

OPERATING STATEMENT
OF
NORTHERN ILLINOIS GAS COMPANY
D/B/A NICOR GAS COMPANY
("NICOR GAS COMPANY")
FILED WITH THE
FEDERAL ENERGY REGULATORY COMMISSION
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TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>SECTION NO.</u>
TABLE OF CONTENTS	1
OPERATING STATEMENT	2
GENERAL TERMS AND CONDITIONS	3
Definitions	3.1
Hub Services	3.2
Facilities	3.3
Request for Service	3.4
Rates and Adjustments to Rates	3.5
Nominations, Scheduling and Interruptions	3.6
Pressure	3.7
Measurement	3.8
Quality	3.9
Billing, Accounting, Taxes and Reports	3.10
Possession	3.11
Warranty	3.12
Government Regulations and Requirements	3.13
Force Majeure	3.14
Notice	3.15
Creditworthiness	3.16
Miscellaneous	3.17
STATEMENT OF CURRENTLY EFFECTIVE RATES	4
APPENDIX A - NOTICES	5

SECTION 2
UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Operating Statement of Nicor Gas Company
under 18 C.F.R. Section 284.224

This Operating Statement describes how Northern Illinois Gas Company (“Nicor Gas” or “Transporter”), an intrastate natural gas distribution utility, will provide interstate interruptible transportation and storage services, interstate priority interruptible transportation and storage services, interstate firm transportation and storage services, interstate parking and loaning services (collectively, “Hub Services”), and interstate interruptible balancing services for shippers on interstate pipelines, on a non-discriminatory basis, pursuant to 18 C.F.R. § 284.224 of the Federal Energy Regulatory Commission’s (“FERC’s”) rules and regulations.

Nicor Gas is an intrastate natural gas distribution public utility engaged in the business of selling and distributing gas to more than 2.2 million end users in the State of Illinois. Nicor Gas’ service area covers 17,000 square miles and 641 communities in northern Illinois, including the metropolitan area located outside the City of Chicago. Nicor Gas owns and operates a natural gas transmission, underground(aquifer) storage and distribution system network which has more than 90 interconnections with eight (8) interstate natural gas pipelines. These intrastate natural gas distribution operations are subject to the jurisdiction of the Illinois Commerce Commission.

Nicor Gas’ system is well situated geographically to provide interruptible Hub Services, comprised of short-term and priority interruptible transportation, storage, park and loan, and balancing transactions. In addition to these interruptible services, Nicor Gas may, from time to time, have limited amounts of storage and transportation capacity which can be offered to potential Shippers on a firm basis, but only for defined periods of time. Shippers using either storage or parking and loaning services do not have the right to designate the points of storage; Nicor Gas uses all of its existing facilities to fulfill obligations which it enters into pursuant to this Operating Statement; provided, however, in order to provide firm storage service, Nicor Gas may require a Shipper to use specific storage facilities. All Hub Services are provided pursuant to the blanket certificate authorization granted to Nicor Gas on October 20, 1992, by order of the FERC in Docket No. CP92-481-000, and pursuant to rates submitted to FERC for approval pursuant to Section 284.123(b) (2) of the FERC’s regulations. Consistent with the FERC’s long-standing objective to bring more buyers and sellers of natural gas together to increase overall market competition for natural gas supplies, Hub Services enable Shippers to use Nicor Gas’ facilities as a market hub to facilitate gas ownership transfers while also receiving transportation and storage services.

Nicor Gas reserves the right not to offer or commence any service, or to discontinue any interruptible service, where, in Nicor Gas’ sole discretion, any impairment of intrastate firm service, including the ability to use storage to support intrastate firm services and gas purchases for intrastate firm services, could otherwise result. Nicor Gas also reserves the right to modify this Operating Statement as it may deem necessary and appropriate at any time in the future.

SECTION 3

GENERAL TERMS AND CONDITIONS

Section 3.1, GTC Definitions, 1.0.0 A

Section 3.1. Definitions.

The term “Btu” shall mean British Thermal Unit, and the term “MMBtu” shall mean one million (1,000,000) Btus.

The term “Business Day” shall mean a normal business day, and regular hours of business on such days, as normally associated with the days Monday through Friday of each week, inclusive, but excluding any federal holidays.

The term “Capacity” shall mean the maximum total quantity of gas which a storage Shipper may have in storage (or, in the case of negative storage, borrow) or park or loan at any time, expressed in MMBtus, as specified in a Hub Transaction Request and Agreement Form. Unless otherwise specified in the Hub Transaction Request and Agreement Form, a Shipper will not have the right to reinject (or, in the case of negative storage, reborrow) or park (or loan) gas into Capacity made available by withdrawals (or in the case of negative storage, injections).

The term “Charge” shall mean all applicable rates for any service multiplied by the actual and anticipated billing determinants for such service over the term of the applicable Transaction Request and Agreement Form per unit of capacity.

The term “Critical Day” shall mean a day which may be declared by the Transporter whenever any of the following conditions occur or are anticipated to occur: (a) when the Transporter experiences failure of transmission, distribution or gas storage facilities; (b) when system pressure or other unusual conditions jeopardize the operation of the Transporter’s system; (c) when the Transporter’s transmission, storage and supply resources are being used at or near their maximum rated deliverability; (d) when any of the Transporter’s upstream or downstream transporters call the equivalent of a Critical Day or an OFO; (e) when the Transporter is unable to fulfill its firm contractual obligations or otherwise when necessary to maintain the overall operational integrity of all or a portion of the Transporter’s system.

A “cubic foot of gas” for the purpose of measurement of the gas delivered hereunder is the amount of gas necessary to fill a cubic foot of space at an absolute pressure base of fourteen and seventy-three hundredths pounds per square inch (14.73) and at a temperature of sixty (60) degrees Fahrenheit.

The term “Deliverability” shall mean a Shipper’s Maximum Daily Quantity or MDQ for storage withdrawals or Loaning, expressed in MMBtus. This amount may vary during the term of a storage or Parking and Loaning service.

The term “Delivery Point” shall mean the point or points on the Hub where Transporter shall deliver gas to a Shipper.

The term “gas” shall mean natural gas as produced in its natural state that meets the quality standards contained in these General Terms and Conditions.

The term “Gas Day” shall mean a period of twenty-four (24) consecutive hours beginning and ending at nine o’clock a.m. (9:00 a.m.), Central Clock Time (“CCT”), or such other period consisting of twenty-four (24) consecutive hours as the parties may agree upon.

The term “Hub” shall collectively mean Nicor Gas’ intrastate natural gas transmission and underground gas storage facilities, sometimes referred to as “general system facilities,” and point(s) of interconnection of those facilities with the facilities of any interstate natural gas pipeline.

The term “Hub Service Agreement” shall mean the agreement by and between any Shipper and Transporter pursuant to which the parties may enter into Hub Transaction Request and Agreement Forms for specific Hub Services.

The term “Hub Services” shall mean the following interstate services: interruptible, priority interruptible and firm transportation service; interruptible, priority interruptible and firm storage service; parking and loaning service, and interruptible balancing service, as each may be offered to Shippers hereunder from time-to-time under Transporter’s blanket certificate, and shall not include any services available from Transporter under tariffs and rates subject to the jurisdiction of the Illinois Commerce Commission.

The term “Hub Taxes” shall mean any tax (other than ad valorem unless levied on gas subject to a Hub transaction, income or excess profit taxes), license, fee or charge not included in the cost of service used to derive the maximum rates hereunder and which is levied, assessed or made by any governmental authority on the gas itself or on the act, right or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas and which is measured by the volume, value, or sales price of gas subject to a Hub transaction.

The term “Hub Transaction Request and Agreement Form” shall mean the document whereby a Shipper with an executed Hub Service Agreement formally requests the provision of a Hub Service and Transporter subsequently contracts with Shipper for the furnishing of the service subject to the terms and conditions of these General Terms and Conditions.

The term “Injection/Parking Period” shall mean the Gas Days specified in a Hub Transaction Request and Agreement Form on which Shipper may inject gas into storage or Park gas with Transporter.

The term “Injection Right” shall mean a Shipper’s MMQ or MDQ for storage injections or Parking, expressed in MMBtus. This amount may vary during the term of a storage or Parking and Loaning service.

The term “Loan” or “Loaning” shall mean the component of a Parking and Loaning transaction under which Transporter, on an interruptible basis, delivers gas to a Shipper for subsequent redelivery by that Shipper to Transporter.

The term “Maximum Daily Quantity” or “MDQ” shall mean the maximum volume of gas that the Transporter will accept from, or deliver to, Shipper on any Gas Day for the transportation and/or storage service offered hereunder.

The term “Maximum Monthly Quantity” or “MMQ” shall mean the maximum volume of gas specified in Shipper’s contract that a Shipper may inject or withdraw from Shipper’s storage in any calendar month

The term “month” shall mean a period beginning on the first day of a calendar month and extending to the first day of the next following calendar month.

The term “Operational Flow Order” or “OFO” shall mean instructions issued by Transporter in order to adequately maintain its system; specifically requiring Shippers to increase or decrease their nominations in order to alleviate a supply situation that threatens the operational integrity of the system.

The term “Park” or “Parking” shall mean the component of a Parking and Loaning transaction under which Shipper, on an interruptible basis, delivers gas to Transporter, for subsequent redelivery by Transporter to Shipper.

The term “Park and Loan” or “Parking and Loaning” shall mean the temporary placement on Transporter’s system of gas on an interruptible basis or the temporary removal of gas from Transporter’s system on an interruptible basis.

The term “Receipt Point” shall mean the designated point or points on the Hub where Transporter shall receive gas from a Shipper.

The term “Shipper” shall mean an eligible party electing and subsequently having the necessary authorization of Transporter to use any of the services offered hereunder.

The term “Storage” shall mean Transporter’s scheduled retention of a Shipper’s gas on the Hub, including such retention arising from any scheduled difference between the scheduled daily Hub receipt and delivery associated with transportation service on any given Gas Day. For the purposes hereof, one Gas Day shall be deemed to be the minimum time interval for storage service hereunder.

The term “Storage Loss Adjustment” shall refer to the quantity of Shipper’s gas retained by the Company at the time of delivery for storage injection in accordance with Section 3.5.1 herein.

The term “thermally equivalent” shall mean an equal amount of heating value, expressed in MMBtus and measured under specifications and conditions contained hereunder.

The term “Title Transfer” shall mean the transfer of title of gas from one Shipper to another Shipper in accordance with Section 3.4.4 herein.

The term “Transfer Point” shall mean any point(s) within the Hub where a Title Transfer from one Shipper to another Shipper occurs pursuant to Section 3.4.4.

The term “Transportation” shall mean the Hub’s receipt of gas from a Shipper at a Receipt Point or Transfer Point and Transporter’s delivery of that gas to a Hub Delivery Point or another Transfer Point on a coincidental time (day) basis.

The term “Transporter” shall mean Nicor Gas, but nothing herein shall prevent Nicor Gas from designating an agent to act on its behalf to handle the necessary service scheduling, billing, credit checks and any notices in connection with service hereunder.

The term “Withdrawal/Loaning Period” shall mean the Gas Days specified in a Hub Transaction Request and Agreement Form on which Shipper may withdraw gas from storage or receive loaned gas from Transporter.

Section 3.2. Hub Services.

3.2.1 Interstate Hub Services.

Subject to Transporter's determination that it has available capacity, Transporter will offer interstate services, in limited volumes, consisting of (a) firm transportation service, (b) priority interruptible transportation service, (c) interruptible transportation service, (d) firm storage service, (e) priority interruptible storage service, (f) interruptible storage service, (g) parking and loaning services, and (h) interruptible balancing services, to eligible Shippers on a non-discriminatory basis. Hub Services do not include any services that are subject to the jurisdiction of the Illinois Commerce Commission. All transportation and storage gas received by the Hub shall be accounted for on a daily basis and must be scheduled for the eventual redelivery of such gas off the Hub to a designated Delivery Point. Except for any service provided under Sections 3.2.4 and 3.2.6 hereof, service hereunder shall be interruptible in nature and subordinate to any and all firm services supplied by Transporter's intrastate natural gas distribution utility operations, including the management of Transporter's system and the use of storage to support its firm sales and transportation services. Except for those amounts of firm storage or firm transportation service which Transporter may designate from time to time pursuant to Sections 3.2.4 and 3.2.6 hereof, Transporter is not holding itself out to provide any firm service hereunder.

3.2.2 Interruptible Transportation Service ("ITS").

Any eligible Shipper may engage Transporter to transport gas hereunder, on an interruptible basis, from any designated Receipt Point and/or Transfer Point to any designated Delivery Point and/or Transfer Point. All such transportation service shall be recorded and accounted for on a daily basis.

A Shipper shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter's Hub.

Any failure by a Shipper to schedule transportation for any daily volume of gas to be moved away from the Hub shall result in Charges for both interruptible storage service and the unauthorized use of service, as hereinafter described.

3.2.3 Interruptible Storage Service ("ISS").

Any eligible Shipper may engage Transporter to provide interruptible storage service; such service may be either positive storage service or negative storage service and shall be scheduled pursuant to these General Terms and Conditions. Any Shipper utilizing ISS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 3.5.1 hereof. For the purposes hereof, positive storage service shall mean the tender of gas by Shipper to Transporter for purposes of storage on the Hub and the subsequent redelivery of an equivalent gas volume by Transporter to Shipper, adjusted for fuel and the Storage Loss Adjustment. Negative storage service shall mean the Transporter's delivery of gas to any Shipper from Hub storage in advance of any equivalent gas volume being tendered by such Shipper to Transporter for replacement of gas taken from Hub storage, adjusted for fuel and the Storage Loss Adjustment. Regardless of the number of days any quantity of gas is stored in, or is outstanding from, Transporter's Hub storage, the applicable Shipper must be prepared to withdraw gas from Hub storage or deliver gas to Hub storage, as appropriate, on any Gas Day as may be scheduled by Shipper and Transporter, or at any other time as Transporter may otherwise order hereunder.

All interruptible storage service hereunder shall require corresponding interruptible or firm transportation service to effectuate the movement of storage volumes to and from the Shipper's Hub storage service account. Gas shall be deemed to have been stored on the Hub when Transporter's recorded transportation receipts from any Shipper exceed the recorded deliveries to that Shipper, if any, on the same Gas Day. Gas shall be deemed to have been withdrawn from storage when Transporter's recorded transportation deliveries to any Shipper exceed the recorded receipts from that Shipper on any Gas Day. All interruptible storage service volumes shall be accounted for on a day-to-day basis and the Shipper shall be charged accordingly for such storage service. In the event of multiple transfers of title to any gas quantity in storage, the last Shipper with title to such gas on any day shall be responsible for the daily storage service Charges attributed to that Gas Day. In the event of any change or multiple transfers of title to any gas within the Hub, the last storage service Shipper with title to such gas shall be responsible for the transportation service required to move any stored volume off the Hub.

3.2.4 Firm Storage Service ("FSS").

From time to time, Transporter may determine that it has the ability to offer defined amounts of firm storage service, specified as levels of Deliverability, Injection Rights and Capacity, for defined periods of time, without impairing Transporter's ability to provide all firm services in connection with its intrastate natural gas distribution utility operations, including the management of Transporter's system and the use of storage to support its intrastate firm sales, storage and transportation services. (Such service may be either positive storage service or negative storage service; positive and negative storage service shall have the meanings set forth in Section 3.2.3 hereof.) Transporter shall not offer such firm storage service, or renew any such service upon the expiration of any primary contract term, unless Transporter determines that such offering of service or continuation of service will not impair Transporter's ability to maintain adequate firm services for its intrastate public utility operations and for any existing interstate firm storage services. When offering firm storage service hereunder, Transporter may determine that such service can only be provided at specific storage facilities or for defined periods of time.

All firm storage service hereunder shall require corresponding interruptible or firm transportation service to effectuate the movement of storage volumes to and from any Shipper's Hub storage service account. Any Shipper utilizing FSS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 3.5.1 hereof. Gas shall be deemed to have been stored on the Hub when Transporter's recorded transportation receipts from any Shipper exceed the recorded deliveries to that Shipper, if any, on the same Gas Day. Gas shall be deemed to have been withdrawn from storage when Transporter's recorded transportation deliveries to any Shipper exceed the recorded receipts from that Shipper on any Gas Day.

3.2.4.1 Requests to schedule firm storage service hereunder shall be authorized pursuant to this Section 3.2.4.1, which, for this purpose, shall supersede Section 3.6.2. Firm storage service shall, during its term, be scheduled and curtailed on an equal basis with other firm uses of storage, based on allocating such capacity which is available on a pro rata basis among all firm interstate services and all uses by Transporter of storage for and to support firm intrastate services. This equal treatment shall apply to both the scheduling of volumes and any curtailment of volumes once scheduled. Subject to this pro rata treatment, Transporter may (i) refuse to schedule volumes if so prevented by scheduled maintenance, any other occurrences which reduce Transporter's capacity, injection capability or deliverability, or an event of force majeure, and (ii) curtail scheduled volumes for any reason set forth in the preceding clause (i) other than scheduled maintenance. A firm storage Shipper shall nominate volumes for scheduling by executing

the forms and following the procedures specified by Transporter.

3.2.4.2 Requests to enter into Hub Transaction Request and Agreement Forms for firm storage service shall be authorized on the basis of the highest net present value per MMBtu of MDQ of total non-fuel rates to be assessed for the firm service over its term, provided that nothing shall require Transporter to offer service at a discount. Section 3.2.4.1 shall apply once Transporter determines if it can provide firm storage services to a Shipper, but shall not be construed to limit or subordinate the rights of a firm storage Shipper to the extent and for the term during which Transporter has determined that it can provide firm storage service and has executed a Hub Transaction Request and Agreement Form for firm storage service. A firm Shipper's obligation to pay the Charges set forth in its Hub Transaction Request and Agreement Form with Transporter shall not be subject to adjustment for any failure of Transporter to provide service due to an event of force majeure or the need to perform maintenance or by any event of force majeure or other cause affecting such firm Shipper. Notwithstanding Section 3.17.8 hereof, the term of Hub Transaction Request and Agreement Form for firm storage service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. Shipper's rights to service may be limited to the use of a specific storage facility, in which event scheduling and curtailment shall be based upon the capacity at that facility only.

3.2.5 Priority Interruptible Storage Service ("PSS").

Any eligible Shipper may engage Transporter to store gas hereunder, on a priority interruptible basis; such service may be positive or negative storage service. Any Shipper utilizing PSS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 3.5.1 hereof. Priority interruptible storage service will be scheduled prior to, and curtailed after, interruptible storage service. While the service will be interruptible, Transporter will provide Shipper with good faith estimates of the conditions when service is likely to be not scheduled or curtailed, which estimates may be based on the number of days in a month or other objective conditions, such as the Heating Degree Days ("HDDs") experienced by Transporter or the invocation of Critical Days or Operational Flow Orders by Transporter or interconnecting pipelines. Transporter shall attempt to notify Shipper that priority interruptible storage service is not available to Shipper on a specific day no later than 26 hours prior to the start of the specified Gas Day. To reflect the priority of priority interruptible storage service, Shipper shall be subject to the prepayment and commodity rates set forth herein; provided, if Transporter is unable to provide service on a given Gas Day, Shipper shall not be required to pay such prepayment Charges with respect to any service Transporter is not able to provide; provided, further, if Shipper's prepayments are based on a specific number of days of service in any month, Shipper's obligation to make the prepayments shall be reduced to the extent that Transporter was unable to provide service on the specified number of days, whether or not Shipper scheduled service on any such Gas Day. Notwithstanding Section 3.17.8 hereof, the term of any Hub Transaction Request and Agreement Form for priority interruptible storage service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. In all other respects, priority interruptible storage service shall be subject to the same requirements as interruptible storage services.

3.2.6 Firm Transportation Service ("FTS").

From time to time, Transporter may determine that it has the ability to offer defined amounts of firm transportation service, specified as the levels of capacity within designated paths (as defined

by Receipt Points, Transfer Points and Delivery Points), for defined periods of time without impairing Transporter's ability to provide all firm services in connection with its intrastate natural gas distribution utility operations, including the management of Transporter's system and the use of storage to support its intrastate firm sales, storage and transportation services. Section 3.2.6.1 shall apply once Transporter determines if it can provide firm transportation services, but shall not be construed to limit or subordinate the rights of a firm transportation Shipper to the extent and for the term during which Transporter has determined that it can provide firm transportation service and has executed a Hub Transaction Request and Agreement Form to provide firm transportation service. All such transportation service shall be recorded and accounted for on a daily basis. Any Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter's Hub. Any failure by a Shipper to schedule transportation for any daily volume of gas to be moved away from the Hub shall result in Charges for Parking and Loaning Service for the Gas Day the failure took place and the unauthorized use of service pursuant to Section 3.5.3.

3.2.6.1 Requests to schedule firm transportation service hereunder shall be authorized pursuant to this Section 3.2.6.1, which, for this purpose, shall supersede section 3.6.2. Once Transporter has executed a Hub Transaction Request and Agreement Form for firm transportation service, that service shall, during its term, be scheduled and curtailed on an equal basis with other firm uses of transportation, including firm intrastate transportation, based on allocating such capacity which is available on a pro rata basis among all firm interstate services and all uses by Transporter of transportation for and to support firm intrastate services. This equal treatment shall apply to both the scheduling of volumes and any curtailment of volumes once scheduled. Subject to this pro rata treatment, Transporter may (i) refuse to schedule volumes if so prevented by scheduled maintenance, occurrences which reduce Transporter's capacity, and (ii) curtail scheduled volumes for any reason set forth in the preceding clause (i) other than scheduled maintenance. A firm transportation Shipper shall nominate volumes for scheduling by executing the forms and following the procedures specified by Transporter.

3.2.6.2 Transporter shall analyze its system requirements prior to executing a Hub Transaction Request and Agreement Form for firm transportation service, and shall not accept a firm transportation Shipper's designation of primary points if it determines that it cannot provide the service. Requests to enter into agreements for firm transportation service shall be authorized on the basis of the highest net present value per MMBtu of MDQ of total non-fuel Charges to be assessed for the firm service over its term, provided that nothing shall require Transporter to offer service at a discount. A firm Shipper's obligation to pay the Charges set forth in its Service Agreement with Transporter shall not be subject to adjustment for any failure of Transporter to provide service due to an event of force majeure or the need to perform maintenance or by any event of force majeure or other cause affecting such firm Shipper. Notwithstanding Section 3.17.8 hereof, the term of any Hub Transaction Request and Agreement Form for firm transportation service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. Shipper's rights to service may be limited to use a specific delivery and receipt point transportation path, in which event scheduling and curtailment shall be based upon the capacity at that facility only. All notices and other documentation shall be provided directly to Transporter.

3.2.7 Priority Interruptible Transportation Service ("PTS").

Any eligible Shipper may engage Transporter to transport gas hereunder, on a priority

interruptible basis. Priority interruptible transportation service will be scheduled prior to, and curtailed after, interruptible transportation service. While the service will be interruptible, Transporter will provide Shipper with good faith estimates of the conditions when service is likely to be not scheduled or curtailed, which estimate may be based on the number of days in a month or other objective conditions, such as the Heating Degree Days (“HDDs”) experienced by Transporter or the invocation of Critical Days or Operational Flow Orders by Transporter or interconnecting pipelines. Transporter shall attempt to notify Shipper that priority interruptible transportation service is not available to Shipper on a specific Gas Day no later than 26 hours prior to the start of the specified Gas Day. To reflect the priority of priority interruptible transportation service, Shipper shall be subject to the prepayment and commodity rates set forth herein; provided, if Transporter is unable to provide service on a given Gas Day, Shipper shall not be required to pay such prepayments with respect to any service Transporter is not able to provide; provided, further, if Shipper’s prepayment Charges are based on a specific number of days of service in any month, Shipper’s obligation to make the prepayments shall be reduced to the extent that Transporter was unable to provide service on the specified number of days, whether or not Shipper scheduled service on any such Gas Day. Notwithstanding Section 3.17.8 hereof, the term of any Hub Transaction Request and Agreement Form for priority interruptible transportation service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. In all other respects, priority interruptible transportation services shall be subject to the same requirements as interruptible transportation services.

3.2.8 Parking and Loaning Service (“PALS”).

Subject to Transporter’s determination that it has available capacity, Transporter shall offer Parking and Loaning service to eligible Shippers on a non-discriminatory basis. A Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter’s Hub. No separate hub transportation service is required in conjunction with a Parking and Loaning Service because such transportation service is included as part of this Parking and Loaning service. Any Shipper utilizing PALS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 3.5.1 hereof.

3.2.9 Interruptible Balancing Service on Agreeing Interstate Pipeline (“IBS”).

Subject to Transporter’s determination that it has available capacity and Transporter’s entry into any necessary agreements with the relevant interstate pipeline, Transporter shall offer interruptible balancing service on such interstate pipeline to eligible Shippers on a non-discriminatory basis. Any eligible Shipper may submit a request for interruptible balancing service to Transporter. A Shipper shall pay the rate for this service based on (i) for the date for which nominations are made, nominations made to and confirmed by Transporter, provided, the rate will not be assessed to Shipper with respect to any volumes which, after confirmation by Transporter, are interrupted or curtailed by Transporter; (ii) thereafter for the period agreed to by Transporter, the rate shall be based on the level of service actually provided by Transporter; and (iii) thereafter, Shipper shall either restore its balance to zero, transfer the volumes to a storage or park and loan service, or pay Transporter Unauthorized Overrun Charges for volumes up to the MDQ. Any volumes above MDQ must be resolved by the Shipper with the relevant interstate pipeline. A Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter’s Hub. If, at the end of the interruptible balancing service agreement term, a Shipper has a positive or negative interruptible balancing account balance, the Shipper shall be subject to cashout pursuant to Section 3.5.6. No separate hub transportation service is required in conjunction with an interruptible balancing

service agreement because such transportation service is included as part of this interruptible balancing service. Any Shipper utilizing IBS shall be subject to fuel and the Storage Loss Adjustment Charge as set forth in Section 3.5.1 hereof.

Section 3.3. Facilities.

Transporter shall not be obligated to construct, add, alter or modify any facilities to receive and/or deliver gas, or provide any other service hereunder.

Section 3.4. Request for Service.

3.4.1 Eligibility.

Any Shipper shall be eligible for the services offered hereunder upon meeting all the terms and conditions specified herein and upon the execution of a valid and approved Hub Service Agreement by Shipper and Transporter.

3.4.2 Shipper Request for Service.

Each request for service shall be sufficiently clear and provide all information as required by Transporter's Hub Transaction Request Form, including (1) the rates agreed upon for the Hub Service(s) to be provided, including the terms of any discount, (2) the MDQ, Deliverability, and Injection Right, as appropriate, (3) the dates when such service is expected to commence and to terminate, which termination date may extend beyond the termination date of any currently effective Hub Services Agreements, (4) the point(s) at which the Hub is expected to receive and/or make deliveries of such gas, (5) for Title Transfers, the exact legal name of any other party designated to receive or acquire gas by way of any ownership transfer(s) on the Hub, (6) the volumes of any gas to be stored on the Hub and dates of such storage service, (7) the Injection/Parking Period and the Withdrawal/Loaning Period, as appropriate, and (8) any other information required to satisfy Transporter's reporting obligations to FERC.

A Shipper must execute a Hub Service Agreement before it can enter into Transaction Request and Agreement Form for a specific service with Transporter, and it must be party to a Transaction Request and Agreement Form with Transporter on or before it can schedule or nominate any service with Transporter. Requests to enter into a Transaction Request and Agreement Form may be submitted by telephone or other electronic means designated by Transporter. Transporter reserves the right, upon giving proper notice to a Shipper, to record any or all telephone calls relating to any request for service or requests to schedule service and to use such telephone recordings to resolve any disputes arising from that Shipper's request.

3.4.3 Processing of Service Requests.

Transporter shall verbally respond to each request to enter into a Hub Transaction Request and Agreement Form for a specific service hereunder, either (1) that Shipper is authorized to commence the service(s) requested, (2) that Transporter cannot provide such service(s), or (3) that Transporter will not provide such services at the discounted rate requested by Shipper. Transporter, or its duly authorized agent, shall use reasonable best efforts to respond verbally to all such service requests as soon as possible, and, if it agrees to provide the service, it shall tender a Hub Transaction Request and Agreement Form no later than one Business Day after the service commences, which shall reflect the agreement of the parties on all parameters of service set forth in Section 3.4 hereof. Any Hub Transaction Request and Agreement Form tendered by Transporter to Shipper shall be deemed accepted by Shipper (i) upon Shipper's execution of such Hub Transaction Request and Agreement Form, or (ii) if Shipper does not object, in writing, to the tendered Hub Transaction Request and Agreement Form within two Business Days. Upon request, Transporter also will provide a written explanation as to why it was not willing to enter into a Hub Transaction Request and Agreement Form for the service requested by a potential Shipper.

Nothing contained herein shall be construed to mean that any or all services requested shall be supplied, or that Transporter has any standing obligation to provide service (a) other than

interruptible service, which for the purposes hereof shall be subordinate to any and all firm services provided by Transporter as part of its intrastate natural gas distribution utility operations, or (b) under any terms which in Transporter's sole discretion may jeopardize its ability to render adequate and reliable services for its intrastate natural gas distribution utility operations. Once a daily Hub transaction is confirmed and authorized hereunder, Transporter agrees to supply such service subject to the terms hereof and subject to the scheduling and confirmation procedures and any operational flow orders or curtailment of any upstream or downstream pipeline serving the Hub, or other similar event, which might prevent Transporter from furnishing such service as authorized.

3.4.4 Title Transfers.

Transporter's Hub will accommodate Title Transfers for gas on the Chicago Hub, and Transporter will handle the necessary paperwork to account for such ownership changes occurring while any quantity of gas is being transported and/or stored for Shippers hereunder. No such Title Transfers shall be allowed hereunder unless each party to which ownership and title is being transferred has executed a valid and approved Hub Service Agreement and Hub Transaction Request and Agreement Form. Each owner, shall become obligated hereunder as a separate Shipper, subject to all of the requirements hereof. A Title Transfer may occur only if the receiving Shipper does not exceed its contracted storage capacity. Gas received by a party under such Title Transfer shall be considered as a receipt of gas for that Gas Day counting toward the receiving Shipper's MDQ. A Shipper may only exceed its MDQ during a Title Transfer if Transporter approves an authorized overrun.

Section 3.5. Rates and Adjustments to Rates.

3.5.1 Rates.

The rates for service hereunder shall be established between Transporter and Shipper, and, pursuant to Section 3.5.5 hereof, Transporter may periodically offer non-discriminatory discounting of maximum rates, but such discounted rates shall not exceed the applicable maximum rates, if any, approved hereunder by the Federal Energy Regulatory Commission (“FERC”) from time-to-time for the type of service rendered. The currently effective minimum and maximum rates for Hub Services offered hereunder are as hereinafter set forth in the Statement of Rates of these General Terms and Conditions.

Fuel Charge determination: The Charge for fuel for firm, priority interruptible and interruptible storage services, PALS and IBS shall be on injections only. The fuel Charge shall be 0.70%, to be paid upon mutual agreement between Transporter and Shipper either (i) in kind or (ii) the monetary equivalent of such fuel at the price reported in the Platt’s Gas Daily Chicago Citygates Midpoint Daily Index on the date the parties agree to the terms of the Transaction Request and Agreement Form.

Storage Loss Adjustment Charge determination: The Charge for the Storage Loss Adjustment for firm, priority interruptible and interruptible storage services, PALS and IBS shall be applied to deliveries for injections only. The Storage Loss Adjustment Charge shall be 0.50% to be paid by Shipper in kind. The Storage Loss Adjustment Charge shall be charged prospectively for Transaction Request and Agreement Forms executed on or after the effective date of September 1, 2015.

3.5.2 Adjustments to Rates.

Transporter reserves the right to seek authorization from the FERC to increase, decrease, or restructure the maximum rates (including market-based rates) charged for service hereunder, including any associated Charge(s) for fuel and for the Storage Loss Adjustment, to assure Transporter’s right to charge and collect “fair and equitable” rates under the FERC’s applicable rules and regulations. Nothing herein contained shall be construed to deny any Shipper any rights which it may have under the FERC rules and regulations, including the right to participate fully in rate proceedings by intervention or otherwise to contest changes in rates charged and/or these General Terms and Conditions.

3.5.3 Charges for Unauthorized Use of Service.

In the event of any unauthorized receipt or delivery of gas transportation or storage volumes hereunder, the Shipper causing such unauthorized use of service shall be charged the greater of (1) any applicable pipeline penalty or penalties incurred by Transporter as a result or (2) a rate of \$10.00 per MMBtu of unauthorized service, such Charge being in addition to all maximum rates for such service as set forth in these General Terms and Conditions; provided, however, nothing herein shall prevent Transporter from waiving such Charge, or any portion thereof, on a non-discriminatory basis. Unauthorized service shall include the failure to withdraw

gas, or return gas, pursuant to the terms of any Hub Transaction Request and Agreement Form.

3.5.4 Monthly Imbalances - Fees.

If, in any calendar month, Transporter redelivers any gas to a Shipper and it is subsequently discovered that the Shipper had not previously provided such gas to the Hub, or no such gas was supplied to the Hub by any other party on Shipper's behalf, then Shipper shall reimburse Transporter for the cost of replacement gas, which replacement cost shall be based on Platt's Gas Daily Chicago Citygates Midpoint Daily Index price for said Gas Day; provided, however, Transporter, at its sole discretion, may allow Shipper to resolve any imbalances by (a) making up such imbalance in kind during a period and at a volume level specified by Transporter, and (b) paying Transporter an agreed-upon rate not to exceed the maximum daily storage rate for each Gas Day of such imbalance.

3.5.5 Discounts.

From time to time, Transporter and a Shipper may agree in writing on a level of discount of the otherwise applicable rates and Charges, in addition to stated discounts from the stated maximum rates. Such a specific discounted rate may be:

- (1) limited to certain specified quantities under the service agreement;
- (2) available only if specified quantity levels are actually achieved or with respect to quantities below a specified level;
- (3) available during specified time periods, including an Injection/Parking Period or a Withdrawal/Loaning Period;
- (4) available to points of receipt or points of delivery, or transportation paths;
- (5) defined in a specified relationship to the quantities actually transported (i.e., that the rates shall be adjusted in a specified relationship to quantities actually transported);
- (6) structured so that if one rate component which was equal to or within the applicable maximum and minimum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate or is below the applicable minimum rate due to a change in Transporter's maximum rates and/or minimum rates, so that such rate component must be adjusted downward or upward to equal the new applicable maximum or minimum rate, then other rate components for the same service or different services may be adjusted upward or downward to achieve the agreed-upon overall Charge, so long as none of the resulting rate components exceed the maximum rate or are below the minimum rate applicable to the rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sheets. However, nothing contained herein shall be construed to alter a refund obligation under applicable law; or
- (7) based on formulas, including but not limited to formulas based upon published

gas commodity price differentials between different points or on NYMEX or other markets in which natural gas or natural gas futures are traded.

Any such discounted rate shall (a) not change Transporter's underlying rate design; (2) not include any minimum bill or minimum take requirement that has the effect of guaranteeing revenue; and (3) in each Hub Transaction Request and Agreement Form entered into pursuant to Section 3.5.5(7), define the rate component(s) to be discounted. In all circumstances the discounted rate shall be between the maximum rate and the minimum rate applicable to the service provided.

3.5.6 Cash-Out of Storage and Parking and Loaning Balances.

If a Shipper has purchased storage service or park and loan service ("PALS") from Transporter and at any time the outstanding balance owed with respect to the purchased service exceeds the product of (a) the volumes in MMBtu remaining in storage for the account of Shipper, and (b) the Platt's Gas Daily Chicago Citygates Midpoint Daily Index price, two business days' written notice to Shipper, Transporter may elect, at its sole discretion, to purchase such volumes from Shipper at the Cash-Out Value and to offset the amounts owed by Shipper by the Cash-Out Value; provided, Shipper may prevent such purchase by (a) agreeing in writing, by the end of the two business days' notice period, to pay the amount owed to Transporter, and (b) paying such amounts within two business days after giving Transporter such written election.

3.5.7 Abandoned Gas.

If a Shipper has not withdrawn gas from storage or from PALS or returned gas to storage or PALS per the terms of its applicable Hub Transaction and Request and Agreement Form by the date of termination of such Hub Transaction and Request and Agreement Form, then such gas shall be subject to Section 5.3 hereof. In addition, upon thirty (30) days' written notice, Transporter shall have the option, but not the obligation, to purchase outstanding positive gas balances from Shipper at 80% of Platt's Gas Daily Chicago Citygates Midpoint Daily Index price or to charge Shipper for outstanding negative balances at 120% of the Platt's Gas Daily Chicago Citygates Midpoint Daily Index price on the day of such charge.

3.5.8 Index Unavailability.

If Platt's Gas Daily Chicago Citygates Midpoint Daily Index price is temporarily unavailable, Transporter shall use the next business day's Platt's Gas Daily Chicago Citygates Midpoint Daily Index price. If Platt's Gas Daily Chicago Citygates Midpoint Daily Index price is permanently unavailable, Transporter shall use another published index for the Midwest natural gas market.

Section 3.6. Nominations, Scheduling and Interruptions.

3.6.1 Nominations.

Nominations shall be submitted by Shipper to Transporter through an electronic nomination system designated by Transporter; Transporter also may accept nominations through other means. Shipper shall not be entitled to receive service in excess of the applicable maximum service limits contained in the Hub Transaction Request and Agreement Form; provided, Transporter may, on a non-discriminatory basis, authorize Shipper to receive excess, or authorized overrun, service at a mutually agreed upon rate, not to exceed the maximum rate for such service.

Shipper may designate a third party agent for purposes of nominating, and for giving and receiving notices related to nominations. Shipper shall provide Transporter with written notice of such designation. Any such designation shall be effective starting the month following the receipt of the notice and will remain in effect until revoked in writing by Shipper.

All nominations will be scheduled on a non-discriminatory basis. Nominations shall be submitted by 11:30 A.M. CCT on the Business Day prior to the effective Gas Day. All nominations must be received by Transporter or its agent in sufficient time to allow Transporter to finalize its nominations and confirmations in compliance with the advance notice requirements of any transporting interstate natural gas pipeline being relied upon to move gas to or from the Hub. Transporter, in its sole discretion, may amend or modify the nominating procedures or system at any time. Shipper, or its designated agent, shall provide Transporter with a nomination for each Gas Day or Shipper's nomination shall be a standing nomination until Shipper provides a new nomination or until the end of the month. If Shipper fails to provide a nomination for the first Business Day of the month, the daily nomination is assumed to be zero.

3.6.2 Scheduling of Service Nominated by Shipper.

All requests to schedule interruptible service, or to schedule any overrun volumes under firm storage or transportation services, shall, subject to limits imposed by Transporter on interruptible volumes and Transporter's right to refuse to schedule any discounted interruptible services, be authorized on a non-discriminatory basis in order of highest Charge (within limits of the maximum rates prescribed hereunder) pursuant to Section 3.6.4.

All service authorizations hereunder shall be granted solely on the condition that Transporter has determined that it has adequate capacity to serve Shipper's request for transportation and/or storage service.

3.6.3 Interruptions by Transporter.

Subject to Sections 3.2.4.1 and 3.2.6.1 in the case of firm services, Transporter will authorize service on any Gas Day for any Shipper that has executed a Hub Service Agreement only if, within Transporter's best operating judgment and discretion, such service is not otherwise expected to prevent Transporter from meeting all of its firm service obligations as an intrastate natural gas distribution utility, including Transporter's system management needs, such as the use of storage. If Transporter determines that it can provide interruptible service, service shall be scheduled pursuant to Section 3.6.2. In the event that interruptible service has already commenced and Transporter learns that the continued furnishing of service may prevent Transporter from meeting all of its firm service obligations as an intrastate natural gas distribution utility, then Transporter may, at its sole discretion and upon giving four hours' prior notice to

Shipper(s), interrupt the continuation of any or all of the interruptible services hereunder. For the purposes hereof, any interruption of service shall mean the cancellation or cessation of any scheduled daily gas transportation receipt or delivery, or Transporter's ordered withdrawal of any Shipper's gas from Hub storage, until further notice; provided, however, if any such interruption by Transporter results in an unscheduled storage of gas on any Gas Day for Shipper(s), then Transporter shall retain such gas until service can be resumed as originally scheduled, and Transporter shall waive any additional storage Charges otherwise incurred solely because of such interruption.

3.6.4 Scheduling Priorities. The priority for scheduling shall be as follow:

1. FSS and FTS pro rata;
2. Authorized overrun / make-up of FSS and FTS based on Charge highest to lowest;
3. PSS and PTS pro rata based on MDQ;
4. ITS, ISS, PALS, IBS based on Charge highest to lowest;
5. Authorized overrun / make-up PSS and PTS based on Charge highest to lowest;
6. Authorized overrun / make-up of ITS, ISS, PALS and IBS based on Charge highest to lowest.

Volumes scheduled by Charge for a service shall be from highest to lowest, except scheduling shall be pro rata based on nominated quantities among Shippers paying the same Charge. The reverse priority order shall be utilized for interruptions and curtailments, and the Charge for a service shall be considered from lowest to highest.

Section 3.7. Pressures.

Transporter shall operate its Hub facilities at pressures which will normally permit the receipt and delivery of volumes scheduled for service(s) hereunder; provided, however, Transporter may elect, at its sole discretion, to effectuate such receipts and deliveries through the scheduling and nomination of volumes at the interconnection of its Hub facilities with an interstate pipeline. Under no circumstances shall Transporter be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Transporter be required to make any physical deliveries which its existing Hub facilities cannot accommodate.

Section 3.8. Measurement.

All readings and registrations with respect to daily receipt and delivery volumes and average daily heating values shall be as for times nominated and recorded by the gas measuring equipment of the applicable interstate natural gas pipeline to determine thermally equivalent volumes relating to the services supplied hereunder.

Section 3.9. Quality.

All natural gas received by or delivered from the Hub shall be of pipeline quality gas and shall meet the quality specifications, as required from time-to-time, of the interstate natural gas pipeline transporting such gas into or from the Hub.

The average heating values of gas for a transporting interstate natural gas pipeline shall be the basis for determining the number of MMBtus received and delivered, and for any volumes stored on the Hub, for any Gas Day hereunder.

Section 3.10. Billing, Accounting, Taxes and Reports.

3.10.1 Billing.

No later than the fifteenth (15th) day of each month, Transporter shall render an invoice to any Shipper receiving any service hereunder during the immediately preceding month. Such invoice shall identify the actual daily volumes associated with each such service transaction. In the event that actual volumes are not available to facilitate the rendering of such monthly statement by the fifteenth (15th) day of each month, Transporter shall use estimated volumes for that month. Estimated volumes shall be subject to correction on the next monthly invoice.

3.10.2 Payment.

On or before the twenty-fifth (25th) day of any month in which an invoice is rendered, Shipper shall pay to Transporter, at the address shown in the Agreement or, if directed by Transporter, by wire transfer to a bank designated by Transporter, the amount due Transporter for services hereunder; provided, however, for any delay by Transporter in issuing a monthly billing statement beyond the fifteenth (15th) day of any month, then Shipper shall have a corresponding number of days beyond the twenty-fifth (25th) day of the month to make such payment. If Shipper fails to pay the amount of any bill, or any portion thereof, invoiced hereunder by the prescribed due date, then interest on any unpaid portion of the bill shall accrue at the lesser of the maximum lawful interest rate or the interest rate prescribed under the FERC's regulations. If Shipper in good faith shall dispute the amount of any bill, Shipper shall nevertheless pay to Transporter the amount of such bill, and thereafter and until final determination which may be reached either by agreement or by judgment of the courts, as may be the case, Transporter shall be obligated to refund any principal amount either agreed upon or otherwise found by the courts to be overpaid by the Shipper, and such refund shall additionally include interest from the date of such overpayment to the date of refund computed at the lesser of the maximum lawful interest rate or the interest rate prescribed under the FERC's regulations. However, Transporter shall have the right to terminate service to any Shipper hereunder for any continued nonpayment of any invoices rendered by Transporter.

3.10.3 Disputes and Adjustments for Billing Errors.

All statements, billings and payments, other than those related to Hub Taxes, shall be final unless questioned within twenty-four (24) months from the date of such billing, statement or payment. Any error so discovered as a result of a timely claim shall be corrected within thirty (30) days of the determination thereof.

3.10.4 Tax Reimbursement.

Shipper agrees to reimburse Transporter for all Hub Taxes that may be levied upon and/or be paid by Transporter, with respect to the services performed hereunder. Shipper shall be responsible for establishing any exemption from Hub Taxes and shall provide satisfactory evidence of such exemption to Transporter.

3.10.5 Charges or Fees for Report Filings.

Shipper agrees to reimburse Transporter for any and all filing fees or related Charges incurred by Transporter for the filing of any report or reports with any governmental agency or other body,

including the FERC, with respect to the nature and timing of any Hub Service specifically provided to the Shipper.

Section 3.11. Possession.

Shipper shall be in exclusive control and possession of all gas, and responsible therefore, and shall hold Transporter harmless of and from any damage, loss or injury caused thereby, until such gas is delivered to and received by Transporter's Hub. After delivery of gas by Shipper to Transporter, and until subsequent redelivery of such gas by Transporter to Shipper or to any other designated Shipper, Transporter shall be in exclusive control and possession of the gas stored on Shipper's behalf thereof and responsible therefore, and shall hold Shipper harmless of and from any injury, loss or damage caused thereby, except for damage, loss, or injury caused by Shipper's delivery of gas to Transporter that does not meet the quality specifications set forth in Section 3.9.

Section 3.12. Warranty.

Each Shipper hereunder warrants that it will have and maintain good marketable title or the right to deliver for a third party owning good and marketable title all gas tendered hereunder for service, including any transfer of ownership and title to other Shippers, and that such gas shall be free and clear of all liens and adverse claims; and each such Shipper further agrees, with respect to the gas delivered by it for service or for transferring title, to fully indemnify Transporter against any and all suits, actions, debts, accounts, damages, costs (including attorney's fees), losses and expenses arising from or out of any incorrect information provided by any Shipper to Transporter or any adverse claims of any and all persons to or against said gas. Pursuant to this Section 3.12, each Shipper shall fully indemnify Transporter against all losses, cost assessments or other claims brought by any party against Transporter with respect to volumes as to which Transporter provides Hub Service.

Section 3.13. Government Regulations and Requirements.

All of the provisions of these General Terms and Conditions are hereby expressly made subject to all present and future applicable federal or state laws, orders, rules and regulations of governmental authorities having jurisdiction. Except as otherwise provided herein, in the event any provision of these General Terms and Conditions is found to be inconsistent with or contrary to any law, order, rule or regulation, the latter shall be deemed to control and these General Terms and Conditions, to the extent possible, shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

The parties hereto recognize that Transporter has entered into transactions hereunder based on its good faith understanding that all acts, obligations, and services performed or to be performed by Transporter hereunder, and the rates therefore, are exempt from the regulation of the FERC or any successor federal governmental authority, except as provided by Section 284.224 of the FERC's regulations. Transporter reserves the right to terminate immediately the offering or furnishing of any service hereunder if, in Transporter's sole discretion, any governmental act occurs which would require Transporter to offer or furnish firm service hereunder or which would cause any impairment in Transporter's ability to furnish or continue any service hereunder, or require Transporter to offer additional intrastate services.

Any and all service transactions hereunder must be interstate service eligible under, and shall be fully subject to, the applicable requirements of Section 284.224 of the FERC's rules and regulations, Shipper's request for service shall constitute its warranty that Shipper satisfies such requirements, and Transporter shall have the right to request information from any Shipper to verify the eligibility thereunder.

Section 3.14. Force Majeure.

3.14.1 Notice and Effect of Force Majeure.

In the event of either party being unable, wholly or in part, by reason of force majeure to carry out its obligations hereunder (other than by reason of a Hub Shipper's obligation to make payment of any amounts due and payable to Transporter), it is agreed that such party shall give notice and reasonably full particulars of such force majeure, by telephone followed with written confirmation by telephone facsimile transmission, to the other party within a reasonable time after the occurrence of the cause relied on, and the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended and canceled upon notice of such force majeure event. Notwithstanding the suspension of service, the party that suffers the force majeure shall make reasonable efforts to remedy the cause(s) thereof with reasonable dispatch. Neither party shall be liable to the other for any act, omission or circumstances occasioned by or in consequence of an event of force majeure. Transporter shall not be liable in damages to Shipper other than for acts of gross negligence or willful misconduct and then only when force majeure does not apply.

3.14.2 Definition of Force Majeure.

The term, "force majeure", as used herein, shall mean acts of God; strikes, lockouts, or other industrial disturbances; conditions arising from a change in governmental laws, orders, rules, or regulations; acts of public enemy; terrorism, wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; government initiated evacuations, washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; the necessity for making repairs, tests or alterations to machinery or lines of pipe; freezing of wells or lines of pipe; partial or entire failure of wells, processing, or gasification facilities; interruptions or failures of any upstream or downstream pipelines relied upon to effectuate any Hub Service; and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension, and which by exercise of due diligence, such party is unable to prevent or overcome.

It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the claiming party's discretion and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the sole discretion of the claiming party.

Force majeure does not include curtailment of interruptible service by upstream or downstream pipelines or loss of Shippers markets or inability to use or re-sell gas economically.

Section 3.15. Notices.

Except as herein otherwise provided, any communication, notice, request, demand, statement, or bill which any party may desire to give to any other party shall be in writing and mailed by first class mail, or conveyed by telephone facsimile transmission with the signature of an authorized representative, to the address of the party intended to receive the same, as the case may be, at the addresses each respective party shall designate in the Hub Service Agreement or change by subsequent formal written notice to the other. With regard to any communication addressed to Transporter, and requiring any action including the authorization of service hereunder, Transporter shall have no obligation to investigate or interpret such communication any differently than as contained on the face of such communication or notice. Any routine communications, including monthly billing statements, may be mailed first class mail or conveyed by telephone facsimile transmission. Unless otherwise directed or notified, Appendix A of these General Terms and Conditions identifies appropriate contact personnel, mailing addresses and telephone numbers of Nicor Gas and of any agent which Nicor Gas may designate to administer the Hub Services hereunder.

Section 3.16. Creditworthiness.

Transporter shall not be required to commence service or, subject to the following, to continue to provide service under any Hub Service Agreement or any Hub Transaction Request and Agreement with a Shipper, that (1) when requested by Transporter to demonstrate creditworthiness, fails to do so in Transporter's reasonable judgment, including for the continuation of service in light of previous payment experience and changes thereto; (2) is or has become insolvent; or (3) has applied for bankruptcy under Chapter 11 of the Bankruptcy Code, or which is subject to similar proceedings under State or Federal law. However, nothing hereunder shall prevent Transporter and Shipper from entering into any mutually agreed upon arrangement or alternative method to establish Shipper's initial or continuing creditworthiness and/or to secure payment of any amounts due.

Section 3.17. Miscellaneous.

3.17.1 Headings and Subheadings.

Any headings and subheadings contained in a Hub Service Agreement or a Hub Transaction Request and Agreement Form are used solely for convenience and may not constitute a part of the agreement between the parties hereto, nor should they be used to aid in any manner in construing such agreement between the parties.

3.17.2 Non-Assignment.

A Hub Service Agreement or Hub Transaction Request and Agreement entered into by and between Transporter and any Shipper shall not be assignable by Shipper to any other party without the prior written consent of Transporter.

3.17.3 Entire Agreement.

The Hub Service Agreement and any Hub Transaction Request and Agreement entered into pursuant thereto, and these General Terms and Conditions, shall constitute the entire agreement of the parties hereunder as to the matters contained herein, and there are no oral promises, agreement or warranties affecting same.

3.17.4 Non-Waiver.

The waiver of any default or right to require performance under a Hub Service Agreement or a Hub Transaction Request and Agreement Form shall not operate as a waiver of any future default or right to require performance, whether of like or different character or nature.

3.17.5 Jurisdiction and Venue/Arbitration.

The parties agree that the Hub Service Agreement and any Hub Transaction Request and Agreement Forms effectuated hereunder shall be governed by and construed in accordance with the laws of the State of Illinois, and that venue shall be in Dupage County, Illinois, with respect to any cause of action brought under or with respect to the Hub Service Agreement or any Hub Transaction Request and Agreement Form. Transporter and Shipper may agree to arbitrate disputes arising under Hub Service Agreement or Hub Service Request and Agreement.

3.17.6 Delegation of Administrative Activities.

Transporter reserves the right at any time to assign or otherwise delegate to any independent third party or a duly authorized agent any or all of the administrative duties associated with Transporter's Hub and its operations. Such administrative duties may generally include, but are not necessarily be limited to, the determination of service eligibility for any prospective Shippers hereunder, including creditworthiness, the processing of any service requests or nominations of service by Shippers hereunder, the authorization of such service requests or nominations, the posting of any rate discounts within the minimum and maximum rate levels allowable hereunder including any negotiations with Shippers regarding the applicable rates to be charged within such minimum and maximum allowable limits, the periodic monthly billing associated with the services supplied hereunder, and the collection of all amounts due and payable to Transporter by Shippers. No such delegation shall relieve Transporter of its obligations, if any, to a Shipper.

3.17.7 Confidentiality.

The terms of any Hub Service Agreement or any Hub Transaction Request and Agreement effectuated hereunder shall be kept confidential by the parties, including any agent to which administrative activities are delegated by Transporter pursuant to Section 3.6, except to the extent that any information must be disclosed to a third party required by law, for either party's financial needs, or for the purpose of effectuating service.

3.17.8 Term of Hub Service Agreements.

Subject to Sections 3.2.4.2, 3.2.5, 3.2.6.2, and 3.2.7 unless otherwise agreed upon in writing, each Hub Service Agreement (but not a Hub Transaction Request and Agreement Form) shall be in effect for a term of twelve (12) consecutive months commencing with the date of such agreement, and shall be automatically extended on a month-to-month basis thereafter, unless otherwise canceled by either party upon giving the other party not less than thirty (30) days' advance written notice of such cancellation.

3.17.9 LIMITATIONS OF REMEDIES, LIABILITY AND DAMAGES.

NO PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. THE LIMITATIONS IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE(S) RELATED THERETO, INCLUDING NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

SECTION 4
STATEMENT OF CURRENTLY EFFECTIVE RATES

Pursuant to Section 3.5.1 of Transporter's General Terms and Conditions, following is a statement of Transporter's currently effective maximum and minimum rates for service hereunder:

<u>Interruptible Transportation Service:</u>	<u>Maximum Per MMBtu</u>	<u>Minimum Per MMBtu</u>
Commodity Rate ^{5/}	\$.1056	\$0.0000
 <u>Priority Interruptible Transportation Service:</u>		
Prepayment Rate ^{1/}	\$ 1.6060 Per Month	\$0.0000
Commodity Rate ^{5/}	\$.0528	
 <u>Firm Transportation Service:</u>		
Reservation Rate ^{6/}	\$ 3.2119 Per Month	\$0.0000
Commodity Rate ^{5/}	\$0.0000	
 <u>Interruptible Storage Service:</u>		
Commodity Rate ^{2/}	\$.1136	\$0.0000
 <u>Priority Interruptible Storage Service:</u>		
Prepayment Rate ^{1/}	\$ 1.7273 Per Month	\$0.0000
Commodity Rate ^{2/}	\$.0568	\$0.0000
 <u>Firm Storage Service:</u>		
Deliverability Rate ^{6/}	\$ 1.7273 Per Month	\$0.0000
Capacity Rate ^{7/}	\$.0267 Per Month	\$0.0000
Injection Commodity Rate	\$0.0000	\$0.0000

	<u>Maximum Per MMBtu</u>	<u>Minimum Per MMBtu</u>
<u>Interruptible Balancing Service on Agreeing Interstate Pipelines:</u>		
Commodity Rate ^{3/}	\$.2192	\$0.0000

Parking and Loaning Service:

Commodity Rate ^{4/}	\$.2192	\$0.0000
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Transporter reserves the right to discount to levels below maximum rates on a non-discriminatory basis but not to less than the sum of any minimum rates including any add-on Charge for fuel and the Storage Loss Adjustment.

Fuel, at .70%, and the Storage Loss Adjustment, at .50%, will be charged pursuant to Section 3.5.1.

Footnotes:

- 1/ Prepayment rates applicable to stated MDQ.
- 2/ Daily rate applicable to positive or negative storage service balances.
- 3/ Daily rate applicable to each MMBtu of service confirmed by Transporter.
- 4/ Daily rate applicable to each MMBtu parked or loaned.
- 5/ Daily rate applicable to daily volumes transported.
- 6/ Reservation rate and Deliverability rate applicable to stated MDQ
- 7/ Capacity rate applicable to MMQ.

SECTION 5
Appendix A - Notices

For the purposes of Section 3.15 under Nicor Gas' Operating Statement and General Terms and Conditions governing Hub Services, all communications and notices to Nicor Gas should be addressed, as follows:

NICOR GAS

Chicago Hub

Attention: Manager of Hub Administration

3333 Warrenville Road, Suite 300

Lisle, Illinois 60532

Telephone: (630) 245-7815

Fax: (630) 245-7838