

**CONNECTICUT NATURAL GAS CORPORATION
RATE TRS (TRANSPORTATION RECEIPT SERVICE)
APPENDIX A
OPERATIONAL PERFORMANCE AND FINANCIAL TERMS**

The following terms and conditions will apply to all Operators serving firm transportation customers of Connecticut Natural Gas Corporation ("CNG").

1. Definitions.

Operator: The legal entity that has executed a valid, current TRS Operator Agreement with CNG.

Peak Period: The period from November 1 through March 31 of each year.

Off-Peak Period: The period from April 1 through October 31 of each year.

2. Operational Performance Requirements.

If an Operator (i) delivers less than 80 percent of the daily nominated volumes (computed on the basis of all of its pools in aggregate) two or more times in any rolling 30- day period, or (ii) delivers less than 60 percent of its daily nominated volumes (computed on the basis of all of its pools in aggregate) on any one occasion, then such Operator shall be deemed to be in default under its TRS Operator Agreement and hereunder, and shall be subject to the Consequences of Default set forth in Section 5 below. CNG will use commercially reasonable efforts to notify an Operator if CNG has determined that the Operator delivered less than 80 percent of the daily nominated volumes (computed on the basis of all of its pools in aggregate) on any given day. If an Operator has delivered less than 80 percent but more than 60 percent of the daily nominated volumes (computed on the basis of all of its pools in aggregate) on only one occasion, and that Operator successfully proves to CNG's reasonable satisfaction, within five (5) business days of notification by CNG, that such failure to deliver was solely the result of a force majeure declared by an interstate pipeline or an error on the part of CNG or an interstate pipeline, then such delivery failure will not qualify as an operational performance failure as defined above.

3. Timely Payment Requirements.

a. Timely Payment to CNG. CNG will provide bills for services under Rate TRS and all applicable Riders via US mail. Operators will be required to remit payment to CNG via electronic means within 25 days of the date of invoice.

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If an Operator is more than three (3) business days late on any payment due to CNG (except for a bill or a portion of a bill that such Operator has notified CNG in writing, via certified mail addressed to the Manager, Gas Transportation, that it is disputing in good faith and has set forth good cause for such dispute, provided that the Operator has paid all undisputed amounts that are due CNG shall send electronic notice to that Operator informing it that the Operator has two (2) business days to cure the late payment. If the Operator fails to make payment within such two-business day period, then such Operator will be deemed to be in default under its TRS Operator Agreement and hereunder, and shall be subject to the Consequences of Default set forth in Section 5 below.

b. Timely Payments to Pipeline for Capacity Release Transactions. If an Operator fails to make any payment to a pipeline by the due date for such payment, then the Operator shall be deemed to be in default under its TRS Operator Agreement and hereunder, and shall be subject to the Consequences of Default set forth in Section 5 below.

4. Adequate Security.

a. Adequate Security. To protect CNG from the financial risks relating to and resulting from their operating on CNG's system (including, without limitation, risks resulting from state-mandated services to be provided by CNG to the Operators and replacement gas costs if Operators fail to deliver) all Operators on CNG's system shall post and deliver to CNG security in the amounts set forth below in the form of cash or an irrevocable, transferable standby letter of credit ("Collateral"), in the form set forth in the attached document, from a U.S. commercial bank or a U.S. branch in New York City of a foreign bank with such bank having a credit rating of at least A2 from Moody's, A from S&P and A from Fitch, provided that such bank shall have assets totaling not less than ten billion dollars (\$10,000,000,000). Cash deposits will accrue interest monthly at 1/12th of the then effective Fed Funds rate less 0.5%. If an Operator fails to post or maintain the Collateral, then such Operator shall be deemed to be in default under its TRS Operator Agreement and hereunder, and shall be subject to the Consequences of Default set forth in Section 5 below.

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1. Ancillary Services. For service under Rate BAL, STO, PK, LH or STB, each Operator will post and deliver to CNG collateral equal to three months of estimated demand charges, as calculated by CNG.

2. Capacity Release Transactions. Each Operator will post and deliver to CNG collateral equal to three months of estimated demand charges, as calculated by CNG.

3. Cashout/Replacement Cost Exposure. Each Operator will post and deliver to CNG collateral in amounts equal to the following:

i) During the peak period of November 1 through April 30: An estimate of the Operator's average daily firm pool usage during December, January, and February, multiplied by the firm commodity cost of gas (reflecting the cost of gas in base rates plus an estimated PGA factor) multiplied by five.

ii) During the off-peak period of May 1 through October 31: An estimate of the Operator's average daily firm pool usage during May June and July, multiplied by the firm commodity cost of, multiplied by five.

b. Additional Collateral. An Operator with a history of late payments to either CNG or to the pipelines or a history of significant failure(s) to deliver as defined above will be required to post such additional Collateral as CNG reasonably deems necessary. Failure to post such Collateral within five (5) business days after a request from CNG will result in that Operator being deemed in default under its TRS Operator Agreement and hereunder, and shall be subject to the Consequences of Default set forth in Section 5 below.

c. Review of security requirement. A review of the creditworthiness and the security requirement of each Operator will be performed semi-annually. After such reviews, CNG will notify each Operator as to its new security requirement, if any, on or before April 1 and October 1 of each year.

If any Operator fails to provide required additional security within five (5) business days prior to the start of the next such applicable period, such Operator

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shall be deemed to be in default under its TRS Operator Agreement and hereunder, and shall be subject to the Consequences of Default set forth in Section 5 below.

5. Consequences of Default.

In the event that an Operator is deemed by CNG to be in default, then, without any liability to CNG, CNG will (a) unilaterally terminate that Operator's Rate TRS Operator Agreement, with all customers of that Operator on CNG's system returned to sales service pending their selection of an alternative Operator, (b) recall any capacity released to that Operator by and/or on behalf of CNG, and (c) apply any collateral held by or for the benefit of CNG for that Operator to any outstanding balances owed to CNG and/or to the pipeline(s) for capacity that was released to the Operator in default. Without

limitation to the foregoing, in the event that an Operator is deemed by CNG to be in default under its TRS Operator Agreement or hereunder, any and all collateral held by CNG for a particular Operator may be applied at any time to cover any amounts due to or incurred by CNG. As an example, and without limitation to the foregoing, if CNG incurs replacement costs, it can call on the collateral that had been "earmarked" for being related to ancillary services. In addition, no single or partial exercise by CNG of any right or remedy hereunder shall preclude any other or further exercise thereof or of any other right or remedy. Notwithstanding the above and specifically and solely for demand costs for capacity release only, in no event shall Operator pay higher than or less than the FERC maximum capacity reservation rate for the days capacity was released to the Operator.

6. Reinstatement.

Any Operator who is terminated shall have the right to petition the Authority to reinstate their TRS Operator Agreement. The filing of such a petition shall not stay any action taken by CNG hereunder.