

GENERAL TERMS AND CONDITIONS
(Continued)

4. OPERATING PROCEDURES (Continued)

4.7 Operating Procedures for Rate Schedules LGS-1 and LGS-2 Service:
(Continued)

(c) Storage of Liquid: The storage of LNG by Paiute shall be subject to the following:

- (1) Paiute shall operate the storage tank in a safe and reasonable manner. Subject to Section 4.10 hereof, any losses of inventory from the facilities shall be the sole responsible of the owner of the inventory.
- (2) The ownership of LNG in storage at any given time will be determined by good accounting practices subject to a material balance audit once each twelve (12) calendar months corresponding with the beginning of the Winter Period.
 - a. Shipper's inventory at the LNG Plant will be equal to Shipper's natural gas nominated to the LNG Plant and liquefied, plus LNG tendered by Shipper to the LNG Plant at the LNG truck unloading facility, less: (1) the withdrawals of Shipper's gas and associated fuel, (2) the measurable boil-off and fuel attribution to Shipper, and (3) the allocation of any lost or unaccounted for gas determined at the time of the audit which is assigned to each shipper.
 - b. The results of the audit and detailed workpapers of such audit will be provided to each Shipper within twenty (20) days of the completion of the audit.
- (3) Subject to this Section 4.7, Shipper shall be solely responsible for maintaining its inventory of LNG. Paiute will not permit a Shipper's inventory balance to become negative at any time.
- (4) Paiute will be permitted to use Shipper's inventory as Paiute determines necessary in the operation of its pipeline system, but only under the following conditions:
 - a. Paiute deems the withdrawal of LNG necessary to protect system integrity; or