

**THE SOUTHERN CONNECTICUT GAS COMPANY
GAS TARIFF**

RATE BAL (BALANCING SERVICE RIDER)

1. AVAILABILITY:

Service under this ancillary service rider is available as an optional service to Operators receiving service under the Company's Rate TRS on a pool-specified basis provided the Company's facilities and gas supply are adequate, in its opinion, to render the service.

Service is available hereunder to any Operator who has a valid Aggregation Agreement, and who owns and delivers gas to the Company at an acceptable point of connection, for delivery by the Company to the Customer's regular point of service. To be eligible for service, an Operator must hold a clear and marketable title to gas that is made available for delivery to Customer's facility on the Company's gas system.

The Company reserves the right to limit the total amount of service offered under this Rate and service will be provided on a first-come, first-serve basis. Availability of service is subject to availability of adequate gas transmission and distribution system capabilities, as well as adequate gas supplies or storage capacity.

2. CHARACTER OF SERVICE:

Balancing Service Rider may be provided, subject to the terms and conditions hereunder, up to a daily "BAL" maximum balancing quantity (MBQ). The Company reserves the right to issue a critical day declaration and/or an Operational Flow Order (OFO) that may limit or eliminate the availability of this service. The Company will manage daily imbalances by scheduling gas deliveries made under this service directly with the Operator pursuant to the OFO provisions of the Transportation Receipt Services (TRS) Terms and Conditions so as to minimize cumulative monthly imbalances. Rate BAL is a burner tip service; therefore, and city gate failure to deliver penalties (if any) will continue to apply.

This service is not intended to be used as a storage service or Standby service. The Company reserves the right to discontinue service hereunder at any time if an Operator violates, in the Company's sole judgment, any provision or condition of service under the "Rate BAL" tariff.

3. CONTRACT REQUIREMENTS:

As part of the Aggregation Agreement, the Operator shall execute an agreement with the Company which shall specify, among other things, the Maximum Daily Quantity (MDQ), and the Maximum Balancing Quantity (MBQ), of the gas that will be subject to this Rate.

4. APPLICABILITY

Operators who do not elect standby service under Rate STB (Optional Standby Service Rider) shall have no right or claim to gas or gas service provided by the Company, except for Operator's gas appropriately delivered to the Company's system under the terms of Rate TRS.

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5. DEFINITIONS:

The definitions contained in Rate TRS in conjunction with the following definitions shall apply to this rate, the incorporated general terms and conditions, and any written document(s) between the Company and the Operator related to service under this rider.

- (a) The term “balancing service” shall mean the temporary provision of gas or holding of gas by the Company, under the balancing provisions contained herein.
- (b) The term “Pool Aggregated Daily Balancing Allowance” or “Pool ADBA” shall mean the daily quantity of balancing that the Company may offer to meet requirements outside the applicable balancing provisions of Rate TRS for ultimate delivery to customers who comprise Operator’s Pool(s). The Pool ADBA shall be calculated daily as $\pm 10\%$ of the Operator’s Daily Scheduled Nomination. The Company reserves the right to issue a critical day declaration and/or an Operational Flow Order (OFO) that may limit or eliminate the availability of this service.
- (c) The term “Positive Imbalance” refers to the situation when a pool’s available supply exceeds the Daily Pool Usage.
- (d) The term “Negative Imbalance” refers to the situation when a pool’s available supply is insufficient to meet the Daily Pool Usage.
- (e) The term “Elected Balancing Quantity” shall mean the maximum daily quantity of balancing service elected by the Operator for a specified pool;
- (f) The term “Unplanned Balancing Quantity” shall mean the quantity of gas required for balancing an Operator’s Pool in excess of the Pool ADBA and the Elected Balancing Quantity (if any).
- (g) The term “ratchet” refers to the incremental usage in excess of the existing Unplanned Balancing Quantity (if any) during the months of November through March.
- (h) The term “Open Season” refers to the annual balancing quantity election period commencing on the first business day of August and termination on the last business day of August. Elected Balancing Quantities (and any converted Unplanned Balancing Quantities as described in Section 8 (a) 1) below) will be effective for deliveries commencing Novembers 1st of that year.

6. TERM OF SERVICE:

Elected balancing quantities will be in effect for a period of one year, commensurate with the Open Season period as defined in Section 5 (h) above. Unplanned balancing quantities will be in effect for twelve consecutive months commencing with the month of

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the unplanned ratchet. These unplanned quantities may be converted to elected quantities at the Company's next open season, pursuant to the conditions set forth in Section 8 below.

A TRS Operator that has subscribed for either Planned Balancing or Unplanned Balancing may trade that like entitlement to another TRS Operator. Both parties must submit to the Company in writing the request for the trade of entitlement. If the written intent of one party does not match the written intent of the second party, the Company will reject the request. Upon the successful completion of any trade, the TRS Operator that receives the additional balancing entitlements will assume all duties and obligations associated with the balancing entitlement, including, but not limited to, assumption of the demand charges and assumption of the remaining term of any such obligation.

7. RATES AND CHARGES:

- (a) Elected Balancing: Calculated based upon 75% of the costs incurred by the Company to reserve firm storage services and firm storage deliverability for its Customers. This charge shall be determined annually as filed in the Company's August PGA filing for availability in the annual open season election period.
- (b) Unplanned Balancing: Calculated based upon 125% of the costs incurred by the Company to reserve firm storage services and firm storage deliverability for its Customers. This charge shall be determined annually as filed in the Company's August PGA filing for availability in the annual open season election period.
- (c) Cashouts: The monthly sum of the daily net imbalance charges calculated by taking the daily applicable Gas Daily daily City Gate Price, adjusted for both retention and conversions between Dth and Mcf.
- (d) Summer Period (April through October) Excess Balancing Charge (if applicable): Unit Charge per Ccf of imbalance in excess of the sum of the Pool ADBA, Elected Balancing Quantity (if any) and Unplanned Balancing Quantity (if any) equal to two times the applicable Gas Daily daily City Gate price.

8. DAILY, MONTHLY AND ANNUAL LOAD BALANCING:

Differences between the Daily Scheduled Nomination and the Daily Pool Usage shall be accumulated and recorded by the Company for each Operator Pool. The Operator is responsible for keeping informed of the Operator's Pool(s) usage as recorded by the Company and as to the daily receipts from its supplier of gas.

- a) Daily Load Balancing: Daily imbalances shall be cashed out by Pools using the rates identified in section 7(c) above.

Any daily imbalances, either positive or negative, in excess of the Pool ADBA will be assessed the applicable demand charges identified in Section 7 (a) and 7 (b), and unit charges in Section 7(d) of this Rate BAL.

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Operators may elect additional balancing quantities beyond the Pool ADBA at the Elected Balancing Rate in Section 4 (a) above to further assist in daily load balancing. The Company will offer at least 10% of the total aggregated Operator Pool MDDQ as Elected Balancing Quantities each year during the open season period. Operators may elect more than 10% of their individual Pool MDDQ provided the aggregated Operator elections do not exceed the quantities offered by the Company. If the aggregate Operator elections exceed the amount offered by the Company, the following steps will be taken:

- 1) The Company will determine if it can meet the desired level of Operator aggregated elected quantities; or,
- 2) Operators will voluntarily reduce their elected amounts in an attempt to match the Company's available electable quantity; or,
- 3) The Parties (The Company and the Operators that have elected balancing quantities) will work together to reduce the elected quantities (on a pro-rata basis or other method acceptable to the Parties) in order to match the Company's available electable balancing quantity; or,
- 4) The Company, in its sole discretion, will reduce individual Operator elected quantities on a pro-rata percentage basis in order to match the Company's available electable balancing quantity.

Pools with daily negative or positive imbalances exceeding the Pool ADBAs will incur charges based on the following:

- 1) Winter Period:
Operators who have elected a specified daily balancing quantity shall be charged at the Elected Balancing rate in Section 7 (a) above for those elected quantities each month for a period of twelve consecutive months. Any imbalance quantities in excess of the sum of the Pool ADBA and elected balancing quantities shall be charged at the Unplanned Balancing rate in Section 7 (b) above for those ratcheted quantities commencing with the month of the ratchet, and will remain in effect for the next consecutive twelve months.
 - 2) Summer (April through October) Period:
Operators who have elected a daily balancing quantity shall be charged at the Elected Balancing rate in Section 7(a) above for those elected quantities each month for the 12-month November through October period. During the April through October summer period any imbalance quantities in excess of the sum of the Pool ADBA elected and unplanned balancing quantities shall be assessed the unit charge in Section 7(d) above.
- (b) Monthly Load Balancing: Operators shall not be charged for a cumulative positive or negative imbalance that, as of the last day of the billing period, is less than five (5) percent of the Pool's monthly quantity (the sum of the daily scheduled nominations less retention quantities including imbalance trading activity), unless modified by the Company's issuance of an operational flow order or declaration of a critical day as

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provided by this Section 8 (below). Imbalances within the limits established by the preceding sentence may be corrected by mutual agreement of the Company and the Operator as to increased or reduced takes no later than the end of the current calendar month but the Company has the right to require Operators to make up or pay back imbalances with 48 hours notice lacking mutual agreement.

For each month the Company shall calculate the net imbalance for each Pool as follows: The Sum of the Daily Scheduled Nominations plus, if applicable, delivered standby quantities and storage withdrawals, minus retention quantities minus, if applicable, storage injections and imbalance trades minus Daily Positive Imbalance Cashouts minus Pool Customers' usage.

(c) Annual Load Balancing (Applicable to Pools that are wholly or partially comprised of non-daily demand metered Customers) on an annual basis, during the billing months of either July or August, the Company shall use an annual cash out calculation to account for differences in forecast usage versus Billing Cycle usage. Using the ATV values recalculated based on actual degree days (Daily Pool Usage) the Company will compare the sum of these recalculated ATV values for each Pool for a twelve (12) Month period to the sum of billed sales volumes for Customers who comprised each Aggregation Pool for that same period. The Operator will be provided an opportunity to trade annual imbalances within 3 business days of notification from the Company under the imbalance trading provisions established in 14(d) of Rate TRS. Any imbalances remaining at the end of this 3 business day trading period will be cashed out at the simple average of the year's daily price index as published in Gas Daily.

Continuous or willful incurring of Pool imbalances beyond the balancing quotas as defined in Section 5(a) of this Rate BAL will constitute grounds for termination of service under this Rate BAL in accordance with Section 26 of Rate TRS.

Notwithstanding any other provisions of this schedule the Company shall have the right to issue operational flow orders and/or the declaration of a critical day that reduce or eliminate the balancing parameters detailed herein, when in the Company's discretion operational circumstances warrant such limitation. Failure to abide by the terms of the operational flow order(s) will result in penalty charges being incurred at the rate identified in Section 5 of Rate TRS applied solely to the incremental volumes associated with the failure. In the event that the Company determines that it does not have the resources available to make up for Operator or Operator's supplier(s) under delivery the Company will institute curtailments to the impacted Delivery Service customers according to the priorities established in the Company's load curtailment plan as approved by the Connecticut Public Utilities Regulatory Authority.

Monthly Cashout Terms: Any pipeline specific net imbalances remaining at the end of a particular calendar month shall be cashed out in the following manner. Imbalances will

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be cashed out by the Company at the Cashout Rate derived by using the methodology in 7 (c) multiplied by the applicable positive or negative imbalance factor, plus applicable taxes, besides and other charges applicable under this rate.

Monthly Imbalance Percentage	Positive Imbalance Factor	Negative Imbalance Factor
0<5%	1.00	1.00
5<10%	0.85	1.15
10<20%	0.70	1.30
20%>	0.50	1.50

Annual Cashout Terms: In addition to any other charges or penalties, on an annual basis ending September 30th each year, Operators will be required to cash-out the difference between the results of the Consumption Algorithm based on the actual degree days and the actual Gas Usage of the Customers in the Operator's Pool. This imbalance will be cashed-out at the simple average of the year's daily price index as published in Gas Daily.

9. FORCE MAJEURE:

- (a) Effect of Force Majeure – If either the Company or the Operator is rendered unable by force majeure to wholly or in part carry out its obligations under the provisions of this Rate BAL, the obligations of the party affected by such force majeure, other than the obligation to make payments thereunder, shall be suspended during the continuance of any inability so caused but for no longer period; and such cause shall, insofar as possible, be remedied with all reasonable dispatch.
- (b) Definition of Force Majeure – The term "Force Majeure" as employed herein shall include acts of God, strikes, lockouts, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fire storms, floods, washouts, arrests and restraints of rulers and peoples, interruptions by government or court orders, civil disturbances, explosions, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of reasonable foresight, such party is unable to avoid and, by the exercise of due diligence, such party is unable to overcome.

10. FAILURE TO COMPLY:

Failure of the Operator to comply with or perform any of its obligations under this schedule or the agreement shall constitute grounds for termination or suspension of service. Failure to comply shall include actions of Operator which cause the Company or any individuals receiving gas related services from the Company, either as a class or individually, to incur costs in any form which are not paid for through the charges under this rate schedule. Except in cases of willful or repeated failure to comply or perform, termination or suspension of service shall be preceded by written notice followed by a

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cure period of five (5) business days during which time the Operator shall have the opportunity to correct the failure to comply or perform as specified in the written notice. If such failure is not cured within such five (5) business-day period or if the Operator had been notified in writing that a particular course of conduct constituted willful or repeated failure to comply or perform, the Company may terminate or suspend service immediately. Suspension or termination of such service for any such cause shall be a cumulative remedy as to the Company, and shall not release the Operator from its obligation to make payment of any amount or amounts due or to become due from the Operator to the Company under the applicable schedule. In order to resume service under this tariff BAL after termination of service hereunder, the Operator must demonstrate to the Company's satisfaction that appropriate action has been taken to ensure future compliance with tariff BAL.

11. SERVICE REGULATIONS:

The Company's Service Rules and Regulations shall apply to service under this Rate BAL, to the extent not inconsistent with the terms and conditions of this Rate BAL.

12. TERMS AND CONDITIONS:

The Transportation Receipt Service (TRS) Terms and Conditions set forth in the tariff shall be applicable to this Rate.

13. LAWS, REGULATIONS, AND ORDERS:

All Contracts and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any legislative body, or duly constituted authority now or hereafter having jurisdiction and shall be varied and amended to comply with or conform to any valid rule, regulation, order, or direction of any board, tribunal, or administrative agency.

14. RATE FILINGS:

Nothing contained herein shall be construed in any way as affecting the Company's right to make a unilateral application to the Public Utilities Regulatory Authority (the "Authority") for a change in rates under the laws of the State of Connecticut and the regulations promulgated by the Authority.

15. SUCCESSORS AND ASSIGNS:

Any party which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of any Operator shall be subject to the obligations and entitled to the rights of its predecessor in title under a contract. No other assignment of a contract or any of the rights or obligations thereunder by the Operator shall be effective without the written consent of the Company, which consent shall not be unreasonably withheld.