Contract, the delivery point agreed between the Parties;

"Due Date" has the meaning specified in § 13.2 (*Payment*) and § 10.3(d) (*Termination for a Material Reason*);

"Early Termination" has the meaning specified in § 10.3(a) (*Termination for a Material Reason*);

"Early Termination Date" has the meaning specified in § 10.3(b) (*Termination for a Material Reason*);

"EBIT" means earnings before interest and taxes which, shall be in respect of the relevant fiscal year, the net revenue of the Relevant Entity before deducting corporate taxes (or any other tax on income or gains in the

relevant jurisdiction of the Relevant Entity); plus the sum of all interest and any amounts in the nature of interest charged to expense relating to financial indebtedness for borrowed money (which amounts include debts payable to Affiliates as well as debt instruments to financial institutions) of the Relevant Entity;

"Effective Date" has the meaning set out on the first page of this General Agreement;

"Election Sheet" has the meaning specified in § 1.1 (*Subject of Agreement*);

"Entity" means an individual, government or state or division thereof, government or state agency, corporation, partnership or such other entity as the context may require;

"EU" means the European Community as it exists from time to time.

"European Style Option" means a style of Option which may be Exercised only on the day of the Exercise Deadline;

"Exercise" means the exercise of an Option pursuant to § 5.3 (*Exercise of Option and Deadline*) and "Exercises" and "Exercised" shall be construed accordingly;

"Exercise Deadline" means the day and time by which Exercise must be given under § 5.3 (*Exercise of Option and Deadline*);

"Exercise Period" means:

- (i) in respect of a European Style Option, the day of the Exercise Deadline; and
- (ii) in respect of any other Option including an American Style Option, each of the periods specified in the Individual Contract;

"Expiration Date" has the meaning specified in § 10.2 (*Expiration Date and 30 Day Termination Notice*) of the Election Sheet;

"Fallback Mechanism" has the meaning specified in § 15.3 (*Fallback Mechanism*);

"Floating Price" has the meaning specified in § 15.1 (*Settlement Price Calculation*);

"Force Majeure" has the meaning specified in § 7.1 (*Definition of Force Majeure*);

"Funds from Operations" means the amount of cash generated or employed by the Relevant Entity in its operating activities;

"Gains" has the meaning specified in § 11.2(b) (*Settlement Amount*);

"General Agreement" means this General Agreement Concerning the Delivery and Acceptance of Natural Gas;

"Gigajoules" or "GJ" means 1,000,000,000 Joules;

"GMT" means Greenwich Mean Time;

"Holder" has the meaning specified in § 5.1 (*Delivery and Acceptance Pursuant to an Option*);

"Interest Rate" has the meaning specified in § 13.5 (*Default Interest*);

"Individual Contract" has the meaning specified in § 1.1 (*Subject of Agreement*);

"Joule" or "J" means the unit of energy defined as such in ISO 1000 [1992 (E)];

"Letter of Credit" means an irrevocable standby letter of credit payable on demand in a form and substance satisfactory to the Requesting Party and issued by a financial institution whose Credit Rating is at least the rating specified in the Election Sheet as provided in § 17.2(b) (*Credit Rating of a Credit Support Provider that is a Bank*);

"Long Term Force Majeure Limit" shall, in respect of an Individual Contract, have the meaning specified in the terms of such Individual Contract and if not so specified, shall be determined as follows:

Annex 1-3

- (a) if the supply period of the Individual Contract is one year or more, the Long Term Force Majeure Limit shall be ninety (90) consecutive Days;
- (b) if the supply period of the Individual Contract is not less than three months but not more than one year the Long Term Force Majeure Limit (LTFML) shall be calculated in accordance with the following formula:

$$LTFML = Z \times \frac{90}{365}$$

where Z = the number of Days in the Total Supply Period of the relevant Individual Contract;
and

- (c) if the supply period of the Individual Contract is less than three months, there shall be no Long Term Force Majeure Limit;

"Losses" has the meaning specified in § 11.2(c) (*Settlement Amount*);

"Maintenance Notice" means a notice issued by the upstream, downstream, or hub operator (as applicable) which provides sufficient information to market participants in a non-discriminatory manner regarding such operator's schedule for planned maintenance;

"Market Disruption Event" has the meaning specified in § 15.4 (*Definition of a Market Disruption Event*);

"Material Adverse Change" has the meaning specified in § 17.2 (*Material Adverse Change*);

"Material Reason" has the meaning specified in § 10.5 (*Definition of a Material Reason*);

"Megawatt Hours" or **"MWh"** means three decimal six (3.6) GJ;

"Month" means a period beginning at 06:00 hours CET on the first day of a calendar month and ending at 06:00 hours CET on the first day of the next succeeding calendar month, unless otherwise agreed by the parties for an Individual Contract;

"Natural Gas" means any hydrocarbons or mixture of hydrocarbons and non-combustible gases, consisting primarily of methane, which, when extracted from the subsoil of the earth in its natural state, separately or together with liquid hydrocarbons, is in the gaseous state;

"Negotiation Period" has the meaning specified in § 14.8 (*Termination for New Tax*);

"Network Operator" means:

- (a) in respect of the Seller, the operator of the Seller's System or of the Relevant System (according to the terms of the Individual Contract); and
- (b) in respect of the Buyer, the operator of the Buyer's System or the Relevant System (according to the terms of the Individual Contract);

together, in each case, with any nomination matching agent, despatching agent, allocation agent or hub operator in respect of the Delivery Point or any of them, as the context requires;

"New Tax" means in respect of an Individual Contract, any Tax enacted and effective after the date on which the Individual Contract is entered into, or that portion of an existing Tax which constitutes an effective increase (taking effect after the date on which the Individual Contract is entered into) in applicable rates, or extension of any existing Tax to the extent that it is levied on a new or different class of persons as a result of any law, order, rule, regulation, decree or concession or the interpretation thereof by the relevant taxing authority, enacted and effective after the date on which the Individual Contract is entered into;

"Non-Defaulting Party" has the meaning specified in § 9 (*Suspension of Delivery or Acceptance*);

"Non-Taxed Party" has the meaning specified in § 14.8 (*Termination for New Tax*);

Annex 1-4

"Nomination and Allocation Arrangements" means the arrangements and procedures which are in effect at the Delivery Point for the purpose of determining the quantities of Natural Gas which flowed or are deemed to have flowed in one or both directions at such Delivery Point in any Time Unit and allocating such flow between shippers in gas pipeline systems either upstream or downstream of the Delivery Point, including any arrangements and procedures for receiving and matching nominations;

"Notified Planned Maintenance Point" means any point so identified from time to time by EFET on the list of Notified Planned Maintenance Points published on, and accessible through, its web page at <www.efet.org>.

"Off-Spec Gas" means Natural Gas which does not comply with the Transportation Requirements;

"Option" has the meaning specified in § 5.1 (*Delivery and Acceptance Pursuant to an Option*);

"Ordinary Termination" has the meaning specified in § 10.2 (*Expiration Date and 30 Day Termination Notice*);

"Other Tax" means any energy Tax or excise duty but not including Taxes targeted at end users.

"Party A" means the Party identified as such in the Election Sheet;

"Party B" means the Party identified as such in the Election Sheet;

"Performance Assurance" has the meaning specified in § 17.1 (*Performance Assurance*);

"Physical Downstream Transportation System" means, in respect of the Delivery Point specified in an Individual Contract, the gas pipeline system into which the stream of Natural Gas is flowing at such Delivery Point at the relevant time;

"Physical Downstream Transporter" means, in respect of a delivery point specified in an Individual Contract, the operator of the Physical Downstream Transportation System;

"Physical Upstream Transportation System" means, in respect of the Delivery Point specified in an Individual Contract, the gas pipeline system out of which the stream of Natural Gas is flowing at such Delivery Point at the relevant time;

"Physical Upstream Transporter" means, in respect of a delivery point specified in an Individual Contract, the operator of the Physical Upstream Transportation System;

"Premium" has the meaning specified in the Individual Contract for an Option;

"Premium Payment Date" has the meaning specified in the Individual Contract for an Option or if not so specified, as provided by § 5.2 (*Premium for the Option*);

"Price Source" has the meaning specified in § 15.4 (*Definition of a Market Disruption Event*);

"Put Option" has the meaning specified in § 5.1 (*Delivery and Acceptance Pursuant to an Option*);

"Relevant Entity" has the meaning specified in § 17.2(a) (*Credit Rating*);

"Relevant System" means, in respect of an Individual Contract, the gas pipeline system referred to as such in the terms of such Individual Contract;

"Remaining Contract Quantity" has the meaning specified in § 14.8 (*Termination for New Tax*);

"Requesting Party" has the meaning specified in § 17.1 (*Credit Rating*);

"Schedule" has the meaning specified in § 4.2 (*Definition of Schedule*) and "Scheduled" and "Scheduling" shall be construed accordingly;

"Seller" has the meaning specified in the Individual Contract;

"Seller's Default" has the meaning specified in § 8.5(a);

"Seller's System" means in respect of an Individual Contract, the gas pipeline system(s) referred to as such in the terms of such Individual Contract;

"Settlement Amount" has the meaning specified in § 11.2 (*Settlement Amount*);

"Settlement Date" has the meaning specified in the Individual Contract;

"Settlement Price" has the meaning specified in the Individual Contract;

"Specified Indebtedness" means any financial indebtedness (whether present or future, contingent or otherwise, as principal or surety or otherwise) for borrowed money (which includes debts payable to Affiliates as well as debt instruments to financial institutions);

"Tangible Net Worth" means the sum of all paid up shareholder cash contributions to the share capital account or any other capital account of the Relevant Entity ascribed for such purposes of the Relevant Entity and any accumulated retained earnings less any accumulated retained losses and intangible assets including, but not limited to, goodwill;

"Tax" means any tax, levy, impost, duty, charge, assessment, royalty, tariff or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment, nomination and allocation under any Individual Contract, on Natural Gas, or on the sale, transportation or supply of Natural Gas, and "Taxes" shall be construed accordingly. For the avoidance of doubt Tax shall exclude (i) any tax on net income or net wealth; (ii) any tax on income derived from the exploration or exploitation of Natural Gas fields; (iii) a stamp, registration, documentation or similar tax, and (iv) VAT;

"Taxed Party" has the meaning specified in § 14.8 (*Termination for New Tax*);

"Terminating Party" has the meaning specified in § 10.3 (*Termination for Material Reason*);

"Termination Amount" has the meaning specified in § 11.1 (*Termination Amount*);

"Time Unit" means, in respect of an Individual Contract, the Time Unit agreed by the Parties for the purposes of such Individual Contract;

"Tolerance" shall subject to § 8.8 (*Use of Tolerance*), in respect of an Individual Contract, have the meaning specified in the terms of such Individual Contract and, if not so specified, shall be zero;

"Total Capitalisation" means in respect of the relevant period the sum of Total Debt and all paid up shareholder cash contributions to the share capital account or any other capital account of the Relevant Entity ascribed for such purposes of the Relevant Entity;

"Total Debt" means in respect of the relevant period the sum of financial indebtedness for borrowed money (which includes debts payable to affiliated companies as well as debt instruments to financial institutions) of the Relevant Entity;

"Total Supply Period" means, in respect of an Individual Contract, the supply period agreed between the Parties;

"Transportation Failure" means an event or occurrence affecting the operation of a gas pipeline system (in which the Claiming Party has contracted firm transportation rights for the purpose of the relevant Individual Contract) on one or other side of the Delivery Point which:

- (a) is beyond the reasonable control of the Claiming Party and which could not reasonably have been avoided or overcome by the Claiming Party and which makes it impossible for the Claiming Party to perform its delivery or acceptance obligations in respect of the relevant Individual Contract; and
- (b) is beyond the reasonable control of the Network Operator for such gas pipeline system and which could not reasonably have been avoided or overcome by such Network Operator and which makes it impossible for such Network Operator to fulfil its contractual obligations to the Claiming Party in respect of the delivery or acceptance of Natural Gas (as the case may be).

Annex 1-6

For the avoidance of doubt "Transportation Failure" shall include both unplanned and planned maintenance on the Seller's/Buyer's/Relevant System (as applicable) which prevents the performance of the claiming Party; *provided, however*, that in the event the applicable Delivery Point is a Notified Planned Maintenance Point and the operator of the Delivery Point, or, as applicable, the pipeline system facilities necessary for, as applicable to the underlying claim, delivery or acceptance of Natural Gas at such Delivery Point, issued a Maintenance Notice, prior to the time at which the relevant Individual Contract was first concluded, of a period of planned maintenance at, on or directly impacting Natural Gas flows at such Delivery Point, such period of planned maintenance shall not constitute Transportation Failure.

"Transportation Requirements" means the quality and pressure requirements for the entry of Natural Gas into the Physical Downstream Transportation System at the Delivery Point;

"Valid Certificate" means any appropriate documentation accepted by the relevant taxing authorities or as required by applicable law, order, rule, regulation decree or concession or the interpretation thereof;

"VAT" means any value added tax or any tax analogous thereto but excluding any statutory late payment interest or penalties; and

"VAT Rules" means any VAT law, order, rule, regulation, decree or concession or the interpretation thereof;

"Zero-Rated" means, in respect of a supply, a tax exempt export or tax-free export under applicable VAT Rules and **"Zero-Rating"** shall be construed accordingly.

"Writer" has the meaning specified in § 5.1 (*Delivery and Acceptance Pursuant to an Option*).

EFET

European Federation of Energy Traders

Election Sheet to the General Agreement

with an Effective Date of _____

between _____ and _____

"Party A"

"Party B"

PART I: CUSTOMISATION OF PROVISIONS IN THE GENERAL AGREEMENT

§1

Subject of Agreement

- § 1.1 Subject of Agreement: ☐ § 1.1 shall apply, or
☐ § 1.1 shall apply, except that this General Agreement shall not apply to Individual Contracts in respect of which the Delivery Point is the National Balancing Point in the UK or the Zeebrugge Hub in Belgium
- § 1.2 Pre-Existing Contracts: ☐ § 1.2 shall apply, or
☐ § 1.2 shall not apply

§2

Definitions and Construction

- § 2.4 References to Time: time references shall be: ☐ as provided in the General Agreement (CET), or
☐ to the following time: _____.

§3

Concluding and Confirming Individual Contracts

- § 3.4 Authorised Persons: ☐ § 3.4 shall apply to Party A and shall be as designated in Annex _____, or
☐ § 3.4 shall not apply to Party A
☐ § 3.4 shall apply to Party B and shall be as designated in Annex _____, or
☐ § 3.4 shall not apply to Party B

§5

Primary Obligations for Options

- § 5.3 Exercise of Option and Deadline: If in respect of an Individual Contract which provides for an Option no Exercise Deadline is specified:
☐ the Exercise Deadline shall be as provided in § 5.3; or
☐ the Exercise Deadline shall be _____.

A

§7
Non-Performance Due to Force Majeure

§ 7.1 Definition of Force Majeure:

- ☐ § 7.1 shall apply as written in the General Agreement, or
☐ § 7.1 shall not apply as written but instead shall be as follows:
-

§10
Term and Termination Rights

- § 10.2 Expiration Date:** ☐ § 10.2 shall apply and the Expiration Date shall be: _____, or
☐ § 10.2 shall not apply and there shall be no Expiration Date.

- § 10.4 Automatic Termination:** ☐ § 10.4 shall apply to Party A, with termination effective _____, or
☐ § 10.4 shall not apply to Party A
☐ § 10.4 shall apply to Party B, with termination effective _____, or
☐ § 10.4 shall not apply to Party B

§ 10.5(b) Cross Default and Acceleration:

- ☐ § 10.5(b)(i) shall apply to Party A and the Threshold Amount for Party A shall be _____, or
☐ § 10.5(b)(i) shall not apply to Party A
☐ § 10.5(b)(i) shall apply to Party B and the Threshold Amount for Party B shall be _____, or
☐ § 10.5(b)(i) shall not apply to Party B
- ☐ § 10.5(b)(ii) shall apply to Party A and the Threshold Amount for Party A shall be: _____, or
☐ § 10.5(b)(ii) shall not apply to Party A
☐ § 10.5(b)(ii) shall apply to Party B and the Threshold Amount for Party B shall be: _____, or
☐ § 10.5(b)(ii) shall not apply to Party B

§ 10.5(c) Winding-up/Insolvency/Attachment:

- ☐ § 10.5(c)(iv) shall apply only if such proceedings (as are referred to in § 10.5(c)(iv)) are not withdrawn, dismissed, discharged, stayed or restrained within ☐ days of their institution; or
- ☐ § 10.5(c)(iv) shall apply without any applicable grace period for the Party to have such proceedings (as are referred to in § 10.5(c)(iv)) withdrawn, dismissed, discharged, stayed or restrained.

§ 10.5(d) Failure to Deliver or Accept:

- ☐ § 10.5(d) shall apply, or
☐ § 10.5(d) shall not apply;

- § 10.5 Other Material Reasons:** ☐ Material Reasons shall be limited to those stated in the General Agreement, or
☐ the following additional Material Reasons shall apply to Party A:

☐ the following additional Material Reasons shall apply to Party B:

§12

Limitation of Liability

§ 12 Application of Limitation: ☐ § 12 shall apply as written in the General Agreement, or
 ☐ § 12 shall be amended or replaced in its entirety as follows:

§13

Invoicing and Payment

§ 13.2 Payment: initial billing and payment information for each Party is set out in § 23.2 (*Notices and Communications*) of this Election Sheet.

§ 13.3 Payment Netting: ☐ § 13.3 shall apply, or
☒ § 13.3 shall **not** apply

§ 13.5 Interest Rate: the Interest Rate shall be the one month EURIBOR interest rate for 11:00 a.m. on the Due Date, plus _____ percent (%) per annum

§ 13.6 Disputed Amounts: ☐ §13.6 (a) shall apply, or
 ☐ §13.6 (b) shall apply

§14

VAT and Taxes

§ 14.8 Termination for New Tax: [] unless otherwise specified in the terms of an Individual Contract the provisions of § 14.8 shall apply to such Individual Contract only in the circumstances specified in the first paragraph of § 14.8, or

[] subject to the terms of an Individual Contract, the provisions of § 14.8 shall only apply in the following circumstances:

§ 14.9 Withholding Tax: ☐ § 14.9 shall apply, or
☐ § 14.9 shall not apply

§15

Settlement of Floating Prices and Fallback Procedures For Market Disruption

§ 15.5 Calculation Agent: ☐ the Calculation Agent shall be Seller, or
☐ the Calculation Agent shall be _____

§16

Guarantees and Credit Support

§ 16 Credit Support Documents: Party A shall provide Party B with the following Credit Support Document(s): _____

Party B shall provide Party A with the following Credit Support Document(s):

§ 16 Credit Support Provider: Credit Support Provider(s) of Party A shall be:

Credit Support Provider(s) of Party B shall be:

§17
Performance Assurance

§ 17.2 Material Adverse Change: the following categories of Material Adverse Change shall apply to Party A:

- ☐ §17.2 (a) (Credit Rating), and the minimum rating shall be: _____;
- ☐ §17.2 (b) (Credit Rating of Credit Support Provider that is a Bank);
- ☐ §17.2 (c) (Financial Covenants), and
the EBIT to Interest ratio shall be: _____,
the Funds From Operations to Total Debt ratio shall be: _____, and
the Total Debt to Total Capitalisation ratio shall be: _____;
- ☐ §17.2 (d) (Decline In Tangible Net Worth), and the relevant figure is: _____;
- ☐ §17.2 (e) (Expiry of Performance Assurance or Credit Support), and
☐ the relevant time period shall be _____, or
☐ no time period shall apply;
- ☐ §17.2 (f) (Failure of Performance Assurance or Credit Support);
- ☐ §17.2 (g) (Failure of Control and Profit Transfer Agreement);
- ☐ §17.2 (h) (Impaired Ability to Perform); and
- ☐ §17.2 (i) (Amalgamation/Merger)

the following categories of Material Adverse Change shall apply to Party B:

- ☐ §17.2 (a) (Credit Rating), and the minimum rating shall be: _____;
- ☐ §17.2 (b) (Credit Rating of Credit Support Provider that is a Bank);
- ☐ §17.2 (c) (Financial Covenants), and
the EBIT to Interest ratio shall be: _____,
the Funds From Operations to Total Debt ratio shall be: _____, and
the Total Debt to Total Capitalisation ratio shall be: _____;
- ☐ §17.2 (d) (Decline In Tangible Net Worth), and the relevant figure is: _____;
- ☐ §17.2 (e) (Expiry of Performance Assurance or Credit Support), and
☐ the relevant time period shall be _____, or
☐ no time period shall apply;
- ☐ §17.2 (f) (Failure of Performance Assurance or Credit Support);
- ☐ §17.2 (g) (Failure of Control and Profit Transfer Agreement);
- ☐ §17.2 (h) (Impaired Ability to Perform); and
- ☐ §17.2 (i) (Amalgamation/Merger)

§18
Provision of Financial Statements and Tangible Net Worth

- § 18.1 (a) Annual Reports:**
 - ☐ Party A shall deliver annual reports, or
 - ☐ Party A need not deliver annual reports, and
 - ☐ Party B shall deliver annual reports, or
 - ☐ Party B need not deliver annual reports
- § 18.1(b) Quarterly Reports:**
 - ☐ Party A shall deliver quarterly reports, or
 - ☐ Party A need not deliver quarterly reports, and

D

- ☐ Party B shall deliver quarterly reports, or
☐ Party B need not deliver quarterly reports

§18.2 Tangible Net Worth:

- ☐ Party A shall have a duty to notify as provided in §18.2, and the applicable figure for it shall be _____, or
☐ Party A shall have no duty to notify as provided in §18.2, and
☐ Party B shall have a duty to notify as provided in §18.2, and the applicable figure for it shall be _____, or
☐ Party B shall have no duty to notify as provided in §18.2

§19

Assignment

§ 19.2 Assignment to Affiliates:

- ☐ Party A may assign in accordance with § 19.2, or
☐ Party A may not assign in accordance with § 19.2, and
☐ Party B may assign in accordance with § 19.2, or
☐ Party B may not assign in accordance with § 19.2

§20

Confidentiality

§ 20.1 Confidentiality Obligation:

- ☐ § 20 shall apply, or
☐ § 20 shall not apply

§21

Representation and Warranties

The Following Representations and Warranties are made:

	by Party A:	by Party B:
§21(a)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(b)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(c)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(d)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(e)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(f)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(g)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(h)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(i)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(j)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(k)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no
§21(l)	<input type="checkbox"/> yes <input type="checkbox"/> no	<input type="checkbox"/> yes <input type="checkbox"/> no

In addition Party A represents and warrants the following: _____

In addition Party B represents and warrants the following: _____

§22

Governing Law and Arbitration

§ 22.1 Governing Law and Arbitration:

- ☐ Option A shall apply; or
☐ Option B shall apply and the language of the arbitration shall be _____; or
☐ Neither Option A nor Option B shall apply and the following provisions shall apply in respect of governing law and dispute resolution:

§23
Miscellaneous

§ 23.2 Notices, Invoices and Payments:

(a) TO PARTY A:

Notices & Correspondence

Address:

Telephone No:

Fax No:

Attention: [Job Title]

Invoices

Fax No:

Attention: [Job Title]

Payments

Bank account details

(b) TO PARTY B:

Notices & Correspondence

Address:

Telephone No:

Fax No:

Attention: [Job Title]

Invoices

Fax No:

Attention: [Job Title]

Payments

Bank account details

Annex 1 – Defined Terms

☐ "Commodity" shall have the meaning specified in Annex I; or

☐ "Commodity shall _____"

PART II: ADDITIONAL PROVISIONS TO THE GENERAL AGREEMENT

Executed by the duly authorised representative of each Party effective as of the Effective Date.

"Party A"

"Party B"

[Name of Party]

[Name of Party]

[Name of Signatory/ies]

[Name of Signatory/ies]

[Title of Signatory/ies]

[Title of Signatory/ies]

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ANNEX 2A

CONFIRMATION OF INDIVIDUAL CONTRACT (FIXED PRICE)

BETWEEN:

(1) _____ ("Seller"); and

(2) _____ ("Buyer").

concluded on [/ /], [:] hours

Delivery Point :

☐ INTRA SYSTEM

Relevant System :

☐ INTER SYSTEM

Seller's System :

Buyer's System :

Contract Quantity : [] MWh

Time Unit :

Total Supply Period : From [] hours on [/ /]
to [] hours on [/ /]

[Planned Maintenance periods to be excluded or not?]

Contract Price :

Long Term Force Majeure Limit :
(§ 7.5)

Prevailing Meter Readings and Allocation Statements :
(§ 6.4)

Tolerance :

OTHER ARRANGEMENTS

References to time are to Central European Time or other?

Days are 0600 hours CET to 0600 hours CET or other?

Off-Spec Gas Liability Limit (as per § 8a.5 or other?)

Annex 2A- 1

This Confirmation confirms the Individual Contract entered into pursuant to the EFET General Agreement Concerning the Delivery and Acceptance of Natural Gas between the Parties (General Agreement) and supplements and forms part of that General Agreement. In case of any inconsistencies between the terms of this Confirmation and the Individual Contract, please contact us immediately.

Date : _____

Signature : _____

EFET

European Federation of Energy Traders

ANNEX 2B

CONFIRMATION OF INDIVIDUAL CONTRACT (FLOATING PRICE)

BETWEEN:

(1) _____ ("Seller"); and

(2) _____ ("Buyer").

concluded on [/ /], [:] hours

Delivery Point :

☐ INTRA SYSTEM

Relevant System :

☐ INTER SYSTEM

Seller's System :

Buyer's System :

Contract Quantity : []MWh

Time Unit :

Total Supply Period : From [] hours on [/ /]
to [] hours on [/ /]

[Planned Maintenance periods to be excluded or not?]

Price Source :

Commodity Reference Price :

Alternate Commodity Reference Price :

Calculation Date :

Calculation Agent :

Calculation Method :

Long Term Force Majeure Limit :
(\$ 7.5)

Annex 2B-1

Prevailing Meter Readings and Allocation Statements :
(§ 6.4)

Tolerance :

OTHER ARRANGEMENTS

References to time are to Central European Time or other?

Days are 0600 hours CET to 0600 hours CET or other?

Off-Spec Gas Liability Limit (as per § 8a.5 or other?)

This Confirmation confirms the Individual Contract entered into pursuant to the EFET General Agreement Concerning the Delivery and Acceptance of Natural Gas between the Parties (General Agreement) and supplements and forms part of that General Agreement. In case of any inconsistencies between the terms of this Confirmation and the Individual Contract, please contact us immediately.

Date : _____

Signature : _____

EFET

European Federation of Energy Traders

ANNEX 2C

CONFIRMATION OF INDIVIDUAL CONTRACT (CALL OPTION)

BETWEEN:

(1) _____ ("Writer"); and

(2) _____ ("Holder").

concluded on [/ /], [:] hours

Option Details :

- (a) Option Type : Call
- (b) Option Style: American/European
- (c) Exercise Deadline :
- (d) Exercise Period: (if American Style Option)
- (e) Premium :
- (f) Premium Payment Date :

Delivery Point :

[] INTRA SYSTEM

Relevant System :

[] INTER SYSTEM

Seller's System :

Buyer's System :

Contract Quantity : [] MWh

Time Unit :

Total Supply Period : From [] hours on [/ /]
to [] hours on [/ /]

[Planned Maintenance periods to be excluded or not?]

Contract Price :

Long Term Force Majeure Limit :
(§ 7.5)

Annex 2C-1

Prevailing Meter Readings and Allocation Statements :
(§ 6.4)

Tolerance :

OTHER ARRANGEMENTS

References to time are to Central European Time or other?

Days are 0600 hours CET to 0600 hours CET or other?

Off-Spec Gas Liability Limit (as per § 8a.5 or other?)

This Confirmation confirms the Individual Contract entered into pursuant to the EFET General Agreement Concerning the Delivery and Acceptance of Natural Gas between the Parties (General Agreement) and supplements and forms part of that General Agreement. In case of any inconsistencies between the terms of this Confirmation and the Individual Contract, please contact us immediately.

Date : _____

Signature : _____

EFET

European Federation of Energy Traders

ANNEX 2D

CONFIRMATION OF INDIVIDUAL CONTRACT (PUT OPTION)

BETWEEN:

(1) _____ ("Writer"); and

(2) _____ ("Holder").

concluded on [/ /], [:] hours

Option Details :

- (a) Option Type : Put
- (b) Option Style: American/European
- (c) Exercise Deadline :
- (f) Exercise Period: (if American Style Option)
- (e) Premium :
- (f) Premium Payment Date :

Delivery Point :

☐ INTRA SYSTEM

Relevant System :

☐ INTER SYSTEM

Seller's System :

Buyer's System :

Contract Quantity : []MWh

Time Unit :

Total Supply Period : From [] hours on [/ /]
to [] hours on [/ /]

[Planned Maintenance periods to be excluded or not?]

Contract Price :

Long Term Force Majeure Limit :
(§ 7.5)

Annex 2D-1

Prevailing Meter Readings and Allocation Statements :
(§ 6.4)

Tolerance :

OTHER ARRANGEMENTS

References to time are to Central European Time or other?

Days are 0600 hours CET to 0600 hours CET or other?

Off-Spec Gas Liability Limit (as per § 8a.5 or other?)

This Confirmation confirms the Individual Contract entered into pursuant to the EFET General Agreement Concerning the Delivery and Acceptance of Natural Gas between the Parties (General Agreement) and supplements and forms part of that General Agreement. In case of any inconsistencies between the terms of this Confirmation and the Individual Contract, please contact us immediately.

Date : _____

Signature : _____

Model Credit Support Addendum to the Base Contract for Sale and Purchase of Natural Gas

This Model Credit Support Addendum ("CSA") is entered into as of this _____ day of _____, 20__.

The parties to this CSA are the following:

Party A

Party B

_____ and _____

_____ and _____

Base Contract Date: _____

Base Contract Date: _____

Base Contract Number: _____

Base Contract Number: _____

Credit Related Notices:

Attn: _____

Attn: _____

Phone: _____ Fax: _____

Phone: _____ Fax: _____

E-mail Address: _____

E-mail Address: _____

Wire Transfer or ACH Numbers (if applicable):

Bank: _____

Bank: _____

ABA: _____

ABA: _____

ACCT: _____

ACCT: _____

Other Details: _____

Other Details: _____

This CSA is published by the North American Energy Standards Board, Inc. The parties hereby agree to the following provisions offered in said CSA Elections.

Credit Support Provider	Party A: _____ Party B: _____	Interest Rate	_____
Eligible Collateral	Valuation Percentage Party A: <input type="checkbox"/> Cash 100% <input type="checkbox"/> Letters of Credit 100%* <input type="checkbox"/> Other _____ % Party B: <input type="checkbox"/> Cash 100% <input type="checkbox"/> Letters of Credit 100%* <input type="checkbox"/> Other _____ % * - See Definition of Valuation Percentage.	Minimum Transfer Amount	Party A: _____ Party B: _____
		Letter of Credit Issuer Requirements	_____
Transfer Method for Other Eligible Collateral	Party A: _____ Party B: _____	Notification Time	<input type="checkbox"/> 1 p.m. Eastern Prevailing Time <input type="checkbox"/> Other _____ Prevailing Time
		Close of Business	<input type="checkbox"/> 5 p.m. Eastern Prevailing Time <input type="checkbox"/> Other _____ Prevailing Time
Collateral Threshold	<input type="checkbox"/> See attached Rating Matrix <input type="checkbox"/> Rat amounts Party A: _____ Party B: _____	Rounding Amount	Party A: _____ Party B: _____
Eligibility Requirements to Hold Cash	Party A: _____ Party B: _____	Custodian Requirements	_____
<input type="checkbox"/> OPTION A for CSA Paragraphs 4, 5 and 6 - OR - <input type="checkbox"/> OPTION B for CSA Paragraphs 4, 5 and 6 (Exhibit A for elections is attached.) Special Provisions Number of sheets attached: _____			

IN WITNESS WHEREOF, the parties hereto have executed the first page of this CSA in duplicate.

Party A Name

Party B Name

By _____

By _____

Name:

Name

Title:

Title:

GENERAL TERMS AND CONDITIONS
of the
MODEL CREDIT SUPPORT ADDENDUM
to the
BASE CONTRACT FOR PURCHASE AND SALE OF NATURAL GAS

Paragraph 1. Purpose

This CSA constitutes an Addendum to that certain Base Contract for Sale and Purchase of Natural Gas, as identified on the front page herein, between the parties ("Base Contract"), and supplements, forms part of, and amends the Base Contract affecting transactions thereunder. Capitalized terms used in this CSA that are not herein defined will have the meanings ascribed to them in the Base Contract. In the event of a conflict between the terms of this CSA and the Base Contract, the terms of this CSA shall apply for the purposes of this CSA.

The terms set forth below shall have the meanings ascribed to them below. Other terms are also defined elsewhere in the Base Contract and shall have the meanings ascribed to them therein.

Paragraph 2. Definitions.

As used in this CSA:

"Cash" shall mean United States Dollars.

"Close of Business" shall have the meaning set forth in the elections on Page 1 herein.

"Collateral Requirement" shall have the meaning set forth in Paragraph 3 herein.

"Collateral Threshold" shall mean, with respect to a party, the amount, if any, set forth in the elections on Page 1 herein for such party; provided, however, that the Collateral Threshold for a party that is a Defaulting Party shall be zero (0) upon the occurrence and during the continuance of an Event of Default.

"Credit Support Default" shall have the meaning set forth in Paragraph 10 herein.

"Credit Support Provider", if applicable, shall mean the entity set forth in the elections on Page 1 herein.

"Custodian" shall mean an entity that meets the Custodian Requirements set forth in the elections on Page 1 herein.

"Defaulting Party" shall have the meaning set forth in Paragraph 10 herein.

"Demand Date" shall mean, with respect to a party's (i) demand for the Transfer of Eligible Collateral pursuant to Paragraph 4 herein, (ii) demand for Reduction or Substitution of Posted Collateral pursuant to Paragraph 5 herein, and/or (iii) demand for Disputed Calculations pursuant to Paragraph 6 herein:

(a) the date on which a demand is made, if such demand is received prior to the Notification Time on a Business Day; or

(b) the following Business Day if a demand is made on a non-Business Day or after the Notification Time on a Business Day.

"Eligible Collateral" shall have the meaning set forth in the elections on Page 1 herein.

"Exposure" shall mean the Net Settlement Amount, as calculated by the Secured Party in good faith and in a commercially reasonable manner, that the Pledging Party would owe to the Secured Party if an Early Termination Date had been designated as of the date of such calculation as provided for in Section 10 of the Base Contract, provided that such calculations shall be at the mid point between the bid price and the offer price.

"Interest Amount" shall mean the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Cash held by the Secured Party on that day, determined for each such day as follows: (x) the amount of Cash on that day; multiplied by (y) the Interest Rate for that day; divided by (z) 360

"Interest Period" shall mean the period from (and including) the last Business Day on which an Interest Amount was Transferred (or if no Interest Amount has yet been Transferred, the Business Day on which Cash was Transferred to the Secured Party) to (but excluding) the Business Day on which the current Interest Amount is to be Transferred.

"Interest Rate" shall have the meaning set forth in the elections on Page 1 herein.

"Letter of Credit" shall have the meaning set forth in Paragraph 7 (a) herein.

"Letter of Credit Default" shall have the meaning set forth in Paragraph 7(b) herein.

"Minimum Transfer Amount" shall mean the amount set forth in the elections on Page 1 herein for a party.

"Notification Time" shall have the meaning set forth in the elections on Page 1 herein.

"Notice" shall have the meaning set forth in Paragraph 9 herein.

"Pledging Party" shall have the meaning set forth in Paragraph 3 herein.

"Posted Collateral" shall mean (1) all Eligible Collateral and all proceeds thereof that have been Transferred to or received by the Secured Party hereunder and not Transferred to the Pledging Party pursuant to Paragraph 4 or released by the Secured Party, (2) any Interest Amount or portion thereof held by the Secured Party and not Transferred pursuant to Paragraph 8(c), and (3) any Cash received and held by the Secured Party after drawing on any Letter of Credit.

"Reference Market Maker" shall mean a leading dealer in the relevant market that is not an affiliate of either party selected by a party determining any disputed calculations pursuant to Paragraph 6 herein in a commercially reasonable manner from among dealers which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit.

"Roundup Amount" shall mean the amount set forth in the elections on Page 1 herein for a party.

"Secured Party" shall have the meaning set forth in Paragraph 3(b) herein.

"Letter of Credit Issuer Requirements" shall have the meaning set forth in the elections on Page 1 herein.

"Transfer" or **"Transferred"** shall mean, with respect to any Eligible Collateral, Posted Collateral, or Interest Amount, and in accordance with the instructions of the appropriate party:

(i) in the case of Cash, payment or delivery by wire transfer in immediately available federal funds into one or more bank accounts set forth on Page 1 herein (or as otherwise specified in a demand Notice);

(ii) in the case of Letters of Credit, delivery of the Letter of Credit by the Pledging Party to the Secured Party at the address specified in this CSA (or as otherwise specified in a demand Notice) or delivery of an executed amendment to such Letter of Credit (extending the term or increasing the amount available to the Secured Party thereunder) by the Pledging Party, to the Secured Party; and for purposes of Paragraph 5, return of the Letter of Credit by the Secured Party to the Pledging Party or delivery of an executed amendment (which amendment shall be given by the Pledging Party to the Secured Party) to the Letter of Credit in form and substance satisfactory to the Secured Party, reducing the amount available to the Secured Party thereunder, in each case to the address specified in the applicable demand letter or this CSA; and

(iii) in the case of any other Eligible Collateral, the Transfer methodology specified by the parties in the elections on Page 1 herein.

(iv) in any case in which Eligible Collateral or Posted Collateral is in the form of a Letter of Credit, the deadlines set forth in Paragraph 7 (h).

(v) in connection with each Transfer of any Eligible Collateral to the Secured Party pursuant to this CSA, the Secured Party will, upon request of the Pledging Party, provide a receipt in form and substance reasonably satisfactory to the Pledging Party showing the Eligible Collateral

Transferred to it. In connection with each Transfer of any Posted Collateral to the Pledging Party pursuant to this CSA, the Pledging Party will, upon request of the Secured Party, provide a receipt in form and substance reasonably satisfactory to the Secured Party showing the Posted Collateral Transferred to it.

"Valuation Percentage" shall mean the percentage set forth in the elections on Page 1 herein for each form of Eligible Collateral; provided with respect to Letters of Credit the Valuation Percentage shall be 100% unless either (i) a Letter of Credit Default shall apply with respect to such Letter of Credit or (ii) 20 or fewer Business Days remain prior to the expiration of such Letter of Credit, in which case the Valuation Percentage shall be zero (0).

"Value" shall mean the Valuation Percentage multiplied by the amount of Posted Collateral; provided with respect to Letters of Credit, such amount shall be the amount then available to be unconditionally drawn under the Letter of Credit held by the Secured Party.

Paragraph 3. Calculation of Collateral Requirement.

On any Business Day, the "Collateral Requirement" for a party (the "Pledging Party") means the Secured Party's Exposure minus the sum of:

- (a) the Pledging Party's Collateral Threshold; plus
- (b) the Value of all Posted Collateral then held by the party other than the Pledging Party (the "Secured Party"), and any accrued Interest Amount that has not yet been Transferred to the Pledging Party;

provided, however, that the Collateral Requirement of the Pledging Party will be deemed to be zero (0) whenever the calculation of such Pledging Party's Collateral Requirement yields a number less than zero (0).

OPTION A: Paragraphs 4, 5, and 6

If the parties select Option A of the elections on Page 1 herein, the following Paragraphs 4, 5 and 6 shall apply.

Paragraph 4. Transfer of Eligible Collateral.

On any Business Day on which (i) no Credit Support Default with respect to the Secured Party has occurred and is continuing, (ii) no Event of Default with respect to the Secured Party has occurred and is continuing, (iii) no Early Termination Date has occurred or been designated by the Pledging Party for which there exist any unsatisfied payment obligations under the Base Contract, and (iv) the Pledging Party's Collateral Requirement equals or exceeds its Minimum Transfer Amount, the Secured Party may demand, by Notice to the Pledging Party, that the Pledging Party Transfer to the Secured Party, and the Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Eligible Collateral for the benefit of the Secured Party having a Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement. The amount of Eligible Collateral required to be Transferred hereunder shall be rounded up to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed to in writing by the parties, the Pledging Party shall Transfer the Eligible Collateral by the Close of Business on the Business Day following the Demand Date. Any Letter of Credit or other type of Eligible Collateral (other than Cash) shall be Transferred to the address specified in this CSA or to such address as the Secured Party shall specify in its demand, pursuant to this Paragraph 4. Any demand made by the Secured Party pursuant to this Paragraph 4 shall specify wire transfer information for the account(s) to which Eligible Collateral in the form of Cash shall be Transferred if different than that set forth in this CSA. Notwithstanding anything to the contrary in this CSA, in the event of a Credit Support Default or an Event of Default with respect to the Pledging Party which gives rise to an obligation to Transfer Eligible Collateral, the Pledging Party shall have no obligation to Transfer such Eligible Collateral if such event is cured or otherwise no longer exists prior to the time that such Eligible Collateral is required to be provided hereunder.

Paragraph 5. Reduction and Substitution of Posted Collateral.

(a) On any Business Day a Pledging Party may demand, by Notice to the Secured Party, a reduction in the amount of Posted Collateral previously provided by the Pledging Party for the benefit of the Secured Party, and the Secured Party shall comply with said demand, provided that after giving effect to the demanded reduction in Posted Collateral, (i) the Pledging Party shall have a Collateral Requirement of zero (0) as of the date the Secured Party would be required to return the requested Posted Collateral, (ii) no Credit Support Default with respect to the Pledging Party has occurred and is continuing, (iii) no Event of Default with respect to the Pledging Party has occurred and is continuing, and (iv) no Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligations under the Base Contract. The amount of the Posted

Collateral reduction shall be made by the Secured Party if such amount equals or exceeds the Secured Party's Minimum Transfer Amount; provided however, such amount actually returned by the Secured Party shall be rounded down to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed in writing by the parties, the Secured Party shall effect a permitted reduction in Posted Collateral by the Close of Business on the Business Day following the Demand Date for such reduction. If a permitted reduction in Posted Collateral is to be effected by a reduction in the amount that may be drawn under an outstanding Letter of Credit previously issued for the benefit of the Secured Party, the Secured Party shall promptly take such action as is reasonably necessary to cooperate with the Pledging Party to effectuate such reduction.

(b) Except when (i) a Credit Support Default with respect to the Pledging Party has occurred and is continuing, or (ii) an Event of Default with respect to the Pledging Party has occurred and is continuing, or (iii) no Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligation under the Base Contract, the Pledging Party may substitute for existing Posted Collateral new Eligible Collateral of equal or greater Value (provided that, if such substitute Eligible Collateral is of a type not designated as Eligible Collateral in the elections on Page 1 herein, then the substitution may not occur unless the Secured Party consents to such substitution). Upon the Transfer to the Secured Party of the substitute Eligible Collateral, the Secured Party shall Transfer the relevant replaced Posted Collateral (as specified by the Pledging Party) to the Pledging Party by the Close of Business on the second Business Day after such Transfer has been effected. Notwithstanding anything herein to the contrary, no such substitution shall be permitted unless (x) the substitute Eligible Collateral is Transferred to the Secured Party prior to the release of the Posted Collateral to be returned to the Pledging Party and, if applicable, the security interest in, and lien upon, such substituted Eligible Collateral granted pursuant hereto in favor of the Secured Party shall have been perfected as required by applicable law and shall constitute a first priority perfected security interest therein and general first lien thereon, and (y) after giving effect to such substitution, the Value of such substitute Eligible Collateral, together with all other Posted Collateral held by the Secured Party, shall equal or exceed the Pledging Party's Collateral Requirement. Each substitution of Eligible Collateral shall constitute a representation, warranty and agreement by the Pledging Party that the substituted Eligible Collateral shall be subject to and governed by the terms and conditions of the CSA, including without limitation and if applicable, the security interest in, general first lien on and right of offset against, such substituted Eligible Collateral granted pursuant to Paragraph 13(a) in favor of the Secured Party.

(c) The Transfer of any Posted Collateral by the Secured Party to the Pledging Party in accordance with this Paragraph 5 shall be deemed a release by the Secured Party of its security interest, general first lien and right of offset granted pursuant to Paragraph 13(a) hereof only with respect to such returned Posted Collateral.

Paragraph 5: Disputed Calculations.

(a) If the Pledging Party disputes the amount of Eligible Collateral requested by the Secured Party and such dispute relates to the amount of the Exposure as determined by the Secured Party, then the Pledging Party shall (i) notify the Secured Party of the existence and nature of the dispute not later than the Close of Business on the Demand Date, and (ii) Transfer Eligible Collateral to or for the benefit of the Secured Party in accordance with Paragraph 4 and in an amount equal to the Pledging Party's own calculation of its Collateral Requirement as determined, in accordance with Paragraph 3. Such calculation shall be made in good faith and a commercially reasonable manner that is consistent with Section 10 of the Base Contract. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting calculations. If the parties have not been able to resolve their dispute on or before the Notification Time on the second Business Day following the Demand Date, then the amount of the Exposure shall be recalculated with each party requesting quotations from one (1) Reference Market-Maker by the Notification Time on the third (3rd) Business Day following the Demand Date (taking the arithmetic average of those quotations obtained to obtain the average Exposure, provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Secured Party's calculation shall control for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The Pledging Party shall inform the Secured Party of the quotation it has obtained, if any, by the Notification Time on the third (3rd) Business Day following the Demand Date. The Secured Party shall inform the Pledging Party of the results of such recalculation in reasonable detail by the Notification Time on the fourth (4th) Business Day following the Demand Date. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, by the Close of Business on the fifth (5th) Business Day following the Demand Date. If the Pledging Party fails to dispute the amount of the Collateral requirement within the time period specified above, then the Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Eligible Collateral for the benefit of the Secured Party having a Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement, as originally demanded by the Secured Party.

(b) If the Secured Party disputes the amount of Eligible Collateral to be reduced by the Secured Party and such dispute relates to the amount of the Exposure claimed by the Pledging Party, then the Secured Party shall (i) notify the Pledging Party of the existence and nature of the dispute by the Close of Business on the Demand Date for such reduction, and (ii) effect the reduction of Eligible Collateral to or for the benefit of the Pledging Party in accordance

with Paragraph 5 and in an amount equal to the Secured Party's own estimate, made in a commercially reasonable manner, of the Pledging Party's Collateral Requirement as determined in accordance with Paragraph 3. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting amounts. If the parties have not been able to resolve their dispute on or before the Notification Time on the second (2nd) Business Day following the Demand Date for such reduction, then the Secured Party's Exposure shall be recalculated by each party requesting quotations from one (1) Reference Market-Maker by the Notification Time on the third (3rd) Business Day following the Demand Date for such reduction (taking the arithmetic average of those quotations obtained to obtain the average Exposure; provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Secured Party's calculations shall control) for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The Pledging Party shall inform the Secured Party of the quotation it has obtained, if any, by the Notification Time on the third (3rd) Business Day after the Demand Date. The Secured Party shall inform the Pledging Party of the results of such recalculation in reasonable detail by the Notification Time on the fourth (4th) Business Day after the Demand Date for such reduction. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, by the Close of Business on the fifth (5th) Business Day after the Demand Date for such reduction. If the Secured Party fails to dispute the amount of the demanded reduction within the time period specified above, then the Secured Party shall Transfer or cause to be Transferred to the Pledging Party, Eligible Collateral for the benefit of the Pledging Party having a Value on the date of Transfer at least equal to the Pledging Party's demanded reduction.

OPTION B: Paragraphs 4, 5, and 6

If the parties select Option B of the elections on Page 1 herein, the following Paragraphs 4, 5 and 6 and the related timing requirements and party information set forth in the Exhibit A to this CSA shall apply.

Paragraph 4. Transfer of Eligible Collateral.

On any Business Day on which (i) no Credit Support Default with respect to the Secured Party has occurred and is continuing, (ii) no Event of Default with respect to the Secured Party has occurred and is continuing, (iii) no Early Termination Date has occurred or been designated by the Pledging Party for which there exist any unsatisfied payment obligations under the Base Contract, and (iv) the Pledging Party's Collateral Requirement equals or exceeds its Minimum Transfer Amount, the Secured Party may demand, by Notice to the Pledging Party, that the Pledging Party Transfer to the Secured Party, and the Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Eligible Collateral for the benefit of the Secured Party having a Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement. The amount of Eligible Collateral required to be Transferred hereunder shall be rounded up to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed to in writing by the parties, the Pledging Party shall Transfer the Eligible Collateral by the Close of Business on the ~~3rd~~ Business Day following the Demand Date. Any Letter of Credit or other type of Eligible Collateral (other than cash) shall be Transferred to the address specified in this CSA or to such address as the Secured Party shall specify in its demand, pursuant to this Paragraph 4. Any demand made by the Secured Party pursuant to this Paragraph 4 shall specify wire transfer information for the account(s) to which Eligible Collateral in the form of Cash shall be Transferred if different than that set forth in this CSA. Notwithstanding anything to the contrary in this CSA, in the event of a Credit Support Default or an Event of Default, with respect to the Pledging Party which gives rise to an obligation to Transfer Eligible Collateral, the Pledging Party shall have no obligation to Transfer such Eligible Collateral if such event is cured or otherwise no longer exists prior to the time that such Eligible Collateral is required to be provided hereunder.

Paragraph 5. Reduction and Substitution of Posted Collateral.

(a) On any Business Day a Pledging Party may demand, by Notice to the Secured Party, a reduction in the amount of Posted Collateral previously provided by the Pledging Party for the benefit of the Secured Party, and the Secured Party shall comply with said demand, provided that after giving effect to the demanded reduction in Posted Collateral, (i) the Pledging Party shall have a Collateral Requirement of zero (0) as of the date the Secured Party would be required to return the requested Posted Collateral; (ii) no Credit Support Default with respect to the Pledging Party has occurred and is continuing; (iii) no Event of Default with respect to the Pledging Party has occurred and is continuing; and (iv) no Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligations under the Base Contract. The amount of the Posted Collateral reduction shall be made by the Secured Party if such amount equals or exceeds the Secured Party's Minimum Transfer Amount; provided however, such amount actually returned by the Secured Party shall be rounded down to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed in writing by the parties, the Secured Party shall effect a permitted reduction in Posted Collateral by the Close of Business on the ~~1st~~ Business Day following the Demand Date for such reduction. If a permitted reduction in Posted Collateral is to be effected by a reduction in the amount that may be drawn under an outstanding Letter of Credit previously issued for the benefit of

the Secured Party, the Secured Party shall promptly take such action as is reasonably necessary to cooperate with the Pledging Party to effectuate such reduction.

(b) Except when (i) a Credit Support Default with respect to the Pledging Party has occurred and is continuing, or (ii) an Event of Default with respect to the Pledging Party has occurred and is continuing or (iii) no Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligation under the Base Contract, the Pledging Party may substitute for existing Posted Collateral new Eligible Collateral of equal or greater Value on the ~~100~~ Business Day following the Demand Date thereof (provided that, if such substitute Eligible Collateral is of a type not designated as Eligible Collateral in the elections on Page 1 herein, then the substitution may not occur unless the Secured Party consents to such substitution). Upon the Transfer to the Secured Party and/or its Custodian of the substitute Eligible Collateral, the Secured Party and/or its Custodian shall Transfer the relevant replaced Posted Collateral (as specified by the Pledging Party) to the Pledging Party by the Close of Business on the ~~100~~ Business Day after such Transfer has been effected. Notwithstanding anything herein to the contrary, no such substitution shall be permitted unless (x) the substitute Eligible Collateral is Transferred to the Secured Party and/or its Custodian simultaneously with, or has been Transferred to the Secured Party and/or its Custodian prior to, the release of the Eligible Collateral to be returned to the Pledging Party and, if applicable, the security interest in, and lien upon, such substituted Eligible Collateral granted pursuant hereto in favor of the Secured Party shall have been perfected as required by applicable law and shall constitute a first priority perfected security interest therein and general first lien thereon; and (y) after giving effect to such substitution, the Value of such substitute Eligible Collateral, together with all other Posted Collateral held by the Secured Party, shall equal or exceed the Pledging Party's Collateral Requirement. Each substitution of Eligible Collateral shall constitute a representation, warranty and agreement by the Pledging Party that the substituted Eligible Collateral shall be subject to and governed by the terms and conditions of this CSA, including without limitation and, if applicable, the security interest in, general first lien on and right of offset against, such substituted Eligible Collateral granted pursuant to Paragraph 12(a) in favor of the Secured Party.

(c) The Transfer of any Eligible Collateral by the Secured Party and/or its Custodian to the Pledging Party in accordance with this Paragraph 5 shall be deemed a release by the Secured Party of its security interest, general first lien and right of offset granted pursuant to Paragraph 12(a) hereof only with respect to such returned Eligible Collateral.

Paragraph 6. Disputed Calculations.

(a) If the Pledging Party disputes the amount of Eligible Collateral requested by the Secured Party and such dispute relates to the amount of the Exposure as determined by the Secured Party, then the Pledging Party shall (i) notify the Secured Party of the existence and nature of the dispute not later than the Close of Business on the ~~100~~ Business Day following the Demand Date that the demand for Eligible Collateral is made by the Secured Party pursuant to Paragraph 4, and (ii) Transfer Eligible Collateral to or for the benefit of the Secured Party in accordance with Paragraph 4 and in an amount equal to the Pledging Party's own calculation of its Collateral Requirement, in accordance with Paragraph 3. Such calculation shall be made in good faith and a commercially reasonable manner that is consistent with Section 10 of the Base Contract. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting calculations. If the parties have not been able to resolve their dispute on or before the Notification Time on the ~~100~~ Business Day following the Demand Date, then the amount of the Exposure shall be recalculated with each party requesting quotations from one (1) Reference Market-Maker by the Notification Time on the ~~100~~ Business Day following the Demand Date (taking the arithmetic average of those quotations obtained to obtain the average Exposure, provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Secured Party's calculation shall control) for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The ~~Secured~~ Party shall inform the ~~Pledging~~ Party of the quotation it has obtained, if any, by the Notification Time on the ~~100~~ Business Day following the Demand Date. The ~~Pledging~~ Party shall inform the ~~Secured~~ Party of the results of such recalculation in reasonable detail by the Notification Time on the ~~100~~ Business Day following the Demand Date. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, by the Close of Business on the ~~100~~ Business Day following the Demand Date. If the Pledging Party fails to dispute the amount of the Collateral requirement within the time period specified above, then the Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Eligible Collateral for the benefit of the Secured Party having a Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement, as demanded by the Secured Party.

(b) If the Secured Party disputes the amount of Eligible Collateral to be reduced by the Secured Party and such dispute relates to the amount of the Exposure claimed by the Pledging Party, then the Secured Party shall (i) notify the Pledging Party of the existence and nature of the dispute by the Close of Business on the ~~100~~ Business Day following the Demand Date for such reduction, and (ii) effect the reduction of Eligible Collateral to or for the benefit of the Pledging Party in accordance with Paragraph 5 and in an amount equal to the Secured Party's own estimate, made in a commercially reasonable manner, of the Pledging Party's Collateral Requirement in accordance with Paragraph 3. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the

two conflicting amounts. If the parties have not been able to resolve their dispute on or before the Notification Time on the ~~(13)~~ Business Day following the Demand Date for such reduction, then the Secured Party's Exposure shall be recalculated by each party requesting quotations from one (1) Reference Market-Maker by the Notification Time on the ~~(12)~~ Business Day following the Demand Date for such reduction (taking the arithmetic average of those quotations obtained to obtain the average Exposure; provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Pledging Party's calculations shall control) for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The ~~(13)~~ Party shall inform the ~~(12)~~ Party of the quotation it has obtained, if any, by the Notification Time on the ~~(12)~~ Business Day after the Demand Date. The ~~(12)~~ Party shall inform the ~~(13)~~ Party of the results of such recalculation in reasonable detail by the Notification Time on the ~~(12)~~ Business Day after the Demand Date for such reduction. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, by the Close of Business on the ~~(12)~~ Business Day after the Demand Date for such reduction. If the Secured Party fails to dispute the amount of the demanded reduction within the time period specified above, then the Secured Party shall Transfer or cause to be Transferred to the Pledging Party, Eligible Collateral for the benefit of the Pledging Party having a Value on the date of Transfer at least equal to the Pledging Party's demanded reduction.

Paragraph 7. Letters of Credit

Eligible Collateral provided in the form of a Letter of Credit shall be subject to the following provisions.

- (a) Each "Letter of Credit" shall be an irrevocable, transferable, standby letter of credit, issued by an entity that meets the requirements of a Letter of Credit Issuer Requirements set forth in the elections on Page 1 herein in a form reasonably acceptable to the Secured Party.
- (b) "Letter of Credit Default" shall mean with respect to an outstanding Letter of Credit that is held by the Secured Party as Posted Collateral the occurrence of any of the following events: (i) the issuer of such Letter of Credit shall fail to meet the Letter of Credit Issuer Requirements set forth in the elections on Page 1 herein; (ii) the issuer of such Letter of Credit goes bankrupt; (iii) the issuer of the Letter of Credit shall fail to comply with or perform its obligations under such Letter of Credit if such failure shall be continuing after the lapse of any applicable grace period; (iv) the issuer of such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; or (v) such Letter of Credit shall expire or terminate, or shall fail or cease to be in full force and effect (other than in accordance with its terms) prior to the satisfaction of all obligations of the Pledging Party under each transaction to which such Letter of Credit shall relate without the written consent of the other party; provided, however, that no Letter of Credit Default shall occur in any event with respect to a Letter of Credit after the time such Letter of Credit is required to be canceled or returned to the Pledging Party in accordance with the terms of this CSA. Upon the occurrence of a Letter of Credit Default, the Pledging Party agrees to Transfer to the Secured Party either a substitute Letter of Credit or other Eligible Collateral, in each case on or before the second Business Day after the occurrence thereof (or the fifth (5) Business Day after the occurrence thereof if and only if clause (i) under the definition of Letter of Credit Default applies).
- (c) Unless otherwise agreed in writing by the parties, each Letter of Credit shall be provided in accordance with this Paragraph 7 and each Letter of Credit shall be maintained for the benefit of the Secured Party. The Pledging Party shall (i) renew or cause the renewal of each outstanding Letter of Credit on a timely basis as provided in the relevant Letter of Credit, (ii) Transfer either a substitute Letter of Credit or other Eligible Collateral, in each case at least twenty (20) Business Days prior to the expiration of the outstanding Letter of Credit, and (iii) Transfer for the benefit of the Secured Party either a substitute Letter of Credit or other Eligible Collateral, in each case within one (1) Business Day, if the bank issuing a Letter of Credit shall fail to honor the Secured Party's properly documented request to draw on an outstanding Letter of Credit, provided that, as a result of the Pledging Party's failure to perform in accordance with (i), (ii), or (iii) above, the Pledging Party's Collateral Requirement would be greater than zero (0).
- (d) As one method of providing Posted Collateral, the Pledging Party may increase the amount of an outstanding Letter of Credit or establish one or more additional Letters of Credit.
- (e) Upon or at any time after the occurrence of an Event of Default with respect to the Pledging Party and/or the designation of an Early Termination Date by the Secured Party, the Secured Party may draw on the entire undrawn portion of any outstanding Letter(s) of Credit upon submission to the bank issuing such Letter of Credit in accordance with the specific requirements of the Letter of Credit. Cash proceeds received from drawing upon the Letter of Credit shall be deemed Posted Collateral as security for the Pledging Party's obligations to the Secured Party and the Secured Party shall have the rights and remedies set forth in this CSA with respect to such Cash proceeds. Notwithstanding the Secured Party's receipt of Cash under the Letter of Credit, the Pledging Party shall remain liable (i) for any failure to Transfer sufficient Posted

Collateral, and (ii) for any amounts owing to the Secured Party and remaining unpaid after the application of the amounts so drawn by the Secured Party.

- (f) A Pledging Party may substitute a Letter of Credit for one or more other outstanding Letter(s) of Credit Issued for the benefit of the Secured Party, provided that the Value of such substitute Letter of Credit shall be at least equal to the Value of the Letter(s) of Credit being replaced, and provided further that no Letter of Credit shall be canceled unless and until the Letter of Credit to be substituted therefor shall have been validly executed, issued and Transferred for the benefit of the Secured Party in accordance with applicable law.
- (g) In all cases, the costs and expenses incurred by the Pledging Party to establish, renew, substitute, cancel, and/or increase the amount of (as the case may be) a Letter of Credit shall be borne by the Pledging Party.
- (h) In any case in which Eligible Collateral or Posted Collateral is in the form of a Letter of Credit (which permits draws based on a facsimile copy), the deadlines set forth in this CSA for providing such collateral to the other party may be met by providing a facsimile copy of the Letter of Credit with an original transmitted by overnight courier for delivery on the next Business Day.

Paragraph 8. Care and Use of Cash.

Eligible Collateral provided in the form of Cash shall be subject to the following provisions.

(a) **Eligibility to Hold Cash.**

(i) If a party is not eligible to hold Cash as set forth in the elections on Page 1 herein, then such Cash shall be held in a Collateral Account in accordance with the provisions of Paragraph 8(e).

(ii) The Secured Party or its Custodian will be entitled to hold Cash, provided that the following conditions, as applicable, are satisfied: (1) the Secured Party is not a Defaulting Party, (2) the Secured Party or its Credit Support Provider, if applicable, meets the Eligibility Requirements to Hold Cash requirements set forth in the elections on Page 1 herein, (3) Cash shall be held only in any jurisdiction within the United States, and (4) the Custodian meets the Custodian Requirements set forth in the elections on Page 1 herein. If a party or its Custodian is not eligible, or subsequently becomes ineligible, to hold Posted Collateral pursuant to this Section, then it shall be considered a "Downgraded Party" or a "Downgraded Custodian", as the case may be; and Posted Collateral shall be maintained in accordance with Paragraph 8(e).

(iii) Upon Notice by the Secured Party to the Pledging Party of the appointment of a Custodian, the Pledging Party's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Cash by a Custodian will be deemed to be the holding of Cash by the Secured Party for which the Custodian is acting. The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

- (b) **Use of Cash.** Notwithstanding the provisions of applicable law, if the Secured Party is eligible to hold cash in accordance with Paragraph 8(a), is not a Defaulting Party and no Early Termination Date has occurred or been designated by the Pledging Party as a result of an Event of Default with respect to the Secured Party, then the Secured Party shall have the right to sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Cash it holds, free from any claim or right of any nature whatsoever of the Pledging Party, including any equity or right of redemption by the Pledging Party.

- (c) **Interest Payments on Cash.** So long as no Event of Default with respect to the Pledging Party has occurred and is continuing, and no Early Termination Date (for which any unsatisfied payment obligations of the Pledging Party exist) has occurred or been designated as the result of an Event of Default with respect to the Pledging Party and to the extent that an obligation to Transfer Posted Collateral would not be created or increased by the Transfer, the Secured Party will upon written request Transfer to the Pledging Party, in lieu of any interest or other amounts paid or deemed to have been paid with respect to the Cash (all of which may be retained by the Secured Party), the Interest Amount on the third Business Day of each calendar month. On or after the occurrence of an Event of Default with respect to the Pledging Party or an Early Termination Date as a result of an Event of Default with respect to the Pledging Party, the Secured Party shall retain any such Interest Amount as additional Eligible Collateral hereunder until the obligations of the Pledging Party under the Base Contract have been satisfied.

- (d) **Care of Cash.** Without limiting the Secured Party's rights under Paragraph 8(b), the Secured Party will exercise reasonable care to assure the safe custody of all Cash held by it as Posted Collateral to the extent

required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Cash, including, without limitation, any duty to enforce or preserve any rights pertaining thereto.

- (e) **Holding of Cash by a Custodian:** The provisions of Paragraph 8(b) will apply to the parties; provided, however, that if a party or its Custodian is not eligible to hold Cash pursuant to Paragraph 8(a) (the event that caused it or its Custodian, if any, to be ineligible to hold Cash shall be a "Credit Rating Event"; if such Credit Rating Event occurs with respect to a party, such party shall be the "Downgraded Party"; and if such Credit Rating Event occurs with respect to a party's Custodian, such Custodian shall be the "Downgraded Custodian"), then: (1) the provisions of Paragraph 8(b) will not apply with respect to the Downgraded Party as the Secured Party for so long as either the Secured Party or its Custodian, if any, remain a Downgraded Party or a Downgraded Custodian, respectively, and (2) the Downgraded Party shall be required to deliver (or cause the Downgraded Custodian to deliver, as the case may be) by the Close of Business on the second (2nd) Business Day following such Credit Rating Event all Cash in its possession or held on its behalf (i) to a Custodian that meets the Custodian Requirements, and (ii) to a segregated, safekeeping or custody account ("Collateral Account") within such Custodian with the title of the Collateral Account indicating that the property contained therein is being held as Posted Collateral for the Downgraded Party; provided, that if the Credit Rating Event occurs with respect to a party's Custodian that is holding Posted Collateral on behalf of such party, then such Downgraded Custodian may also deliver such Posted Collateral to such party if such party is not a Downgraded Party, and (iii) the parties agree to enter into a control agreement ("Control Agreement") with the Custodian maintaining the Collateral Account. The Control Agreement shall be in such form as shall be reasonably acceptable to each of the parties and shall provide for such items as the timing and release of the funds in the Collateral Account and the investment and reinvestment of Cash held in the Collateral Account. The Control Agreement shall further provide that Custodian shall serve as Custodian with respect to the Posted Collateral in the Collateral Account, and shall hold such Posted Collateral in accordance with the terms of this CSA and for the security interest of the Downgraded Party and, subject to such security interest, for the ownership of the non-Downgraded Party. The parties further agree that notwithstanding the fact that Cash is being held by a Custodian in a Collateral Account pursuant to a Control Agreement, the Downgraded Party shall be required to make interest payments to the non-Downgraded Party in an amount equal to the Interest Amount in accordance with the provisions of Paragraph 8(c).

Paragraph 9. Notices

- (a) "Notice" shall mean a notice or other communication in respect of this CSA. Notice may be given in any manner set forth below to the address or number or in accordance with the electronic messaging system details provided on Page 1 of this CSA and will be deemed effective as indicated:
- (i) if in writing and delivered in person or by courier, on the Business Day it is delivered;
 - (ii) if sent by facsimile transmission, on the date that transmission is received by the recipient in legible form (which may be evidenced by a transmission report generated by the sender's facsimile machine) unless such facsimile transmission is received on a non-Business Day or after the Close of Business then such facsimile shall be deemed to have been received on the next following Business Day;
 - (iii) if sent by certified or registered mail or the equivalent (return receipt requested), on the Business Day that mail is delivered or its delivery is attempted; or
 - (iv) if sent by electronic messaging system, on the date that electronic message is received, unless such electronic message is received on a non-Business Day or after the Close of Business, then such electronic message shall be deemed to have been received on the next following Business Day.
- (b) Any other Notice, including but not limited to, Notice of an Event of Default, must be given pursuant to Section 9 of the Base Contract.

Paragraph 10. Credit Support Default

- (a) A "Credit Support Default" shall exist with respect to a party (the "Defaulting Party") if:
- (i) a party fails (or fails to cause its Custodian, as applicable) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it, and such failure continues for one (1) Business Day after Notice of that failure is provided to that party; or

(II) a party fails to comply with or perform any material agreement or obligation provided for in this CSA, and such failure continues for one (1) Business Day after Notice of that failure is provided to that party; or

(III) a party or its Custodian fails to comply with any of the obligations under Paragraph 8 herein and the failure continues for one (1) Business Day after notice of the failure is given to that party.

- (b) Credit Support Default shall constitute and have the effect of an Event of Default set forth in Section 10.2 (vi) of the Base Contract.

Paragraph 11. Representations and Warranties.

Each party continuously represents and warrants to the other party that: (a) it has the power and authority under the law of the jurisdiction of its organization or incorporation and under its organizational and constituent documents to grant to the Secured Party a valid, enforceable, first-priority security interest in, and lien on, all Posted Collateral (other than Letters of Credit) that it Transfers as the Pledging Party, and has taken all necessary actions to authorize the granting and perfection of that security interest and lien; (b) as of each date on which it, as the Pledging Party, Transfers Eligible Collateral to the Secured Party or to any agent of the Secured Party for the benefit of the Secured Party (or, in the case of after-acquired Posted Collateral, at the time the Secured Party or its agent acquires rights therein), it has title to, and will be the sole owner of such Eligible Collateral, free and clear of any security interest, lien, pledge, charge, encumbrance, or other interests or restrictions other than the security interest granted to the Secured Party hereby; (c) the Secured Party will have a valid and perfected first-priority security interest in, and lien on, all Posted Collateral (other than Letters of Credit) upon receipt thereof; (d) the performance by it of its obligations under this CSA will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted pursuant to this CSA; and (e) in connection with the delivery, issuance, renewal, substitution, or increase (as the case may be) which constitutes a Transfer of a Letter of Credit, such Letter of Credit is the legal, valid and binding obligation of the Issuer thereof, enforceable in accordance with its terms.

Paragraph 12. Certain Rights and Remedies.

- (a) **Secured Party's Rights and Remedies.** If at any time (i) an Event of Default with respect to the Pledging Party has occurred and is continuing, or (ii) an Early Termination Date has occurred or been designated as a result of an Event of Default with respect to the Pledging Party, then the Secured Party may do any one or more of the following: (x) exercise any of the rights and remedies of a secured party with respect to the Posted Collateral, including any such rights and remedies under law then in effect; (y) exercise its rights of setoff against any and all property of the Pledging Party in the possession of the Secured Party or its agent; and (z) draw on any outstanding Letter of Credit issued for its benefit under its terms and this CSA. The Secured Party shall either (y) apply the proceeds of the Posted Collateral realized upon the exercise of any such rights or remedies to reduce the Pledging Party's obligations under the Base Contract or this CSA (the Pledging Party remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full and/or (z) hold such proceeds as collateral security for the Pledging Party's obligations under the Base Contract or this CSA, subject to the Secured Party's obligation to return the proceeds after such obligations are satisfied in full.
- (b) **Pledging Party's Rights and Remedies.** If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default with respect to the Secured Party, then: (i) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount, if any, to the Pledging Party; and (ii) the Pledging Party may do any one or more of the following: (x) exercise any of the rights and remedies of a pledgor with respect to the Posted Collateral, including any such rights and remedies under law then in effect; (y) to the extent that the Posted Collateral or the Interest Amount is not Transferred to the Pledging Party as required in (i) above, setoff amounts payable by the Pledging Party to the Secured Party against the Posted Collateral held by the Secured Party or to the extent its rights to setoff are not exercised, withhold payment of any remaining amounts payable by the Pledging Party, up to the value of any remaining Posted Collateral held by the Secured Party, until the Posted Collateral is Transferred to the Pledging Party; and/or (z) exercise rights and remedies available to the Pledging Party under the terms of any Letter of Credit.

Paragraph 13. General.

- (a) To secure its obligations under the Base Contract and all outstanding transactions, each party, as the Pledging Party, hereby grants to the other party, as the Secured Party, a present and continuing first-priority security interest in, and lien on (and right of setoff against), all Posted Collateral (other than Letters of Credit) Transferred to the Secured Party hereunder. Each party agrees to take such action as the other party reasonably requires in order to perfect or maintain the other party's first-priority continuing security interest in, and lien on (and right of setoff against), such Posted Collateral.
- (b) Each party will pay its own costs and expenses in connection with performing its obligations under this CSA and neither party will be liable for any costs or expenses incurred by the other party in connection herewith.
- (c) This CSA has been and is made solely for the benefit of the parties and their permitted successors and assigns, and no other entity shall acquire or have any right under or by virtue of this CSA.
- (d) No failure or delay by either party hereto in exercising any right, power, privilege, or remedy hereunder shall operate as a waiver thereof.
- (e) The headings in this CSA are for convenience of reference only, and shall not affect the meaning or construction of any provision thereof.

DISCLAIMER: The purposes of this CSA are to facilitate trade, avoid misunderstandings and make more definite the terms of margining arrangements related to contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this CSA by any party. NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CSA ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CSA OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CSA ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CSA.

USER'S GUIDE
for the
Model Credit Support Addendum (CSA)
to the
Base Contract for Purchase and Sale of Natural Gas

August 2003

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Introduction and DISCLAIMER

This Model Credit Support Addendum (CSA) was completed using the North American Energy Standards Board, Inc.'s (NAESB) processes for development of standards, models or interpretations. The NAESB development process is open to all participants, members and non-members.

DISCLAIMER:

THIS MODEL CREDIT SUPPORT ADDENDUM (CSA) AND THIS USER'S GUIDE WERE DEVELOPED BY THE WHOLESALE GAS QUADRANT (WGQ) OF THE NORTH AMERICAN ENERGY STANDARDS BOARD, INC. (NAESB) AND ITS SUBCOMMITTEES AND ARE PROVIDED FOR THE CONVENIENCE OF NAESB MEMBERS AND ANY OTHER THIRD PARTIES. THE CSA AND THE USER'S GUIDE DO NOT REFLECT ANY POLICY ADOPTED BY NAESB OR ITS MEMBERS AND ARE **INTENDED TO PROVIDE MODEL FORM OF A CSA DOCUMENT AS A POSSIBLE STARTING POINT** FOR PARTIES' NEGOTIATIONS. PARTIES MAY USE OTHER MODEL FORMS OF CREDIT ARRANGMENTS IN CONNECTION WITH NAESB'S *BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS* AND ARE **NOT REQUIRED TO USE THIS MODEL FORM**. PARTIES ARE FREE TO MODIFY THE CSA MODEL FORM FOR THEIR OWN USE. NAESB DOES NOT WARRANT THE LEGAL EFFICACY OF THE CSA OR THE USER'S GUIDE; NOR SHALL THE PROVISIONS OF THESE MODEL FORMS CONSTITUTE THE GIVING OF LEGAL ADVICE. PARTIES ARE ADVISED TO CONSULT WITH THEIR OWN LEGAL COUNSEL TO OBTAIN ADVICE CONCERNING USE OF THESE MODEL FORMS AND OTHERWISE TO ASSURE THE EFFICACY OF ANY CREDIT ARRANGEMENTS THEY MAY MAKE.

Purpose

The CSA is an **optional** addendum to the North American Energy Standards Board, Inc.'s (NAESB) Base Contract for Sale and Purchase of Natural Gas (Base Contract).

During the development of the CSA by members of the NAESB WGQ Contracts Subcommittee, members that expressed interest in proceeding with the development of the CSA offered the following information to support the CSA development and its use.

1. CSA should be a starting point for negotiation of a CSA, if needed, between counterparties.
2. CSA provides a basis for efficient administration of the Transfer of collateral between counterparties.
3. CSA and the User's Guide will provide each party with a check-list of terms and conditions that may be included in a CSA that should minimize the risk of a key term being omitted.
4. The CSA should expedite the negotiation of the final document(s).

Members that expressed concerns on the CSA development and use offered the following information to state when the CSA could be considered as an inappropriate addendum to the Base Contract.

1. The CSA is probably not needed when Local Distribution Company's or End-User's primary purpose of the Base Contract is to buy natural gas from a counterparty and there is little or no sale of natural gas by the Local Distribution Company or End-User to the same counterparty.
2. The CSA may not be needed when a natural gas Producer's primary purpose for the Base Contract is to sell natural gas to a counterparty and there is little or no purchase of natural gas by the natural gas Producer from the same counterparty.
3. The CSA is probably not needed when a pipeline or gathering system operator purchases or sells natural gas on a very infrequent basis.
4. For parties that either primarily sell gas (i.e. producers) or primarily buy gas (i.e. Local Distribution Companies and End-Users) the current credit support provision of the Base

Contract (Section 10.1) should be adequate for such purposes between the counter parties for the specific Base Contract. Further, a CSA to the Base Contract may not be necessary when (1) the Base Contract between counter parties will be used for purchase or sale of natural gas for a term of one month or less, (2) there is no expectation of a long term contractual relationship between the counter parties, or (3) where there is no expectation by either party of reaching an agreement on the CSA terms.

Model Credit Support Addendum (CSA) structure

The structure of the CSA is an optional addendum to the Base Contract. The CSA is designed to be executed concurrently with the underlying Base Contract. If parties would like to add the CSA to an existing Base Contract they should consider using the pro forma special provision noted below for adding the CSA to prior existing Base Contract.

No Pro Forma Special Provision is required to add CSA to concurrent Base Contract

The CSA is an addendum to the Base Contract and both parties must agree to include the CSA as part of the Base Contract before the CSA terms and conditions would apply to the Base Contract. The only action required by the parties is the check the addendum box at the bottom of the Base Contract and then insert the phrase "CSA dated _____" on the adjacent line space. Similar actions would be performed to add the CSA to a Base Contract that includes a Canadian Addendum. As provided in the CSA, capitalized terms used in the CSA that are not defined will have the meanings ascribed to them in the Base Contract. In the event of a conflict between the terms of this CSA and the Base Contract, the terms of this CSA shall apply for the purposes of this CSA.

Pro Forma Special Provision to add CSA to prior existing Base Contract

The CSA is an addendum to the Base Contract and both parties must agree to include the CSA as part of the Base Contract before the CSA terms and conditions would apply to the Base Contract. Model Pro Forma No. 1 below is a form of text to add the CSA to an existing Base Contract that was executed prior to the CSA.

General Matters

Noted below are certain material terms that are either (1) not defined in the CSA and thus have the meanings ascribed to them in the Base Contract or (2) not included in the CSA or the Base Contract as explained below.

"Event of Default" – The CSA has no separate definition of Event of Default since the group decided the Event of Default under Section 10 of the Base Contract was adequate. Please note there is a definition for "Credit Support Default" under CSA Paragraph 10 and "Letter of Credit Default" under CSA Paragraph 7(b),

"Potential Event of Default" – The CSA does not include any reference or application of a "Potential Event of Default". The group decided that "Event of Default", "Credit Support Default" and "Letter of Credit Default" were sufficient for this CSA.

"OPTION A – OR - OPTION B for CSA Paragraphs 4, 5 & 6." – The CSA includes two alternatives for Paragraphs 4, 5 and 6 covering the transfer of collateral between the parties.

OPTION A alternative language is based on the drafting group's decision to delete "Potential Event of Default" noted above. The group believes such deletion is appropriate if parties desire to set a relatively short time period for

- (1) the Pledging Party to Transfer of Collateral after a demand from the Secured Party,
- (2) Secured Party's return of Posted Collateral after a demand for reduction in Posted Collateral by the Pledging Party,

- (3) dispute process for Secured Party's recalculation of Exposure, and
- (4) Pledging Party's opportunity to cure default.

OPTION B alternative language may be used where the parties agree to extend one or more of the time periods for the above items by filling in the applicable blank spaces in Exhibit A to the CSA. Pro Forma Exhibit A is shown below under Appendix C. In this instance, the parties may want to consider reinstating a "Potential Event of Default" provision as additional default triggers in the CSA. **OPTION B** also allows the parties to agree to have the Pledging and Secured Parties perform different obligations and responsibilities under Paragraph 6 relating to disputed calculations of exposure.

In developing **OPTION A** and **OPTION B** alternative for the CSA, the members prepared several timelines related to collateral transfers between the parties. Timelines for Collateral Demands, Return of Collateral and Substitution of Collateral are included in Appendix A for CSA Option A language and in Appendix B for CSA Option B language. These timelines were specifically used to develop Paragraphs 4, 5 and 6 under Option A and B of the CSA. It is suggested that the timelines be reviewed to fully understand the timing and provisions for collateral transfers and disputes for related calculations. The selection of Option A and Option B under the CSA is further explained under the Elections section below.

"Limitations on Frequency of Transfer of Eligible or Posted Collateral" - There was agreement to delete the following limitation on Transfers of Posted Collateral "(but no more frequently than weekly with respect to Letters of Credit and daily with respect to Cash)." The phrase was after the initial phrase "On any Business Day" in the first sentence of the first paragraph of **Paragraph 5. Reduction and Substitution of Posted Collateral**. In part, the group believed the phrase could be deleted since the other limitations on Transfer of Collateral (e.g. "Minimum Transfer Amounts") may be sufficient for most parties. For parties wishing to reinstate this limitation, they may use the Model Pro Forma CSA Special Provision noted below to add the provision to the CSA.

"Credit Rating Definition" - The group agreed to delete the definition of "Credit Rating" and the related definitions for Moody's and S&P due to disputes on the definition for "Credit Rating" and the fact that the definition was referred to only in one location in the CSA. For parties wanting to add a definition for "Credit Rating" to the CSA, Pro Forma Special Provision Text for Collateral Threshold (Rating Matrix alternative), Eligibility to Hold Cash and Custodian Requirements includes applicable language.

CSA Party Information

Identification of Party A and Party B

Party A and Party B should be the same Party A and Party B as set forth in the Base Contract.

Base Contract Date

Base Contract Date is the date of the underlying Base Contract that the CSA is added to as a Special Provision.

Base Contract Number

Base Contract Number is the contract number for the Base Contract that the CSA is added to as a Special Provision.

Credit Related Notices

Party A and Party B should identify person(s) in their respective companies that are authorized to receive notices, demands pursuant to the CSA. These persons are typically credit managers or their equivalent. If a Secured Party wants different persons to receive Eligible Collateral from a Pledging Party, the Secured Party's demand notice should include

the name of such persons in the demand notice instructions. Likewise, if a Pledging Party wants a different person to receive returned Posted Collateral from the Secured Party, the Pledging Party's demand notice should include the name of such persons in the demand notice instructions. For electronic message systems such as Internet e-mail, each party should designate the e-mail address of its internal e-mail box or person(s) authorized to receive such notice in the "Credit Related Notices" election on Page 1 of the CSA. It is presumed that when a party includes the Internet e-mail address under the "Credit Related Notices" election on Page 1 of the CSA that such party is agreeing to use of Internet e-mail as a form of notice under the CSA. Each party should manage their own internal distribution of any notices received by Internet e-mail.

Wire Transfer or ACH Numbers

Party A and Party B should identify the specific accounts for receipt of funds transfer made by the counterparty pursuant to the CSA.

Completing the "Elections"

General

All the blank election spaces for each party to the CSA should be completed or noted as "not applicable (N/A)". Some election spaces are required to be completed as noted below.

Credit Support Provider

Credit Support Provider - The entity that is evaluated from a credit standpoint i.e. based on financial statements and/or unsecured credit ratings. For example, a Credit Support Provider can be either the party's parent company or some other entity agreed upon by the parties. If an entity is identified as a Credit Support Provider, then the other party to the CSA will probably require a Guaranty from the Credit Support Provider.

Interest Rate

Interest Rate - this is the rate that the parties agree will be applied to Posted Collateral in the form of Cash and, subject to certain conditions, paid to the Pledging Party by the Secured Party. A common interest rate election is "Federal Funds Effective Rate - the rate for that day opposite the caption 'Federal Funds (Effective)' as set forth in the weekly statistical release designated as H.15 (519), or any successor publication, published by the Board of Governors of the Federal Reserve System."

Eligible Collateral

Eligible Collateral - Each party will specify the types of collateral that a party will deliver to the other party. The most common types of collateral are cash and letters of credit. Only what is specified on page 1 of the NAESB Model Credit Support Addendum shall be considered Eligible Collateral between the parties unless the parties agree otherwise.

Minimum Transfer Amount

Minimum Transfer Amount - the minimum amount of exposure that must be realized before a transfer of additional Eligible Collateral is required when either (i) a Party's Exposure exceeds the sum of the Posted Collateral held by such Party on behalf of the other Party plus the other Party's Collateral Threshold, OR (ii) a Party's Exposure is less than the sum of the Posted Collateral held on behalf of the other Party plus the other Party's Collateral Threshold.

Letter of Credit Issuer Requirements

Letter of Credit Issuer Requirements - the minimum criteria that must be met by a Letter of Credit Issuer to issue a Letter of Credit to the Secured Party. A typical Letter of Credit Issuer Requirement is:

"Major U.S. commercial bank or a U.S. branch office of a foreign bank, in either case, with a Credit Rating of at least (a) "A-" by S&P and "A3" by Moody's, if such entity is rated by both S&P and

Moody's or (b) "A-" by S&P or "A3" by Moody's, if such entity is rated by either S&P or Moody's, but not both."

A form of Letter of Credit is included in Appendix C, Pro Forma No. 10 "Letter of Credit Agreement". The above provision outlines the requirement for the issuer of the Letter of Credit. The use of this language and form should minimize later disputes and enable parties to safely meet the timelines outlined in the CSA with respect to the transfers of collateral.

Transfer Method for Other Eligible Collateral

Transfer Method for Other Eligible Collateral – The CSA provides the parties the election to identify "Other" forms of Eligible Collateral. When the parties agree to "Other" forms of Eligible Collateral each party should describe the method of transfer for such "Other" Eligible Collateral. For example, if parties identify "Guaranty" as an "Other" Eligible Collateral, the parties should include a description such as "Guaranty shall be Transferred in the manner as set forth in the applicable Special Provisions attached hereto."

Notification Time

Notification Time – the time by which notification must be effective pursuant to the Transfer definition in Paragraph 1. The Notification time triggers the rights and obligations of the Parties, including determining deadlines for responding to demands. Notification Time is 1 p.m. Eastern Prevailing Time unless the parties agree to a different time.

Close of Business

Close of Business – the time by which the Party responsible to transfer new or additional collateral or return Posted Collateral must complete such transfer or return to the other Party. Close of Business corresponds to the Notification Time above and is 5 p.m. Eastern Prevailing Time unless parties agree to a different time.

Collateral Threshold

Collateral Threshold - This is the amount of unsecured credit that a party is willing to tolerate without holding any Eligible Collateral provided by the other party. This amount is often related to the credit quality of the party and/or the long-term business relationships of the parties. Once a party exceeds its set Collateral Threshold, the other party may request the first party to post Eligible Collateral to cover the difference between the party's Exposure and the Collateral Threshold. The elections provide for three basic alternatives for the amount Collateral Threshold for the Pledging Party. Parties could agree to (1) a flat amount for each party as set by the other party, (2) a Rating Matrix where the amounts for each party is based on the Credit Rating of such party, or (3) a combination of flat amount for one party and a Rating Matrix for the other party.

For the flat amount, some members of the drafting group believe that parties could consider setting the Credit Threshold in excess of one (1) month receivables for transactions under the Base Contract(s) between the parties to insure that inadvertent late payments under the Base Contract does not trigger a collateral demand under the CSA. Further, if one party is a Local Distribution Company¹ or other regulated entity that is authorized to recover all its gas costs from their ratepayers under a Gas Cost Recovery (GCR) mechanism (or its equivalent), the other party in setting the Credit Threshold amount could recognize the ability of the local distribution company to recover all its gas costs and related transportation and storage costs in setting the Credit Threshold for the local distribution company. In this event, some members of the drafting group believe that the local distribution company's Credit Threshold could equal the quantity of gas delivered to its customers during the relevant time period times the local distribution company's GCR Rate(s).

¹ - A utility that provides retail natural gas services within a state. Further, the utility's sales and transportation rates, its system supply gas purchasing practices and gas cost recovery are regulated by the state's public utility regulatory commission (or its equivalent).

authorized under the GCR.

If the parties elect the Rating Matrix alternative, the CSA needs special provisions for to add the following:

1. A CSA Special Provision to add the terms below and the Rating Matrix to the CSA (See Pro Forma No. 3, Special Provisions Text),
2. Definition of Credit Rating,
3. Definition of S&P, and
4. Definition of Moody's.

Rounding Amount

Rounding Amount – the amount to which each transfer of Eligible Collateral will be rounded for a Party.

Eligibility Requirements to Hold Cash

Eligibility requirements to Hold Cash - Each party, as the Secured Party, is entitled to hold Cash, provided that it satisfies the conditions specified in the Agreement. The conditions can be based on external credit ratings given to a party by the various rating agencies, financial ratios based on the most recent financial statements or any other condition agreed to by both parties. If the party does not meet the conditions, such party must hold the Cash with a Custodian. Suggested provision text is:

"A party shall be entitled to hold Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party, (2) the party has a Credit Rating from [INSERT CREDIT RATING AGENCY] and the lowest Credit Rating for the party is [INSERT CREDIT RATING FOR A PARTY] or higher from [INSERT SAME CREDIT RATING AGENCY ABOVE]; (3) Cash shall be held only in any jurisdiction within the United States; and (4) [INSERT OTHER CONDITIONS, IF ANY]."

When a Credit Rating Agency is included in the above language it is suggested that the following complete names for S&P and Moody's be used:

Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor (S&P)
Moody's Investors Services, Inc. or its successor (Moody's)

Custodian Requirements

Custodian Requirements – the minimum criteria which must be met by the Secured Party, or its designated Custodian, to hold Posted Collateral. Suggested provision text for Custodian Requirements is:

"A commercial bank or trust company organized under the laws of the United States or a political subdivision thereof, with (i) a Credit Rating of at least (a) "A-" by Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor (S&P) and "A3" by Moody's Investors Services, Inc. or its successor (Moody's), if such entity is rated by both S&P and Moody's or (b) "A-" by S&P or "A3" by Moody's, if such entity is rated by either S&P or Moody's but not both, and (ii) having a capital and surplus of at least \$1,000,000,000."

OPTION A - OR - OPTION B: For Paragraphs 4, 5 & 6

OPTION A or OPTION B check boxes – Parties are to select by a check mark either the box before OPTION A or the box before OPTION B.

Selection of OPTION A box means that the parties agree to apply Paragraphs 4, 5 & 6 under OPTION A in the General Terms and Conditions to the CSA starting on Page 4 of the CSA. If parties select OPTION A then all dates and timeline in Paragraphs 4, 5 & 6 are predetermined as written,

unless specifically modified by the parties. Parties should refer to the timelines in Appendix A for review and understanding of the dates and timelines used for the developments of OPTION A: Paragraphs 4, 5 & 6.

Selection of OPTION B box means the parties agree to apply Paragraphs 4, 5 & 6 under OPTION B in the General Terms and Conditions to the CSA starting on Page 7 of the CSA. If parties select OPTION B, then all timing requirements for Business Day(s) in Paragraphs 4, 5 & 6 are **NOT** predetermined and must be agreed to by the parties and inserted in the blank spaces noted in the designated blanks in Exhibit A to the CSA. Parties should refer to the timelines in Appendix B to assist them in the determining the timing requirements for the Business Day(s) to be inserted in the blank spaces on Exhibit A. Also if parties select OPTION B, the parties must select either the Pledging Party or Secured party to fill in the designated blanks in Paragraph 6 (a) and 6 (b) related to which party's quotation governs when there is a dispute in exposure calculations.

Special Provisions

Special Provisions – additional provisions agreed to between the Parties with respect to performance of the terms and conditions of the CSA. Since the CSA will usually be the starting point for negotiation of a document for credit support, it is highly probable that there will be at least one or more special provisions added to the CSA. Parties are to check the box adjacent to the Special Provisions box and insert a phrase describing the number of sheets attached to the CSA as CSA Special Provisions (e.g. "4 sheets of CSA Special Provisions are attached.").

CSA Special Provision Text

The Model Pro Forma documents described under this section are Special Provision language that members of the NAESB WGQ Contracts Subcommittee have found in their experience to be commonly negotiated between the parties. These are offered for information only as starting points for negotiation between the parties for the specific Special Provisions noted below.

Special Provision Text for Guaranty

Party A and Party B should identify their respective Credit Support Providers, if any. If that Credit Support is to be in the form of a Guaranty, the parties may include a provision to identify the Guarantor and provisions related to the Transfer and requirements of the Guaranty and the obligations of the Pledging Party and Secured Party. See Pro Forma No. 2 for suggested form of Special Provision Text.

Special Provision Text for Collateral Threshold using "Rating Matrix"

Party A or B may elect to use a Rating Matrix to define the Collateral Threshold. The use of the Rating Matrix may be adapted to apply to Party A and Party B, or each party individually, as the parties mutually agree. See Pro Forma No. 3 for suggested form of Special Provision Text.

Special Provision Text for Independent Amount

The parties may elect to utilize the concept of an "Independent Amount" to address the lack of credit for either party. This concept is similar to a provision in the ISDA credit support documents. See Pro Forma No. 4 for suggested form of Special Provision Text.

Special Provision Text for Rating Agency and Definitions

The Parties may want to amend the definition of Credit Rating to include rating agencies other than S&P and Moody's. See Pro Forma No. 5 for suggested form of Special Provision Text.

Special Provision Text for Specified Letter of Credit Issuers

Party A and Party B may choose to identify their specific Letter of Credit Issuer and/or the general requirements for an acceptable LC Issuer and/or the form of LC to be used. A party would do this to minimize any concerns of the other party, if and when such

Letter of Credit Issuer issues a Letter of Credit. See Pro Forma No. 6 for suggested form of Special Provision Text.

Special Provision Text for Exclusion of certain Base Contract transactions from inclusion in CSA

Party A and Party B may choose to exclude certain transactions of either Party A or Party B from all calculations for Exposure under the CSA. The exclusion of transactions may be based on a party's desire to limit applicability of the CSA to (1) transaction(s) where natural gas is directly delivered into the party's facilities and not at a remote physical location, (2) where certain transactions are for terms of less than one month or (3) for any other reason. See Pro Forma No. 7 for suggested form of Special Provision Text.

Special Provision Text for Limitations on Frequency of Transfer of Eligible or Posted Collateral

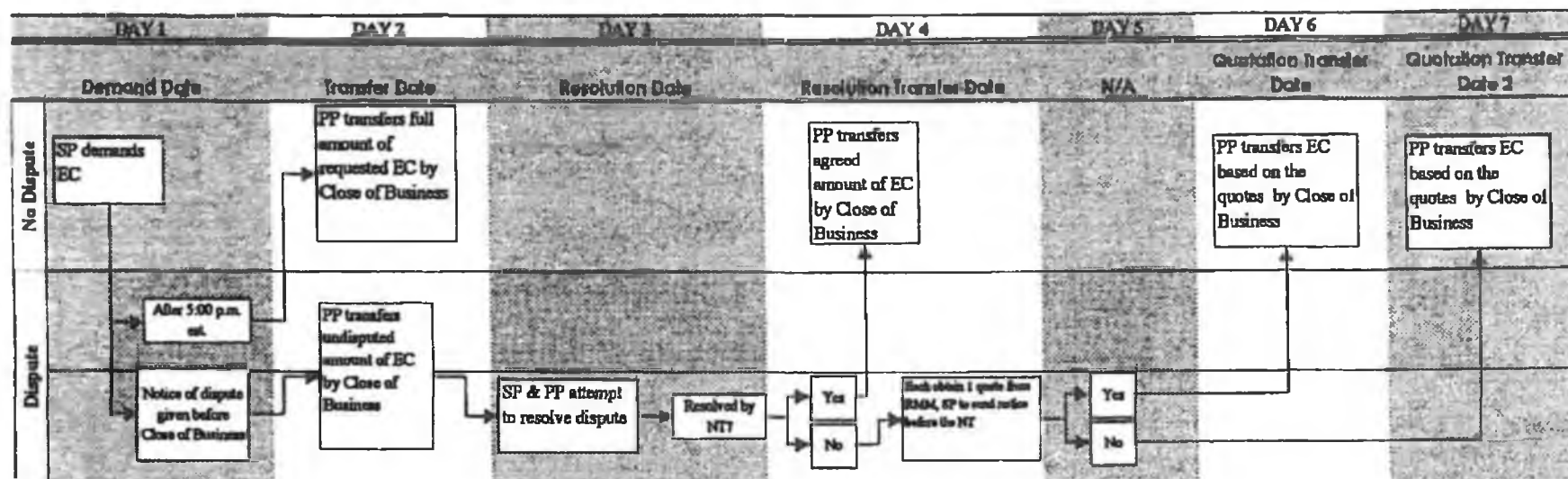
Party A and Party B may choose to limit the frequency of the Transfer of Eligible or Posted Collateral. See Pro Forma No. 8 for suggested form of Special Provision Text.

Special Provision Text for CSA as Exclusive Method for transfer of Eligible Collateral or Posted Collateral

Party A and Party B may agree to have the CSA be the exclusive method to transfer Eligible Collateral or Posted Collateral under the NAESB Base Contract and the CSA. See Pro Forma No. 9 for suggested form of Special Provision Text.

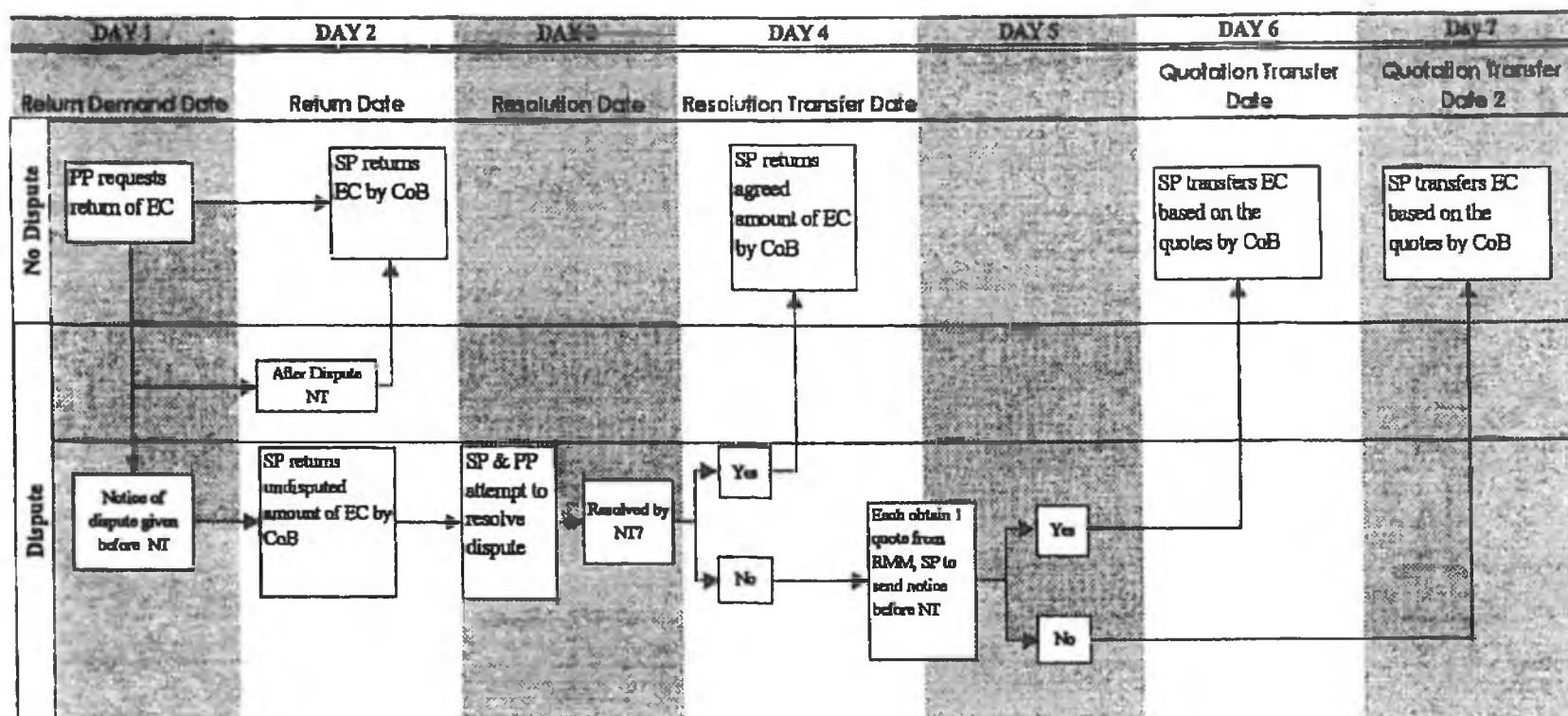
NOTE: The group did not include this provision in the CSA since many believed this provision would limit the ability of parties to demand and receive Eligible Collateral under Section 10.2 of the Base Contract for additional adequate assurances. This transfer of Eligible Collateral was felt to be an additional right to calculation of Eligible Collateral determined under Paragraphs 4, 5 & 6 of the CSA.

APPENDIX A-1: OPTION A for Paragraph 4, Timeline for Collateral Demands



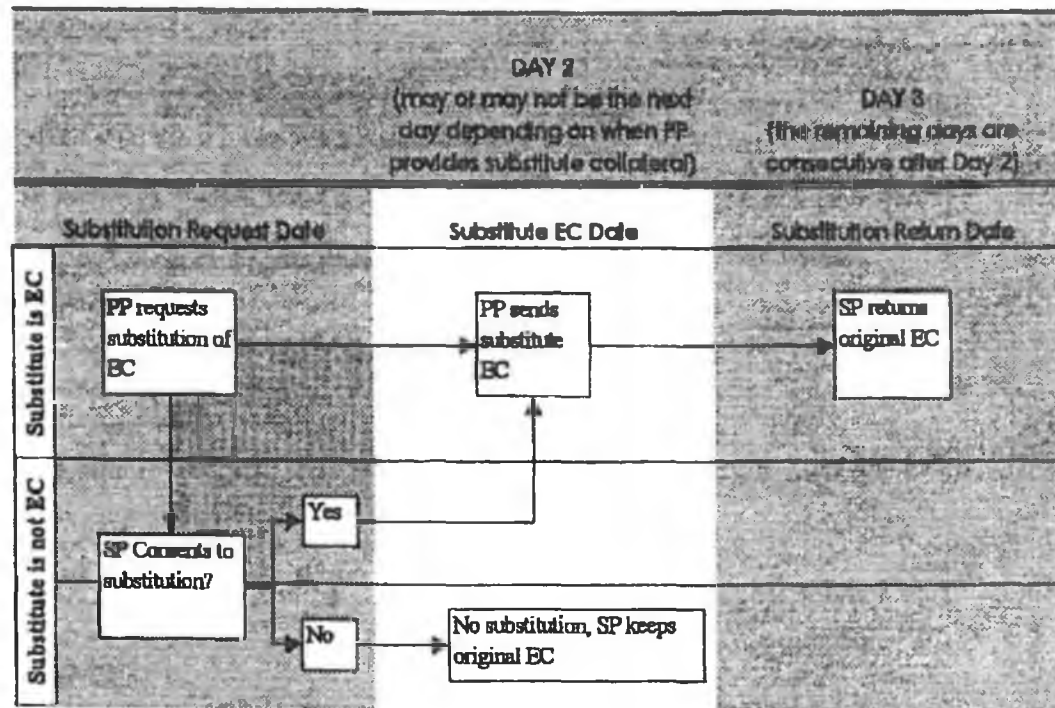
SP = Secured Party, PP = Pledging Party, EC = Eligible Collateral, RMM = Reference Market Marker, NT = Notification Time

APPENDIX A-2: OPTION A for Paragraph 5, Timeline for Return of Collateral



SP = Secured Party, PP = Pledging Party, EC = Eligible Collateral, RMM = Reference Market Marker, NT = Notification Time

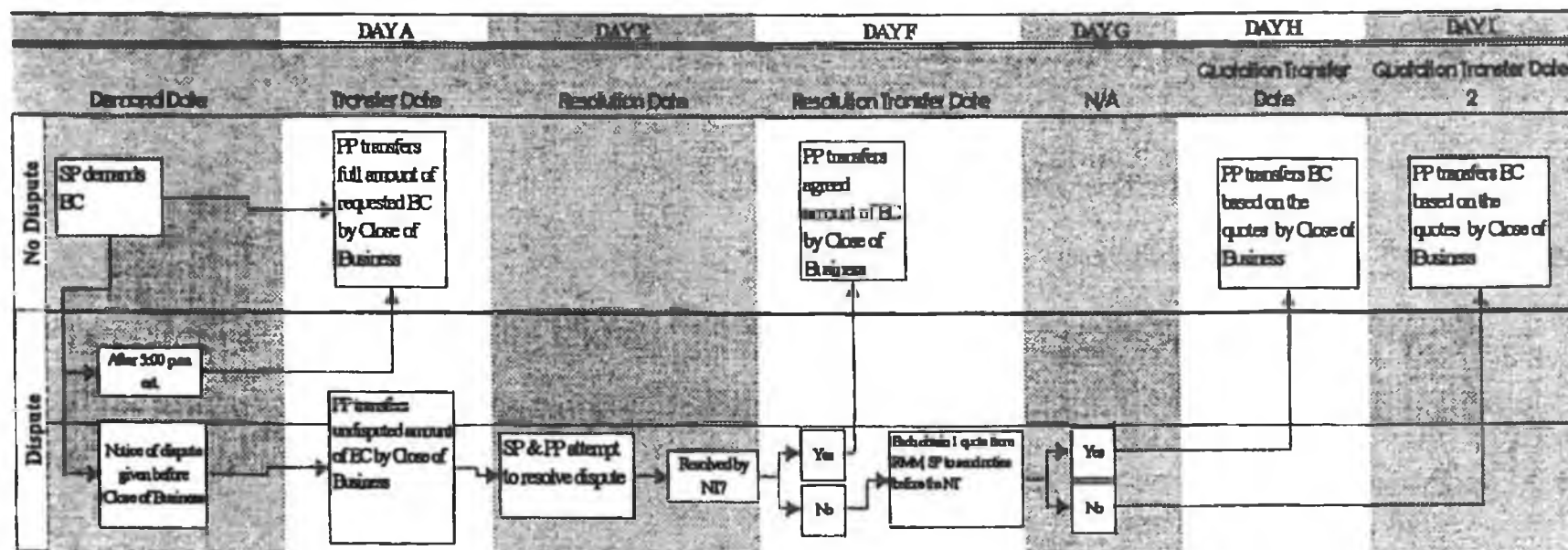
APPENDIX A-3: OPTION A for Paragraph 5, Timeline for Substitution of Collateral



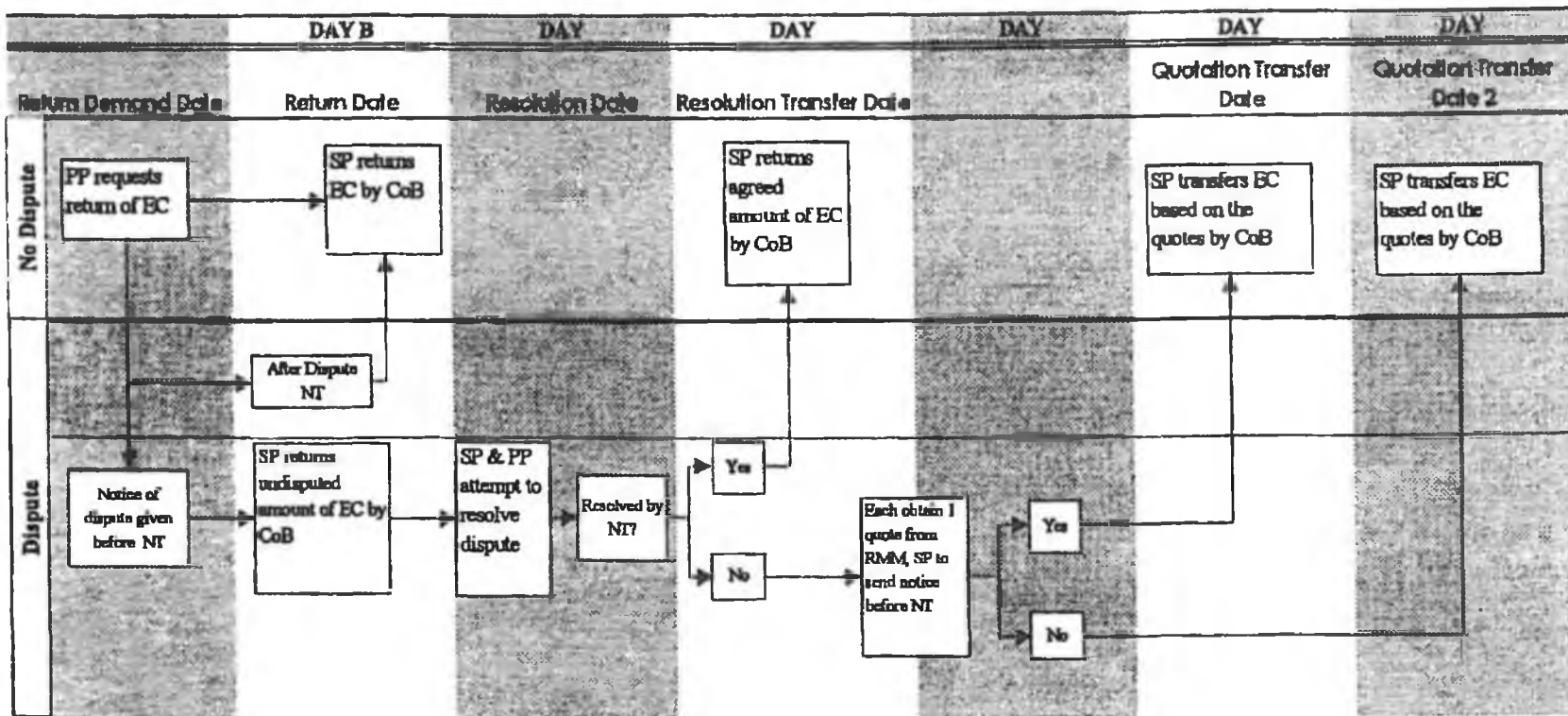
SP = Secured Party, PP = Pledging Party, EC = Eligible Collateral, RMM = Reference Market Marker, NT = Notification Time

APPENDIX B-1: OPTION B for Paragraph 4. Timeline for Collateral Demands

SP = Secured Party, PP = Pledging Party, EC = Eligible Collateral, RMM = Reference Market Maker, NT = Notification Time

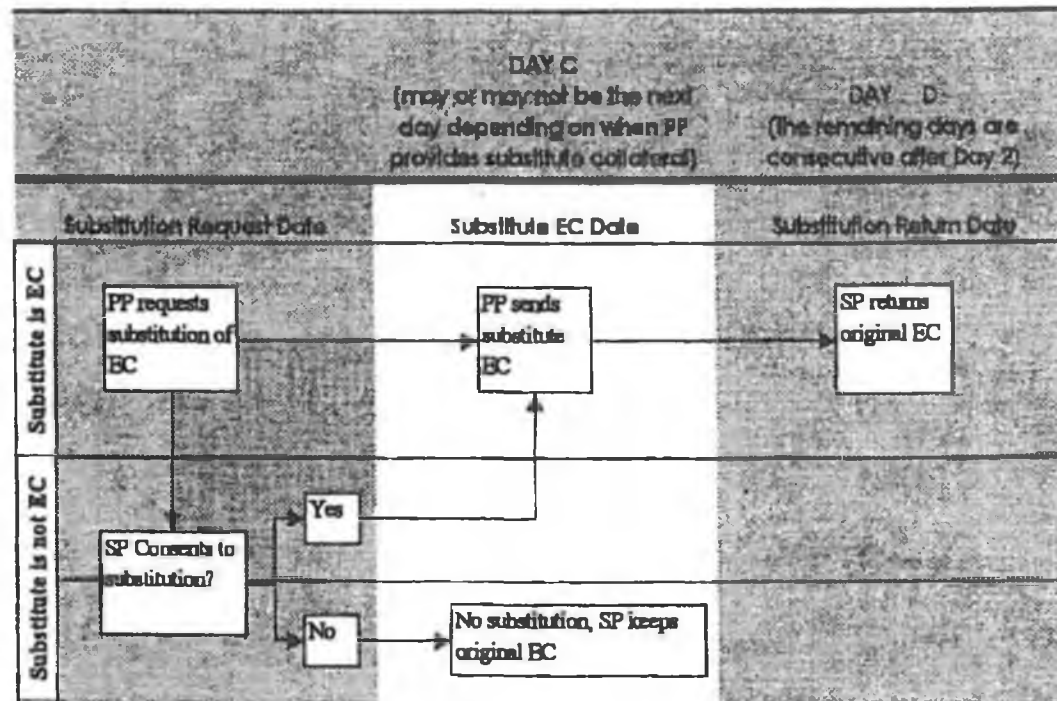


APPENDIX B-2: OPTION B for Paragraph 5. Timing for Return of Collateral



SP = Secured Party, PP = Pledging Party, EC = Eligible Collateral, RMM = Reference Market Marker, NT = Notification Time

APPENDIX B-3: OPTION B for Paragraph 5. Timeline for Substitution of Collateral



SP = Secured Party, PP = Pledging Party, EC = Eligible Collateral, RMM = Reference Market Marker, NT = Notification Time

APPENDIX C, Exhibit A to CSA for OPTION B Election

EXHIBIT A

to the
Credit Support Addendum (the "CSA")
to the
Base Contract for Sale and Purchase of Natural Gas

This Exhibit A is hereby incorporated into and made a part of the CSA to Base Contract between Party A and Party B, dated _____	
Party A: _____	Party B: _____
The parties have agreed to use Option B, as indicated on the first page of the CSA, and hereby make the following elections with respect to Option B ¹ :	
Timing requirements for the designated number of Business Day(s) must be selected for each of the following: A: _____ I: _____ B: _____ J: _____ C: _____ K: _____ D: _____ L: _____ E: _____ M: _____ F: _____ N: _____ G: _____ O: _____ H: _____	Secured or Pledging must be selected for each of the following: A1: _____ A2: _____ A3: _____ A4: _____ A5: _____ A6: _____ A7: _____ A8: _____
Party A: _____ By: _____ Title: _____ Date: _____	Party B: _____ By: _____ Title: _____ Date: _____

¹ The recommended format of the timing requirements (numbers) for the designated Business Days should be as follows: first (or 1st), second (or 2nd), third (or 3rd), etc

APPENDIX D, Pro Forma Listing

1. Pro Forma Special Provision Text No. 1 – Base Contract Amendment Text to add CSA to prior existing Base Contract
2. Pro Forma Special Provision Text No. 2 – CSA Special Provision Text to add Guaranty to CSA
3. Pro Forma Special Provision Text No. 3 – CSA Special Provision Text to add Collateral Threshold using "Rating Matrix" to CSA
4. Pro Forma Special Provision Text No. 4 – CSA Special Provision Text to add Independent Amount to CSA
5. Pro Forma Special Provision Text No. 5 – CSA Special Provision Text to add Rating Agency and Definitions to CSA.
6. Pro Forma Special Provision Text No. 6 – CSA Special Provision Text to add Specified Letter of Credit Issuer to CSA.
7. Pro Forma Special Provision Text No. 7 – CSA Special Provision Text to exclude certain Base Contract Transactions from the CSA.
8. Pro Forma Special Provision Text No. 8 – CSA Special Provision Text to limit frequency of the Transfer of Eligible Collateral and Posted Collateral
9. Pro Forma Special Provision Text No. 9 – CSA Special Provision Text to add CSA as the Exclusive Method for Transfer of Eligible Collateral and Posted Collateral
10. Pro Forma No. 10 – Letter of Credit Agreement
11. Pro Forma No. 11 – Control Agreement

PRO FORMA No.1. Base Contract Amendment Text to
Add CSA to prior existing Base Contract

Amendment to North American Energy Standard Board, Inc.'s (NAESB) Base Contract for Sale and Purchase of Natural Gas dated _____, 20____ ("Base Contract") between _____ (Party A) and _____ (Party B)

The parties hereby agree to amend the Base Contract to incorporate the Model Credit Support Addendum dated _____, 20____ ("CSA") between the parties attached hereto and made a part of the Base Contract.

Capitalized terms used in the CSA and the CSA's Special Provisions shall have the meanings ascribed to them in the Base Contract. Sections referenced in these Special Provisions refer to a Section of the General Terms and Conditions of the Base Contract, unless specified otherwise.

IN WITNESS WHEREOF, the parties hereto have executed this page of this Base Contract Amendment in duplicate.

Party A Name _____

By _____

Name: _____

Title: _____

Party B Name _____

By _____

Name: _____

Title: _____

PRO FORMA No. 2. Special Provision Text to
Add Guaranty to CSA

Elections on Page 1 of CSA

1. Party's A Credit Support Provider will provide a Guaranty to the Secured Party in accordance with the requirements set forth in this CSA.
2. Party's B Credit Support Provider will provide a Guaranty to the Secured Party in accordance with the requirements set forth in this CSA.
3. Add Guaranty as Other "Eligible Collateral" for both parties with a Valuation Percentage of 100%.

Paragraph 2 – Definitions

4. Add the following provisions to the defined terms in the CSA:
"Guarantor" shall mean an entity who shall be a Credit Support Provider, eligible to provide a Guaranty in accordance with the requirements set forth herein."
"Guaranty" shall mean a guaranty of payment and not performance, issued by a Guarantor and in form and for an amount reasonably acceptable to the Secured Party."
5. Under "Transfer" or "Transferred" deleted Item (iv) and substitute therefor:
"(iv) In any case in which Eligible Collateral or Posted Collateral is in the form of a Letter of Credit or Guaranty, the deadlines set forth for providing such collateral to the other party may be met by providing a facsimile copy of the Letter of Credit or Guaranty with an original transmitted by overnight courier for delivery on the next Business Day."
6. Add the following term under the definition of "Transfer" or "Transferred":
"(v) In the case of Guaranties, Transfer of the Guaranty or an amendment thereto to the recipient."

Paragraph 10 – Credit Support Default

7. Delete the word "or" at the end of the sentence under Paragraph 10 (a) (ii).
8. Add the following terms under "Credit Support Default", Paragraph 10 (a):
"(iv) any representation or warranty made by a Guarantor in connection with a Guaranty issued as Credit Support pursuant to this CSA or Base Contract is false or misleading in any material respect when made or when deemed made or repeated;
(v) the failure of a Guarantor's Guaranty to be in full force and effect for purposes of this CSA (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under each Transaction to which such Guaranty shall relate without the written consent of the other Party;
(vi) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any Guaranty issued as Credit Support pursuant to this CSA; or
(vii) the failure of the Guarantor to make any payments required or to perform any other material covenant or obligation in any Guaranty made in connection with the Base Contract."

Paragraph 11 – Representations and Warranties

9. Delete the parenthetical phrase "(other than Letters of Credit)" on lines 5, 12 and 13 and substitute therefor the parenthetical phrase "(other than Letters of Credit or Guaranties)."

Paragraph 13 – General

10. Delete the parenthetical phrase "(other than Letters of Credit)" on lines 3 and 4 and substitute therefor the parenthetical phrase "(other than Letters of Credit or Guaranties)."

[End of CSA Special Provision Text]

PRO FORMA No. 3. Special Provision Text to
Add Collateral Threshold "Rating Matrix" to CSA

Elections on Page 1 of CSA

1. The Rating Matrix for [Party A] [Party A's Credit Support Provider] selected below shall define the Collateral Threshold for such designated party(ies).
- ☐ The amount set forth below under the heading "Party A Collateral Threshold" opposite the Credit Rating for [Party A][Party A's Credit Support Provider] on the relevant date of determination, or (b) zero if on the relevant date of determination [Party A][Party A's Credit Support Provider] does not have a Credit Rating from the rating agency specified below.

Party A

Collateral Threshold

[Rating Agency] Credit Rating

\$ _____	_____ (or above)
\$ _____	_____
\$ _____	_____
\$ _____	_____
\$ _____	Below _____

- ☐ The amount set forth below under the heading "Party A Collateral Threshold" opposite the Credit Rating for [Party A][Party A's Credit Support Provider] on the relevant date of determination, and if [Party A's][Party A's Credit Support Provider's] Credit Ratings shall not be equivalent, the lower Credit Rating shall govern or (b) zero if on the relevant date of determination [Party A][its Credit Support Provider] does not have a Credit Rating from the rating agency(ies) specified below.

Party A

Collateral Threshold

**[Rating Agency] Credit
Rating**

**[Rating Agency] Credit
Rating**

\$ _____	_____ (or above)	_____ (or above)
\$ _____	_____	_____
\$ _____	_____	_____
\$ _____	_____	_____
\$ _____	Below _____	Below _____

The amount set forth below under the heading "Party A Collateral Threshold" opposite the ACRV for [Party A][Party A's Credit Support Provider] on the relevant date of determination.

"ACRV" means, with respect to any person, the average of the Numerical Values applicable to the Credit Ratings published (if any) for such person by any of S&P, Moody's and Fitch, as determined in accordance with the matrix below. In determining the ACRV, the average of the

Numerical Values shall be rounded as follows: if the first decimal number is five (5) or below, the ACRV shall be rounded to the next lower Integer, and if the first decimal number is six (6) or above, the ACRV shall be rounded up to the next highest integer.

Party A

<u>Collateral Threshold</u>	<u>S&P Credit Rating</u>	<u>Moody's Credit Rating</u>	<u>Fitch Credit Rating</u>	<u>Numerical Value/ACRV</u>
\$ _____	AAA	Aaa	AAA	1
\$ _____	AA+	Aa1	AA+	2
\$ _____	AA	Aa2	AA	3
\$ _____	AA-	Aa3	AA-	4
\$ _____	A+	A1	A+	5
\$ _____	A	A2	A	6
\$ _____	A-	A3	A-	7
\$ _____	BBB+	Baa1	BBB+	8
\$ _____	BBB	Baa2	BBB	9
\$ _____	BBB-	Baa3	BBB1	10
\$ _____	BB+	Ba1	BB+	11
\$ _____	BB	Ba2	BB	12
\$ _____	BB-	Ba3	BB-	13
\$ _____	B+	B1	B+	14
\$ _____	B	B2	B	15
\$ _____	B-	B3	B-	16

If either S&P or Moody's withdraws a Credit Rating assigned to an entity (without assignment of a new Credit Rating), 16 shall be used as the Numerical Value from such rating agency for purposes of calculating the Average Credit Rating Value for such person. If Fitch withdraws a Credit Rating published with respect to a person, the ACRV shall be calculated as if Fitch had never provided a Credit Rating with respect to such person.

[End of CSA Special Provision Text]

PRO FORMA No. 4. Special Provision Test to
Add Independent Amount to CSA

Paragraph 2 – Definitions

1. Add the following definition :

"Independent Amount" shall have the meaning as set forth in the elections below as agreed to by the parties;
- ☐ Party **[A or B]** shall have a Fixed Independent Amount of \$_____. If the Fixed Independent Amount option is selected for Party **[A or B]**, then Party **[A or B]** (which shall be a Pledging Party with respect to the Fixed Independent Amount Credit Support) will be required to Transfer or cause to be Transferred to the other (which shall be a Secured Party with respect to the Fixed Independent Amount Credit Support) Eligible Collateral with a Value equal to the amount of such Independent Amount (the "Fixed IA Credit Support"). The Fixed IA Credit Support shall not be reduced for so long as there are any outstanding obligations between the Parties as a result of the CSA, and shall not be taken into account when calculating Party **[A or B]**'s Collateral Requirement, as applicable, pursuant to the CSA. Except as expressly set forth above, the Fixed IA Credit Support shall be held and maintained in accordance with, and otherwise be subject to the CSA.
- ☐ Party **[A or B]** shall have a Full Floating Independent Amount of \$_____. If the Full Floating Independent Amount option is selected for Party **[A or B]**, then for purposes of calculating Party **[A or B]**'s Collateral Requirement, as applicable, pursuant to Paragraph 3 of the CSA, such Full Floating Independent Amount for Party **[A or B]** shall be added to the other party's Exposure.
- ☐ Party **[A or B]** shall have a Partial Floating Independent Amount of \$_____. If the Partial Floating Independent Amount option is selected for Party **[A or B]**, then Party **[A or B]** will be required to Transfer or cause to be Transferred to the other party Eligible Collateral with a Value equal to the amount of such Independent Amount (the "Partial Floating IA Credit Support") if at any time Party **[A or B]** otherwise has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount) pursuant to Paragraph 3 of the CSA. The Partial Floating IA Credit Support shall not be reduced so long as Party **[A or B]** has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount). The Partial Floating Independent Amount shall not be taken into account when calculating a Party's Collateral Requirements pursuant to the CSA. Except as expressly set forth above, the Partial Floating Independent Amount shall be held and maintained in accordance with, and otherwise be subject to, the CSA.

[End of CSA Special Provision Text]

PRO FORMA No. 5, Special Provision Text to
Add new Rating Agency to CSA

Paragraph 2 – Definitions

1. Under the definition of "Credit Rating" delete the last phrase "or any other specified rating agency." and substitute therefor:
" or [Insert name of Rating Agency]."

[End of CSA Special Provision Text]

Elections on Page 1 of CSA

- [End of CSA Special Provision Text]**

PRO FORMA No. 7. Special Provision Text to
Exclude certain Base Contract transactions from CSA

Paragraph 2 – Definitions

1. Under the definition of "Exposures" at the end of the sentence after the phrase "between the bid price and the offer price" add the following phrase:

"; provided further, that the Net Settlement Amount shall not include any Transaction under the Base Contract designated by the Pledging Party to be excluded from the CSA as noted in the "Special Conditions" portion of the Base Contract's "Transaction Confirmation for Immediate Delivery" document"

[End of CSA Special Provision Text]

PRO FORMA No. 8. Special Provision Text to
Add limits on frequency of Collateral Transfers to CSA

Paragraph 5 – Reduction and Substitution of Posted Collateral

1. Under Paragraph 5 (a) after the beginning phrase "On any Business Day" in the first sentence insert the parenthetical phrase (but not more frequently than weekly for Letters of Credit **[Insert the phrase "and Guaranties" if applicable]** and daily with respect to Cash)"

[End of CSA Special Provision Text]

PRO FORMA No. 9. Special Provision Text to
Add CSA as the Exclusive Method for Collateral Transfers to CSA

Paragraph 13 – General

1. Under Paragraph 13 add the following provision:
 - “(f) Unless otherwise agreed in writing, the parties agree that this CSA is the sole and exclusive method for Transfer of Eligible Collateral, return of Posted Collateral and any transactions related thereto.”

[End of CSA Special Provision Text]

PRO FORMA No. 10, Letter of Credit Agreement

IRREVOCABLE STANDBY LETTER OF CREDIT

DATE OF ISSUANCE: _____

[Address]

Re: Credit No. _____

We hereby establish our Irrevocable Transferable Standby Letter of Credit in your favor for the account of _____ (the "Account Party"), for the aggregate amount not exceeding _____ United States Dollars (\$ _____), available to you at sight upon demand at our counters at (Location) on or before the expiration hereof against presentation to us of one or more of the following statements, dated and signed by your representative:

"An Event of Default (as defined in the Base Contract for Sale and Purchase of Natural Gas dated as of _____ between the beneficiary hereof and the Account Party, as the same may have been amended (the "Master Agreement")) has occurred and is continuing with respect to the Account Party under the Master Agreement. Wherefore, the undersigned beneficiary does hereby demand payment of the entire undrawn amount of the Letter of Credit."; or

"An Early Termination Date (as defined in the Base Contract for Sale and Purchase of Natural Gas dated as of _____ between the beneficiary hereof and the Account Party, as the same may have been amended (the "Master Agreement")) has occurred and is continuing with respect to the Account Party under the Master Agreement. Wherefore, the undersigned beneficiary does hereby demand payment of the entire undrawn amount of the Letter of Credit."

The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings previously paid by us hereunder. Partial drawings are permitted hereunder.

This Letter of Credit shall expire _____ (____) Days from the date of issuance, but shall automatically extend without amendment for additional _____ (____)-Day periods from such expiration date and from subsequent expiration dates, if you, as beneficiary, and the Account Party have not received due notice of our intention not to renew ninety (90) Days prior to any such expiration date.

We hereby agree with you that drafts drawn under and in compliance with the terms of this Letter of Credit shall be duly honored upon presentation as specified.

This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500 (the "UCP"), except to the extent that the terms hereof are inconsistent with the provisions of the UCP, in which case the terms of this Letter of Credit shall govern.

With respect to Article 13(b) of the UCP, the Issuing Bank shall have a reasonable amount of time, not to exceed three (3) banking Days following the date of its receipt of documents from the beneficiary hereof, to examine the documents and determine whether to take up or refuse the documents and to inform the beneficiary hereof accordingly.

In the event of an Act of God, riot, civil commotion, insurrection, war or any other cause beyond our control that interrupts our business (collectively, an "Interruption Event") and causes the place for presentation of this Letter of Credit to be closed for business on the last Day for presentation, the expiry date of this Letter of Credit will be automatically extended without amendment to a date thirty (30) calendar Days after the place for presentation reopens for business.

This Letter of Credit is transferable, and we hereby consent to such transfer, in connection with a permitted transfer under the Master Agreement but otherwise may not be amended, changed or modified without the express written consent of the beneficiary hereof, the Issuing Bank and the Account Party.

Typographical errors other than in amounts are not considered discrepancies.

[BANK SIGNATURE]

PRO FORMA No. 11. Control Agreement

**CONTROL AGREEMENT
(Cash and Securities as Collateral)**

Control Agreement dated as of _____ 2003, by and among _____ ("Secured Party"), _____ listed on Attachment A hereto ("Pledgor"), and _____ ("Custodian") (the "Agreement").

WHEREAS, pursuant to a custodian contract between Custodian and Pledgor (as amended, the "Custodian Agreement"), Custodian acts as custodian for Pledgor's assets and, as such Custodian, has established a custodial account in the name of Pledgor, in which the Collateral (together with other assets of Pledgor) will be held; and

WHEREAS, Secured Party and Pledgor have entered into a NAESB Base Contract for Sale and Purchase of Natural Gas and Credit Support Annex, dated as of _____, 2003 (as amended from time to time, the "Master Agreement"); and

WHEREAS, pursuant to the terms of the Master Agreement, Pledgor will from time to time pledge certain assets specified by Pledgor and identified to the Custodian as Collateral (as defined below) to secure Pledgor's obligations under the Master Agreement; and

WHEREAS, Secured Party, Pledgor and Custodian are entering into this Agreement to provide for the control of the Collateral;

NOW, THEREFORE, in consideration of the mutual promises set forth herein, it is agreed as follows:

1. **Collateral Account.** Pledgor, from time to time, shall instruct the Custodian by any of the means mutually agreed to between Pledgor and the Custodian (which shall constitute "Proper Instructions" under the Custodian Agreement), to segregate U. S. Cash, certain U.S. Government securities or other U.S. securities acceptable to Secured Party ("Collateral") for the benefit of Secured Party. Such Collateral (other than cash Collateral) shall be identified and segregated on the Custodian's books and records under the name "_____ for the benefit of _____" (the "Securities Account"). The Custodian shall hold such Collateral as financial assets under Article 8 of the Uniform Commercial Code (the "UCC"), as in effect from time to time in an account assigned by US Bank. The Custodian shall identify and segregate in a separate deposit account (as defined in Section 9-102 of the UCC) any cash Collateral and hold it under the name "_____ for the benefit of _____" (the "Deposit Account" and, together with the Securities Account, the "Collateral Account"). The Custodian agrees not to change the name on the Collateral Account without the prior written consent of Secured Party. The Custodian shall have no responsibility for determining the adequacy of any Collateral required hereunder or under the Master Agreement, nor will it assume responsibility for any calculations related to any Collateral requirements under the Master Agreement.

2. **Account Control.**

2.1 Security Interest. This Agreement is intended by Secured Party and Pledgor to grant "control" of the Collateral Account to Secured Party for purposes of perfection of Secured Party's security interest in such Collateral pursuant to Article 8 and Article 9 of the UCC, and the Custodian hereby acknowledges that it has been advised of Pledgor's grant to Secured Party of a security interest in the Collateral Account. Notwithstanding the foregoing, the Custodian makes no representation or warranty with respect to the creation or enforceability of any security interest in the Collateral Account.

2.2 Joint Control by Secured Party and Pledgor. Unless and until the Custodian receives written notice from Secured Party pursuant to Section 2.3 below instructing the Custodian that Secured Party is exercising its right to exclusive control over the Collateral Account, which notice is substantially in the form attached hereto as Exhibit A (a "Notice of Exclusive Control"), or if all

previous Notices of Exclusive Control have been revoked or rescinded in writing by Secured Party: (i) the Custodian shall take actions with respect to the Collateral in the Collateral Account upon the joint instructions of Secured Party and Pledgor, and (ii) the Custodian shall have no responsibility or liability to Secured Party or Pledgor for actions taken in accordance with such joint instructions.

2.3 Control by Secured Party.

(i) Upon receipt by the Custodian of a Notice of Exclusive Control, the Custodian shall thereafter follow only the instructions of Secured Party with respect to the Collateral Account and shall comply with any entitlement order or instructions (within the meaning of Sections 8-102 and 9-106 of the UCC) received from Secured Party, without further consent of Pledgor or any other person, and Custodian will not comply with entitlement orders or instructions concerning the Collateral originated by Pledgor without the prior written consent of Secured Party.

(ii) Secured Party represents and warrants to Pledgor that Secured Party will only issue to the Custodian a Notice of Exclusive Control if Secured Party has determined in good faith that an event or default or other authorized event has occurred under the Master Agreement which entitles Secured Party to exercise its rights as a secured party with respect to the Collateral in the Collateral Account.

(iii) The Custodian shall have no responsibility or liability to Pledgor for complying with a Notice of Exclusive Control or complying with entitlement orders originated by Secured Party concerning the Collateral Account. The Custodian shall have no duty to investigate or make any determination to verify the existence of an event of default or compliance by either Secured Party or Pledgor with applicable law or the Master Agreement, and the Custodian shall be fully protected in complying with a Notice of Exclusive Control whether or not Pledgor may allege that no such event of default or other like event exists.

(iv) As between Secured Party and the Custodian, notwithstanding any provision contained herein or in any other document or instrument to the contrary, the Custodian shall not be liable for any action taken or omitted to be taken at the instruction of Secured Party, or any action taken or omitted to be taken under or in connection with this Agreement, except for the Custodian's own gross negligence or willful misconduct in carrying out such instructions.

3. [Distributions. The Custodian shall, without further action by Pledgor or Secured Party, credit to Pledgor's custodial account all interest, dividends and other income received by the Custodian on the Collateral, unless the Custodian has received a Notice of Exclusive Control and until such Notice of Exclusive Control has been revoked or rescinded in writing by Secured Party. Pledgor and Secured Party agree that any such instructions from Secured Party shall be pursuant to the terms of the Master Agreement.]

4. Final Returns; Release of Security Interest.

4.1 Returns. If there are no transactions outstanding under the Master Agreement, Pledgor may request Secured Party to instruct Custodian to release all Collateral held in the Collateral Account. Custodian will effect such release as soon as reasonably practicable after receiving instructions from Secured Party and Pledgor.

4.2 Release of Security Interest. Secured Party agrees to notify the Custodian promptly in writing when all obligations of Pledgor to Secured Party under the Master Agreement have been fully paid and satisfied (and any commitment of Secured Party to advance further amounts or credit thereunder has been terminated) or Secured Party otherwise no longer claims any interest in the Collateral in the Collateral Account, whichever is sooner; at which time the Custodian shall have no further liabilities or responsibilities hereunder and the Custodian's obligations under this Agreement shall terminate.

5. Duties and Services of Custodian.

(i) Custodian agrees that it is acting as a securities intermediary, as defined in Section 8-102 of the UCC, with respect to the Collateral in the Securities Account, except Identified Securities. The parties acknowledge that the Custodian Agreement is governed by the laws of _____ and that, as a consequence, the jurisdiction of the Custodian as securities intermediary and bank

is _____. The Custodian agrees that, with respect to the Collateral in the Deposit Account, it is acting as a "bank" as such term is used in Section 102(a)(29) of the UCC.

(ii) The Custodian shall have no duties, obligations, responsibilities or liabilities with respect to the Collateral Account except as and to the extent expressly set forth in this Agreement and the Custodian Agreement, and no implied duties of any kind shall be read into this Agreement against the Custodian including, without limitation, the duty to preserve, exercise or enforce rights in the Collateral and the Collateral Account. The Custodian shall not be liable or responsible for anything done or omitted to be done solely by it in good faith and in the absence of gross negligence and may rely and shall be protected in acting upon any notice, instruction or other communication which it reasonably believes to be genuine and authorized.

(iii) As between Pledgor and the Custodian, except for the rights of control in favor of Secured Party agreed to herein, nothing herein shall be deemed to modify, limit, restrict, amend or supercede the terms of the Custodian Agreement, and Custodian shall be and remain entitled to all of the rights, indemnities, powers, and protections in its favor under the Custodian Agreement, which shall apply fully to the Custodian's actions and omissions hereunder. Instructions under this Agreement from Pledgor's authorized representative given in accordance with the terms of the Custodian Agreement shall also constitute Proper Instructions under the Custodian Agreement.

(iv) Secured Party agrees to provide to Custodian, on Exhibit B attached hereto, the names and signatures of authorized parties who may give instructions or entitlement orders concerning the Collateral Account.

(v) Custodian agrees to provide to Secured Party daily statements, via facsimile or electronic mail, of the collateral (including cash and securities) pledged by Secured Party held in the account.

(vi) The parties hereto acknowledge that no "security entitlement" under the UCC shall exist with respect to any cash or any financial asset held in the Collateral Account which is registered in the name of Pledgor, payable to the order of the Pledgor, or specially indorsed to Pledgor or any third party (each such asset an "Identified Security"), except to the extent such Identified Security has been specially indorsed by Pledgor to the Custodian or in blank. Furthermore, Pledgor agrees to specially indorse any such Identified Security to the Custodian or in blank. The parties further acknowledge and agree that any such cash and/or Identified Securities received by the Custodian and credited to the Collateral Account from time to time shall (so long as so credited to the Collateral Account and so long as this Agreement remains in effect) be held by the Custodian for the benefit of Secured Party, not in its capacity as a "securities intermediary" (as defined in the UCC), but in its capacity as a custodial agent under and subject to the terms of this Agreement.

6. **Force Majeure.** The Custodian shall not be liable for delays, errors or losses occurring by reason of circumstances beyond its control, including, without limitation, acts of God, market disorder, terrorism, insurrection, war, riots, failure of transportation or equipment, or failure of vendors, communication or power supply. In no event shall the Custodian be liable to any person for consequential or special damages, even if the Custodian has been advised of the possibility or likelihood of such damages.
7. **Compliance with Legal Process and Judicial Orders.** The Custodian shall have no responsibility or liability to Secured Party or Pledgor or to any other person or entity for acting in accordance with any judicial or arbitral process, order, writ, judgment, decree or claim of lien relating to the Collateral Account subject to this Agreement notwithstanding that such order or process is subsequently modified, vacated or otherwise determined to have been without legal force or effect.
8. **Custodian Representations.** The Custodian agrees and confirms, as of the date hereof, and at all times until the termination of this Agreement, that it has not entered into, and until the termination of this Agreement will not enter into, any agreement (other than the Custodian Agreement) with any other person or entity relating to the Collateral or the Collateral Account under which it has agreed to comply with entitlement orders (as defined in Section 8-102 of the UCC) of such other person or entity.
9. **Access To Reports.** Upon any pledge, release, or substitution of Collateral in the Collateral Account, Custodian shall notify Secured Party within one business day of such change. The Custodian will

provide to Secured Party a copy of a statement of the Collateral Account within five (5) business days of the end of the calendar month; provided, however, that the Custodian's failure to forward a copy of such statement to Secured Party shall not give rise to any liability hereunder.

10. **Interpleader.** Notwithstanding any provision contained in this Agreement to the contrary, in the event of any dispute concerning this Agreement or the disposition of any of the Collateral or the Collateral Account, the Custodian shall have the absolute right, at its election, to (a) refrain from taking any action (other than to hold the Collateral in accordance with the Custodian Agreement) until directed by written instructions signed by Pledgor and Secured Party or by final order of a court of competent jurisdiction; or (b) in the event of litigation between Pledgor and Secured Party, deliver all of the Collateral in the Collateral Account to the clerk of any court in which such litigation is pending, or file suit in interpleader and deliver the Collateral in the Collateral Account to the court in which the action is commenced, and obtain an order from the court requiring the parties to interplead and litigate in such court their claims and rights among themselves, whereupon the Custodian shall thereby be relieved from any further liability respecting the Collateral and the Collateral Account.

11. **Fees and Expenses of Custodian.**

11.1 Reimbursement For Costs. In addition to the terms of the Custodian Agreement, Pledgor hereby agrees to pay and reimburse the Custodian for any advances, fees, costs, expenses (including, without limitation, reasonable attorney's fees and costs) and disbursements that may be paid or incurred by the Custodian in connection with this Agreement or the arrangement contemplated hereby, including any that may be incurred in performing its duties or responsibilities pursuant to the terms of this Agreement.

11.2 Advances. It is hereby expressly acknowledged and agreed by the parties that the Custodian (including its agents) shall not be obligated to advance cash or investments to, for or on behalf of Pledgor in the Collateral Account, provided, however, that if the Custodian does advance cash or investments to the Collateral Account for any purpose (including but not limited to securities settlements, foreign exchange contracts, assumed settlement or account overdraft) for the benefit of Pledgor, any property at any time held pursuant to this Agreement and the Custodian Agreement shall be security therefore and, should Pledgor fail to repay the Custodian promptly, the Custodian shall be entitled to utilize available cash and to dispose of Collateral in the Collateral Account to the extent necessary to obtain reimbursement.

12. **Notices.** Any notice, instruction or other instrument required to be given hereunder, or requests and demands to or upon the respective parties hereto, shall be in writing and may be sent by hand, or by facsimile transmission, telex, or delivery by any recognized delivery service, prepaid or, for termination of this Agreement only, by certified or registered mail, and addressed as follows, or to such other address as any party may hereafter notify the other respective parties hereto in writing:

If to Secured Party, then:

If to Pledgor, then:

If to Custodian, then:

13. **Amendment.** No amendment or modification of this Agreement will be effective unless it is in writing and signed by each of the parties hereto.
14. **Termination.** This Agreement shall continue in effect until five (5) business days following notice by Secured Party to the Custodian in writing that this Agreement is to be terminated. Upon the fifth business

day after such notice, Secured Party shall have no further right to originate entitlement orders concerning the Collateral Account and Pledgor shall be entitled to originate entitlement orders concerning the Collateral for any purpose and without limitation except as may be provided in the Custodian Agreement. This Agreement may also be terminated by the Custodian, Secured Party or Pledgor, and shall terminate in the event of the termination of the Custodian Agreement, following thirty (30) days prior written notice to the other parties hereto. Upon termination of this Agreement by any party, all Collateral in the Collateral Account that has not been released by Secured Party shall be transferred, within 30 days of such termination, to a successor custodian designated in writing by Pledgor and acceptable to Secured Party. In the event no successor is agreed upon, the Custodian shall be entitled to petition a court of competent jurisdiction to appoint a successor custodian and shall be indemnified by Pledgor for any costs and expenses (including, without limitation, attorneys' fees) relating thereto.

15. **Severability.** In the event any provision of this Agreement is held illegal, void or unenforceable, the remainder of this Agreement shall remain in effect.
17. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of New York, without giving effect to the conflict of law provisions thereof.
18. **Headings.** Any headings appearing on this Agreement are for convenience only and shall not affect the interpretation of any of the terms of this Agreement.
19. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all such counterparts taken together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers or duly authorized representatives as of the date first above written.

By: _____
Name:
Title:

By: _____
Name:
Title:

By: _____
Name:
Title:

Exhibit A

NOTICE OF EXCLUSIVE CONTROL

We hereby instruct you pursuant to the terms of that certain Control Agreement dated as of _____, 2003 (as from time to time amended and supplemented, the "Control Agreement") among the undersigned, _____ (together with its successors and assigns, "Pledgor") and you, as Custodian, that you (i) shall not follow any instructions or entitlement orders of Pledgor with respect to the Collateral or the Collateral Account held by you for Pledgor, and (ii) unless and until otherwise expressly instructed by the undersigned, shall exclusively follow the entitlement orders and instructions of the undersigned with respect to the Collateral or the Collateral Account.

Very truly yours,

By: _____
Authorized Signatory

By: _____
Authorized Signatory

Exhibit B

AUTHORIZED PERSONS

with respect to Collateral Control Agreement dated _____ 2003

_____ BANK is directed to accept and act upon instructions received from any one of the following persons at _____:

Name

Telephone/Fax Number

Signature

Authorized by: _____, as authorized agent of _____

Name:

Title:

Interconnector (UK) Limited

Standard Transportation Agreement Summary

**(reflecting amendments up to and including Amendment 17 to the
Standard Transportation Agreement)**

Issue 07(ii) dated December 2010

REVISION RECORD

Issue No.	Date	Remarks
01	25/11/02	Incorporating the provisions of all Amendment Agreements up to and including Amendment Agreement No.9.
02	11/10/04	Incorporating the provisions of all Amendment Agreements up to and including Amendment Agreement No.10.
03	8/11/05	Incorporating the provisions of all Amendment Agreements up to and including Amendment Agreement No.15.
04	22/01/07	Incorporating the provisions of all Amendment Agreements up to and including Amendment Agreement No.16, Transitional Arrangements currently in force and to reflect changes as a result of the completion of phases 1 & 2 of the Reverse Flow Enhancement.
05	01/11/07	Incorporating changes as a result of the completion of phase 3 of the Reverse Flow Enhancement
06	28/10/08	Incorporating revised 'flow transition rules' introduced by the 'Transitional Arrangements for Flow Transitions'
07(I)	03/11/09	Interim update incorporating Amendment Agreement No.17, including changes to 'flow transition rules', allocation 'rules' and forecasting provisions and the removal of the 'capping' process.
07(II)	10/12/10	Completion of update providing more extensive text revisions to fully reflect changes introduced by Amendment Agreement No.17.

Background

The Interconnector commenced operations in October 1998, providing a physical link between the gas markets of Continental Europe (via a landfall in Belgium) and the UK. Physical and commercial operations of the transportation system are managed by Interconnector (UK) Limited.

The system may be configured to flow either from the UK to Belgium (Forward Flow) or from Belgium to the UK (Reverse Flow). The notional capacity of the original infrastructure (with compression facilities at Bacton only) was 20 billion cubic metres (bcm) per year in physical Forward Flow and 8.5 bcm per year in physical Reverse Flow. Compression facilities at Zeebrugge have been installed in two phases. The first phase increased the Reverse Flow capacity to 16.5 bcm per year from November 2005; the second phase increased capacity to 23.5 bcm per year from October 2006; and the third phase increased the Reverse Flow capacity to 25.5 bcm per year from October 2007. The Forward Flow capacity remains at 20 bcm per year.

The principal rights to capacity in the Interconnector are currently held by a total of fifteen parties (known as IUK Shippers). Various arrangements are in place to enable third party access to capacity in the system, including the facility to sub-let capacity from IUK Shippers.

The commercial arrangements between Interconnector (UK) Limited and IUK Shippers are regulated via a 'Standard Transportation Agreement' and ancillary agreements. These agreements have been subject to a continual process of amendment and upgrading to reflect both the changing requirements of participants in the relevant gas markets and the desire to enhance the service on offer. The summary that follows is based on the Standard Transportation Agreement, incorporating all amendments currently in force.

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APPENDICES

Appendix A:

Glossary of Terms 34

1 Introduction

1.1 Purpose¹

The purpose of this document is to provide summary information about the service offered by **Interconnector (UK) Limited ("IUK")** to its **Shippers** as more particularly set out in the **Standard Transportation Agreement** (the 'STA') and the **Standard Direct Access Agreement** (the 'SDAA') both as amended from time to time.

For the avoidance of doubt, nothing in this document supersedes the provisions of the **Standard Transportation Agreement**, or the **Standard Direct Access Agreement**. IUK does not make any representation or warranty as to the accuracy or completeness of the information contained in this summary nor does it accept any liability resulting from the use of the information contained herein. IUK undertakes no obligation to update this summary nor to correct any inaccuracies herein which may become apparent.

1.2 Overview

The **Interconnector** comprises the IUK terminal facilities at the **Bacton** and **Zeebrugge Locations** and the **40" Pipeline** which links the two.

The Pipeline is bi-directional, such that the physical **Flow Direction** can either be from Bacton to Zeebrugge, termed **Forward Flow**, or from Zeebrugge to Bacton, termed **Reverse Flow**. In Forward Flow, gas turbine driven compressors at Bacton are utilised, whereas in Reverse Flow, electric motor driven compressors at Zeebrugge are utilised.

At both Bacton and Zeebrugge the Interconnector may connect to one or more **Approved Transmission Systems ("ATS")**. Each of these connections, known as a **Connection Point**, may be a **Delivery Point** at which gas can be delivered (i.e. transferred from the ATS to the Interconnector) and/or a **Redelivery Point** at which gas can be redelivered (i.e. transferred from the Interconnector to the ATS).

The present **Standard Capacity** of the Interconnector is 20 billion cubic metres (bcm) per year in physical Forward Flow and 25.5 bcm per year in physical Reverse Flow.

1.3 Approved Transmission Systems (ATS)

At Bacton, the Interconnector is connected to two Approved Transmission Systems. The **NTS Connection Point** connects the Interconnector to the UK's transmission system, the **National Transmission System (NTS)**, operated by **National Grid Gas**. The **SILK Connection Point** connects the Interconnector to the **Seal Interconnector Link pipeline (SILK)**.

At Zeebrugge, the Interconnector is connected to a single Approved Transmission System. The **FTS Connection Point** connects the Interconnector to the Belgian transmission system, the **Fluxys Transmission System (FTS)**, operated by **Fluxys**.

1.4 Business Rules Overview

Each Shipper has rights to a specified amount of the Standard Capacity (in the Forward and/or the Reverse Flow direction) within the Interconnector and, in addition to this capacity, to a share of any **Interruptible Capacity**.

The gas physically held within the Interconnector at any point in time is known as **Inventory**, and each Shipper is required to maintain its share of Inventory within individual **Inventory Limits**.

Shippers (and **ATS Shippers**) notify IUK of their gas flow requirements through the submission of **Matching Information**. The Matching Information is then used, subject to various business rules, to calculate a Shipper's **Nominations**.

¹ References to Override Agreement removed in Issue 07

The **Scheduled Quantity** is the quantity of gas that IUK intends to flow on behalf of the Shipper, and is normally equal to the Nomination on which it is based. However, in the event of a **Constraint**² the Scheduled Quantity can be less than the Nomination³.

The flow of gas is metered at each Connection Point and **Gas Allocation** is the process of apportioning the gas to Shippers on the basis of their Scheduled Quantities. Shippers are required to supply, from their Inventory, their share of the **Fuel Gas** that is used by IUK.

The supply of **HV Electricity** to the Zeebrugge Terminal is metered and **Electricity Allocation** is the process of apportioning the **Compressor Electricity** (which is electricity used by the electric motors to power the compressors) to Shippers on the basis of their Scheduled Quantities. Shippers pay a **Monthly Electricity Charge** based on their allocated Compressor Electricity for the month.

As the Interconnector can operate in either Forward Flow or Reverse Flow, a **Pipeline Flow Transition** is required to change the physical Flow Direction of the Pipeline from either Forward Flow to Reverse Flow or from Reverse Flow to Forward Flow.

1.5 Physical and Commercial Operations⁴

1.5.1 Physical Operations

IUK or its agents carry out the day to day operation and maintenance of IUK's facilities at Bacton and Zeebrugge.

Both Locations are operated under instructions from **IUK Commercial Operations**, in particular, the control of system flow rates. **Local Operating Procedures** are in place between IUK and the operators of the Approved Transmission Systems (**ATS Operators**).

1.5.2 Commercial Operations

Commercial operation of the system is a 24 hour a day/7 day a week function, managed from IUK's London control centre and includes:

- receipt and matching of Shippers' Matching Information;
- calculation and confirmation of Nominations for each Shipper;
- calculation of Scheduled Quantities for each Shipper;
- aggregation of Shippers' Scheduled Quantities and scheduling of physical flow in coordination with IUK operations staff and connected transporters; including the issue of gas flow notices to ATS Operators;
- nomination of HV Electricity supply requirements;
- receipt of metering data;
- allocation of gas flows and allocation of Fuel Gas;
- monitoring and control of the Inventory within the Interconnector;
- allocation of Compressor Electricity;
- provision of gas quality information;
- incorporation of any metering corrections;
- communication and Information exchange with Shippers, ATS Operators and **Matching Agents**⁵; and
- billing of Shippers for their use of IUK facilities.

² Constraints also include Inventory Constraints which are specific to an individual Shipper. See Section 7.4 "Inventory Constraints" for further information.

³ Reference to Capping Removed in Issue 07.

⁴ Section renamed in Issue 07.

⁵ See Section 5.1 "Matching: Introduction" or Appendix A for a definition of Matching Agent.

1.6 Time Zones

The two ends of the Interconnector are in different time zones, UK time (**UKT**) at Bacton and central European time (**CET**) at Zeebrugge. Shippers make their own commercial arrangements in the two time zones.

1.7 Interconnector Shippers' Information System

In order to efficiently manage the interface between IUK and Shippers, implement the business rules and manage the flow of gas through the Interconnector, IUK has developed a computer system known as the **Interconnector Shippers' Information System (ISIS)**, to which access is provided to all Shippers.

ISIS enables information exchange between IUK and Shippers; provides information to IUK to facilitate the efficient management of commercial requirements and physical operations; and provides information to Shippers on their status and activities in the Interconnector.

2 Capacity

2.1 Introduction

Each Shipper has contracted an entitlement to volumetric⁶ capacity in Forward Flow and/or Reverse Flow. An IUK Shipper's basic right to capacity is specified in that I(UK) Shipper's Standard Transportation Agreement with IUK and is known as **Primary Capacity**.

At any given time, a Shipper's right to capacity (from which they can deliver or redeliver gas) also reflects any capacity trades that are in effect. This capacity is known as Standard Capacity - it is their Primary Capacity plus any capacity sublet or transferred to that Shipper minus any capacity sublet or transferred from that Shipper.

The total physical capacity of the Interconnector depends upon a number of variables, most significantly the pressure differential between Bacton (determined by the NTS and SILK pressures) and Zeebrugge (determined by the FTS pressure).

Although in aggregate the **Prevailing Flow Direction** of the Pipeline is either Forward Flow or Reverse Flow, an individual Shipper can utilise their capacity in the opposite direction and may have a net position such that they are "flowing" in either the Prevailing Flow Direction or the opposite direction - the **Contra-Flow Direction**.

Subject to the physical Flow Direction of the Pipeline and operational conditions, IUK may make additional capacity (known as Interruptible Capacity) available to Shippers.

2.2 Standard Capacity

The aggregate Standard Capacity of the Interconnector, which is 20 bcm per year in Forward Flow and 25.5 bcm per year in Reverse Flow, is determined by a defined set of pressure conditions.

2.3 Interruptible Capacity

Interruptible Capacity comprises **Primary Interruptible Capacity** and/or **Secondary Interruptible Capacity**.

Any Interruptible Capacity in a specific Flow Direction that has been made available by IUK is apportioned to Shippers pro-rata to their Standard Capacity in that Flow Direction. Interruptible Capacity in either Flow Direction may be reduced or withdrawn on 2 hours notice.

Normal operational practice is for IUK to declare the availability of Primary Interruptible Capacity at 12:00 hrs UKT for the following day and for Secondary Interruptible Capacity to be made available on an 'as required' basis.

2.3.1 Primary Interruptible Capacity

The maximum physical capacity of the Interconnector will vary according to the actual prevailing operating conditions, particularly the pressure at the Bacton NTS Connection Point and at the Zeebrugge FTS Connection Point. The pressure can vary at the NTS Connection Point from 45 to 70 barg and at the FTS Connection Point from 55 to 80 barg. The maximum physical capacity may therefore exceed the aggregate Standard Capacity, and this additional capacity may be made available as Primary Interruptible Capacity.

In addition, Primary Interruptible Capacity may be made available in the Contra-Flow Direction; the use of such capacity will reduce the overall requirement to flow gas in the Prevailing Flow Direction.

⁶ The capacity available in energy terms will vary depending on the quality of the gas

Primary Interruptible Capacity is made available by IUK on a reasonable endeavours basis and is normally set at: (i) 3 bcm/y in the Forward Flow Direction (for both Forward Flow and Reverse Flow); (ii) 3 bcm/y in the Reverse Flow Direction when the pipeline is in Reverse Flow and (iii) 20 bcm/y in the Reverse Flow Direction when the pipeline is in Forward Flow.

2.3.2 Secondary Interruptible Capacity

Based on the principle of "Use It or Lose it", capacity which is unused by one or more Shippers may be made available by IUK, on a reasonable endeavours basis, to other Shippers, with a requirement in excess of their entitlement to capacity, using the mechanism of **Secondary Interruptible Capacity**.

2.4 IUK Shippers and Sub-Let Shippers

There are two types of Shippers who may hold capacity within the Interconnector. An **IUK Shipper** is a signatory to the Standard Transportation Agreement and therefore has a direct contractual relationship with IUK. A **Sub-Let Shipper** is a Shipper who has acquired capacity for a period of time from an IUK Shipper. A Sub-Let Shipper is not a signatory to the Standard Transportation Agreement and the IUK Shipper from whom they have acquired capacity remains liable to IUK for the use of the Sub-Let Capacity.

For the majority of this document, and in respect of the management of and commercial operating procedures relating to Interconnector capacity, there is no difference between IUK Shippers and Sub-Let Shippers; and therefore the term 'Shipper' is generally used. There is, however, a distinction between IUK Shippers and Sub-Let Shippers with respect to the rights and obligations that accompany their entitlement to use capacity. This distinction reflects the difference in the contractual framework that applies to the two categories of Shipper.

2.5 Primary, Sub-Let, Transferred and Available Capacity

Primary Capacity is an IUK Shipper's basic right to Standard Capacity within the Interconnector that was either acquired from IUK prior to 1 October 1998 or as part of a subsequent enhancement process; or, was acquired subsequently from another IUK Shipper, through an **Assignment**. Primary Capacity can be traded through an Assignment to an IUK Shipper or to a non-IUK Shipper (who will then become an IUK Shipper).

Sub-Let Capacity is any capacity that has been Sub-Let from an IUK Shipper to a non-IUK Shipper (such party then becomes a Sub-Let Shipper) for a specified period of time. From the perspective of the IUK Shipper, the Sub-Let Capacity reduces their Standard Capacity, and from the perspective of the Sub-Let Shipper the Sub-Let Capacity increases their Standard Capacity.

Transferred Capacity is capacity that has been transferred for a specified period of time from an IUK Shipper to another IUK Shipper. From the perspective of the IUK Shipper who is providing capacity, the Transferred Capacity reduces their Standard Capacity. From the perspective of the IUK Shipper who is receiving capacity, the Transferred Capacity increases their Standard Capacity.

Standard Capacity is made up of Primary, Sub-Let and Transferred Capacity such that:

- an individual IUK Shipper's Standard Capacity equals their Primary Capacity plus any Transferred Capacity that has been received from other IUK Shippers less any Transferred Capacity that has been transferred to other IUK Shippers less any Sub-Let Capacity that has been Sub-Let to Sub-Let Shippers; and
- an individual Sub-Let Shipper's Standard Capacity equals the Sub-Let Capacity that they have received from one or more IUK Shippers.

Only Primary Capacity can be Sub-Let or Transferred.

Available Capacity is the amount of residual Primary Capacity that an IUK Shipper has available to Sub-Let or Transfer (taking account of all existing Sub-Lets and **Capacity Transfers**).

Any transfer of Standard Capacity (through a Capacity Transfer or Sub-Let) will include associated rights to Primary and Secondary Interruptible Capacity that may be made available by IUK.

2.6 Capacity Assignment and Pooling

IUK Shippers may make their own arrangements to:

- assign their Primary Capacity (assignee takes the place of the assignor)
- sub-let their Primary Capacity (the sub-letting IUK Shipper remains responsible to IUK but the Sub-Let Shipper is granted access to use of the capacity)

In addition, any IUK Shippers wishing to dispose of small quantities of unused Standard Capacity may notify IUK by letter, who will then use reasonable endeavours to find a qualifying purchaser under a pooling system.

Any transfer of Standard Capacity (through assignment or pooling) will include associated rights to Primary and Secondary Interruptible Capacity that may be made available by IUK.

2.7 Capacity Sub-Lets to new Sub-Let Shippers

An IUK Shipper ("Sub-Lessor") may sub-let Standard Capacity (together with the associated Interruptible Capacity) to another party who is neither an IUK Shipper nor an existing Sub-Let Shipper ("Sub-Lessee"), subject to the IUK Shipper having sufficient Available Capacity and subject to the IUK Shipper and the Sub-Let Shipper jointly giving one month's written notice (which may, in favourable circumstances, be reduced further by IUK) confirming that:

- the rights to Standard Capacity acquired by the Sub-Let Shipper are not less than 11,000Nm³/h Forward Flow Capacity and/or not less than 11,000Nm³/h Reverse Flow Capacity;
- the duration of the Sub-Let is not less than 1 day; and
- the cost of the ISIS connection, certain 'operational costs', the provision of equipment and of personnel training etc. will be borne by the Sub-Let Shipper. The IUK Shipper will assume responsibility if such costs are not reimbursed by the Sub-Let Shipper.

In conjunction with the Sub-Let of capacity, the appropriate quantity of Operating Inventory will also transfer from the Sub-Lessor to the Sub-Lessee. The transfer of capacity and inventory will be reversed at the end of the sub-let period.

The liabilities and warranties of the IUK Shipper to IUK under the STA remain the responsibility of the IUK Shipper, who may seek "back to back" arrangements with the new Sub-Let Shipper. An administration fee is not payable for capacity that is Sub-Let to a new Sub-Let Shipper.

A proforma contract, developed by IUK Shippers, is available to record and regulate the arrangements between the IUK Shipper and the new Sub-Let Shipper, should the parties wish to use it. This contract is available on the IUK website.

A new Sub-Let Shipper will be required to sign up to the **ISIS User Agreement** which regulates access and use of ISIS. IUK will then provide the new Sub-Let Shipper with access to ISIS. For 'operational purposes' the new Sub-Let Shipper will be treated similarly to an IUK Shipper, in respect of the capacity which has been sub-let by that new Sub-Let Shipper.

2.8 Capacity Sub-Lets to existing Sub-Let Shippers

An IUK Shipper (the "Sub-Lessor") may sub-let Standard Capacity (together with the associated Interruptible Capacity) to an existing Sub-Let Shipper (the "Sub-Lessee") by both parties agreeing to a Sub-Let at least 2 whole hours prior to the commencement of such Sub-Let and subject to the IUK Shipper having sufficient Available Capacity. The minimum period for a Sub-Let to an existing Sub-Let Shipper is one hour and there is no minimum quantity requirement.

In conjunction with the Sub-Let, the appropriate quantity of Operating Inventory will transfer from the Sub-Lessor to the Sub-Lessee.

The liabilities and warranties of the IUK Shipper to IUK under the STA remain the responsibility of the IUK Shipper, who may seek "back to back" arrangements with the Sub-Let Shipper. An

administration fee is payable by the Sub-Lessor for capacity that is Sub-Let to existing Sub-Let Shippers (subject to a minimum and a maximum charge).

The proforma contract, mentioned above, may also be used for such sub-lets.

2.9 Capacity Transfers

An IUK Shipper (the "Transferor") may transfer Standard Capacity (together with the associated Interruptible Capacity) to another IUK Shipper (the "Transferee") by both parties agreeing to a Capacity Transfer at least 2 whole hours prior to the commencement of such Capacity Transfer. The minimum period for a Capacity Transfer is one hour and there is no minimum quantity requirement.

In conjunction with the Capacity Transfer, the appropriate quantity of Operating Inventory will transfer from the Transferor to the Transferee.

The Transferor will remain responsible for paying the tariff in respect of the capacity transferred. An administration fee is payable by the Transferor per transfer, based on the capacity transferred (subject to a minimum and a maximum charge).

A pro forma contract for Capacity Transfers regulating the arrangements between the Capacity Transferor and the Capacity Transferee has been developed by IUK Shippers and is available for use, if so desired. The contract is available on the IUK website.

2.10 Bulletin Board

To help facilitate the process of Sub-Lets and Capacity Transfers, a **Bulletin Board** is available on ISIS that allows Shippers to advertise available capacity or a requirement for capacity. Capacity notices posted on the Bulletin Board can also, at the request of the publishing Shipper, be published on IUK's public web site. It is also possible to advertise Inventory transactions using the Bulletin Board⁷.

A Shipper may choose to advertise their requirements anonymously, in which case interested parties contact IUK in the first instance.

⁷ See Section 10.3 "Inventory Transfers" for further information

3 Quality Requirements and Operating Conditions

3.1 Introduction

Shippers must supply gas within agreed quality and operating specifications, and IUK has the right to refuse to accept any gas that does not meet the specifications.

3.2 Quality Requirements

Gas made available by a Shipper at a Delivery Point shall comply with the following quality requirements:

	Unit	Minimum	Maximum
Gross Calorific Value ^(a)	kWh/Nm ³	10.81 ^(b)	12.39
Wobbe Index ^(a)	kWh/Nm ³	13.82 ⁸	15.07
Hydrocarbon Dew Point	°C from 1 barg up to 69 barg		minus 2
Water Dew Point	°C at 69 barg		minus 10
Oxygen content	ppm by vol.		1000
Carbon Dioxide content	Mole %		2.5
Hydrogen Sulphide content (inclusive of COS)	ppm by vol.		3.3
Total Sulphur at any time	mg/m ³		30
Notes			
(a) Combustion reference temperature 15 °C			
(b) Subject to an I(UK) Shipper's reasonable endeavours to provide gas at a minimum of 10.94 kWh/Nm ³ at the Delivery Point			

In addition to the above, gas made available by a Shipper at a Delivery Point shall comply with the requirements of GSMR in respect of Hydrogen Content, the Incomplete Combustion Factor, Soot Index and 'impurities'.

3.3 Operating Conditions Requirements

Gas made available by a Shipper at a Delivery Point shall comply with the following:

	Unit	Minimum	Maximum
Required pressure at the NTS and SILK Delivery Points	barg	45.0 ^(c)	70.0
Required pressure at the FTS Delivery Point	barg	55.0	80.0
Required temperature at the NTS and SILK Delivery Points	°C	1	28 ^(d)
Required temperature at the FTS Delivery Point	°C	2	38
Notes			
(c) See Section 3.5 "Bacton Delivery Pressure"			
(d) The maximum temperature for offtake at SILK is 20 °C			

⁸ Reduced from 14.14 to 13.82 in Issue 07.

3.4 Off-Specification Gas

IUK has the right to refuse to accept gas made available by a Shipper at a Delivery Point and has the right to suspend delivery of such gas if it does not comply with the quality requirements and operating conditions. However, IUK will use reasonable endeavours to accept such gas if it is satisfied that neither IUK nor other Shippers would be adversely affected by such action.

In the event that a Shipper's deliveries are suspended, the flow of gas at the Redelivery Point(s) for such Shipper will be curtailed if that Shipper reaches its Individual Inventory Limit. Redeliveries for a Shipper who has been curtailed will be resumed as soon as that Shippers' individual inventory has been restored. It should be noted that if one of the Bacton Delivery Points is affected, this may cause interruption to flow at the other Bacton Delivery Point⁹.

3.5 Bacton Delivery Pressure

An elevated pressure service has been agreed with National Grid Gas to allow Shippers to deliver gas from the NTS at a minimum pressure of 45 barg, when the Prevailing Flow Direction is Forward Flow. Under the agreement, IUK advises National Grid Gas of the pressure required at the NTS Connection Point (normally in the range 45 to 55 barg) and National Grid Gas makes gas available at that pressure.

The cost of providing this elevated pressure service is charged to IUK, who in turn apportions it to Shippers.

⁹ See Section 7.5 "Inventory Constraints" for further information

4 Estimates and Forecasts¹⁰

4.1 Information to be provided by Shippers

Each Shipper shall keep IUK informed of any relevant and available forecasts of flow and of gas quality, in particular, Gross Calorific Value and Wobbe Index.

Shippers shall advise IUK, if, at any time, gas to be made available at a Delivery Point is expected to be non-compliant, with respect to any of the gas quality parameters listed below:

- Hydrogen Sulphide content (inclusive of Carbonyl Sulphide (COS)) in ppm by vol;
- Total Sulphur content measured as hydrogen sulphide in ppm by vol;
- Carbon Dioxide content in mole %;
- Oxygen content in ppm by vol;
- Water dew point in degrees Celsius at 69 barg; and

- Maximum hydrocarbon dew point in degrees Celsius between 1 and 69 barg.

4.2 Information to be provided by IUK

IUK shall keep Shippers reasonably informed of activities related to the Transportation System and provide any other information relevant to the provision of transportation services.

Based on historical data and any other relevant and available information, IUK shall provide, in each month, a forecast of the expected Gross Calorific Value and Wobbe Index of the commingled output stream(s) for the following month.

¹⁰ Section redrafted in Issue 07

5 Matching

5.1 Introduction

The **Matching Process** ensures that the gas transportation requirements of the Shippers and ATS Shippers are agreed prior to the generation of a Nomination. IUK Shippers provide their gas flow requirements (Matching Information) directly to IUK, and ATS Shippers provide their Matching Information either directly to IUK or via a Matching Agent.

5.2 Hourly, Daily and Weekly Matching Information

Hourly Matching Information comprises Matching Information for an individual hour, and is specific to a Connection Point and Flow Direction (either Delivery or Redelivery).

Daily Matching Information is the summation of Hourly Matching Information for each hour within a Gas Day.

Weekly Matching Information enables a Shipper to enter Matching Information for an entire Gas Week, and therefore comprises Daily Matching Information for each day within a Gas Week.

5.3 Weekly Matching

Shippers may submit to IUK their Weekly Matching Information not later than 10:00 hours UKT on the Friday preceding each Gas Week and not earlier than 06:00 hours UKT on the Monday preceding each Gas Week.

5.4 Daily Matching

Shippers should submit to IUK their Daily Matching Information not later than 13:00 hours UKT on the day immediately preceding the Gas Day (the **Shipper D-1 Deadline**) and not earlier than 10:00 hours UKT on the Friday of the preceding Gas Week. Shippers may submit to IUK new or revised Daily Matching Information after the Shipper D-1 Deadline up until 03:00 hours UKT on the Gas Day. Matching Information must be provided with at least two whole hours notice.

Daily Matching Information is used to generate Hourly Matching Information.

5.5 Hourly Matching

Shippers may submit to IUK Hourly Matching Information after the Shipper D-1 Deadline. Any change to Hourly Matching Information will be reflected in the appropriate Daily Matching Information.

5.6 Matching Process

The Matching Process compares the Hourly Matching Information¹¹ provided by the Shipper with that provided by the ATS Shipper. The Matching Process is carried out whenever new or revised Hourly Matching Information is submitted, and results in:

- Hourly Matching Information submitted but awaiting corresponding data from the appropriate counterparty (**Unmatched**); or
- Hourly Matching Information submitted by the two parties corresponds, but contains different quantities (**Partially Matched**); or
- Hourly Matching Information submitted by the parties corresponds exactly (**Fully Matched**).

In the event of Hourly Matching Information being Unmatched or Partially Matched, Shippers should communicate with their ATS Shipper counterparty in order to correct the mismatch.

¹¹ Note, Hourly Matching Information can be supplied as Daily Matching Information or Weekly Matching Information

Daily Matching Information (which is the summation of the appropriate Hourly Matching Information) can also be Unmatched, Partially Matched or Matched. In the event that the status of the constituent Hourly Matching Information varies throughout the Gas Day, the status of the Daily Matching Information is deemed to be the worst-case status of the constituent Hourly Matching Information.

Hourly Matching Information that is Fully Matched or Partially Matched is used as the basis for creating the Shippers' Hourly Nominations¹². In the event that Hourly Matching Information is Partially Matched:

- at the SILK and FTS Connection Points, the "**Lesser of**" Rule will be applied in that the lesser of the two quantities shall be used in the generation of an Hourly Nomination for that Shipper
- at the NTS Connection Point, the Shipper's quantity shall be used in the generation of an Hourly Nomination for that Shipper (unless an **NTS Constraint** is in force and the "Lesser of" Rule has been invoked by the NTS Matching Agent, in which case the lesser of the two quantities shall be used)

For a specific hour, Connection Point and Flow Direction a Shipper may have more than one set of Hourly Matching Information.

5.7 Shipper ID Codes

To maintain confidentiality all Shippers referred to in Matching Information are represented by unique **Shipper ID Codes**, which may be changed from time to time.

5.8 Fuel Gas and GCV

IUK will provide Shippers with an estimate of the Fuel Gas requirement for each Gas Day, such that Shippers can estimate their own delivery requirements in order to satisfy both their redelivery requirements and their Fuel Gas requirements. On a monthly basis¹³, IUK advise the Gross Calorific Value that is used to check that the rights of Shippers to Standard Capacity and Interruptible Capacity have not been exceeded¹⁴.

¹² See Section 6.1 "Nominations: Introduction" or Appendix A for a definition of Hourly Nomination.

¹³ Gross Calorific Value provision simplified in Issue 07.

¹⁴ Gross Calorific Value (kWh/Nm³) is required to convert capacity from a volume basis (Nm³/h) to an energy basis (kWh)

6 Nominations

6.1 Introduction

A Shipper's **Hourly Nomination** is created from their Fully Matched and Partially Matched Hourly Matching Information, and, like Hourly Matching Information, an Hourly Nomination is specific to an individual hour, Connection Point and Flow Direction (delivery or redelivery). A Shipper's **Daily Nomination** is the summation of their appropriate Hourly Nominations within the Gas Day.

A **Delivery Nomination** (Hourly or Daily) is a quantity of natural gas to be delivered to the Interconnector at a Delivery Point, with the ownership of the gas transferring from the ATS Shipper to the Shipper. A **Redelivery Nomination** (Hourly or Daily) is a quantity of natural gas to be redelivered from the Interconnector at a Redelivery Point, with the ownership of the gas transferring from the Shipper to the ATS Shipper.

An Individual Shipper can have up to five Hourly Nominations for any hour as follows:

- Hourly Delivery Nomination at the SILK Connection Point
- Hourly Delivery Nomination at the NTS Connection Point
- Hourly Redelivery Nomination at the NTS Connection Point
- Hourly Delivery Nomination at the FTS Connection Point
- Hourly Redelivery Nomination at the FTS Connection Point

A Shipper's **Hourly Net Nomination** at a Connection Point or Location is the difference between their Hourly Delivery Nominations and Hourly Redelivery Nominations at that Connection Point or Location. A Shipper's **Daily Net Nomination** at a Connection Point or Location is the difference between their Daily Delivery Nominations and Daily Redelivery Nominations at that Connection Point or Location.

6.2 Nomination Priorities

A Nomination (Hourly or Daily) may be subdivided into more than one **Tranche**: Firm, Reasonable Endeavours (RE) and Interruptible. A **Firm Nomination** (Hourly or Daily) refers to the Firm component of a Nomination, a **RE Nomination** (Hourly or Daily) refers to the RE component of a Nomination, and an **Interruptible Nomination** (Hourly or Daily) refers to the Interruptible component of a Nomination.

Nomination Component	Description
Firm	IUK is contractually obliged to transport the quantity of gas in the Firm Nomination.
Reasonable Endeavours (RE)	IUK will make reasonable endeavours to transport the quantity of gas in the RE Nomination. IUK is not obliged to accept increases to an RE Nomination if IUK, in its discretion, considers that this would prejudice the transportation of gas within a Firm Nomination.
Interruptible	The Shipper is making use of Interruptible Capacity, which may be made available. IUK will make reasonable endeavours to transport the quantity of gas in the Interruptible Nomination and Interruptible Capacity can be removed at short notice by IUK.

At all Connection Points, allocation is based on the overall Hourly Nomination i.e. Firm, RE and Interruptible Nominations are all allocated with equal priority¹⁵. If, however, an 'IUK Within Day Constraint' (see section 7.3.2 below) is being applied, individual Shipper allocations will be affected according to the nomination priority.

¹⁵ Section simplified to reflect Total Nomination Allocation at both Bacton and Zeebrugge in Issue 07

6.2.1 Firm Nominations¹⁶

Hourly Nominations for a Gas Day will be **Firm Nominations**, provided they:

- are derived from Matching Information received before 14:00 hrs UKT (the **D-1 Deadline**) for that Gas Day;
- are less than or equal to (when expressed as an Hourly Net Nomination) the Shipper's relevant Standard Capacity for that hour;
- are for transportation of gas as opposed to storage;
- do not (when expressed as a Daily Net Nomination) represent an increase equivalent to more than 50% of the Shipper's relevant **Daily Standard Capacity** compared with the Shipper's Firm Nominations (when expressed as a Daily Net Nomination) for the previous Gas Day at the D-1 Deadline for that Gas Day (and ignoring any decreases to Nominations made after that time).

6.2.2 Reasonable Endeavours Nominations¹⁷

Hourly Nominations which make use of Standard Capacity, but which are not Hourly Firm Nominations shall be Reasonable Endeavours Nominations.

6.2.3 Interruptible Nominations

Hourly Nominations (when expressed as a Net Nomination) at a Location or Connection Point that are in excess of the Shipper's **Hourly Standard Capacity** (but not in excess of that Shipper's Hourly Standard plus **Hourly Interruptible Capacity**) shall be Interruptible Nominations.

6.3 Capacity Validation

A Shipper cannot have Hourly Nominations (when expressed as a Net Nomination) at a Location or Connection Point that are in excess of the sum of the Shipper's Hourly Standard plus Hourly Interruptible Capacity. If this occurs, **Restricted Hourly Nominations** are calculated for that Shipper such that their Restricted Hourly Nominations (when expressed as a Net Nomination) do not exceed their capacity.

A Restricted Hourly Nomination will always take precedence over the Hourly Nomination on which it is based.

¹⁶ References to Pipeline Flow Transitions and Inventory Transitions removed in Issue 07

¹⁷ Reference to Pipeline Flow Transitions removed in Issue 07.

7 Scheduled Quantities and Constraints¹⁸

7.1 Introduction

Scheduled Quantities are the quantities of gas that IUK Intends to flow on behalf of a Shipper.

A Constraint is a temporary reduction in the available capacity at a Connection Point or Location due to a problem either with the Interconnector, an ATS, or due to a Shipper breaching (or being about to breach) their Inventory Limits.

7.2 Scheduled Quantities

A Shipper's **Hourly Scheduled Quantity** is created from their Hourly Nomination, and like an Hourly Nomination a Scheduled Quantity is specific to an individual hour, Connection Point and Flow Direction (Delivery or Redelivery). A Shipper's **Daily Scheduled Quantity** is the summation of their appropriate Hourly Scheduled Quantities within the Gas Day. Like Nominations, a Scheduled Quantity (Hourly and Daily) may contain Firm, RE and Interruptible Tranches.

Under normal circumstances, a Shippers' Hourly Scheduled Quantities equals the Hourly Nominations for that Shipper. However, it may not be possible for IUK to meet a Shipper's Hourly Nominations, due to:

- a flow Constraint in either the Interconnector or an Approved Transmission System; or
- an Inventory Constraint applied to the Shipper to keep them within their Inventory Limits.

In either of the above circumstances, the Hourly Scheduled Quantities for a Shipper may be less than the Hourly Nominations for that Shipper.

A Shipper's **Hourly Net Scheduled Quantity** at a Connection Point or Location is the difference between their Delivery Hourly Scheduled Quantity and Redelivery Hourly Scheduled Quantity at that Connection Point or Location. A Shipper's **Daily Net Scheduled Quantity** at a Connection Point or Location is the difference between their Delivery Daily Scheduled Quantities and Redelivery Daily Scheduled Quantities at that Connection Point or Location.

7.3 Interconnector (IUK) and Approved Transmission System (ATS) Constraints

An **IUK Ahead of Day Constraint** will result in a reduction to capacity rights, which may then cause Hourly Nominations in the Prevailing Flow Direction to be restricted and Hourly Scheduled Quantities to be reduced. All other types of IUK and **ATS Constraints** may result in reductions to Hourly Scheduled Quantities.

7.3.1 IUK Ahead of Day Constraint

If an Interconnector reduction in capacity for a Gas Day is notified to Shippers before 12:00 hours UKT on the previous Gas Day, then each Shipper's Standard Capacity at both the Bacton and Zeebrugge Locations will be temporarily reduced pro rata for the duration of the Constraint. This type of Constraint is referred to as an IUK Ahead of Day Constraint.

As an IUK Ahead of Day Constraint reduces a Shipper's Standard Capacity at the Bacton and Zeebrugge Locations, Hourly Nominations for all Shippers are recalculated when an IUK Ahead of Day Constraint is applied. This means that a Shipper's Hourly Nomination(s) during the period of the constraint could change as a result of the IUK Ahead of Day Constraint.

In addition, during an IUK Ahead of Day Constraint, any Interruptible Capacity that may have been made available by IUK in the Flow Direction of the Constraint will be withdrawn. The withdrawal of Interruptible Capacity will result in the Hourly Nominations for all Shippers being recalculated and any Hourly Interruptible Nominations will be reduced to zero.

¹⁸ Reference to capping removed in Issue 07.

IUK will advise Shippers as soon as practicable when the capacity of the Interconnector returns to normal.

7.3.2 IUK Within Day Constraint

If a reduction in Interconnector Capacity for a Gas Day is notified to Shippers after 12:00 hours UKT on the previous Gas Day, then the Constraint is applied through a reduction in Shippers' Hourly Scheduled Quantities. This type of Constraint is referred to as an **IUK Within Day Constraint**, and such a Constraint may be applied to an individual Location or Connection Point and separate IUK Within Day Constraints may, in exceptional circumstances, be applied simultaneously to different Locations and/or Connection Points.

IUK Within Day Constraints are applied to Hourly Scheduled Quantities (when expressed as an Hourly Net Scheduled Quantity) at the Location or Connection Point according to tranche priorities, such that **Interruptible Hourly Scheduled Quantities** are reduced first, then **RE Hourly Scheduled Quantities** and finally **Firm Hourly Scheduled Quantities**.

IUK will advise Shippers as soon as practicable when the capacity of the Interconnector returns to normal.

7.3.3 Approved Transmission Systems (ATS) Constraints

If an ATS Operator notifies IUK of a constraint affecting the rate at which gas may be offtaken from, or redelivered to, that ATS then IUK will reduce its rate of offtake or redelivery accordingly. This information will be passed on to Shippers as soon as reasonably practicable. Similarly, if, in response to Shippers' Nominations, IUK notifies an ATS Operator of an increase in the rate of offtake or redelivery and that notification is rejected, IUK will deem this to be an ATS Constraint and IUK will limit its rate of offtake or redelivery.

ATS Constraints are applied to Hourly Scheduled Quantities (when expressed as an Hourly Net Scheduled Quantity) at the relevant Connection Point according to Tranche priorities, such that Interruptible Hourly Scheduled Quantities are reduced first, then RE Hourly Scheduled Quantities and finally Firm Hourly Scheduled Quantities. This means that any Shipper who has an Hourly Net Scheduled Quantity at the Connection Point in the same Flow Direction as the ATS Constraint may have such Hourly Scheduled Quantity reduced (e.g. a Forward Flow NTS Constraint is applied to NTS Delivery Hourly Scheduled Quantities).

7.4 Inventory Constraints

If a Shipper is in breach (or is forecast to be in breach) of its maximum or minimum Inventory Limits and IUK takes action to constrain its deliveries (or redeliveries, as the case may be), the Inventory Constraint will be applied through a reduction in the Shipper's relevant Hourly Scheduled Quantities. The Shipper will be advised of the relevant Hourly Scheduled Quantities, which will be less than its relevant Hourly Nominations, and the Hourly Scheduled Quantities will be flagged as having been Inventory Constrained.

7.5 Minimum Aggregate Net Flow

If the aggregate of all Shippers' Hourly Scheduled Quantities (when expressed as an Hourly Net Scheduled Quantity):

- at a Connection Point would require a physical flow below the minimum rate of the measurement facilities at that Connection Point; and/or
- at a Location, when the compression facilities are being utilised at that Location, would require a physical flow below the minimum rate of the compression facilities

then IUK will use reasonable endeavours to offtake or redeliver intermittently at an instantaneous rate at, or above, the minimum rate, subject to gas being made available or being offtaken by Shippers at the same instantaneous rate. If IUK is unable to arrange to offtake or redeliver gas intermittently at or above the required minimum rate, then IUK will request Shippers to submit revised Matching Information (and arrange for the ATS Shipper Matching Information to be revised), such that the aggregate of Shippers' Hourly Scheduled Quantities

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(when expressed as an Hourly Net Scheduled Quantity) will require a physical flow at, or above, the relevant minimum rate.

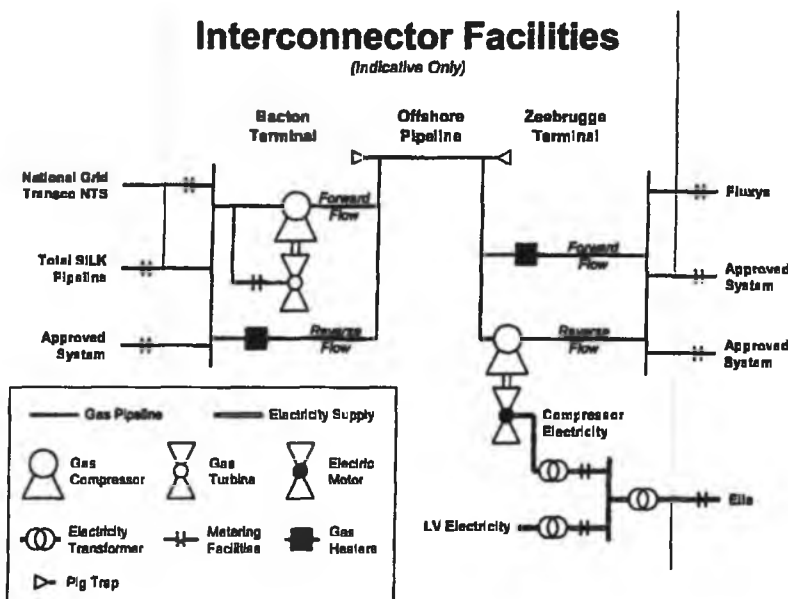
8 Measurement

8.1 Introduction

The flow of gas is measured at all Connection Points at Bacton and at Zeebrugge. The flow of gas at Bacton to and from the NTS is measured by facilities owned and operated by IUK. The flow of gas at Bacton from SILK (Forward Flow) is measured by facilities owned and operated by Shell. The flow of gas at Zeebrugge to and from the FTS is measured by facilities owned and operated by Fluxys.

The consumption of electricity is measured at Zeebrugge. The consumption of HV Electricity supplied to the Zeebrugge Terminal is measured by facilities owned and operated by Elia. The consumption of Compressor Electricity (the amount of the HV Electricity that is consumed by the electric motors that power the compressors) is measured by facilities owned and operated by IUK. The consumption of LV Electricity (the amount of the HV Electricity that is consumed by electrical equipment other than the electric motors that power the compressors) is measured by IUK.

The schematic below indicates the main gas and electricity measurement points relevant to Interconnector operations. Note that some of these points are located within the facilities of adjacent operators.



8.2 Bacton Measurement Facilities

8.2.1 NTS Connection Point

The gas measurement facilities operated by IUK comprise:

- six orifice meter runs;
- two on-line chromatographs; and
- two hydrocarbon dew point analysers.

The minimum flow rate of the NTS Connection Point metering facilities is 115,000 Nm³/hr.

8.2.2 SILK Connection Point

The gas measurement facilities operated by Shell comprise:

- two ultra-sonic meter runs; and
- two on-line chromatographs.

The gas measurement facilities operated by IUK comprise:

- one on-line chromatograph.

The minimum flow rate of the SILK Connection Point metering facilities is 115,000 Nm³/hr.

Shippers are responsible for ensuring (via their SILK counter-parties) that the operator of SILK makes available to IUK the necessary flow and gas quality measurements at SILK.

8.2.3 Commingled Stream (Bacton)

The gas measurement facilities operated by IUK comprise:

- one on-line chromatograph; and
- two hydrocarbon dew point analysers.

The minimum flow rate at Bacton varies depending on operating conditions.

8.3 Zeebrugge Measurement Facilities

8.3.1 FTS Connection Point

The gas measurement facilities operated by Fluxys comprise:

- eight double turbine meter runs;
- four on-line chromatographs; and
- one hydrocarbon dew point analyser.

The minimum flow rate of the FTS Connection Point metering facilities is 10,000 Nm³/hr.

Shippers are responsible for ensuring (via their FTS counterparties) that Fluxys makes available to IUK the necessary flow and gas quality measurements at Zeebrugge.

8.4 Fuel Gas Measurement at Bacton and Zeebrugge

The Fuel Gas measurement facilities at Bacton comprise four orifice meter runs, one for each compressor gas turbine driver. The Fuel Gas consumption for the boilers is estimated.

The Fuel Gas consumption at Zeebrugge for the water bath heaters is estimated.

8.5 Electricity Measurement at Zeebrugge

The electricity measurement facilities operated by Elia comprise:

- two 148 kV quadrant meters

The electricity measurement facilities operated by IUK comprise:

- four 36kV quadrant meters; and
- two 11 kV quadrant meters.

8.6 Measurement Differences at Bacton and Zeebrugge

The gas and electricity measurement facilities are regularly calibrated by the relevant operators, to ensure that they remain within specified tolerances. Where a retrospective correction is deemed to be necessary, special rules apply.

9 Gas and Electricity Allocation¹⁹

9.1 Introduction

Gas Allocation is the process by which gas is apportioned between Shippers. It is carried out and advised to Shippers every hour²⁰ during the Gas Day and may be adjusted after the Gas Day to account for end of day steering. Gas Allocation calculations are performed separately for each Flow Direction (**Delivery Allocation** and **Redelivery Allocation**) at each Connection Point.

Gas Allocation at a Connection Point consists of:

- measuring physical deliveries (or redeliveries) of gas;
- identifying Hourly Scheduled Quantities for Delivery and for Redelivery for each Shipper;
- accounting for quantities provided from or to any **Operational Balancing Agreement ('OBA')** which is in use at that Connection Point;
- accounting for any 'steering difference' which arises (the difference between the required physical flow and the actual physical flow at that Connection Point, to the extent that such difference is not dealt with by an OBA);
- deeming Hourly Scheduled Quantities in the Contra-Flow Direction to be met in full; and
- deeming Hourly Scheduled Quantities in the With-Flow Direction to be met in full, subject to any 'steering difference'.

Where a Shipper has Hourly Scheduled Quantities in both Flow Directions at a Connection Point at the same time, they are treated separately for allocation purposes.

Electricity Allocation is the process by which Compressor Electricity is apportioned between Shippers. It is carried out and advised to Shippers every hour during the Gas Day.

9.2 Gas Allocation at Bacton Connection Points

Each Shipper's share of gas flow is calculated in relation to their total (i.e the sum of their Firm, RE and Interruptible) Hourly Scheduled Quantities. Under normal operational circumstances, Shippers will be allocated their Scheduled Quantities in full in the contra-flow direction and to within a close tolerance of the exact amount required in the with-flow direction. The only circumstances when this may not be the case are:

- When a constraint applies
- When there is equipment failure resulting in a significant shortfall in actual physical deliveries/redeliveries compared to the commercial requirement across a gas day (and when a constraint may or may not be applied)
- When there is a significant late nomination change by a Shipper or Shippers resulting in a requirement across the gas day which cannot physically be met

In most circumstances, any shortfall or excess delivery/redelivery, across a gas day (the **Steering Difference**) will be apportioned to all Shippers according to relevant Total Scheduled Quantities.

Special provisions apply in the event that a Steering Difference arises as a result of 'late' re-nomination(s) by a Shipper(s). In this context, 'late' is deemed to be 'after 01:00 hrs UKT of the relevant Gas Day', and the principle applied is to 'target' any relevant shortfall or excess at the Shipper(s) responsible.

9.3 Gas Allocation at Zeebrugge Connection Points

There are two Gas Allocation methods, which may be carried out at the Zeebrugge Connection Point:

¹⁹ Section redrafted in Issue 07.

²⁰ Inventory calculations are carried out every 15 minutes.

- Operational Balancing Agreement Allocation; and/or
- **Proportional Allocation**

The normal method of Gas Allocation at Zeebrugge uses the Operational Balancing Agreement. Exceptionally, a Gas Day may be allocated proportionally.

9.3.1 Operational Balancing Agreement at Zeebrugge

The **Operational Balancing Agreement** at Zeebrugge provides a mechanism at the FTS Connection Point to allow allocated deliveries (or redeliveries) to exactly match the corresponding Hourly Scheduled Quantities. Gas is borrowed from a notional balancing "pool" of gas to supplement physical flow or paid back to the "pool" when flow is in excess of the aggregate Hourly Scheduled Quantities.

A Gas Day may be reallocated using Proportional Allocation if the "pool" breaches limits agreed between IUK and Fluxys.

9.3.2 Proportional Gas Allocation

Proportional Allocation shares the gas flow in proportion to Shippers' total (Firm plus RE plus Interruptible) Hourly Scheduled Quantities i.e. with all Tranches being treated with the same priority (In effect the Tranches are ignored for Proportional Allocation).

Proportional Allocation is applied to redeliveries if the Flow Direction at the Connection Point is set to Forward Flow and applied to deliveries if the Flow Direction at the Connection Point is set to Reverse Flow.

9.4 Contra-flow Gas Allocation and With-flow Gas Allocation

When there are Hourly Scheduled Quantities in both Flow Directions at a Connection Point, Hourly Scheduled Quantities, which are counter to the direction of the Net Scheduled Quantity at that Connection Point are deemed to be met in full and exactly. Hourly Scheduled Quantities in the direction of the Net Scheduled Quantity are normally met in full but may be subject to an end of day adjustment to take account of any Steering Difference that arises, to the extent that such quantity cannot be managed through the application of an OBA.

9.5 Fuel Gas Allocation

Fuel Gas is allocated throughout the day based on estimated consumption. Allocations are then adjusted after the day to reflect the actual, measured consumption.

In **Forward Flow (Commercial)**, the Fuel Gas consumed by the compressors at Bacton is metered and the Fuel Gas consumed at Zeebrugge (for the heaters) is estimated. In **Reverse Flow (Commercial)**, the Fuel Gas consumed by the boilers at Bacton is estimated.

Fuel Gas is separated into **Fuel Gas (Transportation)** and **Fuel Gas (Storage)**. Fuel Gas (Transportation) is deemed to be a percentage of the flow requirement through the pipe, and if aggregate Inventory is high, the actual Fuel Gas may be higher than this set percentage. Fuel Gas (Storage) is any quantity of Fuel Gas in excess of the Fuel Gas (Transportation).

In Forward Flow (Commercial), Fuel Gas (Transportation) is allocated to Shippers in proportion to their net Delivery Allocation at each Location (or net Redelivery Allocation if no Shipper has a net Delivery Allocation) and **Fuel Gas (Zeebrugge Heaters)** is allocated to Shippers in proportion to their net Redelivery Allocation at each Location (or net Delivery Allocation if no Shipper has a net Redelivery Allocation).

In Reverse Flow (Commercial), Fuel Gas (Bacton Heaters) is allocated to Shippers in proportion to their net Redelivery Allocation at each Location (or net Delivery Allocation if no Shipper has a net Redelivery Allocation) and there is no Fuel Gas (Transportation) at Zeebrugge.

Storage Fuel Gas is allocated to Shippers in proportion to their Storage Quantities. A Shipper's Storage Quantity is the amount of Inventory above their **Storage Fuel Gas Charging Threshold**. If no Shipper has a Storage Quantity, or the compressors at Bacton are being used for Reverse Flow, all Fuel Gas is allocated as Fuel Gas (Transportation).

9.6 Impact on Inventory

After each set of Gas Allocation calculations, each Shipper's Delivery Allocations are added to its Inventory, and its Redelivery Allocations and any allocated Fuel Gas are subtracted from its Inventory, such that all Shippers' current Inventory positions are regularly updated during the Gas Day.

9.7 Electricity Allocation

Compressor Electricity is allocated throughout the day based on estimated consumption. Allocations are then adjusted after the day to reflect the actual, measured consumption.

In Reverse Flow, the Electricity consumed by the compressors at Zeebrugge is metered. In Forward Flow, there is no Compressor Electricity.

The **Compressor Electricity (Total)** is separated into **Compressor Electricity (Transportation)** and **Compressor Electricity (Storage)**. Compressor Electricity (Transportation) is deemed to be a percentage of the physical flow through the pipeline. If the aggregate Inventory position is high, the actual Compressor Electricity may be higher than this set percentage. Compressor Electricity (Storage) is any quantity of Compressor Electricity (Total) in excess of Compressor Electricity (Transportation).

In Reverse Flow and during a Flow Transition, Transportation Electricity is allocated to Shippers in proportion to their net Delivery Allocation at all Locations (or net Redelivery Allocation if no Shipper has a net Delivery Allocation).

Storage Electricity is allocated to Shippers in proportion to their Storage Quantities. If no Shipper has a Storage Quantity all Compressor Electricity is allocated as Transportation Electricity.

9.8 Reallocation

A Gas Day may be reallocated for the following reasons:

- electricity or gas meter readings have been revised; or
- the method of Gas Allocation used at the FTS Connection Point has changed and it is required to reallocate the Gas Day proportionally instead of using the Operational Balancing Agreement (or vice versa); or
- Hourly Scheduled Quantities have been revised; e.g.
 - a significant Steering Difference has been caused directly by a 'late' nomination change by one or more Shippers and the resulting shortfall (or excess) is targeted at those Shippers

A Gas Day may only be reallocated if the initial Gas Allocation is complete for the Bacton and Zeebrugge Gas Days and the Gas Day has not been verified.

9.9 Verification

A Gas Day is verified when IUK is satisfied that the Gas and Electricity Allocation is correct. Gas Days will usually be verified in chronological order.

Upon verification, an adjustment to Inventory is made to account for any difference between the initial Gas Allocation and the final Reallocation. This is usually applied at 06:00 hours UKT on the next Gas Day following verification and the Shipper is notified of the adjustment to Inventory.

A verification status is shown on all Gas and Electricity Allocation statements:

<i>Provisional</i>	Indicates that the Gas Day, or any of the adjacent Gas Days, have not been verified.
<i>Final</i>	Indicates that the Gas Day has been verified and both adjacent Gas Days have been verified.

10 Inventory

10.1 Introduction

Each Shipper is entitled to use a share of the "space" within the pipeline system and is required to contribute a share of the total quantity of natural gas necessary to allow the Interconnector to operate as determined by IUK. Shippers may vary the amount of gas they hold within the Interconnector within prescribed Inventory Limits.

The inventory characteristics of the Interconnector vary, dependent on whether the system is configured for Forward Flow or Reverse Flow. A Shipper's entitlements and obligations in respect of inventory depend on the physical flow direction; the actual physical flow through the system; and that Shipper's capacity rights in the relevant direction.

10.2 Inventory and Inventory Limits

IUK maintains a record of the Inventory for each Shipper in which their individual Inventory is continuously tracked, taking into account:

- their allocated deliveries into the Interconnector;
- their allocated redeliveries from the Interconnector;
- their allocation of Fuel Gas;
- their Inventory Transfers; and
- any adjustments to their Inventory

Shippers may vary their Inventory within their Inventory Limits, and if a Shipper's Inventory reaches an upper or lower **Inventory Warning Limit**, IUK will issue a warning to the Shipper, who should take action to correct the position. If a Shipper's Inventory reaches an upper or lower **Inventory Constraint Limit**, then IUK will constrain that Shipper's deliveries or redeliveries to maintain that Shipper's Inventory position between its Constraint Limits and to ensure that other Shippers' delivery and redelivery rights are not impeded.

The level at which Inventory Warning and Constraint Limits are set may be varied at IUK's discretion.

A Shipper's Inventory Limits define the "space" available to that Shipper to store gas in the Pipeline. The "space" available to a Shipper for storage is at its maximum when the Shipper is not transporting gas through the Pipeline and is at its minimum when the Shipper is transporting gas through the Pipeline at its maximum allowable rate. The "space" available to any one Shipper is also dependent upon the aggregate rate of transportation through the Pipeline.

10.3 Inventory Transfers

A Shipper may transfer Inventory to another Shipper by both parties agreeing the Inventory Transfer at least 2 whole hours prior to it taking effect. The Inventory Transfer will only take place insofar as it does not take either Shipper outside their Inventory Constraint Limits.

An administration fee per Inventory Transfer is payable by the transferor, based on the amount of Inventory transferred and subject to a maximum and minimum charge.

To assist the process of Inventory Transfers, a Bulletin Board is available on ISIS that allows Shippers to advertise available Inventory or a requirement for Inventory.

11 Pipeline Flow Transitions and Inventory Transitions²¹

11.1 Introduction

The process of changing the direction of physical flow of the Pipeline is referred to as a **Pipeline Flow Transition** (or "PFT") and is initiated and implemented by IUK according to an agreed set of principles and to ensure that the transition is scheduled and then implemented in an orderly and efficient manner so as to cause the minimum disruption to Shippers' commercial activities.

Normal operating requires the Bacton compressors to be used for Forward Flow and the Zeebrugge compressors to be used for Reverse Flow.

In the event that the compressors at the Zeebrugge Terminal cannot be used for Reverse Flow, the compressors at the Bacton Terminal may be used (a decision to operate in this way is only likely to be taken in extreme circumstances). Using the Bacton compressors for Reverse Flow requires the Inventory to be significantly reduced. Resuming Reverse Flow with the Zeebrugge compressors will then require the Inventory to be significantly increased. The process of changing between these modes of Reverse Flow operation is referred to as an **Inventory Transition**.

11.2 Pipeline Flow Transition Decisions

A decision to initiate a Flow Transition may be taken at any hour²². Such decision is based on a consideration of:

- Shippers' Scheduled Quantities;
- The availability and status of any Operational Balancing Agreements;
- Physical flow metered and remaining physical flow requirement in the Gas Day; and
- Other operational factors

Shippers are notified of a decision to plan, delay or to cancel a Flow Transition both via ISIS and with a notice from IUK.

11.3 Operating Inventory

11.3.1 Forward to Reverse Flow Transition

A Shipper's Operating Inventory will not change significantly during a Forward to Reverse Flow Transition and effectively their Inventory Limits will either expand or contract in line with their capacity in the Reverse Flow Direction relative to their position in the Forward Flow Direction.

11.3.2 Reverse to Forward Flow Transition

A Shipper's Operating Inventory will not change significantly during a Reverse to Forward Flow Transition and effectively their Inventory Limits will either expand or contract in line with their capacity in the Forward Flow Direction relative to their position in the Reverse Flow Direction.

11.4 Nominations to Effect a Pipeline Flow Transition

IUK will advise Shippers prior to a Pipeline Flow Transition of the lower and upper Inventory Constraint Limits that will apply to them upon completion of the Pipeline Flow Transition. Shippers must (either through Nominations or Inventory Transfers, where required), ensure that their Inventory is within their new lower and upper Inventory Constraint Limits by the end of the **Pipeline Flow Transition Period**.

Nominations during a Flow Transition Period contra to the new Flow Direction are permitted to the extent that they minimise interruption to deliveries or redeliveries in the new Flow Direction, provided that they do not extend the duration of the Pipeline Flow Transition Period.

²¹ Section redrafted in Issue 07.

²² The decision to transition will normally be taken between 08:00 and 16:00 each Gas Day.

During the course of a Pipeline Flow Transition (and otherwise), IUK may independently change the physical direction of flow at Connection Points.

11.5 Inventory Transition

In the event that the Zeebrugge compressors are unavailable and the Pipeline is in Reverse Flow, the Bacton compressors may be utilised in order to achieve Reverse Flow. The Reverse Flow capacity using the Bacton compressors is 8.5bcm/y although further capacity may be available subject to operating conditions. The reduced level of capacity could mean that Shippers' Nominations will be constrained. In order to use the Bacton compressors for Reverse Flow the aggregate level of Inventory within the Pipeline will be reduced through an Inventory Transition.

In the event that the Zeebrugge compressors become available whilst the Bacton compressors are being used for Reverse Flow, then in order to return to using the Zeebrugge compressors for Reverse Flow, the aggregate level of Inventory within the Pipeline will be increased through an Inventory Transition.

If an Inventory Transition is required, IUK will advise Shippers of their lower and upper Inventory Constraint Limits that will apply upon completion of the Inventory Transition. Shippers are required to take action, either through Nominations or Inventory Transfers to ensure that their Inventory is within their new lower and upper Inventory Constraint Limits by the end of the Inventory Transition.

11.6 IUK's Actions if a Shipper Fails to Act

IUK will check the Nominations and Inventory Transfers of each Shipper prior to and during a Pipeline Flow Transition or Inventory Transition, to determine whether their Inventory will be within their upper and lower Inventory Constraint Limits by the end of the Pipeline Flow Transition Period or Inventory Transition. If a Shipper's Nominations and Inventory Transfers do not meet the requirement, IUK will advise the Shipper. If a Shipper does not make appropriate Nominations or Inventory Transfers for their Inventory to be within their upper and lower Inventory Constraint Limits by the end of the Pipeline Flow Transition Period or Inventory Transition, then IUK is entitled to take the necessary balancing action and charge the cost of that action to the Shipper concerned.

IUK will notify any such Shipper of the steps which IUK decides to take.

12 Connection Point Flow Management

12.1 Introduction

When there is flow at the SILK Connection Point, it is possible for the NTS Connection Point to be in the Reverse Flow Direction and the FTS Connection Point (and the pipeline flow) to be in the Forward Flow Direction. This situation is referred to as **Split Flow**.

As the flow requirements vary at the three Connection Points, the flow mode may change between Split Flow and Forward Flow – in each such case there is a change in the direction of flow at the NTS Connection Point, but there is not a Pipeline Flow Transition

It is also possible, particularly in situations where there is a low but variable aggregate flow requirement, that the direction of physical flow at either the NTS or FTS Connection Point is set counter to the Pipeline Flow Direction. Such situations may arise in the course of normal flow management by IUK to achieve either a targeted end of day quantity and/or a particular balance within an OBA.

12.2 Connection Point Direction Change

A change of flow direction at a Connection Point will be closely coordinated with the relevant ATS Operator and otherwise be managed by IUK within the normal operational requirement to ensure that Shippers are allocated their nominated requirements, within an acceptable tolerance, at all Connection Points.

13 Reporting and Notices

13.1 During the Gas Day

During the Gas Day, ISIS will provide Shippers with their own initial allocated deliveries, allocated redeliveries, allocated Fuel Gas and allocated Compressor Electricity for all hours within the Gas Day up to and including the last whole hour, and will provide each Shipper with its own Inventory position versus its Inventory Limits.

13.2 After the Gas Day

Immediately after the end of a Gas Day, Shippers' allocated quantities may be adjusted to account for any steering difference and to finalise fuel allocation taking into account actual fuel consumption across the Gas Day. Following this 'reallocation' process, Shippers will receive a revised version of the daily allocation statement.

A Monthly Report is issued by IUK following the end of each month and contains for each Gas Day within the previous Month;

- in respect of the particular Shipper, the final Scheduled Quantity and Allocated delivered and redelivered quantities at each Delivery Point and Redelivery Point
- allocated quantity of Fuel Gas for the Shipper;
- allocated quantity of Compressor Electricity for the Shipper;
- any relevant metering adjustments; and
- average GCV and WI of the gas delivered at each relevant Delivery Point and redelivered at each relevant Redelivery Point.

13.3 Operational Notices

Operational Notices are sent by IUK to Shippers to inform them about particular matters. Such notices may be of two types:

- general notices, sent to all Shippers (e.g. notice of an ATS Constraint); or
- specific notices, sent to individual Shippers (e.g. notice of an Inventory Warning).

Notices may be sent by facsimile or via ISIS. ISIS maintains a log of notices for each Gas Day

13.4 Planned Maintenance Notification

Planned maintenance will be for a single continuous period each Gas Year, during the months of April to September. The start time of the planned maintenance period will be advised by IUK to Shippers in December of the preceding year and the duration will be confirmed in the following March.

14 Charges, Invoicing and Payment

14.1 Introduction

IUK Shippers will make payment to IUK for transportation services, in accordance with the provisions of the Standard Transportation Agreement. Such payment will be made by way of a **Monthly Charge** (in sterling) during the period of such services comprising:

- monthly capacity charge(s);
- monthly operating charge(s);
- administration charges (if any);
- ISIS charges (if any); and
- any other charges.

Sub-Let Shippers will make payment directly to IUK by way of a Monthly Charge (in sterling) for certain limited elements in the provision of the transportation service; such as::

- certain operational costs (for example for the use of Interruptible Capacity);
- administration charges (if any); and
- ISIS charges (if any).

Monthly capacity charges and monthly operating charges associated with Sub-Let Capacity and Transferred Capacity will be paid to IUK by the Sub-Lessor/Capacity Transferor.

In addition, IUK Shippers and Sub-Let Shippers will make payment to IUK for Compressor Electricity consumption by way of a Monthly Electricity Charge, in Euros.

14.2 Capacity Charges

There is a basic charge, determined with reference to an IUK Shipper's rights to Standard Capacity, which is normally payable irrespective of whether such capacity is utilised. In addition, an IUK Shipper who opts to use Interruptible Capacity, may incur further charges, dependent upon the extent to which such Interruptible Capacity is used within the charging period.

14.3 Invoices and annual reconciliation

On or before the 10th day of each month, IUK will submit an invoice in Sterling showing the Monthly Charge and an invoice in Euros showing the Monthly Electricity Charge to be paid by the IUK Shipper or the Sub-Let Shipper for the immediately preceding month. Payment of the Monthly Charge and the Monthly Electricity Charge shall be made by the 25th day of the month or 14 days after receipt of the invoice, whichever is later.

The monthly operating charge and the Monthly Electricity Charge each include an element of estimation and there is therefore an annual reconciliation process in respect of such charges after the end of the Contract Year, when all relevant actual costs are known.

APPENDIX A: GLOSSARY OF TERMS

A1. Introduction

The primary purpose of this Appendix is to provide a glossary of terms used in this document. It is provided as an aid to understanding and is not intended to provide legal definitions.

The secondary purpose of this Appendix is to provide a form of index which may be used for reference.

Terms in the Glossary are "**Initial Capitalised**" and are emboldened in the text, where first used.

A2. Glossary

Term or Abbreviation	Description	Initial Reference
Approved Transmission System	Term for a gas pipeline system that has been approved by IUK for connection to the Interconnector at a Connection Point. See also NTS, FTS and SILK.	1.2
Assignment	Permanent transfer of Primary Capacity from an IUK Shipper to another party (IUK Shipper or non-IUK Shipper).	2.5
ATS	Acronym of "Approved Transmission System".	1.2
ATS Constraint	When Shippers in the relevant ATS are unable to accept/provide gas from/to their Shipper counter-parties at the nominated rate.	7.3
ATS Operator	Organisation that operates an ATS	1.5.1
ATS Shipper	Organisation that transports gas using an Approved Transmission System. May agree with a Shipper to provide or accept gas at a Connection Point through the Matching Process.	1.4
Available Capacity	The amount of Primary Capacity that an IUK Shipper has available to Sub-Let or Transfer taking into account all of their existing Sub-Lets and Capacity Transfers.	2.5
Bacton	Location of the UK end of the Pipeline.	1.2
Bulletin Board	Electronic notice board on which Capacity and Inventory can be advertised for sale or purchase.	2.10
Capacity Transfer	A trade of Capacity between two IUK Shippers.	2.5
CET	Central European Time. Basis of clock used at Zeebrugge.	1.6
Compressor Electricity	HV Electricity that is used by the electric motors to power the compressors at Zeebrugge.	1.4
Compressor Electricity (Storage)	Compressor Electricity that is notionally related to the storage of gas within the Pipeline.	9.7
Compressor Electricity (Transportation)	Compressor Electricity that is notionally related to the transportation of gas.	9.7

**Interconnector (UK) Limited
Standard Transportation Agreement Summary**

Term or Abbreviation	Description	Initial Reference
Connection Point	A point at which the Interconnector is connected to an Approved Transmission System. See also NTS, FTS, SILK, Delivery Point and Redelivery Point.	1.2
Constraint	Generic term for IUK Ahead of Day Constraint, IUK Within Day Constraint, ATS (NTS, SILK or FTS) Constraint or Inventory Constraint.	1.4
Contra-Flow Direction	The direction opposite to the Prevailing Flow Direction of the Pipeline or Connection Point. See also Prevailing Flow Direction	2.1
D-1 Deadline	Deadline for Firm Nominations on a Gas Day, which is 14:00 hours UKT on the previous Gas Day.	6.2.1
Daily Matching Information	The summation of Hourly Matching Information for each hour within a Gas Day.	5.2
Daily Net Nomination	The difference between Daily Delivery Nominations and Daily Redelivery Nominations at a Connection Point or Location.	6.1
Daily Net Scheduled Quantity	The difference between the Daily Delivery Scheduled Quantities and the Daily Redelivery Scheduled Quantities at a Connection Point or Location.	7.2
Daily Nomination	The summation of Hourly Nominations for each hour within a Gas Day.	6.1
Daily Scheduled Quantity	The summation of Hourly Scheduled Quantities for each hour within a Gas Day.	7.2
Daily Standard Capacity	The summation of Hourly Standard Capacity for each hour within a Gas Day.	6.2.1
Delivery	Making gas available for offtake from the NTS, SILK or FTS to the Interconnector.	
Delivery Allocation	Allocation of delivered quantities at a Connection Point	9.1
Delivery Nomination	Nomination that is for the transfer of gas from an ATS to the Interconnector.	6.1
Delivery Point	A Connection Point which allows the delivery of gas into the Interconnector from the relevant ATS (whether or not gas is physically flowing at that point). See also Redelivery Point.	1.2
Electricity Allocation	Process of determining the apportionment of Compressor Electricity between Shippers.	1.4
Elia	Owner of the electricity grid in Belgium from which HV Electricity is supplied.	8.1
Firm Nomination	Nomination for the transportation of gas that is within a Shipper's Standard Capacity, is based on Matching Information entered before the D-1 Deadline for the relevant Gas Day, and is within certain limits on the amount by which Firm Nominations can increase from one Gas Day to the next.	6.2
Firm Hourly Scheduled Quantity	Hourly Scheduled Quantity for the transportation of gas that is within a Shipper's Standard Capacity, is based on Matching Information entered before the D-1 Deadline for the relevant Gas Day, and is within certain limits on the amount by which Firm Nominations can increase from one Gas Day to the next.	7.3.2

Interconnector (UK) Limited
Standard Transportation Agreement Summary

Term or Abbreviation	Description	Initial Reference
Flow Direction	The direction of flow, which is either Forward Flow from Bacton to Zeebrugge or Reverse Flow from Zeebrugge to Bacton. The Flow Direction can be specific to the Pipeline, to an individual Location (Bacton or Zeebrugge) or to an individual Connection Point (NTS, SILK or FTS)	1.2
Fluxys	The operator of the national gas transmission system in Belgium.	1.3
Fluxys Transmission System	Gas transmission system in Belgium, operated by Fluxys. The Interconnector is connected to this Approved Transmission System at Zeebrugge.	1.3
Forward Flow	Direction of gas flow from Bacton to Zeebrugge.	1.2
Forward Flow (Commercial)	Where the net nominated requirement on the system is in the Forward Flow direction (and which may be different to the direction of physical gas flow).	9.5
FTS	Acronym for "Fluxys Transmission System".	1.3
FTS Connection Point	The Connection Point at which the Interconnector connects to the FTS.	1.3
Fuel Gas	Gas supplied by Shippers to IUK for the operation of the Interconnector Transportation System (e.g. for compressors, heaters, etc).	1.4
Fuel Gas (Storage)	Fuel Gas consumption that is notionally related to the storage of gas within the pipeline.	9.5
Fuel Gas (Transportation)	Fuel Gas consumption that is notionally related to the transportation of gas.	9.5
Fuel Gas (Zeebrugge Heaters)	Fuel Gas that is consumed by the heaters at the Zeebrugge Terminal.	9.5
Fully Matched	Matching Information where corresponding data matches exactly.	5.6
Gas Allocation	Process of apportioning Delivered/Redelivered gas (and Fuel Gas) between Shippers at a Connection Point.	1.4
Gas Day	Period from 06:00 to 06:00 hours on the following day.	5.2
Gas Week	Period from 06:00 on Monday to 06:00 hours on the following Monday	5.2
Gas Year	Period from 06:00 on 1 October to 06:00 hours on 1 October in the following year.	13.4
GSMR	Gas Safety (Management) Regulations 1996	3.2
Hourly Interruptible Capacity	Interruptible Capacity for an individual hour within the Gas Day	6.2.3
Hourly Matching Information	Matching Information for an individual hour within the Gas Day.	5.2
Hourly Net Nomination	The difference between Delivery Hourly Nominations and Redelivery Hourly Nominations at a Connection Point or Location.	6.1

**Interconnector (UK) Limited
Standard Transportation Agreement Summary**

Term or Abbreviation	Description	Initial Reference
Hourly Net Scheduled Quantity	The difference between Delivery Hourly Scheduled Quantities and Redelivery Hourly Scheduled Quantities at a Connection Point or Location.	7.2
Hourly Nomination	A Nomination for an individual hour within the Gas Day.	5.6
Hourly Scheduled Quantity	A Scheduled Quantity for an individual hour within the Gas Day	7.2
Hourly Standard Capacity	Standard Capacity for an individual hour within the Gas Day.	6.2.3
HV Electricity	High Voltage Electricity supplied to the Zeebrugge Terminal at a voltage of around 150kV.	1.4
Interconnector	The Pipeline and the IUK facilities located at Bacton and Zeebrugge.	1.2
Interconnector Shippers' Information System	Computer system that implements the business rules and manages the interface between IUK and Shippers.	1.7
Interconnector (UK) Limited	The company that operates the Interconnector, abbreviated to "IUK".	1.1
Interruptible Capacity	Additional transportation capacity above the Standard Capacity made available by IUK to Shippers.	1.4
Interruptible Nomination	Nomination utilising a Shipper's share of Interruptible Capacity.	6.2
Interruptible Hourly Scheduled Quantity	Hourly Scheduled Quantity based on an Interruptible Nomination.	7.3.2
Inventory	Gas within the Interconnector supplied by Shippers. See also Inventory Limits.	1.4
Inventory Constraint	Constraint on Deliveries or Redeliveries applied to a Shipper who has breached or is expected to breach their Inventory Limits.	7.4
Inventory Constraint Limit	Upper and lower limits of Inventory at which a Shipper is Inventory Constrained.	10.2
Inventory Limits	Upper and lower limits of Inventory, within which each Shipper must operate, in order not to affect other Shippers.	1.4
Inventory Transition	The process of changing the level of Inventory in Reverse Flow to switch from using the compressors at the Zeebrugge Terminal to using the compressors at the Bacton Terminal (or vice-versa).	11.1
Inventory Transfer	A trade of Inventory between two Shippers.	10.2
Inventory Warning Limit	Upper and lower limits of Inventory at which a Shipper is warned that they are nearing their upper or lower Inventory Constraint Limit.	10.2
ISIS	Acronym for "Interconnector Shippers' Information System".	1.7
ISIS User Agreement	The agreement between IUK and Shippers that regulates access to and use of ISIS.	2.7

**Interconnector (UK) Limited
Standard Transportation Agreement Summary**

Term or Abbreviation	Description	Initial Reference
IUK	Acronym for "Interconnector (UK) Limited"	1.1
IUK Ahead of Day Constraint	IUK Constraint relating to operating difficulties within the Interconnector declared by IUK prior to 12:00 hours UKT on the Gas Day prior to the constraint taking effect. See also IUK Within Day Constraint.	7.3
IUK Commercial Operations	The organisational unit within IUK that is responsible for the commercial operation of the Interconnector.	1.5.1
IUK Shipper	An organisation with rights to transport gas through the Interconnector pursuant to a Standard Transportation Agreement.	2.4
IUK Within Day Constraint	IUK Constraint relating to operating difficulties with the Interconnector, declared by IUK after 12:00 hours UKT on the Gas Day prior to the constraint taking effect. See also IUK Ahead of Day Constraint.	7.3.2
kWh	Kilowatt hour – the main energy unit used within ISIS.	
"Lesser of" Rule	Rule applied within the Matching Process in the event of Partially Matched Matching Information, whereby the lesser of the two quantities is used in the generation of a Nomination.	5.6
Local Operating Procedure	Procedure that is agreed between IUK and an ATS Operator.	1.5.1
Location	An end of the Pipeline; the Bacton Location in the UK, and the Zeebrugge Location in Belgium.	1.2
LV Electricity	Low voltage electricity being that part of the HV Electricity that is not used by the electric motors which power the compressors.	8.1
Matching Agent	Organisation which enters Matching Information into ISIS on behalf of those ATS Shippers who do not have access to ISIS.	1.5.2
Matching Information	The information provided by a Shipper and its counterparty ATS Shipper as to the quantity of gas to be delivered to or redelivered from (and the time of delivery or redelivery) the Interconnector at a Connection Point, together with coded counterparty information.	1.4
Matching Process	Process that compares Matching Information supplied by Shippers and ATS Shippers to ensure that their gas flow requirements agree prior to the creation of a Nomination.	5.1
MMJ	Millions of Megajoules; alternate energy unit. Previously was the main unit of energy measurement within ISIS, since superseded by kWh. 1 MMJ ~ 277,778 kWh.	
Monthly Charge	Charge payable by Shippers for transportation services.	14.1
Monthly Electricity Charge	Charge payable by Shippers based on their allocation of Compressor Electricity during a month.	1.4
National Grid Gas	The operator of the main gas transmission system in the UK.	1.3
National Transmission System	Gas transmission system in the UK, operated by National Grid Gas. The Interconnector is connected to this Approved Transmission System at Bacton.	1.3

**Interconnector (UK) Limited
Standard Transportation Agreement Summary**

Term or Abbreviation	Description	Initial Reference
Nomination	A quantity of gas specified by a Shipper (through Matching Information) for delivery to or redelivery from the Interconnector at a Connection Point which has been accepted and confirmed by IUK.	1.4
NTS	Acronym for "National Transmission System".	1.3
NTS Connection Point	The Connection Point at which the Interconnector connects to the NTS.	1.3
NTS Constraint	When ATS Shippers in the NTS are unable to provide/accept gas to/from their Shipper counter-parties at the nominated rate.	5.6
OBA	Abbreviation of 'Operational Balancing Agreement'	9.1
Operational Balancing Agreement²³	Agreement between connected transporters in which quantities of gas may be put in or taken from a notional 'pool', thereby enabling Shippers to be allocated exactly their commercial requirement.	9.1
Operational Notices	Notices issued by IUK to Shippers via ISIS or via facsimile to inform them of key events such as Constraints.	13.3
Partially Matched	Matching Information that has corresponding counterparty data, but for a different quantity.	5.6
Pipeline	The pipeline between Bacton in the UK and Zeebrugge in Belgium	1.2
Pipeline Flow Transition (or PFT)	Process of changing the direction of physical flow of the Pipeline and the inventory parameters that are in effect.	1.4
Pipeline Flow Transition Period	Period during which a Pipeline Flow Transition is taking place.	11.4
Prevailing Flow Direction	The direction in which gas is currently flowing in the Pipeline or at a Connection Point. If no gas is flowing, the direction is deemed to be that when gas last flowed. See also Contra-Flow Direction.	2.1
Primary Capacity	An IUK Shipper's basic right to Standard Capacity within the Interconnector that was either acquired directly from IUK or through an Assignment from another IUK Shipper.	2.1
Primary Interruptible Capacity	The amount of Interruptible Capacity that is made available to Shippers subject to favourable operating conditions.	2.3
Proportional Allocation	Method of Gas Allocation that does not take account of the Tranches within Scheduled Quantities.	9.3
RE Nomination	Abbreviation of "Reasonable Endeavours Nomination"	6.2
RE Hourly Scheduled Quantity	Part of the Hourly Scheduled Quantity within Standard Capacity that is not a Firm Hourly Scheduled Quantity.	7.3.2
Reasonable	Part of the Nomination within Standard Capacity that is not a	6.2.2

²³ Definition added in Issue 07.

Interconnector (UK) Limited
Standard Transportation Agreement Summary

Term or Abbreviation	Description	Initial Reference
Endeavours Nomination	Firm Nomination.	
Redelivery	Making gas available for offtake from the Interconnector to the NTS or FTS.	
Redelivery Allocation	Allocation of redelivered quantities at a Connection Point	9.1
Redelivery Nomination	Nomination that is for the transfer of gas from the Interconnector to an ATS.	6.1
Redelivery Point	A Connection Point which allows the redelivery of gas into the relevant ATS from the Interconnector (whether or not gas is physically flowing at that point). See also Delivery Point.	1.2
Restricted Hourly Nomination	An Hourly Nomination that has been reduced due to it breaching the Shipper's Capacity entitlement. A Restricted Hourly Nomination always takes precedence over the Hourly Nomination on which it is based.	6.3
Reverse Flow	Direction of gas flow from Zeebrugge to Bacton.	1.2
Reverse Flow (Commercial)	Where the net nominated requirement on the system is in the Reverse Flow direction (and which may be different to the direction of physical gas flow).	9.5
Scheduled Quantity	The quantity of gas to be Delivered/Redelivered by/to a Shipper within a given time period (and which is normally, but not necessarily, equal to the nomination on which it is based).	1.4
Seal Interconnector Link pipeline	A Pipeline which delivers gas to the Interconnector. The Interconnector is connected to this Approved Transmission System at Bacton.	1.3
Secondary Interruptible Capacity	An additional amount of Interruptible Capacity that may be made available when one or more Shippers are not utilising all of their Primary Capacity and/or Primary Interruptible Capacity.	2.3
Shipper	An organisation with rights to transport gas through the Interconnector. Shipper refers to both IUK Shippers and Sub-Let Shippers.	1.1
Shipper D-1 Deadline	Deadline for receipt of Shipper Daily Matching Information; 13:00 hours UKT on the immediately preceding Gas Day.	5.4
Shipper ID Codes	Codes that maintain confidentiality of Matching Information.	5.7
SILK	Acronym for "Seal Interconnector Link pipeline".	1.3
SILK Connection Point	The Connection Point at which the Interconnector connects to the SILK pipeline.	1.3
Split Flow	Flow mode in which the SILK Connection Point is in Forward Flow, the NTS Connection Point is in Reverse Flow, and the FTS Connection Point is in Forward Flow	12.1
Standard Capacity	Determined with reference to specified pressure conditions. The entitlement of each IUK Shipper to Standard Capacity is expressed as a flow rate (in Normal cubic metres per hour) in their Standard Transportation Agreement and is converted into an energy rate in ISIS (kWh/day or kWh/hr).	1.2
Standard Direct	Contractual Agreement signed by all IUK Shippers setting out a	1.1

Interconnector (UK) Limited
Standard Transportation Agreement Summary

Term or Abbreviation	Description	Initial Reference
Access Agreement	mechanism to ensure the gas quality of a commingled redelivery stream is within acceptable limits and the liabilities that apply if it is not.	
Standard Transportation Agreement	The contractual agreement (abbreviated to "STA") between each IUK Shipper and IUK, as amended from time to time.	1.1
Steering Difference	The shortfall or excess of the delivered or redelivered quantity relative to the total Scheduled Quantity for all Shippers at a Connection Point for a Gas Day.	9.2
Storage Fuel Gas Charging Threshold	Level of Inventory above which a Shipper may be allocated Fuel Gas (Storage).	9.5
Sub-Let	A transfer of Capacity for a specified period of time from an IUK Shipper to a non-IUK Shipper.	2.4
Sub-Let Capacity	Capacity that has been Sub-Let from an IUK Shipper to a Sub-Let Shipper for a specified period of time.	2.5
Sub-Let Shipper	A Shipper, who is not an IUK Shipper, that has acquired Capacity through a Sub-Let from an IUK Shipper.	2.4
Tranche	A component (Firm, RE or Interruptible) of a Nomination or a Scheduled Quantity.	6.2
Transferred Capacity	Capacity that has been transferred for a specified period of time from an IUK Shipper to another IUK Shipper.	2.5
Unmatched	Matching Information that does not have any corresponding data for the appropriate counterparty.	5.6
UKT	UK Time. Basis of clock used at Bacton.	1.6
"Use it or Lose it"	Principle whereby unused capacity is made available to other Shippers.	2.3.2
Weekly Matching Information	Comprises Daily Matching Information for each Gas Day within a Gas Week.	5.2
Zeebrugge	Location of the Belgian end of the Pipeline.	1.2

THIS C1 TRANSPORTATION CONTRACT dated as of the [redacted] day of [month], [year],

UNION GAS LIMITED, a company existing under the laws of the Province of Ontario,
(hereinafter referred to as "**Union**")

- and -

[SHIPPER], a [type of entity] existing under the laws of the [Province, State, Country] of [redacted],
(hereinafter referred to as "**Shipper**")

WHEREAS, Union owns and operates a natural gas transmission system in south-western Ontario, through which Union offers "Transportation Services", as defined in Article II herein;

AND WHEREAS, Shipper wishes to retain Union to provide such Transportation Services, as set out herein, and Union has agreed, subject to the terms and conditions of this Contract, to provide the Transportation Services requested;

NOW THEREFORE, this Contract witnesses that, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I - INTERPRETATION AND DEFINITIONS

1.01 Divisions, Headings and Index: The division of this Contract into Articles, Sections and Subsections, and the insertion of headings and any table of contents or index provided are for convenience of reference only, and shall not affect the construction or interpretation hereof.

1.02 Industry Usage: Words, phrases or expressions which are not defined herein and which, in the usage or custom of the business of the transportation, storage, and distribution or sale of natural gas have an accepted meaning shall have that meaning.

1.03 Extended Meaning: Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders. The words "herein" and "hereunder" and words of similar import refer to the entirety of this Contract, including the Schedules incorporated into this Contract, and not only to the Section in which such use occurs.

1.04 Conflict: In the event of any conflict between the provisions of the main body of this Contract (including Schedule 1) and Union's C1 Rate Schedule, as defined below, the provisions of Union's C1 Rate Schedule shall prevail over the main body of this Contract.

1.05 Currency: All reference to dollars in this Contract shall mean Canadian dollars.

1.06 Schedules: Refers to the schedules attached hereto which are specifically included as part of

this Contract, and include:

Schedule 1 – Contract Parameters

1.07 **Rate Schedule:** “Union's C1 Rate Schedule” or the “C1 Rate Schedule” or “C1” shall mean Union's C1 Rate Schedule, (including the Storage and Transportation Rates, Schedule “A 2010” (“General Terms and Conditions”), Schedule “B 2010” (“Nominations”), and Schedule “C 2010” (“Receipt and Delivery Points and Pressures”)), or such other replacement rate schedule which may be applicable to the Transportation Services provided hereunder as approved by the Ontario Energy Board, and shall apply hereto, as amended from time to time, and which is incorporated into this Contract pursuant to Section 5.03 hereof.

1.08 **Measurements:** Units set out in SI (metric) are the governing units for the purposes of this Contract. Units set out in Imperial measurement in parentheses beside their SI (metric) equivalent are for reference only and in the event of a conflict between SI (metric) and Imperial measurement herein, SI (Metric) shall prevail.

ARTICLE II - TRANSPORTATION SERVICES

2.01 **Transportation Services:** Union shall, subject to the terms and conditions herein, transport Shipper's gas on Union's system (the “Transportation Services”). Shipper agrees to the following upon nomination to Union for the provision of the Transportation Services:

(a) Contract Demand, Term, Type of Transportation Service, Receipt Point and Delivery Point shall be as set out in Schedule 1.

(b) Gas Transported by Union:

(i) Union agrees, on any day, and subject to Sections (b) ii) and (b) iii), to receive on Shipper's behalf at the Receipt Point, any quantity of gas which Shipper nominates and which Union has authorized for Transportation Service and to deliver that quantity of gas to Shipper at the Delivery Point;

(ii) Under no circumstances shall Union be required to transport a quantity of gas in excess of the Contract Demand; and,

(iii) Union agrees that it shall, upon the request of Shipper, use reasonable efforts to transport gas in excess of the Contract Demand, as Authorized Overrun, on an interruptible basis, if applicable under Schedule 1 hereof.

(c) Fuel:

Shipper shall provide the fuel requirements per the C1 Rate Schedule.

2.02 **Accounting for Transportation Services:** All quantities of gas delivered to/by Union shall be accounted for on a daily basis.

2.03 **Commingling:** Union shall have the right to commingle the quantity of gas referenced herein with gas owned by Union or gas being stored and/or transported by Union for third parties.

2.04 Imbalances: The parties hereto recognize that with respect to Section 2.01, on any day, receipts of gas by Union and deliveries of gas by Union may not always be exactly equal, but each party shall cooperate with the other in order to balance as nearly as possible the quantities transacted on a daily basis, and any imbalances arising shall be allocated to the Facilitating Agreements and shall be subject to the respective terms and charges contained therein, and shall be resolved in a timely manner.

ARTICLE III - CHARGES AND RATES

3.01 Except as otherwise stated herein in Schedule 1 hereof, the charges and rates to be billed by Union and paid by Shipper for the Transportation Services provided under this Contract will be those specified in Union's C1 Rate Schedule.

ARTICLE IV - NOMINATIONS

4.01 Transportation Services provided hereunder shall be in accordance with the prescribed nominations procedure as set out in Schedule "B 2010" of Union's C1 Rate Schedule.

ARTICLE V - MISCELLANEOUS PROVISIONS

5.01 Notices: All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by registered mail, charges prepaid, or by facsimile or other means of recorded telecommunication, charges prepaid, to the applicable address set forth below or to such other address as either party hereto may from time to time designate to the other in such manner, provided that no communication shall be sent by mail pending any threatened, or during any actual, postal strike or other disruption of the postal service. Any communication personally delivered shall be deemed to have been validly and effectively received on the date of such delivery. Any communication so sent by facsimile or other means of telecommunication shall be deemed to have been validly and effectively received on the business day following the day on which it is sent. Any communication so sent by mail shall be deemed to have been validly and effectively received on the seventh business day following the day on which it is postmarked.

Notwithstanding the above, nominations shall be made by facsimile or other recorded electronic means, subject to execution of an agreement for use of the secured portion of Union's website (the secured portion of Union's website is known as "*Unionline*") or such other agreement, satisfactory to Union, and will be deemed to be received on the same day and same time as sent. Each party may from time to time change its address for the purpose of this Section by giving notice of such change to the other party in accordance with this Section.

5.02 Law of Contract: Union and Shipper agree that this Contract is made in the Province of Ontario and that, subject to Article X of the General Terms and Conditions, the courts of the Province of Ontario shall have exclusive jurisdiction in all matters contained herein. The parties further agree this Contract shall be construed exclusively in accordance with the laws of the Province of Ontario.

5.03 Entire Contract: This Contract (including Schedule 1 and Union's C1 Rate Schedule) constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof. This Contract supersedes any prior or contemporaneous agreements, understandings, negotiations or discussions, whether oral or written, of the parties in respect of the subject matter hereof.

5.04 Time of Essence: Time shall be of the essence hereof.

5.05 Counterparts: This Contract may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original but all of which together shall constitute one and the same agreement. This Contract may be executed by facsimile.

5.06 Severability: If any provision hereof is invalid or unenforceable in any jurisdiction, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be construed in order to carry out the intention of the parties as nearly as possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any provision in any other jurisdiction.

5.07 General Liability: The liability of the parties hereunder is limited to direct damages only and all other remedies or damages are waived. In no event shall either party be liable for consequential, incidental, punitive, or indirect damages, in tort, contract or otherwise.

THIS CONTRACT SHALL BE BINDING UPON and shall enure to the benefit of the parties hereto and their respective successors and permitted and lawful assigns.

IN WITNESS WHEREOF this Contract has been properly executed by the parties hereto by their duly authorized officers as of the date first above written.

UNION GAS LIMITED

Per: _____
Authorized Signatory

[SHIPPER]

Per: _____
Authorized Signatory

CONTRACT PARAMETERS

Type of Transportation Service (as defined in Article I of Schedule "A 2010")

Please check one: Firm ☐ Limited Firm ☐ Interruptible ☐

Limited Firm description: *Here insert limited number of days of interruption or other details applicable to Limited Firm Service*

Contract Demand

Union shall transport a quantity of gas, on any one day, of:

- up to GJ (MMBtu) (the "Contract Demand").

Receipt and Delivery Points

i) "Receipt Point" shall mean the point where Union shall receive gas from Shipper as follows:

- [Point]

ii) "Delivery Point" shall mean the point where Union shall deliver gas to Shipper as follows:

- [Point]

which points are more particularly described in the C1 Rate Schedule.

Term

This Contract shall be effective as of the date of execution hereof; however, the obligations, terms and conditions for the Transportation Services herein shall commence on the later of:

- [Month day, year] (the "Commencement Date"); and
- the day following the date that all of the conditions precedent set out in Article XXI of Schedule "A 2010" of Union's C1 Rate Schedule have been satisfied or waived by Union;

where applicable for Expansion Facilities:

- and the day following the date that all of the conditions precedent set out in the agreement setting out certain construction and related conditions ("Precedent Agreement") dated [Month day, year] have been satisfied or waived by the party entitled to the benefit thereof;

and shall continue in full force and effect until [Month day, year] (the "Initial Term").

Conditions Date

As referred to in Article XXI of Schedule "A 2010": [Month day, year]

Contact Information

Communications to the parties hereto shall be directed as follows:

IF TO SHIPPER:

Nominations: Attention:

Telephone:
Facsimile:

Secondary Contact: Attention:

Telephone:
Facsimile:

IF TO UNION:

Union Gas Limited,
50 Keil Drive North,
CHATHAM, Ontario N7M 5M1

Nominations: Attention:

Manager, Gas Management Services
Telephone: 519-436-5360
Facsimile: 519-436-4635

Secondary Contact: Attention:

Director, Business Development
Telephone: 519-436-4527
Facsimile: 519-436-4643

Shipper's Representations and Warranties

Check here if Article XIX.3 of Schedule "A 2010" (Point of Consumption Warranty) is applicable: []

Check here if Article XIX.4 of Schedule "A 2010" (Non-Resident and Non-GST Registrant) is applicable: []

Special Provisions

(Here insert any special provisions applicable to this Contract)

Authorized Overrun

Please check one: Applicable ☐ Not applicable ☐

Rate for Service

Please insert details of rate for service if different than posted C1 rate

THIS FIRM M12 TRANSPORTATION CONTRACT dated as of the day of [month], [year],

UNION GAS LIMITED, a company existing under the laws of the Province of Ontario,
(hereinafter referred to as "**Union**")

- and -

[SHIPPER], a [type of entity] existing under the laws of the [Province, State, Country] of ,
(hereinafter referred to as "**Shipper**")

WHEREAS, Union owns and operates a natural gas transmission system in south-western Ontario, through which Union offers "Transportation Services", as defined in Article II herein;

AND WHEREAS, Shipper wishes to retain Union to provide such Transportation Services, as set out herein, and Union has agreed, subject to the terms and conditions of this Contract, to provide the Transportation Services requested;

NOW THEREFORE, this Contract witnesses that, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I - INTERPRETATION AND DEFINITIONS

1.01 Divisions, Headings and Index: The division of this Contract into Articles, Sections and Subsections, and the insertion of headings and any table of contents or index provided are for convenience of reference only, and shall not affect the construction or interpretation hereof.

1.02 Industry Usage: Words, phrases or expressions which are not defined herein and which, in the usage or custom of the business of the transportation, storage, and distribution or sale of natural gas have an accepted meaning shall have that meaning.

1.03 Extended Meaning: Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders. The words "herein" and "hereunder" and words of similar import refer to the entirety of this Contract, including the Schedules incorporated into this Contract, and not only to the Section in which such use occurs.

1.04 Conflict: In the event of any conflict between the provisions of the main body of this Contract (including Schedule 1) and Union's M12 Rate Schedule, as defined below, the provisions of Union's M12 Rate Schedule shall prevail over the main body of this Contract.

1.05 Currency: All reference to dollars in this Contract shall mean Canadian dollars.

1.06 Schedules: Refers to the schedules attached hereto which are specifically included as part of this Contract, and include:

Schedule I – Contract Parameters

1.07 Rate Schedule: "Union's M12 Rate Schedule" or the "M12 Rate Schedule" or "M12" shall mean Union's M12 Rate Schedule, (including the Storage and Transportation Rates, Schedule "A 2010" ("General Terms and Conditions"), Schedule "B 2010" ("Nominations"), Schedule "C" ("Monthly Fuel Rates and Ratios") and Schedule "D 2010" ("Receipt and Delivery Points and Pressures")), or such other replacement rate schedule which may be applicable to the Transportation Services provided hereunder as approved by the Ontario Energy Board, and shall apply hereto, as amended from time to time, and which is incorporated into this Contract pursuant to Section 5.03 hereof.

1.08 Measurements: Units set out in SI (metric) are the governing units for the purposes of this Contract. Units set out in Imperial measurement in parentheses beside their SI (metric) equivalent are for reference only and in the event of a conflict between SI (metric) and Imperial measurement herein, SI (Metric) shall prevail.

ARTICLE II - TRANSPORTATION SERVICES

2.01 Transportation Services: Union shall, subject to the terms and conditions herein, transport Shipper's gas on a firm basis on Union's system (the "Transportation Services"). Shipper agrees to the following upon nomination to Union for the provision of the Transportation Services:

(a) Contract Demand, Term, Receipt Point and Delivery Point shall be as set out in Schedule 1.

(b) Gas Transported by Union:

(i) Union agrees, on any day, and subject to Sections (b) ii) and (b) iii), to receive on Shipper's behalf at the Receipt Point, any quantity of gas which Shipper nominates and which Union has authorized for Transportation Service and to deliver that quantity of gas to Shipper at the Delivery Point as per Shipper's nomination;

(ii) Under no circumstances shall Union be required to transport a quantity of gas in excess of the Contract Demand;

(iii) Union agrees that it shall, upon the request of Shipper, use reasonable efforts to transport gas in excess of the Contract Demand, as Authorized Override, on an interruptible basis; and,

(iv) Union agrees that it shall, upon request of Shipper, use reasonable efforts to accommodate changes to either the Receipt Point or Delivery Point, after the Timely Nomination Cycle, on an interruptible basis.

(c) Fuel:

Shipper shall provide the fuel requirements per the M12 Rate Schedule based on the Authorized Quantity.

2.02 Accounting for Transportation Services: All quantities of gas delivered to/by Union shall be accounted for on a daily basis.

2.03 **Commingling:** Union shall have the right to commingle the quantity of gas referenced herein with gas owned by Union or gas being stored and/or transported by Union for third parties.

2.04 **Imbalances:** The parties hereto recognize that with respect to Section 2.01, on any day, receipts of gas by Union and deliveries of gas by Union may not always be exactly equal, but each party shall cooperate with the other in order to balance as nearly as possible the quantities transacted on a daily basis, and any imbalances arising shall be allocated to the Facilitating Agreements and shall be subject to the respective terms and charges contained therein, and shall be resolved in a timely manner.

ARTICLE III - CHARGES AND RATES

3.01 Except as otherwise stated herein, the charges and rates to be billed by Union and paid by Shipper for the Transportation Services provided under this Contract will be those specified in Union's M12 Rate Schedule.

ARTICLE IV - NOMINATIONS

4.01 Transportation Services provided hereunder shall be in accordance with the prescribed nominations procedure as set out in Schedule "B 2010" of Union's M12 Rate Schedule.

ARTICLE V - MISCELLANEOUS PROVISIONS

5.01 **Notices:** All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by registered mail, charges prepaid, or by facsimile or other means of recorded telecommunication, charges prepaid, to the applicable address set forth below or to such other address as either party hereto may from time to time designate to the other in such manner, provided that no communication shall be sent by mail pending any threatened, or during any actual, postal strike or other disruption of the postal service. Any communication personally delivered shall be deemed to have been validly and effectively received on the date of such delivery. Any communication so sent by facsimile or other means of telecommunication shall be deemed to have been validly and effectively received on the business day following the day on which it is sent. Any communication so sent by mail shall be deemed to have been validly and effectively received on the seventh business day following the day on which it is postmarked.

Notwithstanding the above, nominations shall be made by facsimile or other recorded electronic means, subject to execution of an agreement for use of the secured portion of Union's website (the secured portion of Union's website is known as "*Unionline*") or such other agreement, satisfactory to Union, and will be deemed to be received on the same day and same time as sent. Each party may from time to time change its address for the purpose of this Section by giving notice of such change to the other party in accordance with this Section.

5.02 **Law of Contract:** Union and Shipper agree that this Contract is made in the Province of Ontario and that, subject to Article X of the General Terms and Conditions, the courts of the Province of Ontario shall have exclusive jurisdiction in all matters contained herein. The parties further agree this Contract shall be construed exclusively in accordance with the laws of the Province of Ontario.

5.03 Entire Contract: This Contract (including Schedule 1 and Union's M12 Rate Schedule) constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof. This Contract supersedes any prior or contemporaneous agreements, understandings, negotiations or discussions, whether oral or written, of the parties in respect of the subject matter hereof.

5.04 Time of Essence: Time shall be of the essence hereof.

5.05 Counterparts: This Contract may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original but all of which together shall constitute one and the same agreement. This Contract may be executed by facsimile.

5.06 Severability: If any provision hereof is invalid or unenforceable in any jurisdiction, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be construed in order to carry out the intention of the parties as nearly as possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any provision in any other jurisdiction.

5.07 General Liability: The liability of the parties hereunder is limited to direct damages only and all other remedies or damages are waived. In no event shall either party be liable for consequential, incidental, punitive, or indirect damages, in tort, contract or otherwise.

THIS CONTRACT SHALL BE BINDING UPON and shall enure to the benefit of the parties hereto and their respective successors and permitted and lawful assigns.

IN WITNESS WHEREOF this Contract has been properly executed by the parties hereto by their duly authorized officers as of the date first above written.

UNION GAS LIMITED

Per: _____
Authorized Signatory

[SHIPPER]

Per: _____
Authorized Signatory

Contract No. M12

CONTRACT PARAMETERS

Contract Demand

Union shall transport a quantity of gas, on a firm basis, on any one day, of:

- up to GJ (MMBtu) (the "Contract Demand").

Receipt Points, Delivery Points and Transportation Services Paths

A "Receipt Point", as noted in the chart below, shall mean the point where Union shall receive gas from Shipper on a firm basis and a "Delivery Point", as noted in the chart below, shall mean the point where Union shall deliver gas to Shipper on a firm basis, which points are more particularly described in the M12 Rate Schedule.

The Transportation Services are available for the following paths:

Path	Receipt Point(s)	Delivery Point(s)
1	Point	Point
2	Point	Point

Term

This Contract shall be effective as of the date of execution hereof; however, the obligations, terms and conditions for the Transportation Services herein shall commence on the later of:

- [Month day, year] (the "Commencement Date"); and
- the day following the date that all of the conditions precedent set out in Article XXI of Schedule "A 2010" of Union's M12 Rate Schedule have been satisfied or waived by Union;

where applicable for Expansion Facilities:

- and the day following the date that all of the conditions precedent set out in the agreement setting out certain construction and related conditions ("Precedent Agreement") dated [Month day, year] have been satisfied or waived by the party entitled to the benefit thereof;

and shall continue in full force and effect until [Month day, year] (the "Initial Term").

Conditions Date

As referred to in Article XXI of Schedule "A 2010": [Month day, year]

Contact Information

Communications to the parties hereto shall be directed as follows:

IF TO SHIPPER:

[Redacted]

Nominations: Attention:

Telephone: [Redacted]
Facsimile: [Redacted]

Secondary Contact: Attention:

Telephone: [Redacted]
Facsimile: [Redacted]

IF TO UNION:

Union Gas Limited,
50 Keil Drive North,
CHATHAM, Ontario N7M 5M1

Nominations: Attention:

Manager, Gas Management Services
Telephone: 519-436-5360
Facsimile: 519-436-4635

Secondary Contact: Attention:

Director, Business Development
Telephone: 519-436-4527
Facsimile: 519-436-4643

Shipper's Representations and Warranties

Check here if Article XIX 3 of Schedule "A 2010" (Point of Consumption Warranty) is applicable: ☐

Check here if Article XIX.4 of Schedule "A 2010" (Non-Resident and Non-GST Registrant) is applicable: ☐

Special Provisions

Here insert any special provisions applicable to this Contract

**HOW AND WHEN TO USE
GAS INDUSTRY STANDARD BOARD'S (GISB)
CONTRACT FOR SHORT-TERM SALES OF NATURAL GAS**

9TH ANNUAL OIL & GAS LAW INSTITUTE
AUGUST 15-16, 1996

CAROLYN S. HAZEL

CONOCO INC.
600 NORTH DAIRY ASHFORD
HOUSTON, TX 77079

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**HOW AND WHEN TO USE
GAS INDUSTRY STANDARD BOARD'S (GISB)
CONTRACT FOR SHORT-TERM SALES OF NATURAL GAS**

I. CONTRACTING REQUIREMENTS OF TODAY'S NATURAL GAS SPOT MARKET

A. The Gas Marketing Revolution

1. Changes in Federal Regulation and Market Forces

Until the mid-1980's, producers sold their natural gas production in the field under long term contracts with pipeline purchasers. Gas marketers were rare. This made the gas marketing business relatively simple and straightforward: negotiate one contract for each package of gas (usually a field or group of wells) every ten to twenty years, and sometimes an occasional surplus gas contract. Potential purchasers were limited to those with pipeline assets in the vicinity of the production.

Beginning in 1983 to 1984, an oversupply in the natural gas market and drastic changes in producer¹ and interstate pipeline² regulation combined to produce an active spot market. The repainted 1996 picture of gas marketing looks much different. Producers sell gas to marketers (who are often affiliates of producers or pipeline companies) or to local distribution companies or directly to end users. The gas sold by producers to marketers is resold to local distribution companies or end users. Over half of these sales have terms less than one year, and over a third have terms of one month or less. For each of these sales, someone (either the seller or the buyer or both) must arrange for transportation, pooling gas supply from several sources and balancing of over and under deliveries and receipts. Each of these commercial and operational arrangements requires separate contracts.

2. Short-Term Contract Marketing Practices

Gas contracts of one month or less are negotiated in a far different manner than contracts for longer terms. Most month-long transactions are negotiated by telephone during "bid week", which is the third or fourth week of the month, depending upon the part of the country. Day trades of gas are conducted by telephone each morning prior to 10:00 am. Most companies' stated policy is for these verbal agreements to be confirmed in writing within one to five days, although stated policies often vary considerably from observable practices. Many of the larger marketers record their telephone conversations as documentation of particular transactions.

¹. Sales of gas sales by producers and non-pipeline marketers from wells spudded after 1977 were substantially deregulated as to delivery obligations after 1978 and as to price on January 1, 1985 pursuant to Section 601(a) and 121 of the Natural Gas Policy Act of 1978 (15 U.S.C. •• 3331 and 3431 (1982); all remaining controls were lifted by January 1, 1993, pursuant to the Natural Gas Wellhead Decontrol Act of 1989, 15 U.S.C. • 3431 (1995).

². Federal Energy Regulatory Commission Order No. 636 has required interstate pipelines to unbundle their various gas pipeline services by offering firm and interruptible transportation and storage services to third party shippers on an "open access" basis at rates reflective of the costs actually associated with rendering the service. Order No. 636, *Pipeline Service Obligations and Revisions to Regulations Governing Self Implementing Transportation Under Part 284 of the Commission's Regulations; and Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol*, 57 Fed. Reg. 13,267, III F.E.R.C. Stats. & Regs. ¶30,939 (Apr. 16, 1992).

The challenge of the gas marketing revolution to gas contracting practices is how to document the multifold increase in gas sales/purchase transactions in such a manner as to clarify the terms of the deal, assure enforceability, and meet the time requirements of the commercial business. The contracting practices must also be cost efficient, as the spot market is largely a commodity market with very slim margins and therefore unable economically to support the overhead associated with complex contractual arrangements.

B. Effect of Gas Market Revolution on Gas Sales/Purchase Contracts

1. How Gas Contracts Have Changed

As is often the case, gas contracting practices have lagged the changes in gas marketing practices. Spot gas contracts today are generally shorter than their 1985 counterparts: quality and measurement provisions are omitted in deference to the tariff provisions of the transporting pipeline; shorter terms eliminate the need for elaborate price escalation provisions; minimum quantity provisions are either absent or significantly simplified. Also, most marketing companies have developed contract forms in which the parties agree to standard terms and conditions for all of their sales and purchases and then document each spot transaction with a one-page transaction confirmation designating the quantity, price, delivery point and any other special provisions.

2. Contracting Practices Remain Inadequate to Serve the Spot Market

While all of these changes have been helpful, current gas marketing practices in general do not meet the time requirements imposed by the commercial environment of the spot market. First, each marketing company blithely charges its marketers to use its own model form. Therefore, in each new prospective commercial relationship, the party perceiving itself to have the lesser economic clout must review, consider and negotiate the base terms and conditions proposed by the other party. To exasperate this situation, most marketers revise their base terms and conditions periodically, requiring repeated review and negotiation of contracts between old trading partners. Finally, the vocabulary for spot gas contracts is not standard. Therefore, even where base terms and conditions are neatly in place between parties, the traders do not remember the specific vocabulary used in a specific agreement, so that the vocabulary used on the transaction confirmation (which was drafted for use with a different base contract) does not match the vocabulary used in the base contract, resulting in considerable ambiguity. (Eg., The base contract may define service levels as "Interruptible", "Base", and "Firm", but a transaction confirmation identifies the service level as "Swing".)

The alarming reality is that a substantial volume of gas moves in today's spot market with documentation that is inadequate to meet the most basic commercial needs: a clear statement of the primary aspects of the deal and enforceability.

II. ORIGINS OF THE GISB STANDARD FORM CONTRACT

A. Initial Standardization Effort

In November 1994, Karyl M. Lawson, Assistant General Counsel of MidCon Gas Services Corporation, delivered a paper to the Federal Energy Bar Association³ describing current changes in the gas market and challenging the industry to develop a standard gas sales and purchase contract form for use in the spot market. Ms. Lawson also published an invitation

³. Karyl M. Lawson, *Developing Standardized Natural Gas Sales/Purchase Markets*, NATURAL GAS JOURNAL (Feb. 1995) at 20.

in the 1995 issue of *Foster's Report*⁴ for anyone interested in participating in the development of a standard form contract. Her first meeting was held in February 1995 with 21 participants representing 14 different companies. That group⁵ produced a draft contract which MidCon then requested the Gas Industry Standard Board ("GISB") to adopt as a GISB Standard for Electronic Business Transactions.⁶

B. Who is GISB

GISB was created in 1994 as a voluntary organization of approximately 200 companies representing all segments of the gas industry, including producers, marketers, pipelines, local distribution companies and end-users, to develop uniform standards to support electronic communication within the gas industry. Such standards are necessary to implement such practices as electronic communication of nomination and scheduling information, assignment or trading of excess transportation and trading of physical natural gas. Development of a standard spot gas sales and purchase contract is critical to the development of electronic trading of physical natural gas.

C. Drafting Process for GISB Standard Form

The MidCon sponsored draft contract was distributed to GISB members in July 1995 along with a survey form requesting the member companies' opinions regarding the need for a standard contract for use in electronic trading and the appropriateness of the MidCon form. The survey responses compiled in August 1995 showed general overwhelming support for GISB's development of a model gas sales contract but less support for some of the provisions contained in the MidCon form. Based on these results, the GISB Board of Directors commissioned a task force in late August 1995 to proceed with the development of a standard gas sales/purchase contract and at the same time to determine the data elements necessary to allow electronic transactions to be made. The "contract language" part of the task force was chaired by C. A. Y. (Tony) Shepard of Columbia Gas Distribution Companies and the first meeting was held September 22, 1995.

Participation on the task force was open to any member company wishing to be involved. Representatives from approximately 35 companies participated in one or more meetings⁷, and written comments were received from many more. The task force met numerous times over the subsequent months and distributed its first draft to the GISB membership in February 1996 for comments. The primary substantive changes in the GISB draft from the prior MidCon form

⁴. *MidCon Gas Services Proposes Master Natural Gas Sales/Purchase Contract for Industry*, FOSTER REPORT No. 2009, p. 27 (December 15, 1994).

⁵. Participants in the spring 1995 drafting effort were Akin Gump Hauer & Feld for NIPSCO, Aquila Energy Corp., Associated Gas Services, Inc., Columbia Gas Distribution Company, Conoco Inc., Entex Corp., Houston Lighting & Power Company, MidCon Gas Services Corp., Missouri Gas Energy/Southern Union, New York Mercantile Exchange, Sutherland, Asbil & Brennan for various end-users, Texaco Inc., The Williams Companies.

⁶. Karyl M. Lawson, *A Proposal for a Standard Natural Gas Sales/Purchase Contract*, NATURAL GAS CONTRACTS CONTRACT REPORT (The Thompson Publishing Group, May 1995).

⁷. The most active participants in the drafting process were Amoco, Aquila Energy Corp., Cabot Oil & Gas, Chevron U.S.A. Production Co., Columbia Gas Distribution, Consolidated Edison, Conoco Inc., Eastex Energy Inc. (El Paso), Equitable Resources, Enron Capital & Trade Resources, Entex, Exxon, Fina, Florida Power & Light, Houston Industries, MidCon Gas Services, NorAm Energy Resources, NYMEX, Tenneco Gas/Energy.

were reducing the number of service level options and narrowing the focus of the contract to short-term transactions. Comments received from GISB members were reviewed by the task force in March, and a final version was submitted to GISB's Executive Committee and to the full membership in April 1996. The standard contract was approved by vote of the GISB membership on May 13, 1996.

III. PURPOSE AND FORM OF THE STANDARD CONTRACT

A. Intended for Short Term (One Month or Less) Transactions

A primary guiding principle in drafting the GISB Standard Contract was universal appeal. Therefore, its provisions represent those perceived to be most typically used in today's marketplace. Since transactions involving multi-month commitments are more likely to involve unique features than shorter term commitment, the task force elected to narrow the scope of the standard contract to sales and purchase transactions which are either fully interruptible or have terms no longer than one month. The task force simply found too much diversity to achieve consensus on key contract provisions considered crucial by several companies in longer term commitments.

B. Standard Contract Format

The GISB Standard Contract consists of three documents.

1. The Base Contract is a single page which identifies the parties, their addresses and the contract date and references and incorporates the GISB standard General Terms and Conditions. The Base Contract also contains some boxes or blanks in which the parties must record their selection of certain options presented by the General Terms and Conditions. If these blanks are not completed, the contract will contain significant ambiguities. The Base Contract also bears the signatures of the parties.

2. The General Terms and Conditions ("GTC") is a six-page document setting out the general terms and conditions governing all of the transactions between the parties. The task force contemplated that the parties would not routinely exchange copies of the GTC in the formation of their contract, since it is accessible on the GISB home page on the internet at <http://www.neosoft.com/gisb/gisb.htm>. The downloading charge is \$25.00 for GISB members and \$50 for non-members.

3. The Transaction Confirmation is a single page negotiated and exchanged for each specific transaction to set out the price, quantity, delivery point, transporters, and other particulars for the transaction. There is no enforceable obligation under the Base Contract unless the parties have agreed to a specific transaction and evidenced the transaction with a Transaction Confirmation. As contemplated by the task force, the only appropriate place for documenting modifications or exceptions to the GTC is in the Base Contract or in the Transaction Confirmation.

IV. GENERAL TERMS AND CONDITIONS

A. Section 1. Purposes and Procedures

1. Transaction Confirmation Procedures Section 1 sets out the procedure for the parties to effect their agreement on a specific gas sale and purchase transaction through the use of the Transaction Confirmation. The parties must select one of two options for this procedure, **Oral** or **Written**, and indicate their selection on the face of the Base Contract. Both the Oral Transaction Procedure and the Written Transaction Procedure contemplate that the parties will reach

agreement concerning the details of their transaction by telephone and then one or both of the parties will send a written Transaction Confirmation documenting their agreement to the other party. The difference between the two procedures is the intended legal effect of the agreement between the time of the telephone conversation and the mutual execution of the Transaction Confirmation. The two options reflect the very real practices and related expectations existing in the spot market today.

2. Oral Transaction Procedure Under this procedure, the parties' verbal telephone agreement is intended to be binding pending exchange of the written Transaction Confirmation. This purported agreement by the parties that their oral conversation constitutes a writing poses obvious questions in the face of the applicable statute of frauds.⁸ However, since the actual practice of many marketers is to regard their telephone agreements as binding, the task force determined it appropriate to spell out those expectations clearly, even if actual enforceability in some cases may be questionable. Parties electing the *Oral* option may wish to tape record the conversations in which the agreements are struck, as some authority exists to support the sufficiency of a tape recording as a "writing"⁹ under the U.C.C. requirements.¹⁰ In light of some commentators' concerns about whether a tape recording made without the knowledge or consent of a party can be an "intentional reduction to tangible form", as required to constitute a "writing" under U.C.C. §1-201(46), parties intending to tape record their marketing conversations may wish to add a consent provision as a *Special Provision* to the Base Contract. (Such consent to tape recording language was omitted from the Standard Contract due to strong opposition by some industry participants.)

Of course, as a practical matter, the risk associated with the questionable enforceability of this provision is short-lived and curable, since even under the Oral Transaction Procedure, the Confirming Party must, and the other party may, send a written Transaction Confirmation to the other party which will become binding in the same manner as for the Written Transaction Procedure. Therefore, parties wishing to assure enforceability at the earliest possible time should make a practice of always sending a Transaction Confirmation to the other party as soon as practicable after making a telephone agreement and should provide for a short Confirm Deadline in the Base Contract.

3. Written Transaction Procedure Under this procedure, the parties are not bound by their telephone agreement until the written Transaction Confirmation becomes binding. A Transaction Confirmation may become binding in any one of three ways: (a) both parties sign a single Transaction Confirmation; (b) the parties exchange non-conflicting Transaction Confirmations; or (c) the party receiving the Transaction Confirmation fails to object to its terms in writing by the Confirm Deadline, which is the period of time elected by the parties in their Base Contract (two business days unless otherwise provided).

4. Electronic Data Interchange may be used by the parties to implement a transaction and the related Transaction Confirmation where the required technology is in place and the parties have entered into an appropriate agreement authorizing such transactions. Although electronic trading of physical gas volumes is currently limited to very specific markets where the

⁸. U.C.C. §2-201(1).

⁹. U.C.C. §1-201(46) defines a "writing" to include "any ... intentional reduction to tangible form."

¹⁰. *Ellis Canning Co. v. Bernstein*, 348 F. Supp. 1212 (D. Colo, 1972); 2 HAWKLAND, *UNIFORM COMMERCIAL CODE SERIES* §2-201:04 (1990).

transporter has established the required technology for certain participants, the general expectation is that it will be quite common in the near future. The development of the GISB standard contract was intended to facilitate the development of such electronic trading.

5. Options and Elections In order to fully implement this section, the parties must make three elections in the Base Contract. First, as stated above, they must choose the *Oral* or *Written* transaction procedure. Second, they must designate a Confirm Deadline, which is the length of time after a party's receipt of a Transaction Confirmation that the receiving party will be deemed to have accepted its terms, if he has not expressly refuted them. The default Confirm Deadline is two business days, based on the task force's observations of industry practice. The third election required of the parties is to designate which party will be obligated to send the Transaction Confirmation when they have reached agreement on a specific transaction.

B. Definitions

The definitions contained in the GTC are fairly standard. One commenter suggested referencing the quality standards within the definition of *Gas*, which is sometimes seen in these type of contracts, particularly those prepared by local distribution companies. However, defining *gas* so as to exclude any gas not meeting all of the quality specifications is inconsistent with the commercial and operational practices nearer the wellhead where a purchaser may from time to time be willing to accept limited amounts of off-spec gas. The task force elected instead to assure the seller's liability for damage resulting from the delivery of off-spec gas with the indemnity provisions in Sections 8.3 and 8.4.

C. Performance Obligations

The Standard Contract contemplates two levels of performance obligations: *Firm* or *Interruptible*, which must be designated by the parties for each transaction by filling out the appropriate blank on the Transaction Confirmation. The parties may enter into both firm transactions and interruptible transactions under the same contract.

1. Interruptible Transaction Either party may interrupt deliveries or receipts at any time without liability to the other party, except that the interrupting party will be liable for any imbalance penalties resulting from the failure of the interrupting party to give timely notice of its interruption. If the parties wish a longer notice period for a particular transaction, then a provision to that effect should be included as a *Special Condition* on the Transaction Confirmation effecting that transaction.

2. Firm Transaction The seller and buyer must deliver and receive, respectively, on each day during the Delivery Period, the full Contract Quantity, which may be either a Fixed Quantity of MMBtu per day or a Variable Quantity. If it is a Variable Quantity, then either the seller or the buyer, but not both, has the right to nominate the Contract Quantity each day, between the minimum and maximum quantities stated on the Transaction Confirmation, and the other party is obligated to receive or deliver the nominated quantity on a firm basis. The only excuse for failure to deliver or receive gas under a Firm obligation is an event of force majeure. The definition of *force majeure* in Section 11 is fairly standard and excludes curtailment of non-firm transportation. If the parties wish to excuse performance for other reasons, eg., loss or curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed, then a provision to that effect should be included as a *Special Condition* on the Transaction Confirmation effecting that transaction.

3. Damages for Breach of Performance Obligation

The GTC offers two options for specifying damages for breach of a Firm performance obligation: the *Cover Standard* and the *Spot Price Standard*. The parties must elect which

standard will apply to their transactions and document their election by circling the appropriate designation on the Base Contract. The selected standard will then apply to all transactions implemented under that Base Contract. The parties must also choose a Spot Price Publication and designate it on the Base Contract. This selection is necessary for the Cover Standard as well as the Spot Price Standard, since it provides the measure of damages if the non-breaching party does not make an alternate sale or purchase of the gas that the breaching party failed to deliver or receive.

The Cover Standard essentially tracks the U.C.C. damage provisions.¹¹ If seller fails to deliver and buyer purchases replacement fuel, buyer's damages are the difference between the buyer's higher replacement costs and the lower Contract Price. If the buyer does not purchase replacement fuel, its damages are the difference between the higher Spot Price and the lower Contract Price. If buyer fails to receive Firm gas, and seller sells the gas elsewhere, then seller's damages are the difference between the higher Contract Price and seller's lower alternate sales price. If seller does not make an alternate sale of the gas, its damages are the difference between the higher Contract Price and the lower Spot Price.

The Spot Price Standard sets the measure of damages for seller's breach as the higher Spot Price minus the lower Contract Price and the measure of damages for buyer's breach as the higher Contract Price minus the lower Spot Price.

In both cases, damages calculated according to the specified standard are the exclusive and sole remedy available to the non-breaching party under the terms of the GTC. Consequential, punitive and special damages are expressly waived in Section 3.3. If the parties wish to establish additional penalties for breach of a Firm performance obligation for a particular transactions, a provision imposing a stated deficiency charge should be inserted as a *Special Condition* on the Transaction Confirmation effecting the transaction.

D. Transaction, Nominations and Imbalances

These provisions are fairly typical of their genre prevailing in the industry today. Section 4.1 simply establishes the respective responsibilities of the seller and buyer for transporting and delivering the gas. Section 4.2 requires the parties to coordinate their nominating activities with the affected Transporters to effect the deliveries contemplated under the contract. Earlier versions of Section 4.2 attempted to establish minimum time limits for the parties' nominating activities, but these minimum times were found to be inconsistent with actual nominating, scheduling and confirming practices in use among industry participants. Imbalance charges under Section 4.3 can either be in cash or in kind.

E. Quality and Measurement

The GT&C adopts the gas quality specifications and measurement practices of the receiving transporter as applicable to gas delivered under the contract.

F. Taxes

The Standard Contract offers two options for allocating tax liabilities between the parties, and the parties must indicate the selected option on the Base Contract. One option is for the buyer to have responsibility for taxes imposed at the delivery point; the other option is for the seller to bear any taxes imposed at the delivery point. In both options, seller bears taxes imposed upstream of the delivery point and buyer bears any taxes imposed downstream of the delivery point.

Several commenters suggested adding a provision to deal with the treatment of new taxes imposed after the date of a Transaction Confirmation, but the task force considered such a

¹¹. U.C.C. §2.703, §2.708, §2.711 and §2.712.

provision superfluous for the short term transactions contemplated by this Base Contract. Any parties contemplating use of the contract for longer term transactions should consider whether such a provision might be desirable.

G. Billing, Payment and Audit

These provisions are also rather typical of billing and payment provisions in use in the industry. Under Section 7.1 Seller is charged with preparing an invoice based on actual quantities delivered, if available, and scheduled quantities if actuals are not available. In order to implement Section 7.2, the parties must determine a Payment Date and choose a form of payment, eg., Wire Transfer, Automated Clearinghouse, or Check, and indicate their choices on the Base Contract. Buyer's payment in the prescribed form is due the later of ten days after receipt of the invoice or the Payment Date. Interest accrues on late payments at the prime rate listed in the *Wall Street Journal*, plus two percent per annum. Section 7.4 provides for audit rights and limits retroactive billing or payment adjustments to two years after the month of gas delivery unless written notice of the claim is provided during such two-year period.

H. Title, Warranty and Indemnity

1. Delivery Point

Unless otherwise specifically agreed, title to the gas passes from seller to buyer at the delivery point, meaning seller is liable and bears the risk of loss for the gas prior to the delivery point, and buyer assumes liability and risk of loss for the gas after delivery at the delivery point. In some cases (usually for local state tax purposes), the parties may wish to establish a point for transferring custody of the gas which is different than the point at which title is transferred. If such a modification is needed, an appropriate provision should be added to the Transaction Confirmation as a *Special Condition*.

2. Title Warranty

Seller warrants its right to transfer title and that it does transfer good and merchantable title to buyer free of all liens, encumbrances and claims. One commenter expressed concern about the lack of the seller's warranty that it actually has title, but the task force chose the "right to convey ... title" language in order to cover situations where the seller is acting in an agency capacity in selling gas under the contract. Seller's indemnity for title claims in Section 8.3 covers all gas delivered under the contract, whether owned by seller or by a third party for whom seller was acting as agent. If a third party asserts a claim against seller's title to the gas, buyer may demand assurance of seller's title under Section 10.1.

3. Indemnities

The indemnity provisions in Section 8.3 align with the division of liability set out in Section 8.1. Section 8.4, however, maintains seller's liability, as between seller and buyer, for any claims arising from off-spec gas, even after delivery to buyer. This provision is not intended to give buyer's customers a direct cause of action against seller, but rather to indemnify buyer for any such claims.

I. Notices

This provision contemplates communications by all forms likely to be available to the parties: mail, facsimile, courier service and electronic means. Section 9.3 establishes assumed receipt dates to operate in the absence of proof of actual receipt. The addresses of the parties are listed on the Base Contract.

J. Financial Responsibility

This provision permits a party to demand adequate assurances of performance from the other party when reasonable ground for insecurity exist, either as to payment or title to the gas. Under U.C.C. § 2-609, the party receiving such demand must respond within reasonable time, not to exceed 30 days, with reasonable assurances or be considered to have repudiated the contract. In addition, this provision permits a party to terminate the contract without prior notice upon learning that the other party becomes insolvent or files a bankruptcy proceeding or if a party defaults in a payment obligation. A seller is also permitted to suspend deliveries of gas if a payment is more than two days late.

Earlier drafts of the contract also contained close-out and netting clauses intended to permit a “netting” of all outstanding transactions in the event one of the parties became bankrupt. These provisions appear to have strong support in some areas of the industry but are regarded by a larger segment of the industry as inapplicable to the vast majority of their transactions. In view of the short and near term nature of the transactions contemplated under this base contract, the task force determined that such provisions were not appropriate for this standard contract. Parties considering the use of this contract for longer term transactions may wish to consider adding such close-out and netting clauses as *Special Provisions* to the Base Contract.

K. Miscellaneous Provisions

1. Assignability

Under Section 13.1, the contract is not assignable except among affiliates or by merger without the consent of the other party. This reflects the general practice in the industry.

2. Choice of Law

The parties are required under Section 13.5 to choose a state whose law will be applicable to matters arising under the contract. Several commenters suggested that the parties also bind themselves to a particular venue, but the prevailing view among the task force was that agreeing upon a venue would unnecessarily delay contract execution for the majority of industry participants for whom venue was not a compelling issue. Those parties who wish to specify the legal venue for lawsuits arising out of the contract should include a choice of venue provision as a *Special Provision* in the Base Contract.

3. No Confidentiality Provision

In light of the standard terms and conditions and very short terms of the transactions contemplated under this contract, confidentiality was not considered commercially significant. Parties wishing to use this Standard Contract form for longer term transaction may wish to add a confidentiality provision as a *Special Provision* to the Base Contract.

V. SAMPLE SPECIAL PROVISIONS FOR THE BASE CONTRACT

The Base Contract permits additions and modifications to the provisions contained in the GTC by the attachment of Special Conditions on separate sheets to be attached to the Base Contract. The addition of such sheets should be noted by inserting the number of attached sheets in the space provided at the bottom of the chart on the Base Contract form. Provisions added or modified for the Base Contract will affect all transactions effected under that Base Contract.

A. Consent to Tape Recording of Telephone Conversations

In order to assure that a tape recording of the parties’ conversation will be considered an intentional reduction of their agreement to tangible form, the parties should consent to such recording. Assuming that the parties elected the Oral Transaction Procedure, a provision expressing the parties’ consent to recording telephone conversations could be added to the Base Contract as a *Special Provision* as follows:

“The following sentence is added to the end of Section 2.1: The parties hereby consent to the tape recording of telephone conversations in which agreement to a Transaction is reached. Any such tape recording will be deemed a “writing” and “signed” by the parties for purposes of Section 2-201(1) of the Uniform Commercial Code and may be introduced as evidence to prove the fact or terms of a Transaction.”

B. Close-out and Netting Provision

As explained earlier, the task force did not include close-out and netting provisions in the Standard Contract because companies do not usually enter into one-month transactions far enough in advance to make use of such provisions. However, parties wishing to adapt the Standard Contract to one supporting longer term transactions may wish to consider adding such a provision along the following lines:

“A new Section 3.4 is added to the Base Contract as follows:

3.4 In the event that the non-defaulting party terminates the Contract under Section 10.1, hereto, the non-defaulting party shall have the right to designate an early termination date (“**Early Termination Date**”) as any date on or after the event of default under Section 10.1. Upon the Early Termination Date, the non-defaulting party shall have the right to liquidate any and all Transactions under this Contract (including any portion of a Transaction not yet fully delivered) then outstanding by:

(i) Closing out each Transaction being liquidated at its Market Value, as defined below, so that each such Transaction is cancelled and a settlement payment in an amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Transaction shall be due to the Buyer under the Transaction if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and

(ii) Discounting each amount then due under clause (i) above to present value in a commercially reasonable manner as at the time of liquidation (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Transaction); and

(iii) Setting off or aggregating, as appropriate, any or all settlement payments (discounted as appropriate) and (at the election of the non-defaulting party) any or all other amounts owing between the parties under this Contract so that all such amounts are aggregated and/or netted to a single liquidated amount payable by one party to the other. The net amount due any such liquidation shall be paid by the close of business on the Business Day following the Early Termination Date.

For purposes of this Section 3.4, “**Contract Value**” means the amount of Gas remaining to be delivered or purchased under a Transaction multiplied by the Contract Price, and “**Market Value**” means the amount of Gas remaining to be delivered or purchased under a Transaction multiplied by the market price determined by the non-defaulting party in a commercially reasonable manner. The rate of interest used in calculating net present value shall be determined by the non-defaulting party in a commercially reasonable manner. The parties agree that a Transaction under this Section 3.4 shall constitute a “forward contract” within the meaning of the United States Bankruptcy Code.

The non-defaulting party’s rights under this Section 3.4 and to the payments described in Section 3.2 accrued prior to the termination date are the sole and exclusive remedy of the non-defaulting party. The non-defaulting party shall give notice that a liquidation pursuant to this Section 3.4 has occurred to the defaulting party no later than the Business Day following such liquidation, provided that failure to give such notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the defaulting party against the non-defaulting party.”

C. Choice of Venue Provision

Parties wishing to designate the venue for any litigation arising under the Contract would add a provision as follows:

“The following sentence shall be added to Section 13.5: “The parties agree that the forum of any litigation arising out of this Contract will be in a state or federal court for _____ County (Parish), _____, and the parties hereby consent to the jurisdiction and venue of such courts.”

D. Confidentiality Provision

As explained earlier, the task force did not include a confidentiality provision in the Standard Contract because prices under one-month transactions are not generally commercially sensitive enough to outweigh the additional administrative burden of maintaining confidentiality in a true sense. However, parties wishing to adapt the Standard Contract to one supporting longer term transactions may wish to consider adding such a provision along the following lines:

“Confidentiality: The terms of any Transaction Confirmation hereunder, including but not limited to the Contract Price, the Contract Quantity, the Delivery Period, the identified Transporter(s), and all other material terms thereof shall be kept confidential by the parties hereto for one year from the expiration of such Transaction, except to the extent that any information must be disclosed to a third party for the purpose of effectuating transportation of Gas subject to the Contract or to meet New York Mercantile Exchange requirements or governmental orders or regulations.”

VI. SAMPLE SPECIAL CONDITIONS FOR THE TRANSACTION CONFIRMATION

Special Conditions affecting a specific Transaction should be noted in the box so labeled on the Transaction Confirmation. In light of the limited space, these provisions should be as brief as possible. Samples of the more common special conditions that parties might find useful are set out below:

A. Special Conditions affecting Performance Obligations

1. Extended notice period for interrupting Interruptible transactions

Section 2.17 does not require any minimum notice for interruption of an Interruptible transaction, except such notice as may be required to avoid the imposition of Imbalance Penalties. If the parties wish to provide for a longer notice period, usually 24 to 48 hours, for such interruption, the following provisions could be inserted as a Special Condition on the Transaction Confirmation, which the parties have marked as “Interruptible”.

“Any party failing to provide at least ___ hours notice of curtailment will be liable for the damages provided in Section 3.2 for the period of such unprovided notice.”

or

“Any party failing to provide at least ___ hours notice of curtailment will be liable for a penalty of ___ cents per MMBtu times the daily Contract Quantity.”

2. Excusing performance due to loss of non-firm transportation

Under Section 2.15, interruption of Firm transactions may be excused only in the event of force majeure, which does not include the loss of non-firm transportation. Parties often wish to agree to performance commitments somewhere in between the Standard Contract’s definitions of Firm and Interruptible, sometimes called “Base” or “Baseload”, “Secondary Firm”, “Priority Interruptible”, or even “Firm” with a different definition of force majeure. One approach to forming this middle ground seen with increased frequency is to simply add the loss of non-firm transportation as an event of force majeure:

“Notwithstanding Section 11.3, loss or curtailment of any transportation, including interruptible or secondary firm transportation, will constitute an event of force majeure.”

3. Enhanced Deficiency Penalties

Several commentors suggested that simple cover damages as provided in Section 3.2 were insufficient to compensate a party for interruption of a firm commitment. Since this view represented a relatively small segment of the total comments received, the task force did not expand the penalty for nonperformance. However, such enhanced penalty provisions may be added fairly simply by the addition of the following Special Condition:

“In addition to any amounts due for the unexcused failure to deliver or receive gas under Section 3.2, the breaching party will pay the non-breaching party a Deficiency Penalty equal to ___ cents per MMBtu of Gas not delivered or received, as applicable.”

B. Addition of a Custody Transfer Point

In some transactions the parties may wish to have a title transfer point different from the point at which custody and responsibility for the gas is transferred. In such cases, a provision as follows may be included as a Special Condition.

“Notwithstanding Sections 8.1, title to the Gas will pass from Seller to Buyer at _____, although custody and all liability with regard to the Gas will pass from Seller to Buyer at the Delivery Point. Seller’s indemnity obligations under Section 8.3 will apply prior to delivery of the Gas at the Delivery Point, and Buyer’s indemnity obligations will apply after delivery of the Gas at the Delivery Point.”

VII. CONCLUSION

Considering the number of companies buying and selling gas each day and each month, it is reasonable to estimate that tens of thousand of spot transactions are concluded each month. Because of the extremely compressed negotiation time for these transactions, many (if not most) of these transactions are concluded with delinquent, inadequate, ambiguous or absent documentation. Further, the differences among the general terms and conditions in most contracts in use in today’s spot market are not substantive, but rather reflect different drafting styles and vocabularies. The differences in well drafted spot contracts¹² very rarely have distinct commercial value and therefore do not deserve extensive negotiation. The industry would therefore be well served to embrace a standard form for the spot market business. The GISB standard contract offers a very workable, balanced solution to the current waste of time and monies spent fitting antiquated contracting practices to a very new and different commercial reality.

¹². Well drafted spot contracts include those which include all essential provisions and are internally consistent. Poorly drafted spot contracts generally omit essential provisions and/or include internally inconsistent provisions or terminology.

GasEDI STANDARD CONTRACT
OVERVIEW and COMPARISON to
GISB BASE CONTRACT (1996 VERSION)

GasEDI

June 1, 2001

References

GasEDI

- GasEDI:
 - ◆ October 26, 2000, version.
- GISB 1996:
 - ◆ GISB Standard 6.3.1, dated May 13, 1996.

Sections

GasEDI

- Cover Sheet
- 1: Purpose and Procedures
- 2: Definitions
- 3: Performance Obligation
- 4: Transportation, Nominations and Imbalances
- 5: Quality and Measurement
- 6: Taxes
- 7: Billing, Payment and Audit
- 8: Title, Warranty and Indemnity
- 9: Notices
- 10: Financial Responsibility, Defaults and Remedies
- 11: Force Majeure
- 12: Term
- 13: Miscellaneous
- 14: Limitations
- Special Provisions
- Transaction Confirmation

Cover Sheet

GasEDI

■ GasEDI:

- ◆ Identify parties.
- ◆ Provide banking information.
- ◆ Provide contact information.
- ◆ Check boxes and blanks to select options in General Terms and Conditions.
- ◆ Highlight addition of Special Provisions, if any.
- ◆ Signatures.
- ◆ Disclaimer: GasEDI not liable.

■ GISB 1996:

- ◆ Same as GasEDI.
- ◆ Disclaimer: GISB not liable.

1: Purpose and Procedures

GasEDI

■ Basis:

- ◆ GasEDI: Firm, interruptible, EFP transactions.
- ◆ GISB 1996: Same as GasEDI.

1: Purpose and Procedures

GasEDI

■ Procedure:

- ◆ GasEDI: Oral or electronic.
- ◆ GISB 1996: Oral, EDI or written.

■ GasEDI:

- ◆ Elimination of written option eliminates “unknown status” between oral agreement and written follow-up.
 - Can achieve effect of written option by always following up with Transaction Confirmation.
- ◆ Electronic provides more electronic communication options than just EDI.

1: Purpose and Procedures

GasEDI

■ Confirmation Procedure:

◆ GasEDI:

- Confirming Party send, by end of next Business Day:
 - ★ Other party can only object by marking-up.
- If not received by deadline, other party has 2 Business Days to send:
 - ★ Confirming Party can only object by marking-up.
- Failure to object indicates acceptance.
- Eliminates “battle of the Transaction Confirmations”.

◆ GISB 1996:

- Can have “crossed Transaction Confirmations”.

1: Purpose and Procedures

GasEDI

■ Priorities:

◆ GasEDI:

- Effective Transaction Confirmation.
- Oral or electronic agreement.
- Base Contract.
- General Terms and Conditions.

◆ GISB 1996:

- Transaction Confirmation.
- Base Contract.
- General Terms and Conditions.

1: Purpose and Procedures

GasEDI

- Single Integrated Contract Provision:
 - ◆ GasEDI: Included.
 - ◆ GISB 1996: Same as GasEDI.

1: Purpose and Procedures

GasEDI

- Recording of Conversations:
 - ◆ GasEDI: Included, with access rights.
 - ◆ GISB 1996: Silent.

1: Purpose and Procedures

GasEDI

- Parties Bound by Employee(s) and Representative(s):
 - ◆ GasEDI: Included.
 - ◆ GISB 1996: Silent.

2: Definitions

GasEDI

■ GasEDI:

- ◆ Similar to GISB 1996.
- ◆ Changes vs GISB 1996:
 - 10^3m^3 added.
 - Btu changed to Btu(IT) (= GISB Standard).
 - Business Day changed.
 - Contract changed.
 - GJ added (= GISB Standard).
 - Several others added or changed.
- ◆ All defined terms defined in this section.

■ GISB 1996:

- ◆ Btu not consistent with GISB Standard.
- ◆ Some defined terms not defined in this section.

3: Performance Obligation

GasEDI

- Sale and Purchase:
 - ◆ GasEDI: Seller will sell and deliver, and Buyer will receive and purchase ...
 - ◆ GISB 1996: Same as GasEDI.

3: Performance Obligation

GasEDI

■ Remedies for Non-Performance:

◆ GasEDI:

- Cover Standard / Spot Price Standard:
 - ★ Selected on the Cover Sheet.
- The choice made determines the financial compensation to be paid:
 - ★ To Buyer if Seller does not deliver.
 - ★ To Seller if Buyer does not take.

◆ GISB 1996: Same as GasEDI.

3: Performance Obligation

GasEDI

■ Breach by Seller – Cover Standard vs Spot Price Standard:

- ◆ Gas prices:
 - Contract = \$2.00
 - Replacement = \$2.50
 - Spot = \$3.00
- ◆ Cover Standard:
 - Buyer chooses to replace gas: damages = \$0.50 = \$2.50 - \$2.00
 - Buyer chooses to not replace gas: damages = \$1.00 = \$3.00 - \$2.00
- ◆ Spot Price Standard:
 - Buyer not required to replace gas: damages = \$1.00 = \$3.00 - \$2.00

3: Performance Obligation

GasEDI

■ Breach by Buyer – Cover Standard vs Spot Price Standard:

- ◆ Gas prices:
 - Contract = \$3.00
 - Replacement = \$2.50
 - Spot = \$2.00
- ◆ Cover Standard:
 - Seller chooses to resell gas: damages = \$0.50 = \$3.00 - \$2.50
 - Seller chooses to not resell gas: damages = \$1.00 = \$3.00 - \$2.00
- ◆ Spot Price Standard:
 - Seller not required to resell gas: damages = \$1.00 = \$3.00 - \$2.00

4: Transportation, Nominations and Imbalances

GasEDI

■ Transportation:

- ◆ GasEDI: Seller to Delivery Point, with pressure obligation; Buyer from Delivery Point.
- ◆ GISB 1996: Same as GasEDI.

4: Transportation, Nominations and Imbalances

GasEDI

- **Nominations and Scheduling:**
 - ◆ GasEDI: Parties shall coordinate, with sufficient time to meet deadlines of all affected transporters.
 - ◆ GISB 1996: Same as GasEDI.

4: Transportation, Nominations and Imbalances

GasEDI

■ Imbalance Charges:

- ◆ GasEDI: Parties shall endeavour to avoid Imbalance Charges, and any Imbalance Charges actually incurred shall accrue to the party causing the imbalance.
- ◆ GISB 1996: Same as GasEDI.

5: Quality and Measurement

GasEDI

■ Quality:

◆ GasEDI:

- Meet pressure, quality and heat content requirements of receiving transporter.

◆ GISB 1996:

- Same as GasEDI.

5: Quality and Measurement

GasEDI

■ Quantity:

- ◆ GasEDI: MMBtu dry, Dekatherm dry, GJ or 10^3m^3 .
- ◆ GISB 1996: MMBtu dry.

5: Quality and Measurement

GasEDI

- Measurement:
 - ◆ GasEDI: Per Receiving Transporter.
 - ◆ GISB 1996: Same as GasEDI.

6: Taxes

GasEDI

■ GasEDI:

- ◆ Select:
 - Seller pays before and at Delivery Point (Cover Sheet).
 - Buyer pays at and after Delivery Point (Cover Sheet).
- ◆ Either party may provide other with exemption certificate.

■ GISB 1996:

- ◆ Same as GasEDI.

■ GST (Canadian Goods and Services Tax):

- ◆ GasEDI: Detailed provisions.
- ◆ GISB 1996: Silent (Contract is US only).

7: Billing, Payment and Audit

GasEDI

■ Concepts:

◆ Invoice:

- Seller invoices Buyer, with supporting documentation.

◆ Payment:

- Buyer pays Seller – later of Payment Date or 10 Days after receipt of invoice.

◆ Audit:

- Parties have related audit rights.

7: Billing, Payment and Audit

GasEDI

■ Invoice:

◆ GasEDI:

- Seller invoices Buyer, with supporting documentation.
- Provision for “rolling corrections”.

◆ GISB 1996:

- Same as GasEDI.

7: Billing, Payment and Audit

GasEDI

- Payment type:
 - ◆ GasEDI: Manner specified on Cover Sheet, in immediately available funds.
 - ◆ GISB 1996: Same as GasEDI.

7: Billing, Payment and Audit

GasEDI

■ Payment Date:

- ◆ GasEDI:
 - Later of Payment Date or 10 days after receipt of invoice.
 - First Business Day following non-Business Day.
- ◆ GISB 1996: Same as GasEDI.

7: Billing, Payment and Audit

GasEDI

■ Dispute:

◆ GasEDI:

- Pay amount not in dispute, with documentation to support the dispute (= GISB Standard).

◆ GISB 1996:

- Same as GasEDI.

7: Billing, Payment and Audit

GasEDI

- Payments due to Buyer:
 - ◆ GasEDI: Similar to payments due to Seller.
 - ◆ GSIB 1996: Same as GasEDI.

7: Billing, Payment and Audit

GasEDI

■ Interest (on late payments):

◆ GasEDI:

- US\$: Wall Street Journal, Money Rates, prime rate + 2% pa.
- CA\$: Toronto Dominion Bank, Calgary Main Branch, prime rate + 2% pa.

◆ GISB 1996:

- Wall Street Journal, Money Rates, prime rate + 2% pa.

7: Billing, Payment and Audit

GasEDI

- Payment currency:
 - ◆ GasEDI: Currency of Contract Price.
 - ◆ GISB 1996: Silent (Contract is US\$ only).

7: Billing, Payment and Audit

GasEDI

- Netting:
 - ◆ GasEDI: Allowed.
 - ◆ GISB 1996: Silent.

7: Billing, Payment and Audit

GasEDI

- Audit:
 - ◆ GasEDI: Allowed.
 - ◆ GISB 1996: Allowed.

7: Billing, Payment and Audit

GasEDI

■ Payment acceleration:

- ◆ GasEDI: Allowed.
- ◆ GISB 1996: Silent.

8: Title, Warranty and Indemnity

GasEDI

- Title and control:
 - ◆ GasEDI: Passes from Seller to Buyer at Delivery Point.
 - ◆ GISB 1996: Same as GasEDI.

8: Title, Warranty and Indemnity

GasEDI

■ Warranty of Title:

- ◆ GasEDI: Seller passes good, clear, title to Buyer.
- ◆ GISB 1996: Same as GasEDI.

8: Title, Warranty and Indemnity

GasEDI

- Warranty of Merchantability / Fitness for Purpose:
 - ◆ GasEDI: Disclaimed.
 - ◆ GISB 1996: Silent.

8: Title, Warranty and Indemnity

GasEDI

■ Indemnity:

- ◆ GasEDI: Seller indemnifies Buyer before title transfer; Buyer indemnifies Seller after title transfer.
- ◆ GISB 1996: Same as GasEDI.

8: Title, Warranty and Indemnity

GasEDI

- Seller Liable to Buyer:
 - ◆ GasEDI: Gas off-spec; failure to transfer good and merchantable title.
 - ◆ GISB 1996: Gas off-spec.

8: Title, Warranty and Indemnity

GasEDI

- Incidental, Consequential, Special or Punitive Damages:
 - ◆ GasEDI: No liability.
 - ◆ GISB 1996: No liability.

9: Notices

GasEDI

■ Notices:

- ◆ GasEDI: Fax, electronic, overnight courier, hand delivery.
- ◆ GISB 1996: Fax, electronic, overnight courier, first class mail, hand delivery.

9: Notices

GasEDI

■ Payments:

- ◆ GasEDI: ACH (credit), check, EFT, FEDI, wire transfer.
- ◆ GISB 1996: ACH, check, wire transfer.

10: Financial Responsibility, Defaults and Remedies

GasEDI

- GasEDI:
 - ◆ Detailed provisions.
- GISB 1996:
 - ◆ Designed for very short term contracts – up to 1 month.
 - ◆ Credit status rarely changes much during a month.
 - ◆ Provisions could be used in unintended ways.
 - ◆ Many users of GISB 1996 have supplemented with Special Provisions.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GISB 1996:

- ◆ Provisions could be used in unintended ways:
 - Financially weakening Seller could use against financially strong Buyer:
 - ★ Demand grossly excessive “adequate assurance of performance” – such as “standby irrevocable letter of credit”.
 - ★ If Buyer does not comply, Seller withholds gas.
 - ★ If Buyer does comply, Seller uses to strengthen its financial position.
 - No quick defense for Buyer vs Seller:
 - ★ Takes time to defend against “reasonable grounds for insecurity”.
 - If Buyer does not comply - may raise industry questions about Buyer’s financial status.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI:

- ◆ Concept of “reasonable grounds for insecurity” retained.
- ◆ Value of “Performance Assurance” limited:
 - Shall not exceed “Total Termination Payment”.
- ◆ Deals more precisely with different forms of risk:
 - Credit:
 - ★ Will Buyer pay Seller?
 - Performance:
 - ★ Will Seller transfer good title to Buyer?

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Definitions:

◆ Event of Default:

- Failure to pay when due if not remedied within 2 Business Days.
- Failure to pay an Accelerated Payment Invoice when due.
- Bankruptcy, etc.
- Failure to provide Performance Assurance.
- Numerous failures to deliver or receive Gas, unless excused by the other party's Non-Performance or prevented by Force Majeure.

Greater of:

- ★ 4 cumulative Days.
- ★ >5% of Days in a Delivery Period.
- Failure to perform any other material obligation under the Contract if not remedied within 5 Business Days.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Definitions:

◆ Potential Event of Default:

- Any event or circumstance which would, with Notice, the passage of time, or both, constitute an Event of Default.

◆ Non-Performance:

- Failure to purchase and receive, or sell and deliver, Gas, which is not excused because of the non-performance of the other party or by Force Majeure.

◆ Non-Performing Party:

- Party which is failing to purchase and receive, or sell and deliver, Gas, which failure is not excused because of the non-performance of the other party or by Force Majeure.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Definitions:

◆ Accelerated Payment Invoice:

- Invoice sent by a Performing Party demanding payment (within 3 Business Days) of amounts due for breach of a Firm obligation to sell and deliver or receive and purchase Gas.

◆ Performance Assurance:

- Security in the form, amount and term reasonably specified by the party demanding the Performance Assurance, including, but not limited to:
 - ★ Standby irrevocable letter of credit.
 - ★ Prepayment.
 - ★ Security interest in an asset acceptable to the demanding party.
 - ★ Performance bond or guarantee by an entity acceptable to the party demanding the Performance Assurance.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Definitions:

- ◆ Contract Value of a Transaction:
 - NPV of Gas remaining under a Transaction, based on the Contract Price.
- ◆ Market Value of a Transaction:
 - NPV of gas remaining under a Transaction, based on market price.
- ◆ Costs:
 - All reasonable costs, legal fees and expenses incurred by the Non-Defaulting Party to replace a Transaction or in connection with termination of a Transaction.
- ◆ Early Termination Date:
 - Date on which all Transactions terminate, as specified by a Non-Defaulting Party in consequence of an Event of Default.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Definitions:

◆ Termination Payment:

- Difference between the Market Value and the Contract Value (of a Transaction), adjusted for Costs, as of the Early Termination Date.

◆ Total Termination Payment:

- Sum of the Termination Payments for all Transactions terminated. The Total Termination Payment is a reasonable pre-estimate of the loss suffered, and is not intended as a penalty.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Performance Assurance:

- ◆ If a party has reasonable grounds for insecurity regarding the payment, performance or enforceability of any obligation such party may demand Performance Assurance:
 - Whether or not an Event of Default, Non-Performance or Potential Event of Default has occurred.
 - Which Performance Assurance shall be provided within 5 Business Days.
- ◆ The Performance Assurance shall not exceed:
 - The Total Termination Payment ... as if all Transactions had been terminated;
 - Plus all other outstanding amounts owed or accrued.

10: Financial Responsibility, Defaults and Remedies

GasEDI

- **GasEDI: Suspend Performance / Withhold Money:**
 - ◆ If an Event of Default or Potential Event of Default occurs, the Non-Defaulting Party shall have the right to, in addition to any other remedies available hereunder:
 - Upon 1 Business Day's Notice, suspend its performance under any or all Transactions under the Contract; and/or
 - Withhold any amounts owed to the Defaulting Party under the Contract, any Transaction or any other agreement between the parties (whether or not yet due) and setoff against such withheld amounts any amounts owed the Non-Defaulting Party hereunder (whether or not yet due).

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Early Termination:

- ◆ Upon the occurrence of an Event of Default, the Non-Defaulting Party may, for so long as the Event of Default is continuing, terminate, accelerate and liquidate all Transactions then outstanding or not yet commenced by:
 - Providing Notice to the Defaulting Party.
 - Establishing an early termination date, between 1 and 20 Business Days following the Event of Default, on which all such Transactions shall terminate.
- ◆ If an Early Termination Date has been designated, the Non-Defaulting Party shall calculate the Total Termination Payment and notify the Defaulting Party of such amount.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Liquidation Amount:

- ◆ The Non-Defaulting Party may net the Total Termination Payment against all other amounts owing (whether or not yet due) between the parties under the Contract and any other agreements between the parties.
- ◆ This amount constitutes the “Liquidation Amount” payable by the Defaulting Party within 2 Business Days or payable by the Non-Defaulting Party on the 25th of the Month following the Early Termination Date, as applicable.
- ◆ A disputed amount hereunder shall be paid by the Defaulting Party, subject to refund.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Non-Performance:

- ◆ In the event a party is a Non-Performing Party, the Performing Party shall have the right to, in addition to any other remedies available:
 - Withhold payments due the Non-Performing Party for the period of the applicable Non-Performance and net or set-off amounts due the Performing Party against such withheld amounts;
 - During the period of the applicable Non-Performance, upon at least 1 Business Day's Notice, suspend its performance under any or all Transactions; and/or
 - If the Non-Performing Party fails to pay any Accelerated Payment Invoice when due, the Performing Party may, without further Notice to the Non-Performing Party, declare an Early Termination Date with respect to the particular Transaction to which the Non-Performance relates.

10: Financial Responsibility, Defaults and Remedies

GasEDI

■ GasEDI: Non-Performance:

- ◆ The failure of the Performing Party to exercise any of these rights or remedies shall not constitute a waiver of:
 - The Non-Performance;
 - The requirement for payment for breach of a Firm obligation to sell and deliver or receive and purchase Gas; or
 - Any of the other rights or remedies of the Performing Party in connection therewith.

10: Financial Responsibility, Defaults and Remedies

GasEDI

- GasEDI: Rights, Set-offs, Etc:
 - ◆ Each party reserves to itself all rights, set-offs, counterclaims, and other defences which it is or may be entitled to arising from the Contract.

Eligible Financial Contract

GasEDI

- Significance of qualifying as an “eligible financial contract”:
 - ◆ Not subject to a bankruptcy CCAA stay order:
 - CCAA = Companies Creditors Arrangements Act (Canada).
 - ◆ Solvent party can use the contractual remedies on insolvency set out in Section 10.

Eligible Financial Contract

GasEDI

- Transactions done under the GasEDI contract will likely qualify as an “eligible financial contract” because:
 - ◆ Natural gas fits the definition of a “commodity” set out by the Court of Appeal:
 - Fungible.
 - Exchange traded.
 - Volatile market.
 - Sufficient volume traded to ensure a competitive price.
 - ◆ And ...

Eligible Financial Contract

GasEDI

- ◆ Gas traded under the GasEDI contract should exhibit the “key elements” the Court identified as signifying a forward commodity contract”:
 - Buyer and seller of a commodity.
 - Defined contract term of more than 1 day.
 - Defined quantity of the commodity.
 - Defined point(s) of delivery and receipt.
 - Defined price or pricing mechanism.
 - Customized (or customizable) by individual negotiation.
 - Parties know each other and take credit issues into account when entering into the contract.

Credit Annex

GasEDI

- The GasEDI Standard Contract does not include a Credit Annex:
 - ◆ Nature of the terms of a Credit Annex suggests these may only be applicable to “large” firms:
 - Credit rated by S&P, Moody’s, DBRS, etc.
 - Listed on a public stock exchange.
 - ◆ May deter small, closely held, gas sellers and buyers from accepting the GasEDI Standard Contract.

11: Force Majeure

GasEDI

■ Payments:

- ◆ GasEDI: Must always be made – no Force Majeure relief.
- ◆ GISB 1996: Same as GasEDI.

11: Force Majeure

GasEDI

■ Definition:

- ◆ GasEDI: Any event beyond the reasonable control of the party claiming; and the parties shall make reasonable efforts to mitigate and resolve.
- ◆ GISB 1996: Same as GasEDI.
- ◆ Exceptions (Section 11.3) cannot claim Force Majeure:
 - Interruption of interruptible transportation.
 - Failure to remedy.
 - Economic hardship.

11: Force Majeure

GasEDI

■ Notice:

- ◆ GasEDI: Initially orally, follow-up in writing asap.
- ◆ GISB 1996: Same as GasEDI.

11: Force Majeure

GasEDI

- What effect does a claim of Force Majeure have on the GasEDI contract?
 - ◆ Suspended, not terminated.
 - ◆ Does not suspend obligation to pay.

11: Force Majeure

GasEDI

- How broad is the definition of triggering events, and does your event fit the description?
 - ◆ Doesn't have to be a catastrophic event.
 - ◆ Does have to be unforeseen (ie: "not present in normal business calculations").

11: Force Majeure

- What impact must the event have on the party who wants to claim Force Majeure?
 - ◆ Must cause failure to deliver/receive:
 - ATCOR Test: “A supplier need not show that the event made it impossible to carry out the contract, but must show that the event created, in commercial terms, a real and substantial problem, one that makes performance commercially unfeasible.”
 - ★ Ie: is performance commercially reasonable and feasible?

11: Force Majeure

GasEDI

- What about field plant gas? Consider the following as a Special Provision (this is not in the GasEDI Standard Contract):
 - ◆ If the Delivery Point is a field plant outlet, then Force Majeure includes events which occur upstream of the Delivery Point. If the Delivery Point is a point other than a field plant outlet, events which affect the transportation of gas from the field plant outlet to the Delivery Point do not constitute Force Majeure unless the parties agree otherwise in a Transaction Confirmation or unless the events affect the entire geographic region.

12: Term

GasEDI

■ Termination:

- ◆ GasEDI: Later of 30 days Notice or expiration of latest Delivery Period of any Transaction Confirmation(s).
- ◆ GSIB 1996: Same as GasEDI.

12: Term

GasEDI

- Certain provisions survive termination:
 - ◆ GasEDI: Audit, payments, indemnity.
 - ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

- Binding / benefit:
 - ◆ GasEDI: Successors, assigns, etc.
 - ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

■ Assignment:

◆ GasEDI:

- Consent required, cannot be unreasonably withheld.
- Except consent not required for assignment to parent, affiliate.
- Transferor not relieved of any obligations.

◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

■ Severability:

- ◆ GasEDI: Any provision severable, rest continues enforceable.
- ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

■ Waiver:

- ◆ GasEDI: Not deemed to be waiver of anything else.
- ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

- Complete understanding:
 - ◆ GasEDI: Set forth herein, all Transactions merged.
 - ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

- Amendments:
 - ◆ GasEDI: Only in writing.
 - ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

- Governing law:
 - ◆ GasEDI: Specified on Cover Sheet.
 - ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

- **Laws, rules and regulations:**
 - ◆ GasEDI: Contract subject to all applicable laws, rules, orders, regulations, etc, of any governmental authority, at any level, having jurisdiction.
 - ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

- Third party beneficiaries:
 - ◆ GasEDI: None.
 - ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

■ Authority:

- ◆ GasEDI: Parties warrant they have authority to enter into and perform.
- ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

■ Currency Conversion:

- ◆ GasEDI: Average of Bank of Canada noon spot exchange rates.
- ◆ GISB 1996: Silent (Contract is US\$ only).

13: Miscellaneous

GasEDI

■ Arbitration:

- ◆ GasEDI: Optional - Per International Arbitration Rules of the American Arbitration Association.
- ◆ GISB 1996: Silent.

13: Miscellaneous

GasEDI

- Headings:
 - ◆ GasEDI: Silent.
 - ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

- Confidentiality:
 - ◆ GasEDI: Silent.
 - ◆ GISB 1996: Same as GasEDI.

13: Miscellaneous

GasEDI

■ No Exclusivity:

- ◆ GasEDI: Silent.
- ◆ GISB 1996: Same as GasEDI.

■ No Exclusivity Concept:

- ◆ Neither party shall have ... rights of or exclusive dealings with the other party regarding the purchase or sale of gas by reason of ... this agreement ...

14: Limitations

GasEDI

- Limitations:
 - ◆ GasEDI: All warranties and liabilities are specifically provided; no warranty of merchantability or fitness for a particular purpose.
 - ◆ GISB 1996: Silent.

Special Provisions

GasEDI

■ Standard Contract:

- ◆ GasEDI: Special Provisions can be added to the Standard Contract by noting such on the Cover Sheet.
- ◆ GISB 1996: Same as GasEDI.

■ Transaction Confirmation:

- ◆ GasEDI: Special Provisions can be added to any Transaction by noting such on the Transaction Confirmation.
- ◆ GISB 1996: Same as GasEDI.

Transaction Confirmation

GasEDI

■ GasEDI and GISB 1996:

- ◆ Identify Seller and Buyer.
- ◆ Identify Price.
- ◆ Identify Delivery Period.
- ◆ Identify Delivery Point(s).
- ◆ Identify Quantity.
- ◆ Identify Performance Obligation.
- ◆ Identify Special Provisions.
- ◆ Signatures.

■ GasEDI only:

- ◆ Check box for Canadian Export Zero Rating (GST issue).

Disclaimer

- Information herein has been developed for training purposes - such information should not be considered a comprehensive treatment of any subject:
 - ◆ Comments reflect the views of the author and are not intended to provide legal advice.
 - ◆ Readers should not act or rely on information provided herein without seeking specific legal advice.

GasEDI STANDARD CONTRACT
OVERVIEW and COMPARISON to
GISB BASE CONTRACT (1996 VERSION)

GasEDI

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