

GENERAL TERMS AND CONDITIONS

10. OPERATIONAL FLOW ORDERS

10.1 General

Southern Star may issue operational flow orders (OFO's) to Shippers under Rate Schedules ITS, ISS, TSS, FSS, STS, SFT, FTS, FS1 and IS1, or to Point Operators as described in this Section 10 as it deems necessary to protect the integrity of its system or any portion thereof; provided, however, that OFO's will only be issued to Point Operators who have actual operational control of the receipt or delivery point. Southern Star's actions with respect to OFO's are to be reasonable, objective, and non-discriminatory. No Shipper or Point Operator that is subject to an OFO shall be required to exceed its contractual rights or obligations under its agreement with Southern Star. Southern Star shall not be liable for any resulting damages, costs, or expenses incurred as a result of such OFO unless such damages, costs, or expenses result from the negligence or willful misconduct by Southern Star. The types of OFO's described below are illustrative and are not intended to be all-inclusive. If any Shipper or Point Operator does not follow the operational orders issued hereunder, such Shipper or Point Operator, in addition to all other remedies, shall be liable for any resulting damages, costs, or expenses and will indemnify Southern Star from any such damages, costs, and expenses to Southern Star or any other party. Except for reason of force majeure, Southern Star will provide a reservation charge and surcharge credit for reduced deliveries that result from the issuance of an OFO.

OFO's will be issued by 12 noon Central time. The OFO will be effective the second gas day after issuance, in accordance with the Section 9 nomination and scheduling provisions, unless otherwise provided in the order. Southern Star may make OFO's effective with a shorter notice if necessary to protect the integrity of its system. Nomination changes required by an OFO must be made in accordance with Section 9.1(c) and (d).

Each Shipper and Point Operator shall designate one or more persons for Southern Star to contact on operational matters on a 24-hour a day, 365 days a year basis. Email or internet URL addresses, fax and telephone numbers must be provided for such person or persons. If Southern Star is unable to contact any Shipper or Point Operator because that Shipper's or Point Operator's contact person(s) is unavailable, such Shipper or Point Operator shall be solely responsible for any consequences arising from such failure of communications.

GENERAL TERMS AND CONDITIONS

10. OPERATIONAL FLOW ORDERS (Cont'd)

10.1 General (Cont'd)

OFO's shall be issued by email or direct notification to the customer's URL address and shall also be posted on Southern Star's CSI. In the event of known failure of the email or internet notification, such affected customer(s) shall be notified by fax or telephone. Notice of such OFO shall specify the nature of the problem sought to be addressed, the anticipated duration of the required compliance, and the parameters of such compliance. Southern Star will issue general, system-wide OFO's only after Southern Star determines that it is not possible for it to issue an OFO on a specific portion of the system.

Before issuing an OFO, Southern Star will attempt to identify specific customers causing operational conditions that may threaten the integrity of Southern Star's pipeline system, and attempt to remedy those operational problems through requests for voluntary action provided, however, exigent circumstances may exist which require immediate issuance of an OFO. Upon termination of an OFO, Southern Star will post on CSI all relevant information specific to the individual situation to justify the issuance and lifting of that particular OFO.

Conditions which threaten integrity shall include, but are not limited to, exceeding the Maximum Allowable Operating Pressure of a line segment, loss of sufficient line pressure to meet delivery obligations, or any other condition which may affect Southern Star's ability to provide contracted levels of firm service. Southern Star shall be entitled to issue two types of OFO's: a Standard Operational Flow Order ("Standard OFO") and an Emergency Response Operational Flow Order ("Emergency OFO"). A Standard Operational Flow Order shall consist of pre-emptive or preventive actions or measures that neutralize or reduce threats to, or otherwise preserve, as reasonably deemed necessary by Southern Star, the integrity of all or a portion of its system. An Emergency Response Operational Flow Order shall consist of actions or measures required by Southern Star that neutralize or reduce threats to, or otherwise preserve, the integrity of all or a portion of its system which requires immediate response as reasonably deemed necessary by Southern Star. Southern Star shall specify in the OFO notice which type of OFO it is issuing.

10.2 Types of Operational Flow Orders

(a) Storage injections and withdrawals

Southern Star may direct Shippers under Rate Schedules TSS and STS or Point Operators to increase or decrease receipt of flowing gas in the event storage injections or withdrawals, respectively, exceed or fall below guidelines established in Rate schedule FSS.

Southern Star may direct Shippers under Rate Schedules TSS and STS or Point Operators to increase receipts of flowing gas in the event total storage withdrawal levels are expected to exceed the MDWQ for those services.

Southern Star may direct Shippers under Rate Schedules TSS, STS ITS, ISS, FSS, FS1, IS1, SFT and FTS or Point Operators to decrease receipts of flowing gas in the event Southern Star does not have sufficient storage injection capacity

GENERAL TERMS AND CONDITIONS

10. OPERATIONAL FLOW ORDERS (Cont'd)

10.2 Types of Operational Flow Orders (Cont'd)

to receive and inject gas tendered or projected to be tendered to Southern Star for storage or to maintain supply/demand balance on its system.

(b) System maintenance

Southern Star may direct Shippers under Rate Schedules TSS, STS, SFT, ITS, ISS, FSS, FS1, IS1, and FTS or Point Operators to increase or decrease receipts of flowing gas in specified line segments in order to accommodate required maintenance, either scheduled or unscheduled.

(c) Specific line segments

Southern Star may direct Shippers under Rate Schedules TSS, STS, FSS, FS1, IS1, ISS, ITS, SFT and FTS or Point Operators to increase or decrease receipts of flowing gas in order to maximize available compressor station horsepower on high demand days, maximize system capacity, maintain proper receipt distribution on its system, or mitigate high system pressures.

(d) Peak hour deliveries

Notwithstanding any other provision of these General Terms and Conditions, Southern Star may direct Shippers under Rate Schedules TSS, SFT, FTS, FSS, FS1, IS1, ISS, ITS and STS or Point Operators to decrease peak hour deliveries in the event delivery pressure at one or more delivery points drops below, or is expected to drop below, the pressure necessary to satisfy peak hour demands. Any such order could be issued at any time to become effective three hours after such issuance, unless Southern Star in good faith determines that a shorter notice period is required.

(e) Voluntary arrangements

Southern Star may also activate any pre-arranged voluntary arrangements under which gas is diverted from one Shipper to another.

GENERAL TERMS AND CONDITIONS

10. OPERATIONAL FLOW ORDERS (Cont'd)

10.2 Types of Operational Flow Orders (Cont'd)

- (f) Southern Star may direct shipper under Rate Schedules TSS, STS, FSS, ISS, FS1, IS1, ITS, SFT and FTS or Point Operators to increase receipts of flowing gas to maintain a North/South system balance between the Northern and Southern portions of Southern Star's system.
- (g) Southern Star may issue any other OFO it deems necessary to protect the integrity of its system. On any occasion when Southern Star issues an OFO under this subsection, Southern Star will send to the Commission a detailed description of the situation which necessitated the issuance of that particular OFO.

10.3 Failure to Comply with Operational Flow Orders

If Shipper or Point Operator fails to comply with the terms of an OFO for reasons other than Southern Star's negligence, misconduct, or inaccurate information provided by Southern Star, such Shipper or Point Operator shall be assessed a penalty as set forth below. For Emergency OFOs, the penalty for failure to comply with the terms of an OFO shall be the greater of \$10.00 or 5 times the average Gas Daily Index for Southern Star for the days of noncompliance for each Dth by which Shipper deviated from the requirements of the OFO. For Standard OFOs, the penalty for failure to comply with the terms of an OFO shall be the greater of \$5.00 or 2.5 times the average Gas Daily Index for Southern Star for the days of noncompliance for each Dth by which Shipper deviated from the requirements of the OFO. The quantity of gas subject to OFO penalties shall be determined pursuant to Section 10.4.

Southern Star will not double charge an OFO penalty to the same party for the same violation. If the Point Operator does not have a transportation service agreement with Southern Star, the nomination Confirmation shall serve as a contract between Southern Star and the Point Operator for purposes of this Section 10.

Payments received by Southern Star for OFO penalties shall be credited to Shippers and point operators pursuant to Section 10.4(c) and (g).

Southern Star will file a report and a refund plan no later than December 1 of each year for payments received for the 12 months ended September 30 of that year resulting from penalties assessed pursuant to this Section 10. Southern Star will make refunds to Shippers with refund amounts greater than \$100 within 60 days of filing the report. All refunds will be first applied to Shippers' past due balances. To reduce the administrative burden associated with checks for *de minimis* amounts, the total of remaining refund amounts of \$100 or less will be distributed evenly between the Low Income Home Energy Assistance Programs (LIHEAPs) in Kansas and Missouri.

GENERAL TERMS AND CONDITIONS

10. OPERATIONAL FLOW ORDERS (Cont'd)

10.3 Failure to Comply with Operational Flow Orders (Cont'd)

Shippers and Point Operators will be exempt from imbalance penalties associated with OFO compliance and will have an additional 30 days to correct OFO related imbalances.

10.4 Unauthorized Overdeliveries, Under Receipts, and Penalties

- (a) Overdeliveries - During any OFO period, if any Receiving Party takes a quantity of gas from any Delivery Point where at least 97% of volumes are measured by electronic flow measurement equipment (EFM) in excess of the quantity authorized (the quantity authorized is equal to the quantity scheduled by Southern Star and confirmed by the Receiving Party for the account of all Shippers delivering gas at that location plus the MDQ(s) for that Delivery Point under Rate Schedules TSS and STS which are not subject to capacity release), such excess quantities taken shall be considered Unauthorized Overdeliveries and shall be subject to OFO penalties as provided in (d) below. Actual quantity taken shall be determined by reference to recorded EFM data. Penalties will be levied by Southern Star against the Receiving Party who controls the facilities into which gas is delivered. If the Receiving Party does not have a transportation service agreement with Southern Star, the nomination Confirmation shall serve as a contract between Southern Star and the Receiving Party for purposes of paragraph (d) below.
- (b) Under Receipts - During any OFO period, if any Delivering Party delivers a quantity of gas into Southern Star's system at any Receipt Point, where at least 97% of volumes are measured by electronic flow measurement equipment (EFM), less than the nominations confirmed at such receipt point by such Delivering Party, the difference between the confirmed nomination and the actual quantity delivered shall be considered Unauthorized Under Receipts and shall be subject to OFO penalties as provided in (d) below. Actual quantity delivered shall be determined by reference to recorded EFM data. Penalties will be levied by Southern Star against the Delivering Party who controls the facilities from which gas is delivered. If the Delivering Party does not have a transportation service agreement with Southern Star, the nomination Confirmation shall serve as a contract between Southern Star and the Delivering Party for purposes of paragraph (d) below.

GENERAL TERMS AND CONDITIONS

10. OPERATIONAL FLOW ORDERS (Cont'd)

10.4 Unauthorized Overdeliveries, Under Receipts, and Penalties

- (c) On any day during an OFO period, a Shipper under Rate Schedule(s) TSS, STS, FTS, SFT, FSS, and/or FS1 may be subjected to OFO penalties by (1) exceeding any of the production area or market area MSQs, MDTQs, MDIQs, or MDWQs, reduced if necessary to reflect such items as capacity release, or (2) depleting its available gas in storage. Any volumes taken in excess of the production area or market area MDTQs, MDIQs, or MDWQs, or any volumes stored in excess of their MSQ, shall be considered Unauthorized Capacity Overrun and shall be subject to OFO penalties equal to 365 times the maximum daily reservation rate for the applicable area per Dth; provided, however, that a 3% tolerance in excess of MDTQ shall be permitted. For any Receiving Party who is also a Shipper under this paragraph, any quantities taken in excess of MDQ at any delivery point will be credited to any quantities taken in excess of that party's MDTQ in total during the same day. Penalty revenues resulting from MSQ, MDTQ, MDIQ, or MDWQ Unauthorized Capacity Overruns will be credited to those Shippers who did not incur Unauthorized Capacity Overrun penalties on that day. Penalty revenue associated with MDTQ overruns will be credited to Shippers who did not overrun their MDTQ on the same respective day and penalty revenue associated with MDWQ, MDIQ, or MSQ overruns will be credited to Shippers who did not overrun their MDWQ, MDIQ, or MSQ on the same respective day. Credits will be pro rata based on MSQ, MDTQ, MDIQ, and MDWQ, respectively. Payment of a penalty under this paragraph shall not entitle Shipper to any future increased MSQ, MDTQ, MDIQ, or MDWQ.

Storage withdrawals made after a Shipper's storage account(s) is/are depleted shall be subject to OFO penalties equal to:

- (i) for standard OFO periods, the greater of \$5 or 2.5 times the average Gas Daily Index for Southern Star for each day the OFO is in effect for each Dth of storage withdrawal;
- (ii) for emergency OFO periods, the greater of \$10 or 5 times the average Gas Daily Index for Southern Star for each day the OFO is in effect for each Dth of storage withdrawal;

Daily penalty revenue related to storage depletion will be credited to those Shippers whose storage account was not depleted on that day.

GENERAL TERMS AND CONDITIONS

10. OPERATIONAL FLOW ORDERS (Cont'd)

10.4 Unauthorized Overdeliveries, Under Receipts, and Penalties (Cont'd)

- (d) For deliveries taken by any Receiving Party that are greater than 103% of the sum of confirmed delivery nominations plus the TSS/STS MDQ (Overdeliveries), or for receipts delivered by any Delivering Party that are less than 95% of confirmed receipt nominations (Under Receipts), on any day during an OFO period, said Receiving or Delivering Party shall pay to Southern Star a penalty for each Dth of Overdeliveries or Under Receipts as follows:
 - (i) for standard OFO periods, the greater of \$5 or 2.5 times the average Gas Daily Index for Southern Star for each day the OFO is in effect for each Dth of Overdeliveries or Under Receipts;
 - (ii) for emergency OFO periods, the greater of \$10 or 5 times the average Gas Daily Index for Southern Star for each day the OFO is in effect for each Dth of Overdeliveries or Under Receipts;
- (e) For each receipt or delivery point operator, Southern Star will aggregate receipts and deliveries which are on the same line segment and which are otherwise subject to this Section 10.4 for purposes of determining OFO penalties. Each receipt or delivery point is associated with a particular line segment on Southern Star's Master Receipt and Delivery Point Lists.
- (f) Southern Star shall have the right on a non-discriminatory basis to restrict the hourly takes of gas by Receiving Parties during system-wide OFO periods to 1/16 times the sum of confirmed delivery nominations plus the TSS/STS MDQ at any delivery point.

GENERAL TERMS AND CONDITIONS

10. OPERATIONAL FLOW ORDERS (Cont'd)

10.4 Unauthorized Overdeliveries, Under Receipts, and Penalties (Cont'd)

- (g) Payments received by Southern Star for OFO penalties associated with Unauthorized Under Receipts shall be credited back to receipt point operators at points equipped with electronic flow measurement who did not incur any Under Receipts at such points during the OFO period for which penalties were received. Payments received by Southern Star for OFO penalties associated with Unauthorized Overdeliveries shall be credited back to delivery point operators at points equipped with electronic flow measurement who did not incur any Overdeliveries at such point during the OFO period for which penalties were received. Such credits shall be allocated based on each operator's pro rata share of the total receipt or delivery point measured volumes at these points for the OFO period in which penalties were incurred.
- (h) The payment of an OFO penalty shall not under any circumstances be considered as a substitute for any other remedies available to Southern Star against the offending Delivering or Receiving Party, including, but not limited to, suspension or reduction of deliveries until Overdeliveries or Under Receipts are made up.
- (i) Due to the unusual nature of OFO penalty invoices, Shipper shall have 30 days to review and make payment from the date the invoice is rendered (as defined in Section 18 – Billing & Payments). If the invoice is in dispute, Shipper shall pay the portion not in dispute and provide documentation identifying the basis for the dispute. Interest will accrue pursuant to Section 18 if payment is not received by the due date.

GENERAL TERMS AND CONDITIONS

10. OPERATIONAL FLOW ORDERS (Cont'd)

10.5 Operational Performance Provisions

If Southern Star determines in the exercise of its reasonable judgment that sufficient supplies are not being received by Southern Star at the receipt point(s) for transportation to a Shipper, then upon two (2) hours' notice by Southern Star to Shipper and/or the Delivering Party, Southern Star may, unilaterally re-schedule on a prospective basis only, the quantities nominated by a Shipper and/or confirmed by the Delivering Party so as to conform the scheduled quantities to the quantities being received at such receipt point(s), or temporarily suspend deliveries to the Shipper.

Likewise, if Southern Star determines in the exercise of its reasonable judgment that scheduled quantities are not being taken at the delivery point(s), then upon two (2) hours' notice by Southern Star to Shipper and/or the Receiving Party, Southern Star may, at its option, unilaterally re-schedule, upon two (2) hours' notice by Southern Star to Shipper, on a prospective basis only, the quantities nominated by a Shipper and/or confirmed by the Receiving Party so as to conform the scheduled quantities to the quantities being taken at such delivery point(s), or temporarily suspend receipts of gas from the Shipper.

Such two (2) hours' notice shall not be applicable, and such re-scheduled quantities may be effective immediately, in the event of operational distress. Operational distress includes any situation which prevents Southern Star from maintaining the integrity of pipeline operations or from operating in a safe and efficient manner consistent with applicable laws, rules, regulations, standard industry operating practices, and Southern Star's Tariff. Southern Star shall not unilaterally re-schedule volumes without two (2) hours' notice unless such rescheduling is reasonably anticipated to reduce or eliminate said operational distress.

Upon request by Southern Star, Point Operator shall provide estimated hourly flows to Southern Star's gas control personnel.

Southern Star will only unilaterally reschedule shipper nominations or suspend deliveries or receipts pursuant to this Section 10.5 as necessary to avoid or remedy operational issues on its system. No penalty shall be imposed on a shipper or operator solely as a result of any unilateral action by Southern Star pursuant to an operational performance notice under this Section 10.5 to prospectively conform scheduled quantities being received or delivered or to temporarily suspend deliveries or receipts.