

### CASH OUT PRICING MATRIX

To resolve a Surplus Imbalance, the Company will purchase a volume of gas from the Imbalance Holder to reduce the imbalance volume to zero (“Cash Out Purchase”). To resolve a Deficiency Imbalance, the Company will sell a volume of gas to the Imbalance Holder to reduce the imbalance volume to zero (“Cash Out Sale”). The actual cash out volumes will be based upon ending imbalance volumes following application of prior period adjustments and exchange of imbalances as described below. The cash out pricing tiers are as follows:

<b>Tier</b>	<b>Transaction</b>	<b>Imbalance Position</b>	<b>Rate</b>
Surplus Pricing Tier 3	Purchase	>20 % long	60 % of Index
Surplus Pricing Tier 2	Purchase	15% to 20 % long	85 % of Index
Surplus Pricing Tier 1	Purchase	5% to 15 % long	90 % of Index
Market Pricing Tier	Purchase or Sale	5 % long to 5% short	100% of Index
Deficiency Pricing Tier 1	Sale	5% to 15% short	110% of Index
Deficiency Pricing Tier 2	Sale	15% to 20% short	115% of Index
Deficiency Pricing Tier 3	Sale	>20% short	140% of Index

Acronyms:

ADDQ – Aggregated Daily Delivery Quantity  
 ISIV – Initial System Imbalance Volume  
 FSIV – Final System Imbalance Volume  
 MMNGS – Monthly Metered Natural Gas Supplier Service  
 PPA – Prior Period Adjustment

PSIV – Pre-Trading System Imbalance Volume  
 SATS – Small Aggregation Transportation Supplier Service  
 SIP – System Imbalance Position  
 TMC – Total Monthly Consumption

**Example #1 – System Imbalance Position (SIP) “Safe Harbor”**

	Monthly Deliveries	Total Monthly Consumption (TMC)	Initial System Imbalance Volume (ISIV)	Illustrative Imbalance Percentage
Imbalance Holder 1	100000	97345	2655	2.73%
Imbalance Holder 2	150000	165267	-15267	-9.24%
Imbalance Holder 3	52000	50276	1724	3.43%
Imbalance Holder 4	48000	49765	-1765	-3.55%
<b>System Imbalance Position (SIP)</b>	<b>350000</b>	<b>362653</b>	<b>-12653</b>	<b>-3.49%</b>
<b>Imbalance Resolution</b>	<b>All post trading imbalances cashed out at Market Pricing Tier</b>			

**Discussion:**

The Company will sum the Initial System Imbalance Volume (“ISIV”) and Total Monthly Consumption (“TMC”) for all Imbalance Holders into system totals. A System Imbalance Position (“SIP”) will be computed by dividing the system total ISIV by the system total TMC and converting the quotient into a percentage. If the SIP is within the range of 5% long to 5% short, then all Imbalance Holders will be assigned to the Market Pricing Tier.

**Example #2 – ADDQ “Safe Harbor”**

	Monthly Deliveries	Total Monthly Consumption (TMC)	Imbalance Volume	Imbalance Percentage	Illustrative Cash Out Tier	ADDQ	% Del. Long/ (Short)
<b>Marketer Pool</b>							
MMNGS Pool 1	100000	99745	255	0.26%	Market Purchase	99745	0.26%
MMNGS Pool 2	150000	168267	-18267	-10.86%	Tier 1 Sale	152500	-1.64%
MMNGS Pool 3	52000	51980	20	0.04%	Market Purchase	53000	-1.89%
SATS Pool 1	48000	50520	-2520	-4.99%	Market Sale	47250	1.59%
Combined Pre-Trade Total (ISIV)	350000	370512	-20512	-5.54%	Tier 1 Sale		
<b>Imbalance Resolution</b>	Company Sale to Imb. Holder		20512	<b>Market</b>			

**Discussion:**

An Imbalance Holder is responsible for four (4) market pools. When the pool imbalances are aggregated, the Imbalance Holder’s position is in the range of 5% to 15% short. Presuming no imbalance trading, its imbalance would be resolved by a cash out sale by the Company; the first 5% at the Market Pricing Tier and the remaining 0.54% at Deficiency Tier 1 Pricing (110% of Market Pricing Index).

The Company will look at the amount of gas delivered by the Marketer relative to each pool’s Aggregated Daily Delivery Quantity (“ADDQ”) for which the Imbalance Holder is responsible. Note that for Daily Customer Pools, the Company does not issue an ADDQ therefore the TMC is substituted for the ADDQ.

If for each pool, the difference between what the Marketer delivered and the ADDQ is less than 2%, the Imbalance Holder qualifies for the ADDQ “Safe Harbor” and therefore, the imbalance would be resolved by a cash out sale by the Company at the Market Pricing Tier for the entire combined FSIV. If any one of these pools was outside the 2% delivery versus ADDQ tolerance, the Imbalance Holder would not qualify for the Safe Harbor. In this example, the Imbalance Holder qualifies for the Safe Harbor.

**Example #3 – Aggregation of Imbalance Holder Pool Imbalances**

	Monthly Deliveries	Total Monthly Consumption (TMC)	Imbalance Volume	Illustrative Imbalance Percentage	Illustrative Cash Out Tier
<b>Marketer Pool</b>					
MMNGS Pool 1	100000	97345	2655	2.73%	Market Purchase
MMNGS Pool 2	150000	165267	-15267	-9.24%	Tier 1 Sale
MMNGS Pool 3	52000	50276	1724	3.43%	Market Purchase
SATS Pool 1	48000	49765	-1765	-3.55%	Market Sale
<b>Combined Pre-Trade Total (ISIV)</b>	<b>350000</b>	<b>362653</b>	<b>-12653</b>	<b>-3.49%</b>	
<b>Imbalance Resolution</b>		<b>Company Sale to Imb. Holder</b>	<b>12653</b>	<b>Market</b>	

**Discussion:**

An Imbalance Holder is responsible for four (4) market pools. Looking at each pool individually, both the MMNGS Pool 1 and MMNGS Pool 3 surplus imbalances are within 5% and if these pools stood alone, their imbalances would be resolved by a cash out purchase by the Company at the Market Pricing Tier. The MMNGS Pool 2 imbalance is in the range of 5% to 15% short, so if this pool stood alone its imbalance would be resolved by a cash out sale by the Company; the first 5% at the Market Pricing Tier and the remaining 4.24% at Deficiency Pricing Tier 1 (110% of Market Pricing). The SATS Pool 1 deficiency imbalance is less than 5% short, so if this pool stood alone, its imbalance would be resolved by a cash out sale by the Company at the Market Pricing Tier.

Instead, the deliveries, usages and imbalances from these pools are summed into aggregate delivery, usage and imbalance (ISIV) volumes and assigned to a “zero pool” (i.e. PXYZS00) for trading and billing purposes. The aggregate Imbalance Holder pre-trading imbalance is less than 5% short, so presuming no imbalance trading takes place, the entire imbalance (FSIV) would be resolved by a cash out sale by the Company at the Market Pricing Tier.

**Example #4 – Application of Prior Period Adjustments - “Safe Harbor”**

Marketer Pool	Monthly Deliveries	Total Monthly Consumption (TMC)	Monthly Imbalance	Illustrative Imbalance Percentage	Illustrative Cash Out Tier	PPAs
MMNGS Pool 1	100000	97345	2655	2.73%	Market Purchase	-234
MMNGS Pool 2	150000	165267	-15267	-9.24%	Tier 1 Sale	1500
MMNGS Pool 3	52000	50276	1724	3.43%	Market Purchase	2365
SATS Pool 1	48000	49765	-1765	-3.55%	Market Sale	2574
Combined Pre-Trade Total (ISIV)	350000	362653	-12653	-3.49%	Market Sale	6205
PPA Adjusted Pre-Trade Total (PSIV)		6205	-18858	-5.20%	Tier 1 Sale	
<b>Imbalance Resolution</b>	Company Sale to Imb. Holder		18858	<b>Market</b>		

**Discussion:**

The same current month imbalances as shown in Example #3 are present, however, prior period adjustments (“PPAs”) affecting usage are applied to the ISIV and result in a Pre-Trading System Imbalance Volume (PSIV). In aggregate, for this example, the PPAs net to reflect additional usage at the Imbalance Holder Level. While current month activity resulted in a deficiency imbalance position less than 5% short (Market Pricing Tier), the preliminary affect of the PPAs appears to worsen the Imbalance Holder’s short position so that it falls into the 5% to 15% range under which some volumes would be sold by the Company using Deficiency Tier 1 Pricing.

Presume that no imbalance trading takes place.

Instead, because PPAs can not worsen an Imbalance Holder’s pricing position, the entire Final System Imbalance Volume (FSIV) would be resolved by a cash out sale by the Company at the Market Pricing Tier.

**Example #5 – Application of Prior Period Adjustments – “Improve Position”**

Marketer Pool	Monthly Deliveries	Total Monthly Consumption (TMC)	Monthly Imbalance	Illustrative Imbalance Percentage	Illustrative Cash Out Tier	PPAs
MMNGS Pool 1	100000	97345	2655	2.73%	Market Purchase	234
MMNGS Pool 2	150000	175267	-25267	-14.42%	Tier 1 Sale	-5500
MMNGS Pool 3	52000	54435	-2435	-4.47%	Market Sale	-2365
SATS Pool 1	48000	50253	-2253	-4.48%	Market Sale	-2574
Combined Pre-Trade Total (ISIV)	350000	377300	-27300	-7.24%	Tier 1 Sale	-10205
PPA Adjusted Pre-Trade Total (PSIV)		-10205	-17095	-4.53%		
<b>Imbalance Resolution</b>	Company Sale to Imb. Holder		17095	<b>Market</b>		

**Discussion:**

In this example, the current month imbalances, when aggregated to the Imbalance Holder level result in a deficiency imbalance that falls into the 5% to 15% range under which some volumes would be sold by the Company using Deficiency Tier 1 Pricing. As with Example #4, PPAs affecting usage are applied to each pool resulting in a PSIV. In aggregate, the PPAs net to reflect a decrease in usage at the Imbalance Holder Level. When the PPA Adjusted Imbalance is divided by TMC, for this example, the resulting imbalance position is less than 5% short (Market Pricing Tier).

Presume that no imbalance trading takes place.

PPAs can improve an Imbalance Holder’s pricing position, therefore, the entire imbalance (FSIV) would be resolved by a cash out sale by the Company at the Market Pricing Tier.

**Example #6 – Application of Prior Period Adjustments - “Flip Position”**

<b>Marketer Pool</b>	<b>Monthly Deliveries</b>	<b>Total Monthly Consumption (TMC)</b>	<b>Monthly Imbalance</b>	<b>Illustrative Imbalance Percentage</b>	<b>Illustrative Cash Out Tier</b>	<b>PPAs</b>
MMNGS Pool 1	100000	97345	2655	2.73%	Market Purchase	-21234
MMNGS Pool 2	150000	175267	-25267	-14.42%	Tier 1 Sale	-17500
MMNGS Pool 3	52000	54435	-2435	-4.47%	Market Sale	-5365
SATS Pool 1	48000	50253	-2253	-4.48%	Market Sale	-4574
Combined Pre-Trade Total (ISIV)	350000	377300	-27300	-7.24%	Tier 1 Sale	-48673
PPA Adjusted Pre-Trade Total (PSIV)		-48673	21373	5.66%	Tier 1 Purchase	
<b>Imbalance Resolution</b>	Co. Purch. from Imb. Holder		-21373	<b>Market</b>		

**Discussion:**

In this example, the current month imbalances are the same as in Example #5, i.e. when aggregated to the Imbalance Holder level result in a deficiency imbalance that falls into the 5% to 15% range under which some volumes would be sold by the Company using Deficiency Tier 1 Pricing. As with Example #5, PPAs affecting usage were applied to each pool, but in this case, they are large enough to “flip” the imbalance position such that it is now long and falls into the 5% to 15% surplus range. On a preliminary basis, it would **appear** as if the Company would resolve this imbalance by purchasing gas at Deficiency Tier 1 Pricing (90% of Market Pricing Tier).

Presume that no imbalance trading takes place.

When the application of PPAs “flip” an Imbalance Holder’s pricing position from buy to sell or sell to buy, the resulting position is automatically resolved using the Market Pricing Tier. Therefore, in this example, the entire imbalance (FSIV) would be resolved by a cash out purchase by the Company at the Market Pricing Tier.

### Example #7 – Improving Imbalance Position Through Imbalance Trading

	Monthly Deliveries	Total Monthly Consumption (TMC)	Monthly Imbalance	Illustrative Imbalance Percentage	Illustrative Cash Out Tier	PPAs
<b>Marketer Pool</b>						
MMNGS Pool 1	100000	97345	2655	2.73%	Market Purchas	234
MMNGS Pool 2	150000	175267	-25267	-14.42%	Tier 1 Sale	-1500
MMNGS Pool 3	52000	54435	-2435	-4.47%	Market Sale	-2365
SATS Pool 1	48000	50253	-2253	-4.48%	Market Sale	-2574
Combined Pre-Trade Total (ISIV)	350000	377300	-27300	-7.24%	Tier 1 Sale	-6205
PPA Adjusted Pre-Trade Total (PSIV)		-6205	-21095	-5.59%	Tier 1 Sale	
Imbalance Trades			5000			
Post-Trade Total (FSIV)			-16095	-4.27%		
<b>Imbalance Resolution</b>	Company Sale to Imb. Holder		16095	<b>Market</b>		

**Discussion:**

In this example, the current month imbalances are the same as in Example #5 and result in a combined deficiency imbalance that falls into the 5% to 15% range under which some volumes would be sold by the Company using Deficiency Tier 1 Pricing. As with Example #5, PPAs affecting usage are applied to each pool, but in this case, they are not large enough to improve pricing position even though the imbalance position is improved. When the PPA Adjusted Imbalance is divided by TMC, the resulting imbalance position falls into the 5% to 15% range under which some volumes would be sold by the Company using Deficiency Tier 1 Pricing.

In this example, presume that the Imbalance Holder obtains 5000 through imbalance trading.

The combined effect of the PPAs and imbalance trade improves the Imbalance Holder’s pricing position such that it is now less than 5% short (Market Pricing Tier). As a result, the entire imbalance (FSIV) would be resolved by a cash out sale by the Company at the Market Pricing Tier.

Finally, if the absolute value of an Imbalance Holder’s FSIV is less than 1,000 Mcf, it will automatically be assigned by the Company to the Market Pricing Tier.