

GENERAL TERMS AND CONDITIONS
(Continued)

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

5.2 Restricted Entitlement Events: (Continued)

its Shippers on a pro rata basis, based upon each Shipper's total Scheduling Overrun quantity for the entitlement period compared to the total of all Shippers' Scheduling Overrun quantities for the entitlement period. The days during the overrun entitlement period in which the Shipper has an underrun will not be included in the calculation of that Shipper's total overrun quantities.

- (3) For each day of an underrun entitlement period, any quantity taken by Shipper that is less than its Daily Scheduled Quantity, as defined in Section 4.3(a) of the General Terms and Conditions, shall constitute a Scheduling Underrun, and shall be subject to a penalty, but only in the event that Paiute has been assessed penalties by the upstream pipeline for the Declared or Restricted Entitlement Period. In such event, Paiute shall recover from its Shippers 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 Shippers on a pro rata basis, based upon each Shipper's total Scheduling Underrun quantity for the entitlement period compared to the total of all Shippers' Scheduling Underrun quantities for the entitlement period. The days during the underrun entitlement period in which the Shipper has an overrun will not be included in the calculation of that Shipper's total underrun quantities.

5.3 Balancing:

- (a) Applicability: This section applies to both firm and interruptible transportation service under Rate Schedules FT-1 and IT-1. The balancing of amounts scheduled for receipt by Paiute and amounts delivered by Paiute at its Delivery Points shall be on a thermally equivalent basis, taking into account the portion of the gas received by Paiute that is system-wide Gas Used by Paiute, or lost and unaccounted for gas, as applicable. Such balancing shall be achieved on a daily basis, recognizing reasonable operational variances.