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SERVICE CLASSIFICATION No. 16

BYPASS RESPONSE - INDIVIDUALLY NEGOTIATED CONTRACTS FOR TRANSPORTATION SERVICE FOR CUSTOMERS OPERATING LARGE COGENERATION FACILITIES

A. APPLICABLE TO USE OF SERVICE FOR:

All Customer-owned gas transported by the Company pursuant to a valid transportation agreement between the Customer and the Company. The gas will be transported for the Customer's exclusive use in a facility having annual consumption in excess of 200,000,000 cubic feet.

B. CHARACTER OF SERVICE:

Interruptible transportation of Customer-owned gas. Except insofar as the Customer reserves sales status with respect to the facility, the Company has no obligation to secure gas supplies on behalf of the Customer or make gas supplies available to the Customer, and the Customer will be permitted to draw upon the Company's system supply only to the extent that service to Customers under other service classifications is not jeopardized or impaired. The Customer's ability to resume sales service upon termination of the Transportation Agreement will be subject to the availability of sufficient system supplies and to General Information Section 20.

C. QUALIFYING CUSTOMERS:

Customers qualifying for this rate must meet the following requirements

(1) the Customer must totally revoke its right to firm service under the Company's tariff for all consumption by the facility.

(2) the Customer must have equipment installed capable of providing a suitable back-up energy supply or the facility must have alternate fuel capability.

(3) the Customer must have installed the necessary electronic equipment, acceptable to the Company, which allows the Company to monitor the Customer's daily usage of gas.

(4) the Company has determined that bypass of the Company is a real possibility.

D. RATE: (per month)

The rate and terms shall be the subject of a special contract negotiated between the Company and the Customer Negotiated Contracts at similar overall terms shall be available to all similarly situated Customers.

E. MINIMUM RATE:

A rate sufficient to recover all incremental costs over the term of the contract plus a reasonable contribution to overall system costs.

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F. MAXIMUM RATE:

SC 18 Transportation Ceiling Rate

G. TERM OF TRANSPORTATION AGREEMENT:

The Company and Customers shall enter into a Transportation Agreement. The term of each contract shall be the subject of negotiation between the parties.

H. DELIVERY COSTS INCURRED BY THE COMPANY:

In the event that the provision of transportation service to the Customer requires the Company to engage the services of other transporters of gas, an amount reflecting the costs incurred by the Company will be added to the applicable rate.

I. APPLICATION OF CONSUMPTIONS:

(1) a. Deficiency Imbalances: Where aggregate consumption is greater than deliveries of Customer-owned gas to the Company.

b. Surplus Imbalances: Where aggregate consumption is less than deliveries of Customer-owned gas to the Company.

(2) The Customer's monthly consumption will be applied first to the Customer's nominated sales gas requirement for that month, second to excess Customer deliveries from the prior month, and third to current month transportation.

(3) Volumes consumed in excess of the above will be billed pursuant to the section entitled "Deficiency Imbalances."

(4) Volumes delivered in excess of volumes consumed will be subject to purchase by the Company and charges pursuant to the Section entitled "Surplus Imbalances."

J. INCREASE IN RATES IN MUNICIPALITY WHERE SERVICE IS SUPPLIED:

All rates and charges under this Service Classification, including charges specified under the Special Provisions of this Service Classification, Deficiency Imbalances, Surplus Imbalances, and the Transportation Agreement, shall be increased pursuant to General Information Section 35, to reflect the tax rates applicable within the municipality where the Customer is taking service. This Section shall not apply to any delivery costs incurred by the Company to have other parties transport gas on the Customer's behalf.

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BYPASS RESPONSE - INDIVIDUALLY NEGOTIATED CONTRACTS FOR TRANSPORTATION SERVICE FOR CUSTOMERS OPERATING LARGE COGENERATION FACILITIES - Cont'd

K. TERMS OF PAYMENT:

All bills are due and are subject to a late payment charge in accordance with the provisions of General Information Section 8.E.

L. MINIMUM MONTHLY BILL:

None.

M. REVENUE CREDIT:

All gas transported under this Service Classification shall be subject to the Revenue Credits identified in the Statement of Revenue Credits filed with the Commission.

N. MINIMUM CONTRACT VOLUME:

The “Minimum Contract Volume” shall be 200,000 Mcf annually. If the Customer’s consumption, subject to the transportation rate (“transportation consumption”), during the term of the Transportation Service Agreement is less than 200,000 Mcf annually, the Customer will be charged the difference between 200,000 Mcf annually and the Customer’s transportation consumption during said term, multiplied by the applicable Transportation Rate.

O. CHARGES FOR BURNER TIP SURPLUS IMBALANCES:

As used in this Rate Schedule, “surplus imbalances” shall mean the cumulative amount by which the volume of gas delivered, since the commencement of transportation service by the Company for the Customer under any rate schedule, to the Company for the Customer’s account, after adjustment for line losses and after elimination of volumes purchased from the Customer by the Company, exceeds the total amount of transportation service volumes taken by the Customer from the Company under any Rate Schedule since the commencement of transportation service for the Customer by the Company. Such cumulative surplus imbalances will reflect any Exchange of Net Imbalances, as described below, and shall be computed as of the end of each billing month.

If, at the end of any billing month, the Customer has a surplus imbalance, i.e. deliveries in excess of the volume of SC 16 service gas transported to the Customer by the Company during the billing month, the Customer shall be charged for such surplus imbalances. The surplus imbalance rates for this Service Classification are provided in General Information Section 38.A.

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P. BURNER TIP DEFICIENCY IMBALANCES:

Deficiency imbalances, when available, will be billed at the SC 11 sales rate, unless otherwise provided by mutual agreement.

The Company will curtail deficiency imbalances before it imposes any curtailments on its gas sales Customers under General Information Section 20.E. Upon notice from the Company that deficiency imbalances will not be available, the Customer must control its usage and deliveries to ensure that further deficiency imbalances do not occur during the time period specified. The Customer shall pay to the Company an additional penalty of $7.00 for each Mcf of deficiency imbalances taken in violation of such curtailment.

Q. MONTH END BURNER TIP BALANCING, IMBALANCE EXCHANGE AND CASH OUT:

Month end burner tip imbalances, excluding deficiency imbalances billed at the SC 11 sales rate as described above, will be resolved as follows:

a. Aggregated Customers or Direct Customers

Burner tip imbalances are governed by the terms of SC 19.

b. Non-aggregated Customers

A Customer may exchange a month end imbalance due the Company under its SC 16 Service Agreement with an imbalance due from an Imbalance Holder as set forth in General Information Section 30 but is not subject to the cash out provisions contained therein.

R. DELIVERIES OF SURPLUS IMBALANCES DURING SUBSEQUENT MONTHS:

The Company shall have the right to purchase, without further notice, the amount of gas above the in excess of 5% of the volume of SC 16 service gas transported to the Customer by the Company in the billing month at a rate equal to the lowest commodity price the Company offers to pay for monthly spot purchases of gas produced directly into the Company's system.

The Customer will have the opportunity to elect that the Company cash out its imbalance at the end of the trading period. The Customer must nominate the cash out choice each month if it desires month-end imbalance positions to be cashed out. The Company may elect not to satisfy cash-out purchase requests or cash out sales requests during a month.

When operationally feasible, and only if, in the sole judgment of the Company, such transaction will not jeopardize or impair service to firm service Customers, the Company may allow a transportation Customer to receive net surplus imbalances of a SC 16 Customer for transportation to the Customer

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within Company's territory in later months. The Customer must elect this option in writing or the Company may purchase said surplus volumes.

S. IMBALANCE RESOLUTION THROUGH ESS TRANSFER

A non-aggregated Customer is permitted to reduce or eliminate a burner tip deficiency imbalance by transferring gas from the account of the party that nominates supply deliveries on behalf of the Customer (the "Supplier") for Enhanced Storage Service ("ESS") on NFGSC to the Company's ESS account, provided that the Supplier has met its ESS end of the month target during the month of such deficiency and the transfer transaction results in an inventory balance above the end of the month target. Further, the Supplier will be responsible for reimbursing the Company for any NFGSC trading fees as well as the applicable shrinkage and commodity transportation and storage withdrawal costs associated with the transfer of gas to the Company's ESS storage account.

T. CITY GATE BALANCING:

(1) Supplier Responsibility

City Gate balancing requirements shall be the responsibility the Supplier. If the Supplier is not the Customer hereunder, service under this Service Classification shall be contingent on the Company's receipt of the Supplier's signed acknowledgment of the rules and regulations governing City Gate balancing as set forth below.

(2) City Gate Balancing Services, Rules and Regulations

Receipt of natural gas under this Service Classification shall be limited to the DDQ for individual transportation service Customers or, in the case of aggregation, the ADDQ for all Customers in a STBA Group as provided in Service Classification No. 19. The Customer must deliver or cause to be delivered at the City Gate the DDQ for each day of the month, within the tolerance band described below.

a. Aggregated Customers

City Gate balancing requirements for Customers receiving aggregation service are governing by the Rules and Regulations set forth in Service Classification No. 19.

b. Non-aggregated Customers

The DDQ shall be the amount forecasted to be consumed by the Customer. The Company may reject nominations in excess of two times the current daily average delivered volume, as calculated in compliance with the Company's operating procedures. An explanation of the Company's operating procedures with respect to this balancing requirement will be served on the Supplier upon request. The tolerance band may be

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adjusted during the period of an OFO.

U. OPERATIONAL FLOW ORDER ("OFO"):

The Company reserves the right to declare Operational Flow Orders as described in General Information Section 20.E.

V. MAXIMUM DAILY QUANTITY:

The "Maximum Daily Quantity", as set forth in the Transportation Service Agreement, shall be the maximum quantity of natural gas in Mcf which the Company shall receive on any day from the Customer.

Upon request of the Customer, the Company may, at the Company's sole discretion, receive on any day, volumes of gas in excess of the Maximum Daily Quantity. The Company shall not be obligated to receive during any single hour more than 1/24 of the Maximum Daily Quantity.

W. SPECIAL PROVISIONS:

(1) The expense of installing facilities necessary to receive and meter gas delivered by or for the account of the Customer shall be borne by the Customer.

(2) Deliveries by or for the account of the Customer will be subject to the availability of sufficient pipeline capacity and will be made against line pressure at a maximum pressure to be designated by the Company from time to time in its sole discretion. Gas to be delivered to the Company shall not be compressed except where specifically permitted by the Company.

(3) Gas delivered by the Customer must satisfy the quality specifications set forth in the Transportation Service Agreement. Deliveries must be made at an appropriate Company facility located within the territory described in Part I of this Schedule, or at another point or points acceptable to the Company.

(4) If a Customer receiving gas transported by the Company uses less than the amount of gas delivered into the Company's system for transportation to such Customer ("surplus imbalances"), the Customer receiving gas transported by the Company may use such gas during the banking/balancing period defined below, following which the Company shall have the right, but not the obligation, to purchase remaining surplus imbalances of gas from the Customer at a rate equal to the Company's average commodity cost of locally-produced gas during the current month. The banking/balancing period shall be the three billing months after the billing month in which the Company received surplus imbalances in behalf of the Customer.

(5) As allowance for losses incurred in the process of delivery, the Customer shall provide the Company with a volume of gas equal to the current Public Service Commission authorized lost and unaccounted for percentage of the amount delivered to the Company. In the alternative, the

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parties may establish a loss allowance appropriate under the circumstances.

(6) The Company reserves the right to suspend its receipt of gas on behalf of the Customer at any location if it believes that such action is required by its obligation to provide safe and adequate service to its Customers.

(7) The Customer may receive sales service or transportation service from the Company for other gas burning equipment or appliances at the premises. The qualified cogeneration facilities and all other facilities must be separately metered. The expense of installing facilities necessary to accomplish such separate metering, along with the electronic equipment necessary to monitor the Customer's daily usage of gas, shall be borne by the Customer.

(8) The Company shall provide four hours notice that service to the Customer will be interrupted. The notice will be provided to the individual designated by the Customer to receive such notice. The Customer is required to provide the Company with the name and phone numbers of the individual the Company should contact to inform the Customer of an interruption of service. During a period of interruption, the Customer is prohibited from using gas service for the cogeneration facility. If the Customer takes gas service during a period of interruption, the Customer shall pay to the Company an additional $7.00 per Mcf for such gas taken during the interruption period.

(9) The Customer is required to provide the Company such information and documentation that the Company reasonably requests to calculate the adjustments to the rate. Such information and documentation shall be provided to the Company, in writing, within 30 days of when the Company makes said request. The Company will provide written notice to the Customer of any adjustment to the rate.

(10) For Customers that utilize distillate fuel oil as their alternate fuel source or are human needs Customers, on or before November 1 of each year, the Customer is required to

a. be contractually and physically capable and ready to withstand an interruption of utility-provided natural gas sales or delivery service to its facility; or

b. maintain alternative fuel supply necessary to meet its operating requirements in the event of interruption hereunder. For purposes of this subsection, alternate fuel supply "necessary to meet its operating requirements" shall be provable storage capacity and alternate fuel on hand to withstand interruptions of service for at least ten (10) consecutive days. If a Customer's on-site storage capacity is less than ten (10) days' supply, a full tank will be required plus a showing that firm arrangements have been made to replenish the fuel during winter periods as it nears depletion. Customers will be responsible for subsequent refills from any alternate fuel source not dependent upon spot market purchases.

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W. SPECIAL PROVISIONS: Cont'd

The Customer shall demonstrate its compliance with this requirement upon the request of the Company. If, as determined by the Company, the Customer is not in compliance with this requirement, the Company shall charge the Customer, in addition to the charges previously specified in this tariff (including any penalty charges for failure to interrupt), a rate equal to 110% of the oil gas equivalent price (as published in the Journal of Commerce) for all usage beginning on November 1 and until the Customer demonstrates compliance. Upon such a demonstration, the additional charge shall end.

X. TRANSPORTATION AGREEMENT:

Two copies of each Transportation Agreement shall be filed with the Public Service Commission at least thirty (30) days prior to becoming effective. A summary of each Transportation Agreement shall be appended to this tariff rate schedule, Service Classification No. 16.