SCO SUPPLIER TERMS AND CONDITIONS

APPLICABILITY
The following Terms and Conditions apply to SCO Suppliers under Rate 396, SCO Supplier Service.

CAPACITY AND OPERATING REQUIREMENTS

Comparable Firm Capacity Requirement
SCO Supplier agrees to secure sufficient firm interstate pipeline capacity, of which a portion may be Company released capacity, with primary delivery points to Company's city gates and firm supply to meet 100% of each month's Peak Design Day Demand of its Load Tranche, less a percentage during the Peak Season reflecting SCO Supplier's entitlement to Company's Peaking Supplies, as described below (“Allocation of Peaking Supplies”) if applicable. All obligations of SCO Supplier with respect to such capacity and supply shall be the sole responsibility of SCO Supplier.

To verify SCO Supplier’s compliance with this Comparable Firm Capacity Requirement, SCO Supplier must submit comparable firm capacity plans to Company no later than October 31st of year. SCO Supplier will provide to Company upon request copies of contracts for upstream pipeline capacity not released by Company and supply contracts showing the firm quantities reserved or purchased and the specific points of delivery. If SCO Supplier is securing firm city gate supplies, SCO Supplier shall provide a copy of such firm supply agreement, and additional documentation as required by Company to confirm compliance of the applicable interstate pipeline capacity. Proof of comparable capacity may be provided for the entire Peak Season or on a monthly basis and is due by the 25th of the preceding month for each month of the Peak Season.

If Company identifies a firm capacity deficiency, such deficiency shall be resolved to Company’s satisfaction by immediate acquisition by SCO Supplier of additional firm pipeline capacity. If Company identifies a firm supply deficiency, such deficiency shall be resolved to Company’s satisfaction by immediate acquisition by SCO Supplier of additional firm supply.

Mandatory Assignment of Pipeline Capacity:
Company will release its pipeline transportation and storage capacity to SCO Supplier based upon a percentage (to be confirmed annually) of the Peak Design Day Demand of SCO Supplier's Load Tranche. Company may release contracts for one, or more months. Some capacity contracts may be released only to SCO Suppliers. SCO Supplier may elect to have a SCO Supplier's Designee take release of SCO Supplier's allocation of pipeline transportation and storage capacity. SCO Supplier's Designee must be a signatory party to a Tri-Party Capacity Release Agreement as set forth below. SCO Supplier or SCO Supplier’s Designee shall take release of specific interstate pipeline firm transportation and storage capacity for the term of the SCO Service phase, subject to Company's right of capacity recall contained elsewhere in these Terms and Conditions.
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Mandatory Assignment of Pipeline Capacity (Continued):
Terms and conditions of the capacity release will be specified in pipeline capacity release forms including length of term, price, and recall requirements, subject to FERC requirements for capacity release. SCO Supplier or SCO Supplier’s Designee may not change any primary points of receipt or delivery associated with released pipeline transportation contracts during the term of the capacity release. In addition, for specific parcels of capacity identified by Company, SCO Supplier or SCO Supplier’s Designee may not utilize any delivery point other than those primary and secondary points identified by Company unless the capacity is released at the pipeline’s full tariff rate or unless an alternate capacity billing arrangement is agreed to by SCO Supplier and Company. The released capacity is subject to recall at any time if SCO Supplier or SCO Supplier’s Designee does not perform in accordance with the SCO Supplier Agreement or fails to comply with provisions set forth in these Terms and Conditions.

SCO Supplier or SCO Supplier’s Designee may re-release on a recallable basis any transportation capacity released to it hereunder, except Columbia Firm Storage Service (“FSS”) and Storage Service Transportation (“SST”) storage capacity provided that: 1) SCO Supplier or SCO Supplier’s Designee will continue to be responsible for payment of all pipeline charges associated with the released capacity; 2) any re-release of such capacity remains subject to the requirements and restrictions identified in Company’s Tariff; and 3) the capacity is not needed to satisfy the SCO Supplier’s Load Tranche’s DDQ on such day(s). SCO Supplier or SCO Supplier’s Designee may use other firm pipeline capacity to supply its DDQ and re-release portions of its assigned pipeline capacity, subject to the previously mentioned restrictions.

Tri-Party Capacity Release Agreement:
A Tri-Party Capacity Release Agreement must be executed by SCO Supplier, SCO Supplier’s Designee and Company before the assignment of pipeline transportation and/or storage capacity and all other terms and conditions contained in such Tri-Party Capacity Release Agreement are effective. Supplier’s Designee shall be subject to Company’s approval. Company retains discretion to reject a proposed SCO Supplier’s Designee based on a creditworthiness evaluation or other issues that take into consideration the reliability of performance of all obligations, including financial obligations. SCO Supplier’s Designee must comply with all capacity release requirements and re-release limitations, either per this Tariff for Gas Service or per Company operating procedures. SCO Supplier shall remain responsible for both its and its SCO Supplier’s Designee’s compliance with the requirements of Company’s SCO Program.

Reassignment of Capacity:
Transportation and storage capacity released to SCO Suppliers will follow Customers to their new Choice or SCO Suppliers upon migration to and from Choice Service with reassignment of capacity to Suppliers based on their Peak Design Day Demands. Company reserves the right to adjust capacity release quantities intra-month in the event large Choice migrations occur. Reassignment of capacity may occur for terms in excess of one (1) month.

Operational System Balancing:
Company’s Columbia storage will be released to each Choice and SCO Supplier on a proportionate basis. The holders of Company-released Columbia storage capacity will collectively provide system balancing through Predetermined Allocations (“PDA”) set with Columbia.
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Operational System Balancing (Continued):
PDAs will be established with Columbia at the beginning of each month proportional to the percentage of Columbia storage capacity released to Suppliers. Each day SCO Supplier will be allocated a portion of the daily system imbalance based on its PDA percentage. SCO Supplier will be charged by Columbia for any overrun or penalties associated with exceeding its individual storage volume limits. If Company, as meter operator, incurs Columbia penalties, such penalties will be assessed to each SCO Supplier that contributed to the penalty proportional to their contribution to the violation.

SCO Suppliers will agree to provide Company access to their daily Columbia inventories and nomination information. SCO Supplier shall submit monthly agency agreements to Columbia providing such access in the manner required by Company and Columbia SCO Suppliers must follow Company-established minimum and maximum limits for daily storage injections and withdrawals, and minimum storage inventory requirements to ensure sufficient storage inventory and capacity to balance Company’s system each day. At no time shall SCO Supplier’s Company-released Columbia storage inventory volume be less than the minimum specified by Company.

Customer Enrollments:
All SCO Customer enrollments and drops, with the exception of the April 1st enrollments, will be sent by Company in the form of EDI transactions. The SCO Supplier will utilize the file standards as required by Company, which may change from time to time.

Choice Eligible Customer Account List:
Company shall make available to PUCO-Certified Retail Natural Gas Suppliers approved by Company for participation in Company’s SCO Program an electronic list of Customers’ accounts eligible for participation in the Choice Program, as defined in Section 4929.22 (B) of the Revised Code. The charges, terms and conditions applicable to such Choice Eligible Customer account list are described in Rate 385 and shall also apply to any SCO Supplier requesting such list.

Company Consolidated Billing:
SCO Customer shall receive one (1) Bill from Company that indicates the name of SCO Supplier from whom Customer is receiving its gas supply and which includes the SCO Rider Rate, which is the SCO Supplier’s gas supply charges, in addition to any taxes for which SCO Supplier must collect.

Taxes:
Company will calculate state and local taxes and add the amount to Customer’s gas supply charges. Company assumes no responsibility or risk for any incorrect billing of taxes to Customer. SCO Supplier and Customer shall hold Company harmless for any assessments, interest, penalties, or risk of any kind whatsoever, related to any incorrect billing of taxes on behalf of SCO Supplier.

If Customer claims to be tax exempt, Customer has the sole and complete responsibility for the provision to SCO Supplier of all necessary documentation regarding Customer’s tax-exempt status. Company assumes no responsibility or risk for any misapplication of tax-exempt status to any Customer. The SCO Supplier or Customer shall hold Company harmless for any assessments, interest, penalties, or risk of any kind whatsoever, related to any misapplication of tax-exempt status to any Customer.

Welcome Letter:
SCO Supplier shall provide a Standard Welcome Letter provided by Company to all new Customers informing them of the terms and conditions of their agreement, and providing Customer with all applicable contact information.
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Provider of Last Resort ("POLR") Service:
SCO Supplier shall temporarily provide supply from Company-released Columbia storage capacity to cover system load requirements in the event of a SCO or Choice Supplier default or OFO event.

Defaulting SCO or Choice Suppliers are required to reimburse affected parties for any incremental costs incurred to provide POLR service. Any incremental costs not recovered from defaulting Suppliers will be included for recovery in the ETC Rider.

Company will act as POLR Coordinator, identifying the need for POLR Service and notifying SCO and Choice Suppliers.

Company will take the following short-term action with regard to obtaining POLR supply:

1. Choice and SCO Suppliers collectively will provide supply to meet POLR needs, using their individual Columbia storage inventories. The withdrawn storage inventory will be subsequently replaced.

2. If Company determines that the daily quantity of gas needed may affect the reliability of the system, an OFO will be issued, to ensure Pool Operators are not under delivering versus their respective usages during the POLR period.

3. Next, as soon as practicable, all transportation and storage capacity released to any defaulting SCO Supplier or Choice Supplier will be recalled by Company who will use it to meet the immediate needs of the defaulting Supplier’s customers. Company will claim the defaulting Supplier’s storage inventory as needed to meet the defaulting Supplier’s customer loads.

4. Company will fill any remaining shortfall through acquiring additional temporary capacity and supply or city gate deliveries, or by coordinating the delivery of city gate delivered volumes with non-defaulting SCO and Choice Suppliers. Non-defaulting SCO and Choice Supplier shall be compensated by the Company for volumes delivered at the price agreed upon for the applicable transaction. Defaulting Choice Supplier will reimburse Company for all costs associated with the default.

5. Company will coordinate the provision of POLR service for the remainder of the billing month in which a Supplier default occurs, and the subsequent month, or until an alternate solution is effectuated.

In the event of defaulting SCO or Choice Supplier removal, Company will take the following action:

1. If a Choice Supplier is removed, Company will offer non-defaulting Choice Suppliers the option of assuming the Customers of the removed Choice Supplier. Customers of the removed Choice Supplier shall be charged the SCO Rider rate until such time Customer enters into a contract with a new Choice Supplier. If Customer elects to discontinue Choice service or is dropped by the new Choice Supplier, said customer will transfer to DSS or SCO service, as applicable. If no non-defaulting Choice Supplier assumes the removed Choice Supplier’s Customer(s), such Customer(s) will transfer to SCO service.
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Provider of Last Resort ("POLR") Service (Continued):
(2) If an SCO Supplier is removed or Choice Suppliers do not assume the Customer removed SCO Supplier:

(a) The remaining SCO Suppliers loads will be increased to cover the defaulted load on a pro rata basis. Such incremental load will be limited to 50% of initial Tranches awarded.

(b) For the portion of increased load quantity greater than 50% of initial Load Tranches awarded to remaining SCO Suppliers, Company shall solicit non-defaulting SCO Suppliers to serve the defaulted load through the end of the current SCO Phase at the SCO price established in the auction governing the current SCO Phase.

(c) If assignment to SCO Suppliers under part (a) and voluntary solicitation under part (b) does not accommodate assignments of the entire load of the removed SCO Supplier, Company shall solicit non-defaulting Choice Suppliers to serve the defaulted load through the end of the current SCO Phase unless Customer enters into a contract with a Choice Supplier.

(d) If after taking the above actions unserved SCO load remains, the remaining unserved load will be assigned to a new SCO Supplier based on an accelerated auction process.

(e) The removed SCO Supplier will be responsible for all costs associated with (a) through (d) as described herein.

Company may require additional collateral from SCO and Choice Suppliers that have elected to serve any portion of the defaulted load prior to assignment of the incremental load.

Choice Eligible Customer(s) of the removed Choice or SCO Supplier may elect to enroll with a non-defaulting Choice Supplier at any time during the process.

Company Demand Forecast:
Company shall forecast each Tranche’s Expected Demand based upon Company’s design day and forecasted weather, respectively; the number of Customers in the Tranche; and the historic usage characteristics of the applicable Customers. The forecast provided to SCO Suppliers will include any requirements for Rate 310 (Residential Default Sales Service) and Rate 320 (General Default Sales Service) Customers, which will be based on equal divisions of the historical demand associated with these Customers. However, Company may create separate forecasts and DDQs and require separate Pools for specific market areas.

Daily Scheduling of Directed Delivery Quantities:
By 9:00 a.m. Central Clock Time ("CCT"), Company will post on its GTS, SCO Supplier’s DDQ for the gas day beginning 9:00 a.m. CCT the following day. Such DDQ shall be the sum of: 1) the Expected Demand of SCO Supplier’s Load Tranches for that gas day calculated as a prorata share of total SCO Customer demand; 2) Load Tranche Unaccounted for Gas quantities based on Company’s Unaccounted for Gas Percentage and 3) any necessary adjustments for interstate pipeline and/or Company operating constraints, system knowledge and experience, and/or prior imbalances associated with the periodic volume reconciliations. The DDQ will be stated in city gate MMBtu (million Btu).
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**Daily Scheduling of Directed Delivery Quantities** (Continued):
At the time of posting the DDQ, Company shall indicate the minimum, maximum or exact volume that shall be delivered by SCO Supplier on each interstate pipeline or to each Company city gate to achieve the DDQ. Company shall maintain City Gate Allocation tables that outline the range of minimum and maximum delivery percentages required by city gates on Company’s system. These percentages shall be recalculated and communicated to SCO Suppliers periodically.

**Nomination Provisions:**
SCO Suppliers are required to nominate scheduled storage injections and withdrawals to the pipelines and to Company for all Company-released storage capacity. Company will post daily minimum and maximum Columbia storage injection and withdrawal limits, and monthly minimum storage inventory levels. Scheduled injection nomination rights during the Winter Season and scheduled withdrawal nomination rights during the Summer Season are subject to approval in advance by Company.

By 1:00 p.m. CCT each day, and in any intra-day nominations thereafter, SCO Supplier shall nominate to Company via Company’s GTS the quantity of gas that it has scheduled for delivery at Company's city gate(s) for its Pool for the following gas day. SCO Supplier agrees to adhere to the nominating guidelines set out in the FERC approved tariff of the applicable interstate pipeline and comply with any Company operating and/or interstate pipeline restrictions communicated by Company or pipeline.

Company may accept nominations submitted after the deadlines specified above within its reasonable discretion. Intra-day nominations must be approved in advance by Company. Until SCO Supplier submits the required nomination, SCO Supplier's nominations of daily quantities shall be zero. Unless otherwise permitted by Company in writing, the nomination period shall not exceed thirty-one (31) consecutive days.

SCO Supplier shall be responsible for verifying and, if necessary, correcting its Daily Pipeline Nomination so that it matches SCO Supplier’s confirmed pipeline deliveries and is compliant with the City Gate Allocations percentage requirements.

Company will post actual system imbalance volumes the day after flow and each SCO Supplier’s prorata share of the system imbalance per the monthly PDA. Company may at its discretion perform a No-Notice nomination to SCO Supplier’s Company-released Columbia storage for the prior day’s flow if the SCO Supplier has not (1) delivered adequate supplies to meet their DDQ or (2) met their Columbia minimum City Gate Allocation delivery requirement.

**System Beneficial Deliveries:**
Company may request SCO Supplier(s) to voluntarily 1) vary its daily delivery from the nominated delivery quantities; 2) deliver to a different pipeline and/or city gate; and/or 3) make other changes to gas deliveries to ensure system integrity or mitigate the risk of pipeline penalties being assessed. If voluntary delivery changes are not adequate to rectify the situation, Company shall change its city-gate allocation delivery requirements applicable to all Pool Operators. Failure to comply will result in Pool Operators being assessed the City-Gate Allocation Non-Compliance Charge. Requirements under this provision are distinct from OFO requirements.

**Procedure for Gas Emergency Calls:**
SCO Suppliers are required to adhere to Company’s Gas Emergency Call Handling Procedure as it may be amended from time to time.
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Allocation of Peaking Supplies:
During the months of December through February, Company may reserve a portion of its Peaking Supplies capacity for SCO Suppliers if deemed necessary, based on the product of each SCO Supplier's then-applicable Peak Design Day Demand and the percentage of Company’s total design day needs forecasted to be met by Peaking Supplies that month. The portion reserved shall be applied as a reduction to the Peak Design Day Demand that SCO Supplier must meet pursuant to its Comparable Firm Capacity Requirement.

On any day when the SCO Supplier’s Expected Demand reaches the volume of SCO Supplier’s Comparable Firm Capacity Requirement, Company may supply the SCO Supplier’s gas needs in excess of the SCO Supplier’s Comparable Firm Capacity Requirements with Peaking Supplies.

SCO Supplier will be assessed a proportionate share, as determined by Company, of the costs of Peaking Supplies obtained by Company and used for peak shaving for hourly load shaving and any other uses of Peaking Supplies determined to be necessary for system operation in Company’s discretion.

SCO Supplier shall pay such peaking-demand charge based on its proportionate share of assigned Peaking Supply as billed by Company during the Peak Season. Such unit-demand charge shall be equal to the total capacity costs and other fixed costs associated with Company supplied peaking resources.

By October 1 of each year, and when there is a material change in Company’s peaking capacity, Company shall indicate the SCO Supplier’s Peak Design Day Demand that will be met with Company’s Peaking Supplies allocated by Company to such SCO Supplier, if any.

Measurement of Customer Usage Volumes:
Company shall be responsible for all usage measurement at the Delivery Point to Customer's facilities. Monthly Load Tranche volumes billed to Customers shall be considered actual volumes consumed, whether the meter reading is actual or estimated.

Quality of Gas Delivered by SCO Supplier:
SCO Supplier warrants that all gas delivered by or for its Tranche shall meet the quality, pressure, heating value and other quality specifications of the applicable FERC Gas Tariff of the interstate gas pipeline delivering said gas to Company.

Title and Warranty:
SCO Supplier warrants that it will, at the time and place of delivery, have good right and title to all volumes of gas delivered on its behalf, free and clear of all liens, encumbrances, and claims whatsoever, and that it will indemnify and hold Company harmless for all suits, actions, debts, accounts, damages, costs, losses, or expenses (including reasonable attorney fees) arising from or out of the adverse claims of any or all persons relating to or arising from said gas.
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MONTHLY VOLUME RECONCILIATION

1. SCO and Choice Suppliers’ deliveries will be reconciled to their requirements on a monthly basis.
2. For each month during the SCO Period, Company will compare each SCO Supplier’s Deliveries to its Pool Requirements and Allocated Requirements to determine the Supplier’s monthly Reconciliation Volumes.
   a. SCO Supplier’s Deliveries will be the sum of SCO Supplier’s confirmed deliveries to the city gate and its no-notice storage activity, and its allocated share of Peaking Supplies.
   b. SCO Supplier’s Pool Requirements will be determined by adjusting SCO Supplier’s Pool’s actual billed usage for annual Standard Btu Value and the Unaccounted for Gas Percentage identified in Company’s Tariff.
   c. SCO Supplier’s Allocated Requirements will include SCO Supplier’s portion of Large Transportation Service Pool Operators’ Imbalance volumes, Company’s Line Pack changes, and Company’s Operational Balancing Agreement (“OBA”) volume changes.

3. The reconciliation Cashout price for each month will be the IFERC Gas Market Report First-of-the-month price for Columbia Gas Transmission Corp, Appalachia plus applicable variable costs including fuel retention and pipeline variable charges.
4. The sum of the monthly reconciliation Cashout amounts, plus any applicable taxes, will be the monthly Cashout credit or charge. The monthly Cashout credit or charge will recovered or passed back in the Exit Transition Cost (“ETC”) Rider.
5. Such reconciliations will be performed in the second month following the end of the last month of flow.
6. Company may elect to adjust the SCO Supplier’s reconciliation imbalance and/or receivables for up to twelve (12) months after the original billing date for any SCO Customers’ bills at issue, for accounting or billing errors, billing disputes, or any other necessary or appropriate adjustments.
7. The SCO Supplier’s Monthly Volume Reconciliation Cashout charges and credits will remain subject to revision based on any corrections to underlying data and any issues identified in the annual ETC Audits.

SCO SUPPLIER DEFAULT OR TERMINATION

If SCO Supplier ceases participation in the SCO Program, Company shall have the right to recall all pipeline capacity then assigned to SCO Supplier by Company associated with that SCO Supplier’s specific Load Tranche(s) in accordance with the terms of the release agreement. Payment of any amounts payable to SCO Supplier by Company will be held by Company until all volumes are reconciled and any charges owed to Company are paid in full.

WAIVER OF CHARGES

In its reasonable discretion, on a case-by-case basis, Company may waive all or part of any Charge assessable to SCO Supplier pursuant to Rate Schedule 396 and these Terms and Conditions, when such Charges result from situations which occur beyond the reasonable control of SCO Supplier. The waiver of such otherwise assessable Charge shall be exercised on a non-discriminatory basis. Requests for waivers must be submitted in writing to Company and be signed by an authorized representative of SCO Supplier. Company will retain records of waiver requests received and their dispositions. Non-Compliance Charges may be waived or amended on a case-by-case basis.
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FORCE MAJEURE

If either SCO Supplier or Company is unable to fulfill its obligations under the SCO Supplier Agreement, Rate 396, or these Terms and Conditions due to an event or circumstance which is beyond the control of such party and which prevents such performance, such party shall be excused from and will not be liable for damages related to non-performance during the continuation of such impossibility of performance. None of the following shall be considered a force majeure condition: 1) changes in market conditions that affect the acquisition or transportation of natural gas, 2) failure of SCO Supplier to deliver or Pool Customers to consume scheduled gas volumes, or 3) force majeure or other interruptions called by either gas producers or interstate pipelines.

The party claiming force majeure will use due diligence to remove the cause, or mitigate the impact, of the force majeure condition and resume delivery or consumption of gas previously suspended. Gas withheld from SCO Supplier or Pool Customers during a force majeure condition will be delivered upon the end of such condition as soon as practicable based on, among other things, Company’s operating constraints.