

GENERAL TERMS AND CONDITIONS
(Continued)

5. OVERRUN AND UNDERRUN, BALANCING AND PENALTY PAYMENTS (Continued)

5.3 Balancing: (Continued)

- a. Any Receiving Party whose cumulative monthly imbalance falls outside a tolerance range of plus or minus five percent (5%) of the sum of the daily scheduled quantities for delivery to Receiving Party's Delivery Location(s) at the end of the month shall be notified by Paiute. Receiving Party shall have forty-five (45) days after notification by Paiute to reduce its cumulative imbalance to a level that is within such acceptable tolerance range. The makeup of imbalance gas in the forty-five (45) day period shall include any further monthly cumulative imbalance quantities incurred after the notification to Receiving Party through the forty-fifth (45th) day.
 - b. In the event the Receiving Party fails to reduce its cumulative imbalance as prescribed pursuant to Section 5.3(c)(1)a. hereof, Receiving Party shall be assessed a penalty, but only in the event that Paiute is assessed penalties by the upstream pipeline for a cumulative monthly imbalance. In such event, Paiute shall recover from its Receiving Parties an amount of penalty revenues equal to the amount that Paiute has been assessed by the upstream pipeline. Paiute shall allocate such penalty amount among its Receiving Parties on a pro rata basis, based upon each Receiving Party's remaining imbalance quantity that is outside of the tolerance range specified in Section 5.3(c)(1)a. hereof.
- (2) If the upstream pipelines indicate that the total quantities delivered to Paiute from each pipeline at the end of the month are within a tolerance range of ninety-five percent (95%) to one hundred five percent (105%) of the total of the daily quantities scheduled for receipt by Paiute at the applicable Receipt Point under Paiute's Rate Schedules FT-1 and IT-1 at the end of that month, no penalties shall apply.