

# **GENERAL TERMS AND CONDITIONS**

## **1. DEFINITIONS**

**Affiliate-Shipper.** An entity that directly or indirectly is controlled by or under common control by the same person(s) as Transporter and that has an Agreement in place for service(s) to be provided by Transporter.

**Backhaul.** The transportation of Gas which is nominated for receipt and delivery opposite of the designated flow direction of Transporter's pipeline segments.

**Agent.** The party who is authorized, in writing, to act for a Shipper or Point Operator, and who may do and perform any such authorized acts as may be required to be performed by a Shipper or Point Operator under this Tariff, as if the same were being performed by the Shipper or Operator itself.

**Agreement.** A Transportation Service Agreement subject to, as applicable, Rate Schedules FTS, ITS, IBS, C-HUB-FS, C-HUB-IS, PALS, or PAWS; or any agreement to which these General Terms and Conditions may apply. For transactions with a term of thirty-one (31) days or less, upon mutual agreement of the parties, the agreed-upon terms of service, the applicable unexecuted pro forma Transportation Service Agreement, the applicable rate schedule, and the General Terms and Conditions shall constitute the Agreement for purposes of this Tariff.

**Alternate Point.** Any point not originally listed in a Shipper's Service Agreement as Primary.

**Balance or Balancing.** The Shipper's or Operator's obligation to cause deliveries to equal receipts, with due consideration given to Fuel and Lost and Unaccounted-for Gas Reimbursement Quantities, and other deductions.

**Best Bid.** Evaluating a request or bid based on applying a Net Present Value Calculation of the incremental revenues that the Shipper will be paying on Transporter's System.

**Business Day.** Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico.

**Capacity.** The Gas volume which any particular segment or Point of Transporter's facilities is capable of accommodating.

**Cheyenne Booster Facilities.** The specific incremental facilities operated by Transporter that provide the pressures necessary for a Shipper to utilize specific points, listed on Transporter's Interactive Website and located in the general area of Weld County, Colorado.

**Cheyenne Hub Facilities.** The specific incremental facilities operated by Transporter that provide the pressures necessary for a Shipper to utilize specific points located in the general area of Weld

County, Colorado. A listing of the receipt and delivery points for which project charges related to the Cheyenne Hub Facilities apply are as follows:

Receipts:

42717R TPC/REX Lone Tree Weld Rec  
42718 CHEY/REX Crazy Bear Weld  
42525 CIG/REX Crazy Horse Weld  
44619P REX/TIGT Happy Hollow Weld  
60345P Cheyenne Connector/REX Weld  
60348 WIC/REX Sitting Bull #2 Weld

Deliveries:

42525 CIG/REX Crazy Horse Weld  
42718 CHEY/REX Crazy Bear Weld  
44619P REX/TIGT Happy Hollow Weld  
60364 REX/REX Cheyenne Compression Pool Weld

Commission. See FERC.

Curtailment or Interruption. Suspension, either in total or in part, of service due to the Transporter's inability to provide service to a customer for any reason.

Day or Gas Day. A consecutive 24-hour period from nine o'clock (9:00) a.m. to nine o'clock (9:00) a.m. Central Clock Time.

Delivery Point. Any Point at which Transporter delivers to or for the account of Shipper, Gas which has been transported by Transporter under an Agreement.

Discounted Rate. A rate or charge to a Shipper mutually agreed to by Transporter and Shipper for service under any specified Rate Schedule in the Tariff which shall not be less than the applicable minimum Tariff rate nor greater than the applicable maximum Tariff rate, and which conforms with applicable requirements for Discounted Rates set forth in the Tariff.

Dth. As defined in NAESB WGQ Standard No. 1.3.1.

Electronic Data Interchange ("EDI"). The electronic communication methodology used to transmit and receive data related to Gas transactions. Transporter shall designate an electronic "site" at which Shippers and Transporter may exchange data electronically. All data provided at such site shall be considered as being delivered to the appropriate party. Transporter's use and implementation of EDI shall conform to all appropriate NAESB standards. Furthermore, Transporter's implementation of EDI shall be specified in an Electronic Data Interchange Trading Partner Agreement, which shall substantially conform to the NAESB Model EDI Trading Partner Agreement.

**Equivalent Volumes.** The sum of the volumes of Gas measured in Dth received by Transporter for the account of Shipper at the Receipt Points during any given period of time: (a) reduced by (i) Shipper's pro rata share of Fuel and Lost and Unaccounted-for Gas resulting from the operations of Transporter hereunder during the same period of time, and (ii) any Gas vented as provided in Section 3.6B hereof during the same period of time; and (b) adjusted for any variations in Btu content, as corrected for any water vapor in excess of six (6) pounds per million (1,000,000) cubic feet of Gas, it being the intent of the parties that the volumes of Gas delivered hereunder at the Delivery Point after transportation be the thermal equivalent of the volumes of Gas delivered at the Receipt Point for transportation, after reduction, correction and adjustment as provided above.

In determining Equivalent Volumes for redelivery, Transporter shall formulate a thermal balance evaluating inputs to, and deliveries from, the System at least once each Month. The difference between Btus delivered to Transporter for transportation from all Shippers and Btus redelivered to all Shippers hereunder, shall be deemed Fuel and Lost and Unaccounted-for Gas. Each Shipper shall provide such Fuel and Lost and Unaccounted-for Gas pro rata to the actual Btus of Gas delivered by such Shipper to Transporter during the period covered by the thermal balance; provided, however, that each Shipper shall be responsible for Unauthorized Overrun Gas delivered by Shipper to Transporter which is vented under Section 3.6B; and provided further that Fuel shall not exceed the actual Fuel as defined in Section 1 of these General Terms and Conditions. The formula used to determine the delivery quantity shall be:  $\{(1 - FL\&U\%) / 100\}$  multiplied by the receipt quantity (rounded to the nearest Dth).

**Existing Shipper.** Those entities which have an executed Agreement with Transporter.

**FERC or Commission.** The Federal Energy Regulatory Commission or any federal commission, agency or other governmental body or bodies succeeding to, lawfully exercising or superseding any powers which are exercisable by the Federal Energy Regulatory Commission.

**Fuel and Lost and Unaccounted-for Reimbursement Quantities or FL&U.** The sum of the quantity of Fuel and the quantity of Lost and Unaccounted for Gas.

**Gas.** Combustible hydrocarbon Gas.

**Gas Day or Day.** A consecutive 24-hour period from nine o'clock (9:00) a.m. to nine o'clock (9:00) a.m. Central Clock Time.

**Hub.** A set of Receipt and Delivery Points on Transporter's system which are located within a specified geographic area as set forth on Transporter's Interactive Website, and subject to change from time to time.

**Hub Pooling Point.** A designated Pooling Point included within a Hub, as identified on Transporter's Interactive Website, for the purpose of facilitating pooling. A Hub Pooling Point is not a physical point on the system, but is a logical point used to aggregate and disaggregate quantities of Gas at a Hub.

**Imbalance.** The difference between the Total Energy Content in Dth of transportation Gas received by the Transporter at the Receipt Point(s) for the Shipper's or Operator's account and the Total Energy Content in Dth of transportation Gas delivered by the Transporter to the Shipper's or Operator's account at the Delivery Point(s), with due regard given to the Fuel Reimbursement Quantities, and other deductions.

**Interactive Website.** Transporter's internet website maintained for communication regarding transportation services in accordance with applicable Commission regulations and North American Energy Standards Board ("NAESB") WGQ standards, as described in Section 14 of these General Terms and Conditions.

**Interruption.** See Curtailment.

**Intraday Nomination.** A Nomination submitted whose effective time is no earlier than the beginning of the applicable Gas Day and runs through the end of that Gas Day (NAESB WGQ Standard No. 1.2.4, V3.0).

**Location or PIN.** The Receipt or Delivery Point Identification Number associated with each of the Receipt or Delivery Points on Transporter's System. Such Locations can be found on Transporter's Interactive Website.

**Lost And Unaccounted-for Gas.** The thermal equivalent of the difference between the sum of all input volumes of Gas to the System and the sum of all output volumes of Gas from the System, which difference shall include but shall not be limited to Gas vented (other than Gas vented pursuant to Section 3.4E) and Gas lost as a result of an event of Force Majeure, the ownership of which cannot be reasonably identified, but shall not include Fuel.

**Maximum Daily Delivery Quantity (MDDQ).** The specified quantity at each Primary Delivery Point listed in a Shipper's Agreement with Transporter. The sum of the MDDQs shall equal the MDQ of the Agreement.

**Maximum Daily Receipt Quantity (MDRQ).** The specified quantity at each Primary Receipt Point listed in a Shipper's Agreement with Transporter. The sum of the MDRQs shall equal the MDQ of the Agreement.

**Mcf.** One thousand (1,000) cubic feet of Gas.

**MDQ.** The maximum daily quantity of Gas which Transporter has agreed to receive or deliver at each Receipt or Delivery Point or in the aggregate, as specified in the Agreement. The MDQ shall not include Fuel and Lost and Unaccounted-for Gas.

**Meeker Booster Facilities (formerly known as the Meeker Hub Facilities).** The specific incremental facilities operated by Transporter that provide the pressures necessary for a Shipper to utilize

specific points, listed on Transporter's Interactive Website and located in the general area of Meeker, Colorado.

Month. The period beginning on the first Day of any calendar Month and ending at the beginning of the first Day of the next succeeding calendar Month.

Monthly Maintenance Schedule. The notice Transporter posts on its Interactive Website prior to bid-week for the subsequent month that contains a list of scheduled maintenance activities Transporter anticipates conducting in the subsequent month which are likely to result in curtailment or outages on the pipeline.

NAESB WGQ Standard. The business standards and electronic communication standards promulgated by the North American Energy Standards Board ("NAESB") and adopted and codified by the Commission in Section 284.12 of the Commission's Regulations.

Negotiated Rate. A rate or rate formula for service under any applicable Agreement which Transporter and Shipper mutually agree upon, and in which one or more of the individual rate components may be less than, equal to, or greater than Transporter's maximum and/or minimum rates, may be based on a rate design other than Straight Fixed Variable (SFV), and may include a minimum volume.

Net Present Value Calculation or NPV. Utilizing a standard net present value calculation based on a stream of revenues for the term of the bid, discounted by an appropriate interest rate, to determine the highest incremental revenue stream for Transporter's System.

Nomination. The written requests for transportation submitted pursuant to Section 7 of these General Terms and Conditions.

Operational Balancing Agreement or OBA. A contract between two parties which specifies the procedures to manage operating variances at an interconnect.

Operational Impact Area. The area(s) on Transporter's System, as identified in this Tariff and approved by the Commission, in which Imbalances have a similar operational effect.

Overrun Gas. Those volumes of Gas tendered for transportation by Shipper on any Day in excess of its currently effective MDQ, to the extent such Gas is scheduled under Section 7 of these General Terms and Conditions.

Overthrust Lease Facilities. The specific incremental facilities operated by Transporter pursuant to a Capacity lease with Overthrust Pipeline to permit a Shipper to transport Gas between Opal, Wyoming and Transporter's System at Wamsutter, Wyoming.

Point Identification Number (PIN). See Location.

**Point Operator.** A party which physically operates facilities connected to Transporter's System for deliveries of Gas into or receipts from Transporter's System or a third-party designated in writing by the party physically operating such facility. Such third-party Point Operator must comply with the applicable Rate Schedule as well as the General Terms and Conditions contained herein.

**Pooling.** The aggregation of gas from multiple physical and/or logical points to a single physical or logical point, and/or the disaggregation of gas from a single physical or logical point to multiple physical and/or logical points (NAESB WGQ Standard No. 1.2.3 V3.0).

**Pooling Point.** The "paper" point of transfer whereby suppliers can aggregate gas supplies for delivery to their downstream markets.

**Primary Delivery Point(s).** Those Delivery Points on Transporter's System listed as Primary under Shipper's applicable Service Agreement, as amended from time-to-time.

**Primary Path.** The path on Transporter's System between the Primary Receipt Point(s) and the Primary Delivery Point(s) as listed in Shipper's applicable Service Agreement.

**Primary Receipt Point(s).** Those Receipt Points on Transporter's System listed as Primary under Shipper's applicable Service Agreement, amended from time-to-time.

**Prospective Shipper.** Those entities that do not have a currently effective Service Agreement.

**Psi.** The pressure measured in pounds per square inch.

**Psia.** Pounds per square inch absolute.

**Receipt Point.** Any Point at which Gas is tendered by or for the account of Shipper to Transporter for transportation as specified in an Agreement or as applicable to service under such Agreement by operation of this Tariff.

**Recourse Rate.** The applicable maximum rate that would otherwise apply to the service but for the Negotiated Rate flexibility allowed under Section 33 hereof.

**Service Agreement.** A written agreement, and any exhibits, attachments and/or amendments, for Gas service, which is executed by Transporter and Shipper.

**Secondary Delivery Point(s).** Those Delivery Points on Transporter's System not listed as Primary on Shipper's Service Agreement that Shipper can elect from time-to-time subject to the applicable Rate Schedule and these General Terms and Conditions.

**Secondary Receipt Point(s).** Those Receipt Points on Transporter's System not listed as Primary on Shipper's Service Agreement that Shipper can elect from time-to-time, subject to the applicable Rate Schedule and these General Terms and Conditions.

Seneca Lateral Facilities. The specific incremental facilities operated by Transporter that provide the pressures necessary for a Shipper to utilize specific points, listed on Transporter's Interactive Website and located in the general area of Monroe and Noble Counties, Ohio.

Shipper. May refer to Existing Shippers or Prospective Shippers, individually or collectively, depending on the context. In addition, in a given context, Shipper may refer to an entity that is seeking to become a Shipper.

System. The pipeline, any compression, and related facilities owned by Transporter.

Total Energy Content. That amount determined by multiplying the Total Heating Value (as defined in Section 18.5 of these General Terms and Conditions) by the volume of Gas in cubic feet, adjusted for as-delivered water content.

Transporter. ROCKIES EXPRESS PIPELINE LLC.

Unauthorized Overrun Gas. Overrun Gas not accepted by Transporter for scheduling pursuant to Section 7 of these General Terms and Conditions.

Year. A period of three hundred sixty-five (365) consecutive Days or three hundred sixty-six (366) consecutive Days if such period includes February 29.



## 2. EXPANSION OF THE SYSTEM

Transporter may be willing to expand the System to make Capacity available to a Shipper whenever such an expansion is deemed, in Transporter's sole judgment, economically, operationally and technically feasible, subject to the following conditions:

- 2.1 Transporter does not have adequate unsubscribed Capacity in the System to accommodate the Nominations or Requests for Capacity of Existing and Prospective Shippers pursuant to this Tariff.
- 2.2 Transporter has received an executed Agreement from each Existing and Prospective Shipper.
- 2.3 The nature, extent and timing of facilities required for any expansion shall be at the sole discretion of Transporter, except that in the event Transporter undertakes an expansion of the pipeline beyond 1,800,000 Dth/Day utilizing 42-inch diameter pipe or undertakes an expansion of the pipeline beyond 2,100,000 Dth/Day utilizing larger than 42-inch diameter pipe, Transporter shall file with the Commission for authorization to collect Fuel applicable to such expansion on an incremental basis.
- 2.4 Transporter receives acceptable assurance that Shipper requesting additional Capacity meets the credit criteria outlined herein.
- 2.5 Capacity may be reserved for expansion projects only for a 12-Month period prior to Transporter filing for certificate approval for construction of proposed expansion facilities, and thereafter until the effective date of any service agreement related to the certificate filing or the date the expansion facilities are placed into service.
  - A. If Transporter reserves Capacity for an expansion project, it will notify Shippers of its intent as part of its posting of Capacity on its Interactive Website. Transporter's posting for reserved Capacity for future expansion projects shall include the following information:
    1. a description of the project for which the Capacity will be reserved;
    2. the total quantity of Capacity to be reserved;
    3. the location of the proposed reserved Capacity on the pipeline System;
    4. whether, and if so when, Transporter anticipates that an open season for the Capacity will be held or the reserved Capacity will otherwise be posted for bids;
    5. the projected in-service date of new facilities; and
    6. on an ongoing basis, how much of the reserved Capacity has been sold on a limited-term basis that would otherwise be eligible for a right of first refusal.

Transporter shall make reasonable efforts to update the reservation posting up to the in-service date of the project to reflect any material changes in the scope of the project. The reservation posting or open season shall include a non-binding solicitation for turnback Capacity from Transporter's Existing Shippers to serve the expansion project. In the event Transporter includes the solicitation for turnback in the reservation posting, the reservation of Capacity must be posted no later than 90 Days following an open season for a project.

- B. Any Capacity reserved under this section shall be made available for transportation service pursuant to the General Terms and Conditions of this Tariff on a limited-term basis. Transporter reserves the right to limit any extension rights provided in the service agreement and pursuant to Section 17.3 - Right of First Refusal - commensurate with the effective date of any service agreement supporting an expansion project or proposed in-service date of any facilities. Any Capacity for a project that does not go forward for any reason shall be reposted as generally available within 30 Days of the date the Capacity becomes available, with the exception of Capacity committed to in contracts entered into on an interim, limited-term basis during the period the Capacity was reserved for the term of any limited-term contract.

### **3. SCHEDULING AND DELINQUENCY OF PAYMENT**

#### **3.1 PRIORITY OF SERVICE**

Shippers shall be entitled to transportation service subject to the availability of pipeline and point Capacity on Transporter's System:

- A. Segment capacity scheduling for transportation services is as follows in order of declining priority:
1. Rate Schedules FTS and C-HUB-FS - for service nominated primary in path (scheduled pro rata based on Maximum Daily Quantity).
  2. Rate Schedule BHS – for service nominated primary in path (scheduled pro rata based on Maximum Daily Quantity).
  3. Rate Schedules FTS, C-HUB-FS, and BHS – for service nominated secondary out of path (scheduled pro rata based on Nominations).
  4. Interruptible Transportation Service, Authorized Overrun Service, C-HUB-IS, Park and Loan Service, and Pooling and Wheeling Service, prorated on the basis of rate paid from the highest to lowest (scheduled by rate, then prorated on the basis of Nominations).

Further, within this group, Shippers paying the same daily rate shall be scheduled based on Shippers' effective service date and Shippers having the same effective service date shall be scheduled pro rata based on nominated quantities. All Shippers with Interruptible Service Agreements in effect as of the date of commencement of service on REX-West shall be deemed to have the same effective date for purposes of this section.

- B. Receipt and Delivery Point capacity scheduling for transportation services including by displacement is as follows in order of declining priority:
1. Rate Schedules FTS and C-HUB-FS – for service nominated at Primary Points (scheduled pro rata based on applicable point Maximum Daily Quantity).
  2. Rate Schedule BHS – for service nominated at Primary Points (scheduled pro rata based on applicable point Maximum Daily Quantity).

3. Rate Schedules FTS, C-HUB-FS, and BHS – for service nominated at Secondary Points within the Primary Path (scheduled pro rata based on Nominations).
4. Rate Schedules FTS, C-HUB-FS, and BHS – for service nominated at Secondary Points outside the Primary Path (scheduled pro rata based on Nominations).

Scheduling of service at Receipt and Delivery Points will be prorated as set forth above, with points within the Primary Path scheduled before points outside the Primary Path; further, a Shipper that nominates service at Secondary Points within its Primary Path in response to a Capacity constraint will receive the highest applicable scheduling priority, consistent with the principles set forth above.

5. Quantities required by Transporter for System requirements, including Fuel reimbursement and Gas purchases and sales for operational use.
6. Interruptible Transportation Service, Authorized Overrun Service, C-HUB-IS, Park and Loan Service, and Pooling and Wheeling Service, prorated on the basis of rate paid from highest to lowest (scheduled by rate, then prorated on the basis of Nominations).

Further, within this group, Shippers paying the same daily rate shall be scheduled based on Shippers' effective service date and Shippers having the same effective service date shall be scheduled pro rata based on nominated quantities. All Shippers with Interruptible Service Agreements in effect as of the date of commencement of service on REX-West shall be deemed to have the same effective service date for purposes of this section.

- C. Released Capacity has the same priority as non-released Capacity.
- D. Capacity constraints may exist from time-to-time or Interruption of service may be necessary for certain other reasons. Transporter may decline to schedule and/or may curtail firm service for any of the following reasons:
  1. If Shipper tenders Gas which does not conform to the applicable pressure or quality requirements of these General Terms and Conditions;
  2. If Shipper tenders Gas which is rejected by a connecting pipeline or a third party due to such entity's applicable quality specifications at the Delivery Point to which Shipper has nominated deliveries;
  3. For reasons of Force Majeure;

4. Due to routine repair and maintenance to be reasonably determined by Transporter;
5. Pursuant to Section 3.8 of these General Terms and Conditions;
6. To rectify Imbalances or to conform physical flows to Nominations to the extent consistent with the specific Rate Schedule;
7. To maintain System integrity;
8. If there is a dispute over title, ownership or right to tender or to receive Gas; or
9. Any other provisions provided for in these General Terms and Conditions.

Without limitation to the foregoing, Transporter shall have the right to reduce receipts or deliveries of Gas on any Day below Shipper's MDQ to permit maintenance, repair, overhaul, replacement, or construction of pipelines, compressors, metering, regulating, or other transmission facilities and equipment, or to maintain System integrity; provided, however, that with respect to routine repair and maintenance, Transporter will attempt to schedule such activity during a period when it will not result in reduction to services, or when such reduction will be minimized.

### **3.2 SCHEDULING OF FIRM SERVICE AT PRIMARY POINTS**

- A. All firm services at Primary Receipt or Delivery Point(s) shall have equal priority to Transporter's System Capacity. Service requested at Secondary Points shall have the priority described in Section 3.3. To the extent Capacity does not exist to provide for all volumes nominated by Shippers on a firm basis within MDQ at Primary Receipt or Delivery Point(s) and along any path defined by Primary Receipt or Delivery Point(s) under all firm Rate Schedules, scheduling and Curtailment shall be pro rata based on MDQ on any portion of Transporter's System affected by a Capacity constraint.
- B. For Shippers under all firm services, Transporter shall provide notice of any Curtailment or of any scheduling restriction as far in advance as feasible. Transporter shall attempt to provide at least two (2) Days prior notice, unless more timely action is necessary to respond to a Force Majeure situation, to Balance the Agreement to the extent consistent with the applicable Rate Schedule, or to maintain System integrity.
- C. Subject to the availability of firm Capacity at the requested point(s), Shipper, under any firm service, may change Primary Delivery or Receipt Points from time-to-time. Subject to the conditions set forth below, Transporter shall agree

to any such change in Primary Delivery or Receipt Point(s) to the extent that such selection of new Points is within the same zone of the existing Primary Receipt or Delivery Point(s) and to the extent that such selection of new points does not result in Shipper exceeding the existing contract MDQ and to the extent that firm transportation and Point Capacity is available, after taking into account existing Capacity commitments under other firm agreements. Additionally, if such new point(s) are subject to incremental charges, Shipper may be responsible for payment of such additional charges. At other Points located outside the same zone, Transporter shall agree to a change in points to the extent that firm transportation and Point Capacity is available, after taking into account existing Capacity commitments under other firm Agreements, and subject to incremental charges up to the maximum applicable rates and charges for points selected in new zones. Transporter shall not be obligated to reserve firm Capacity to reinstate the former Primary Points, once changed. To the extent there are multiple requests at Primary Receipt or Delivery Point(s) by Shipper(s) in which Capacity would be constrained by fulfilling all the requests, Transporter will use the Best Bid methodology to determine which Shipper(s) will be awarded the Capacity, provided, however, that all requests by Foundation, Anchor or other original negotiated rate Shippers for point capacity at an existing constrained point(s) shall be imputed to carry the same net present bid value, regardless of the negotiated rates contained in their original Service Agreements in effect upon the beginning of service of REX-West certificated facilities.

- D. The rate applicable to the revised Point(s) shall be the applicable maximum rate, unless the existing Agreement or related discount contract provides otherwise, or unless Transporter and Shipper negotiate a different rate at the time of the Point change. Unless otherwise specifically agreed, if the Point change results in a shortened path which would reduce the applicable rate, the reservation rate applicable to the longer path shall apply for the remaining term of the Agreement, but the commodity rate applicable to the shortened path shall apply so long as the shortened path is in effect under the Agreement; provided, however, the FL&U for the path utilized shall apply.
- E. Firm Intraday Nominations are entitled to bump scheduled interruptible volumes, as defined in Section 3.4, only during the Evening and Intraday 1 and Intraday 2 Nomination Cycles, as defined in Section 7.2. Firm Intraday Nominations are not entitled to bump already scheduled firm volumes.

### **3.3 SCHEDULING OF FIRM AND BACKHAUL SERVICES AT SECONDARY POINTS**

- A. Secondary Points are all other Receipt or Delivery Points which are not set forth as Primary Receipt or Delivery Points in the Service Agreement. Shippers under Rate Schedules FTS, C-HUB-FS, and BHS shall have access to all Receipt and Delivery Points on Transporter's System not listed as Primary Receipt or Delivery

Points, and as such, may nominate service to such other points as Secondary Receipt and/or Delivery Points, subject to additional charges. Provided, however, with respect to Rate Schedule BHS the Secondary Points are only available to the extent that they meet the definition of Backhaul. The priority of service at Secondary Points under Rate Schedules FTS, C-HUB-FS, and BHS shall be governed by the remainder of this Section 3.3.

- B. Service at the Secondary Receipt and Delivery Points shall be provided to the extent Capacity is available at such Points after all Nominations for Primary Point service under Transporter's Agreements have been satisfied and subject to any charges for service to such Secondary Points. No Secondary Point service shall be provided in excess of Shipper's aggregate MDQ for that zone in which Shipper has Capacity rights, except as Overrun Service. Unless a Capacity constraint exists at the Point, a Secondary Point Nomination at a Point within the Shipper's Primary Path shall be treated the same as a Nomination by Shipper at a Primary Receipt or Delivery Point. For a Secondary Point outside the Primary Path, service at the Point and service to or from the Point shall have priority over interruptible service but shall be subordinate to Nominations for those Shippers that use their Primary Path service. Service to or from such a Secondary Point outside the Shipper's Primary Path shall also be subordinate to Secondary Point service within the other Shipper's Primary Path to the extent both services utilize the same Capacity. If a Capacity constraint exists at the Point, Subsection C shall govern. If a Capacity constraint exists on a path, Subsection D shall govern. Secondary Point service shall not be subject to Curtailment or allocation (except as set out in Section 3.2A) if no Capacity constraint exists at the Point or path or on any segment to or from the Point or path.
- C. If Nominations by all Shippers for Secondary Point service for which such Shippers are eligible exceed Transporter's available Capacity at any Secondary Point or the applicable path, available Capacity shall be allocated and scheduled pro rata based on Nominations within the applicable MDQ for the zones in which Shipper has Capacity rights. Shippers utilizing Points within the Primary Path as secondary service shall have a higher priority than Shippers utilizing Points outside the Primary Path as secondary service. This priority applies for service at constrained Points and paths. If Curtailment is necessary, such Curtailment shall be pro rata based on each Shipper's Nominations within its contract MDQ.
- D. Shippers may nominate service at Secondary Points so that the direction of flow is the same as or opposite from the Primary Path direction of flow, if operationally feasible, but if opposite, such Nomination shall be treated as being outside the Primary Path, and shall be subject to confirmation by Transporter pursuant to acceptable operating conditions, except as excluded in individual Rate Schedules.

### **3.4 SCHEDULING OF INTERRUPTIBLE SERVICES**

This Section 3.4 governs the priority of interruptible services, other than Secondary Point services under other Agreements, on Transporter's System. All interruptible services shall have priority for Capacity in accordance with the procedures set out in this Section 3.4.

- A. Transporter's interruptible transportation service, other than service at Secondary Points under other Agreements (which is covered in Section 3.3), shall be provided to the extent Capacity is available after scheduling all of Rate Schedules FTS, C-HUB-FS, and BHS service at Primary and/or Secondary Points. Transporter may decline to schedule and/or may curtail interruptible service for any of the following reasons:
- (1) If Shipper tenders Gas which does not conform to the applicable pressure or quality requirements of these General Terms and Conditions;
  - (2) For reason of Force Majeure;
  - (3) Due to routine repair and maintenance to be reasonably determined by Transporter;
  - (4) Pursuant to Section 3.7 of these General Terms and Conditions;
  - (5) To rectify Imbalances or to conform physical flows to Nominations to the extent consistent with the specific Rate Schedule;
  - (6) To maintain System integrity;
  - (7) If there is a dispute over title, ownership or right to tender or receive Gas;
  - (8) If Capacity is required to provide a service with higher priority; or
  - (9) Any other provision provided for in these General Terms and Conditions.
- B. Transporter shall schedule all interruptible services (including Authorized Overrun Service) based on the rate to be paid, from highest to lowest daily rate, with service for which the highest daily rate being paid scheduled first. Any Shipper paying the maximum rate applicable to its service (or revenue equal to or greater than the applicable maximum rate pursuant to a Negotiated Rate) shall be afforded highest priority even if a Shipper that has agreed to a Negotiated Rate is paying a higher unit rate.



Further, within this group, Shippers paying the same daily rate shall be scheduled based on Shippers' effective service date and Shippers having the same effective service date shall be scheduled pro rata based on nominated quantities. All Shippers with Interruptible Service Agreements in effect as of the date of commencement of service on REX-West shall be deemed to have the same effective service date for purposes of this section.

- C. Transporter shall re-determine the priority of each Shipper under this Section 3.4 and reallocate Capacity hereunder on a daily or such other periodic basis as is necessary for Transporter to recognize the priority of new Shippers or any changes in the priorities of Existing Shippers, to assure service to its firm Shippers and to accommodate the operational requirements of its System. The priorities hereunder shall be applied on an Agreement-by-Agreement basis.
- D. An Agreement under an interruptible rate schedule in this Tariff shall include access to Receipt and Delivery Points on Transporter's System. Such access to the Receipt and Delivery Points will be subject to the specific Agreement between Transporter and Shipper. Notwithstanding the foregoing, a Shipper may not utilize a Point for which there is no regulatory authorization to receive or deliver Gas.
- E. No Shipper shall have any right to tender Unauthorized Overrun Gas. Unauthorized Overruns are subject to penalty as set out in the individual Rate Schedules. To the extent Transporter is unable to transport Unauthorized Overrun Gas without jeopardizing the integrity of Transporter's operations and/or its ability to meet its contractual obligations to other Shippers (such decisions to be solely within the judgment and discretion of Transporter), Transporter shall have the right to vent, without incurring any liability to Shipper, or any third party, such Unauthorized Overrun Gas as it is unable to transport. However, Transporter shall use reasonable efforts to avoid or minimize such venting.

### **3.5 CAPACITY CONSTRAINTS**

If Transporter experiences a Capacity constraint on a portion of its System or at specific Points, it shall (to the extent practicable), apply the scheduling and Curtailment provisions hereof only to those Shippers with service affected by that portion of the System or at those Points. Transporter shall endeavor to restrict Curtailment to as limited a geographical area, number of Shippers and services as reasonably feasible, given the operational capabilities of its System. Any Curtailment necessary on any portion of Transporter's system or at specific Points shall be applied to services in the reverse order relative to the scheduling priorities set forth in Section 3.1 of these General Terms and Conditions, provided that, once scheduled, all firm service is assigned the same curtailment priority whether the capacity is scheduled on a primary or secondary basis.

### **3.6 PROTECTION OF LIFE AND PROPERTY**

Transporter and Shipper shall collaborate in making adjustments to receipt quantities or delivery quantities, if possible, which may be necessary to avoid or forestall injury to life and property.

### **3.7 LIABILITY FOR INTERRUPTION**

If service under this Tariff is interrupted consistent with this section, Transporter shall not be liable for damages resulting from the implementation of the procedures described herein, except to the extent that such Interruptions of service are shown to be the result of negligence or misfeasance by Transporter.

### **3.8 DELINQUENCY IN PAYMENT**

- A. Irrespective of any otherwise applicable priority, Transporter may suspend service to any Shipper which is delinquent in payments under any Agreement, subject to the following conditions:
  - (1) Transporter shall give Shipper written notice of the delinquency and of Transporter's intent to suspend service if the deficiency is not cured. If the delinquency is not remedied within fifteen (15) Days of such notice, Transporter may suspend service. Transporter shall simultaneously provide written notice to the Commission of any such suspension; and
  - (2) If a Shipper which has been deficient in payment hereunder is again deficient in payment within six (6) Months after the prior deficiency, then Transporter may suspend service to such Shipper within (5) five Business Days after providing notice hereunder unless Shipper remedies the deficiency within that time period.
- B. In addition to or in lieu of suspension, Transporter may terminate service if the Shipper fails to remedy a delinquency in payment. Any such termination requires thirty (30) Days' prior notice to Shipper and to the Commission. Such notice may be given simultaneously with the notice provided for under Section 13.4 of these General Terms and Conditions. To avoid termination, the Shipper must remedy the deficiency within this notice period. Transporter shall concurrently notify the Commission of any actual termination of service under this provision.
- C. Transporter may not assess reservation charges to a Shipper for suspended service and a Shipper may not release or recall Capacity under service which is subject to suspension. In the event that service to a Shipper is suspended, Transporter shall have the right to remarket the Capacity that is subject to the suspension on a month-to-month basis with terms not to exceed thirty-one (31) Days ("Interim Capacity Arrangements"). Any Capacity sold pursuant to this

Section 3.8C shall be made available on a nondiscriminatory basis and will be assigned on the basis of a Bid Period determined pursuant to the open season of Capacity Announcement provisions provided for in Section 17.1 of these General Terms and Conditions. Capacity sold pursuant to this Section 3.8C shall not have a Right of First Refusal. If the Shipper whose service has been suspended remedies the deficiency that gave rise to the suspension after the Capacity has been remarketed to another Shipper as part of an Interim Capacity Arrangement, service to the Shipper whose service has been suspended will resume on the first Day following the expiration of the Interim Capacity Arrangement.

- D. In the event of a good faith billing dispute, withholding of payment for the amount in dispute by Shipper shall not be considered a delinquency in payment under this Section 3.8, consistent with Section 12 of these General Terms and Conditions.
- E. Transporter may not take any action under this Section 3.8 which conflicts with any order of the U.S. Bankruptcy Court.

## **4. RECEIPT POINTS**

### **4.1 FACILITIES AT RECEIPT POINTS**

Unless otherwise agreed by Transporter, Transporter shall own, operate and maintain all pipeline and measurement facilities necessary to receive and measure Gas hereunder. In the event that any facilities are installed by Transporter, Section 6 of these General Terms and Conditions shall apply.

### **4.2 OBLIGATION**

Transporter's maximum obligation to receive Gas at the Receipt Point(s) under the Agreement shall never exceed the lesser of: (a) the applicable MDRQ under the Agreement in the aggregate or at individual Points, as specified in the Agreement or as applicable to any Point under this Tariff; or (b) the total daily volume Shipper or its designee is able and willing to tender at the Receipt Point(s).

### **4.3 LOCATION**

Unless otherwise described in the Agreement, the Receipt Point(s) for transportation Agreements shall be located at the interconnection between the facilities of Shipper, or its designee, and the facilities of Transporter.

## **5. RECEIPT AND DELIVERY OF GAS FOR THE ACCOUNT OF SHIPPER**

### **5.1 RECEIPT AND DELIVERY VOLUMES**

- A. Commencing on the date of first acceptance by Transporter of Gas delivered by or on behalf of Shipper at the Receipt Point(s) pursuant to an Agreement, and continuing thereafter during the term of that Agreement, Transporter shall deliver Equivalent Volumes, or cause Equivalent Volumes to be delivered, to Shipper or to a mutually agreeable third party for Shipper's account, at the Delivery Point(s) described in the Agreement or applicable to the Agreement under this Tariff pursuant to Section 5.1B and C, below.
- B. When necessary for Transporter to maintain system integrity, volumes received at the Receipt Point(s) shall flow ratably ( $1/24 \times$  nominated 24 hour volume). Higher or lower hourly flow limitations may be posted from time-to-time on the Informational Postings portion of Transporter's Interactive Website, pursuant to actions which may be required under Section 36 of these General Terms and Conditions.
- C. When necessary for Transporter to maintain system integrity, Firm Service Equivalent Volumes delivered at the Delivery Point(s) shall be taken at a rate not to exceed  $1/24 \times$  nominated 24 hour volume and Interruptible Service Equivalent Volumes delivered at the Delivery Point(s) shall be ratably ( $1/24 \times$  nominated 24 hour volume). Higher or lower hourly flow limitations may be posted from time-to-time on the Informational Postings portion of Transporter's Interactive Website, pursuant to actions which may be required under Section 36 of these General Terms and Conditions.

### **5.2 DELIVERY FACILITIES**

Unless otherwise agreed in writing by Transporter, Transporter shall own, operate and maintain all pipeline and measurement facilities necessary to deliver and measure Gas hereunder. In the event that any facilities are installed by Transporter, Section 6 of these General Terms and Conditions shall apply.

### **5.3 OBLIGATIONS**

Transporter's maximum obligation to deliver Gas at the Delivery Point(s) under an Agreement shall never exceed the lesser of: (a) the applicable MDDQ under the Agreement in the aggregate or at each Point as specified in the Agreement or as applicable to any Point under this Tariff; or (b) the total daily volume Shipper or its designee is willing and able to receive at the Delivery Point(s).

## **5.4 LOCATION**

Unless otherwise described in an Agreement, the Delivery Point(s) for transportation Agreements shall be located at the interconnection between the facilities of Shipper or its designee, and the facilities of Transporter.

## **6. NEW FACILITIES CHARGE**

When new and/or expanded facilities are required to accommodate receipt and/or delivery of Gas under a request for new service, and Transporter determines that installation of such facilities will not impair service to any Existing Shipper or threaten the integrity of Transporter's System, Transporter may construct such facilities, subject to Sections 2, 6 and 24 of these General Terms and Conditions and subject to provisions contained in each applicable transportation rate schedule.

**Shipper Reimbursement.** Shipper may be required to reimburse Transporter, on mutually agreeable terms, for costs associated with constructing and operating facilities under this Section 6. Such mutually agreed upon reimbursement may be in the form of an incremental rate, an operations fee, a lump sum payment, or a mutually agreed upon method, including, without limitation, reimbursement for any associated tax effects. Transporter may waive this requirement on a not unduly discriminatory basis.

**Transporter Contribution.** Transporter may pay or contribute all or a portion of the cost of building or operating facilities requested by Shipper or other entities if Transporter determines that such action will result in an economic benefit to Transporter. Transporter will evaluate each prospective project under this policy based upon the incremental cost of service and the incremental revenues which Transporter estimates will be generated as a result of the project. When estimating incremental revenues to be generated, Transporter will base those revenues upon transportation rates it expects to be able to charge, net of any surcharges, and the incremental volumes or firm service contracts that will result from the project. Transporter may consider volumes or firm service contracts to be incremental if the volumes or firm service contracts that will be transported or provided respectively would not otherwise flow through or be contracted for firm service on Transporter's pipeline system, and any other material impacts on Transporter's competitive position, rates and future business prospects.

## **7. NOMINATIONS, CONFIRMATIONS, BALANCING, SEGMENTATION, DISCOUNT POLICY AND RESERVATION CHARGE CREDITS**

### **7.1 GENERAL**

- A. Transporter provides personnel available to handle Nominations seven (7) Days a week, twenty-four (24) hours a Day. Transporter personnel may not be at Transporter's ordinary work sites but should be available via telephone or other electronic means. Whenever Shipper desires service, Shipper shall furnish to Transporter a separate Nomination for each nominated Receipt and Delivery Point under each Agreement with a beginning and end date, or beginning hour, if applicable, for flow which can be for any duration within the term of the applicable Agreement; provided, however, any Nomination shall not be binding to the extent Shipper submits subsequent Nomination(s). All Nominations should be considered original Nominations and should be replaced when changed. When a Nomination for a date range is received, each Day within that range is considered an original Nomination. When a subsequent Nomination is received for one or more Days within that range, the previous Nomination is superseded by the subsequent Nomination only to the extent of the Days specified. The Days of the previous Nomination outside the range of the subsequent Nomination are unaffected. Nominations have a prospective effect only.
- B. For non-Intraday Nominations, excluding the Evening Nomination Cycle, a rollover option is available such that a Shipper shall have the ability to nominate for several Days, Months, or Years, provided the Nomination begin and end dates are within the term of the Shipper's contract. All Nominations should be based on a daily quantity and all volumes shall be expressed in Dth per Day and shall be stated for each Receipt and Delivery Point.
- C. If an upstream or downstream party requires additional information, if the volumes transported are subject to a Discounted Rate, or if additional information is otherwise required by Transporter, then, upon notification by Transporter, Shipper must include in each Nomination such additional information as is specified by Transporter. Nominations must be submitted to Transporter through Transporter's Interactive Website, or through such other electronic means as are mutually agreed upon by Transporter and Shipper. The sending party should adhere to Nomination, confirmation and scheduling deadlines. The receiving party may waive any submittal deadline in this Section 7.
- D. The standard quantity for Nominations, confirmation and scheduling is dekatherms per Gas Day in the United States, gigajoules per Gas Day in Canada



and gigacalories per Gas Day in Mexico. (For reference, 1 dekatherm = 1,000,000 Btus; 1 gigajoule = 1,000,000,000 joules; and 1 gigacalorie = 1,000,000,000 calories.) For commercial purposes, the standard conversion factor between dekatherms and gigajoules is 1.055056 gigajoules per dekatherm and between dekatherms and gigacalories is 0.251996 gigacalories per dekatherm. The standard Btu is the International Btu, which is also called the Btu (IT); the standard joule is the joule specified in the SI system of units. The International Btu is specified for use in the Gas measurement standards of the American Gas Association, the American Petroleum Institute, the Gas Processors Association and the American Society for Testing Materials. For non-commercial purposes, these associations note that the exact conversion factor is 1.05505585262 Gigajoules per Dekatherm.

## 7.2 STANDARD NOMINATION CYCLES

Transporter supports the following standard Nomination cycles (all times are Central Clock Time "CCT"):

- A. The Timely Nomination Cycle: 1:00 p.m. for Nominations leaving control of the Nomination party; 1:15 p.m. for receipt of Nominations by Transporter (including from Title Transfer Tracking Service Providers (TTTSPs)); 1:30 p.m. to send Quick Response; 4:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 5:00 p.m. for receipt of confirmation of scheduled quantities by Shipper and Point Operator (on the Day prior to flow). Scheduled quantities resulting from Timely Nominations shall be effective at the start of the next Gas Day.
- B. (1) The Evening Nomination Cycle: 6:00 p.m. for Nominations leaving control of the nominating party; 6:15 p.m. for receipt of Nominations by Transporter (including from TTTSPs); 6:30 p.m. to send Quick Response; 8:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 9:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and Point Operator(s), and to provide scheduled quantities to bumped parties (notice to bumped parties), prior to flow. Scheduled quantities resulting from Evening Nominations should be effective at the start of the next Gas Day.
- C. The Intraday 1 Nomination Cycle: 10:00 a.m. for Nominations leaving control of the nominating party; 10:15 a.m. for receipt of Nominations by Transporter (including TTTSPs); 10:30 a.m. to send Quick Response; 12:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 1:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and Point Operator(s), and to provide scheduled quantities to

bumped parties (notice to bumped parties), on the current Gas Day. Scheduled quantities resulting from Intraday 1 Nominations should be effective at 2:00 p.m. on the current Gas Day.

- D. The Intraday 2 Nomination Cycle: 2:30 p.m. for Nominations leaving control of the nominating party; 2:45 p.m. for receipt of Nominations by Transporter (including from TTTSPs); 3:00 p.m. to send Quick Response; 5:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 5:30 p.m. for Transporter to provide scheduled quantities to affected Shippers and Point Operator(s) including bumped parties (notice to bump parties) on the current Gas Day. Scheduled quantities resulting from Intraday 2 Nominations should be effective at 6:00 p.m. on the current Gas Day.
- E. The Intraday 3 Nomination Cycle: 7:00 p.m. for nominations leaving control of the nominating party; 7:15 p.m. for receipt of nominations by Transporter (including TTTSPs); 7:30 p.m. to send Quick Response; 9:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 10:00 p.m. for Transporter to provide scheduled quantities to affected shippers and point operators (on the current Gas Day). Scheduled quantities resulting from Intraday 3 Nominations should be effective at 10:00 p.m. on the current Gas Day. Bumping is not allowed during the Intraday 3 Nomination Cycle.
- F. For purposes of Section 7.2(B), (C), (D) and (E), "provide" shall mean, for transmittals pursuant to NAESB WGQ Standards 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.
- G. The rights of a Releasing Shipper to recall Capacity within any Nomination cycle shall be governed by Section 15.14 of these General Terms and Conditions.
- H. A Shipper which has been awarded firm Capacity in a Capacity release may submit a Nomination using such Capacity at the next available opportunity for Nominations under this Section 7.2 which occur on or after the time Capacity is awarded, including an Intraday Nomination in either the Intraday 1 or the Intraday 2 or the Intraday 3 Nomination Cycle, and which is consistent with Section 15.9D of these General Terms and Conditions.

### **7.3 TIMELY NOMINATIONS**

- A. Timely Nominations are Nominations submitted consistent with the standard Nomination cycle set out in Section 7.2A.

- B. Nominations received after the Nomination deadline will be scheduled after the Nominations received before or by the deadline.

## **7.4 REQUIRED NOMINATION CHANGES**

If estimated daily flows under a particular transportation Agreement differ from the confirmed Nominations, or if an Imbalance has occurred due to some other reason, then prospective Nomination change(s) (either receipt or delivery adjustments) may be required to bring the receipt and delivery volumes into Balance. When a Shipper receives notification of a required change in the Nomination, the Shipper shall be responsible for informing upstream and downstream parties of the prospective change and providing Transporter with a Nomination as required in accordance with Section 7.2 hereof.

## **7.5 CONFIRMATION BY TRANSPORTER**

- A. Nominations made in accordance with Sections 7.2, 7.3, 7.4, and 7.6 hereof shall not become effective until Transporter has confirmed the nominated receipts and deliveries with upstream and downstream parties, subject to Section 7.5C. Shipper shall designate the appropriate person(s) who has the authority to resolve allocation issues, if requested by Transporter and, if requested by Transporter, the appropriate person(s) to confirm Nominations. Confirmations must be submitted to Transporter through the Interactive Website, or such other electronic means as are mutually agreed upon by Transporter and Shipper.
- B. Subject to Section 7.2 and the other provisions of this Tariff, Transporter shall provide Shippers and Point Operator(s) via the Interactive Website, or by EDI, the quantities that have been scheduled to flow for that Shipper and Point Operator on the next Day.
- C. Default confirmation procedures are as follows, including terms defined by NAESB Standards:
  - (1) With respect to the timely Nomination/confirmation process at a Receipt or Delivery Point, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the confirmed quantity. If there is no response to a Request For Confirmation or an unsolicited Confirmation Response, the lesser of the confirmation quantity or the scheduled quantity for the Timely Nomination Cycle of the previous Gas Day will be the new confirmed quantity.
  - (2) With respect to the processing of requests for increases during the Intraday Nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity. If there is no response to a Request For

Confirmation or an unsolicited Confirmation Response, the scheduled quantity for the previous Nomination cycle will be the new confirmed quantity.

- (3) With respect to the processing of requests for decreases during the Intraday Nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity, but in any event no less than the elapsed-prorated-scheduled quantity. If there is no response to a Request For Confirmation or an unsolicited Confirmation Response, the greater of the confirmation quantity or the elapsed-prorated-scheduled quantity should be the new confirmed quantity. Elapsed-prorated-scheduled quantity means that portion of the scheduled quantity that would have theoretically flowed up to the effective time of the Intraday Nomination being confirmed, based upon a cumulative uniform hourly quantity for each Nomination period affected. This Section 7.5.C.(3) does not apply to the Evening Nomination Cycle.
- (4) With respect to Subsections 7.5C(1), (2), and (3), if there is no response to a request for confirmation or an unsolicited confirmation response, the Transportation Service Provider should provide the Service Requester with the following information to explain why the Nomination failed, as applicable:
  - (a) the Service Requester's Transportation Service Provider did not conduct the confirmation;
  - (b) the Service Requester is told by its Transportation Service Provider that the upstream confirming party did not conduct the confirmation;
  - (c) the Service Requester is told by its Transportation Service Provider that the upstream Service Requester did not have the Gas or submit the Nomination;
  - (d) the Service Requester is told by its Transportation Service Provider that the downstream confirming party did not conduct the confirmation;
  - (e) the Service Requester is told by its Transportation Service Provider that the downstream Service Requester did not have the market or submit the Nomination.

This information should be imparted to the Service Requester on the Scheduled Quantity document.

## **7.6 INTRADAY NOMINATIONS**

- A. An Intraday Nomination is a Nomination submitted in accordance with Section 7.2(C), 7.2(D), or 7.2(E) whose effective time is no earlier than the beginning of the applicable Gas Day and which runs through the end of that Gas Day.
- B. Transporter supports the Nomination cycles set forth at Section 7.2 during non-Critical Times. During Critical Times, as described in Section 36.6 of these General Terms and Conditions, valid intraday Nominations may be submitted pursuant to the Critical Time Notice.
- C. Transporter will provide notification of bumped volumes through the Scheduled Quantity document, as posted on Transporter's Interactive Website, or by telephone or facsimile consistent with Sections 14 and 23 of the General Terms and Conditions of this Tariff and through Electronic Notice Delivery consistent with NAESB WGQ Standards as adopted in Section 32 of these General Terms and Conditions. During non-Critical Times, Transporter will waive daily penalties applicable to bumped volumes on the Day of the bump. Transporter will also waive penalties if it fails to provide appropriate notice of the bump.
- D. For services that provide for intraday Nominations and scheduling, there is no limitation as to the number of intraday Nominations (line items as per NAESB Standard 1.2.1) which a service requester may submit at any one standard Nomination cycle or in total across all standard Nomination cycles.
- E. Revised predetermined allocations (described in Sections 8 and 9 of these General Terms and Conditions) may need to be submitted in conjunction with the Intraday Nomination in order to properly allocate the Gas received at the nominated Receipt Point.
- F. Unless Transporter agrees to the contrary, the revised Nomination under an Intraday Nomination may be limited by Section 7.5C. Transporter and the interconnecting party will agree on the hourly flows of the Intraday Nomination.
- G. An Intraday Nomination is only effective for a single Gas Day (Intraday Nominations do not rollover). There is no need to re-nominate if the Intraday Nomination is not intended to modify the existing Nomination. The Shipper should submit a new timely Nomination if the Shipper wants to replace the previously submitted Nomination or commence service for the next Gas Day.
- H. Intraday Nominations can be used to request increases or decreases in total flow, changes to Receipt Points, or changes to Delivery Points of scheduled Gas.

## **7.7 END-OF-GAS-DAY SCHEDULED QUANTITY DOCUMENT**

At the end of each Gas Day, Transporter will provide the final scheduled quantities for the just completed Gas Day. With respect to the implementation of this process via the EDI/EDM, Transporter will send an end of Gas Day Scheduled Quantity (NAESB WGQ Standard 1.4.5) document and Scheduled Quantity for Operator (NAESB WGQ Standard 1.4.6) document. Receivers of either of these documents can waive the Transportation Service Provider's (Transporter's) requirement to send such documents.

## **7.8 OVERRUN QUANTITIES**

Shippers submitting Nominations via the Interactive Website or EDI for transportation of Overrun volumes (volumes in excess of the applicable Point MDRQ or MDDQ or the aggregate Agreement MDQ) may either include such Overrun volumes in their Nominations for volumes within the contractual maximum quantities, or may submit separate Nominations for such Overrun volumes. If the Shipper elects to submit a separate Nomination, the Shipper should mark that Nomination as being for Overrun volumes.

## **7.9 DELEGATION**

A Shipper may delegate to any third party responsibility for submitting and receiving notices or Nominations or performing other administrative duties under any Agreement, subject to the following conditions:

- A. Any designation of such a representative, and any change in such designation, must be in writing and must be submitted at least two (2) Business Days prior to the requested effective date.
- B. The written designation shall specify any limits on the authority of the representative, including any time limit on the designation; provided, however, that Transporter may reject any such limited designation if the limitations specified in the designation would result in an undue administrative burden.
- C. Transporter may rely on communications from Shipper's designated representative for all purposes except to the extent the designation is explicitly limited as specified in the preceding Section 7.9B. Communications by Transporter to such designated representative shall be deemed notice to Shipper except to the extent the representative's authority is explicitly limited with respect to the receipt of notice under the procedure set out in said Section 7.9B.
- D. Any third party may administer multiple transportation Agreements as the designated representative for one or more Shippers. However, such representative shall separately administer and account for each such Agreement.

## **7.10 TRANSFER NOMINATIONS**

- A. Whenever Gas is purchased at a Receipt Point on Transporter's System by an entity that is not going to nominate that Gas for receipt by Transporter under a transportation Agreement, that entity must submit a transfer Nomination to Transporter through the Interactive Website (or EDI), identifying the quantities (in Dth) and the entities from whom the Gas is being bought and the entities to whom the Gas is being sold. Such transfer Nominations are needed in order to be able to confirm the nominated receipts at that Point and thus such transfer Nominations are due by the deadlines applicable to Shipper Nominations, subject to Section 7.2. In addition to the transfer Nomination, the purchasing entity should submit a predetermined allocation in accordance with Section 8 of these General Terms and Conditions if there is more than one buyer of the purchasing entity's Gas.
- B. A third party or Transporter may provide title tracking services on Transporter's System as follows:
- (1) The entity seeking to provide such a service (Third Party Account Administrator) shall so notify Transporter in writing, in which event Transporter shall establish an identification number for Nominations involving the Third Party Account Administrator.
  - (2) Transfer Nominations consistent with this Section 7.10 must be made by the Shipper tendering Gas for delivery to the Third Party Account Administrator, where subsequent title to such Gas is to be tracked by the Third Party Account Administrator; and
  - (3) The Third Party Account Administrator or Transporter shall maintain records of any title transfers after delivery of Gas to it and shall submit a Nomination consistent with this Section 7.10 for delivery of Gas to the last party in the chain of title, which party shall also submit a Nomination for receipt of the Gas consistent with this Section 7.10.

## **7.11 NOMINATION PRIORITIES**

As part of the Nomination and transfer Nomination process, if there is more than one supply source nominated to be delivered to a single Delivery Point or buyer, the Nomination or transfer Nomination should identify how and which supply sources should be cut in the event all nominated deliveries are not or cannot be made. Similarly, the Nomination or transfer Nomination should identify which delivery should be cut in the event Gas is not or cannot be received as nominated (i.e., ranking). Ranking should be included in the list of data elements. Transportation service providers should use service requester provided rankings when making reductions during the scheduling process when this does not conflict with tariff-based rules.

## **7.12 SEGMENTATION OF CAPACITY**

- A. A Shipper may segment its own firm Capacity to the extent operationally feasible. In addition, any Shipper may segment its firm Capacity through release to a Replacement Shipper to the extent operationally feasible. A Shipper segmenting its own firm Capacity shall effectuate such segmentation through the Nomination process under this Section 7.12. A Shipper may release firm Capacity on a segmented basis to the extent consistent with this Section 7.12 by following the procedures for Capacity release set out in Section 15 of these General Terms and Conditions.
- B. For the purposes of this Section 7.12, a segmentation of firm Capacity (whether of Shipper's own Capacity or on release) shall be deemed operationally feasible unless: (i) the proposed segmentation would result in an increase in firm contractual obligation to Transporter in any zone or on any segment or portion of its System; (ii) the proposed segmentation would result in a physical haul in a direction opposite of the Primary Path under the Service Agreement being segmented, absent a determination by Transporter, which determination will be made within five (5) Business Days of the request, that it can physically perform the segmentation as requested; (iii) the contract path resulting from the proposed segmentation would be entirely within a Hub, as defined in the Informational Postings portion of Transporter's Interactive Website; (iv) the contract path resulting from the proposed segmentation would begin and end within the same reticulated segment in which the physical flow of Gas is not controlled or directed to a specific path, as such reticulated segments are specifically identified in the Informational Postings portion of Transporter's Interactive Website; (v) the proposed segmentation would create a new contract Receipt or Delivery Point within a reticulated segment, if that reticulated segment is within the Primary Path that is being segmented; or (vi) the proposed segmentation would occur entirely within the facilities constituting either the Meeker Booster Facilities, Cheyenne Hub Facilities, or the Cheyenne Booster Facilities as defined in these General Terms and Conditions.
- C. In the event a transportation path is segmented under this Section 7.12, as between the parties to a specific segmentation, the upstream path segment shall receive priority at all Secondary Points within the Primary Path upstream of the break Point and the downstream path segment shall receive priority at all Secondary Points within the Primary Path downstream of the break Point. Nothing in this section shall affect Shipper's priority rights to Secondary Points outside the original Primary Path.
- D. If Transporter determines that it is operationally feasible, the Shipper (or Replacement Shipper in the case of a release) may nominate service at Receipt



and Delivery Points for the path segment that results in a reverse flow from the original path, subject to determination of the applicable rate pursuant to the discount policy stated in Section 7.13 below. In addition, if Transporter determines that it is operationally feasible, Shipper may segment resulting in a forward haul and back haul to the same point at the same time, up to its MDQ and within the same zone.

- E. Subject to the availability of firm Capacity at the Primary Receipt or Delivery Point(s) and associated lateral or segment and subject to Section 3.2 of these General Terms and Conditions, a segmenting Shipper, a segmenting Replacement Shipper or a segmenting Sub-replacement Shipper may change the Primary Receipt or Delivery Points listed in the Service Agreement to new Primary Receipt or Delivery Point(s) within the same zone if the Shipper (or in the case of a release, the Original Segmenting Shipper) agree to amend the Service Agreement to change the Primary Receipt or Delivery Point(s) accordingly. Transporter shall not be obligated to reserve firm Capacity to reinstate the former Primary Receipt or Delivery Point(s) upon expiration of the segmentation or the Capacity release, unless Transporter allowed the Replacement Shipper or Sub-replacement Shipper to change the point without the Releasing Shipper having agreed to the point change, in which case Transporter shall reinstate the Primary Point for the Releasing Shipper.
- F. In the event segmentation of a Shipper's path, or segmentation that results in a release of Capacity, creates deliveries or receipts exceeding the original Shipper's Capacity rights, by zone, (as defined by the MDQ) in the Agreement, and Transporter schedules and confirms such segmentation, the original Shipper will be subject to the applicable Overrun Service Charge pursuant to the applicable Rate Schedule of this Tariff. In the event segmentation results in a permanent release to any Replacement Shipper, that Replacement Shipper will be subject to the maximum applicable transportation rates set forth in Transporter's tariff.
- G. To the extent segmentation results in an increase of a Shipper's or Replacement Shipper's firm contract rights and Transporter schedules and confirms that increase in firm contract rights, the Shipper or Replacement Shipper that caused such increase in firm contract rights will be subject to the applicable Overrun Service Charge pursuant to the applicable rate schedule of this Tariff. If a Capacity release occurs during the Day and the releasing Shipper has already submitted a Nomination, the original Shipper may incur Overrun Service Charges in accordance with the applicable Rate Schedule.
- H. In the event Transporter determines that a previously approved segmentation was inadvertently confirmed, Transporter will notify Shipper that it must select Alternate Points. Unless Transporter determines that a shorter period of time is appropriate, Transporter will provide one Gas Day's notice to Shipper to select alternate Points. Transporter must attempt to give actual notice to Shipper of

the need to select alternate Points via e-mail, facsimile or telephone. Transporter will post on its Interactive Website within ten (10) Business Days the explanation for any revocation of segmentation and whether the segmentation is unavailable on a temporary or continuing basis.

- I. Transporter reserves the right to evaluate and disallow segmentation on its System on a case-by-case basis for those situations that are not operationally feasible and not already described in this Section 7.12. Disallowance of segmentation requests will be made on a non-discriminatory basis and the Shipper will be notified of any disallowance and the explanation thereof within two (2) Business Days of the request. Transporter will post on its Interactive Website within ten (10) Business Days the explanation for any disallowance of segmentation not specifically described in this Tariff.

## **7.13 DISCOUNT POLICY**

Previously Discounted or Negotiated transportation Rates for Primary Receipt and Delivery Points will not apply to service at Alternate Points. Unless otherwise agreed to in writing by Transporter, Shipper shall pay the maximum applicable reservation and usage charges for service nominated at the Alternate Points. In addition, if Primary Receipt and Delivery Points are changed, the maximum applicable reservation and usage charges shall apply at the new Receipt or Delivery Point, unless Transporter otherwise agrees in writing.

## **7.14 RESERVATION CHARGE CREDITS**

- A. Transporter shall have the right, without further liability, except as to reservation charge credits in Section 7.14C below, to Shipper, to interrupt or curtail the transportation of Gas for Shipper for reasons of force majeure; or when necessary, to test, alter, modify, enlarge or repair any facility or property comprising a part of, or appurtenant to, Transporter's pipeline System, or otherwise related to the operation or maintenance thereof. Transporter shall endeavor to cause a minimum of inconvenience to Shipper because of such Interruptions.
- B. As used in this Section 7.14, MDQ shall mean the quantity of Gas for which reservation charges are assessed under a firm agreement on any day. Where Transporter does not schedule its system in the Timely and Evening Nomination Cycles to meet the Nominations of a firm Shipper from Primary Receipt to Primary Delivery Point(s) on a Day, reservation charge credits shall be granted as set forth herein.
- C. With respect to the circumstances described in Section 7.14D(i), when a Shipper whose nominated amount is not fully scheduled by Transporter in the Timely Nomination Cycle and that Shipper, subject to the nominated quantity not being fully scheduled by Transporter, nominates on another pipeline to re-direct transportation of supplies, it need not re-submit its Nomination in the Evening Nomination Cycle to Transporter in order to receive reservation charge credits conditioned on Shipper providing written confirmation, no later than the end of the Gas Day on the day the curtailments are made for the respective reservation charge credits, that it has nominated the curtailed quantities on an alternate pipeline. Such documentation shall be in writing and consist of a representation to Transporter of the quantities nominated on a third-party pipeline as a result of Transporter's inability to provide primary firm service. However, if Shipper does not nominate such supplies on another pipeline after it is curtailed in the Timely Nomination Cycle, Shipper is required to re-submit its Nomination through the Evening Nomination Cycle in order to receive reservation charge credits. If the Shipper subsequently has additional quantities scheduled on Transporter's pipeline in the Intraday 1 or Intraday 2 or Intraday 3 Nomination Cycle its reservation charge credits may be appropriately reduced.
- D. Reservation Charge Credit Quantities - Except as provided in Section 7.14E below, in the event Transporter fails to schedule Nominations on any Day under any firm contract, then the applicable Reservation Charges shall be eliminated as follows:

- i. where notice of an outage is not provided prior to the Timely Cycle deadline for the Day, the quantity of Gas, not to exceed the applicable MDQ, nominated at Shipper's Primary Point(s) but not scheduled for delivery; or
  - ii. where notice of an outage is provided prior to the Timely Cycle deadline for the Day, the average of the daily usage by Shipper at Primary Point(s), not to exceed the applicable MDQ, in a 7 Day period as set forth below:
    - a. Where a non-force majeure firm service curtailment is announced with Transporter's Monthly Maintenance Schedule posting, then the 7 Days immediately preceding such posting; or
    - b. Where a non-force majeure firm service curtailment is announced after the Monthly Maintenance Schedule posting but prior to the Timely Cycle deadline for the Day of the firm service curtailment, then the 7 Days immediately preceding the firm service curtailment; or
    - c. When a force majeure outage is announced that continues beyond ten (10) Days following a force majeure event, then the seven (7) Days immediately preceding the announcement of the Force Majeure outage consistent with the availability of reservation charge credits pursuant to Section 7.14E (iii); except that
    - d. Section 7.14D (ii) above shall not apply, but Section 7.14D(i) shall, where the 7 Day period for measurement of Shipper usage is limited by pre-existing firm service curtailments.
- E. Transporter shall not be obligated to adjust the Reservation Charge under any contract pursuant to this Section 7.14:
- i. to the extent that the Shipper uses alternate receipt or delivery point(s) instead of its Primary Receipt and Delivery Point(s); or
  - ii. when Transporter's failure to schedule or deliver nominated quantities is due solely to the conduct of Shipper or the upstream or downstream operator of the facilities at the Receipt or Delivery Point respectively, not operated or controlled by Transporter; or
  - iii. when Transporter's failure to schedule or deliver nominated quantities occurs, whichever of these dates occurs first either (a) within (but not to exceed) ten (10) Days following a force majeure event as contemplated by Section 21.1 of these General Terms and Conditions, or (b) prior to

the date Transporter has or should have, in the exercise of due diligence, overcome the force majeure event.

- F. Any adjustment shall be credited against transportation charges for a future Month or refunded if the Transportation Service Agreement has terminated. Nothing in this Section should be interpreted to insulate Transporter from liability for direct damages resulting from its own negligence or malfeasance.

## **8. DETERMINATION OF DAILY RECEIPTS**

- 8.1 To the extent feasible, all volumes received by Transporter at a Receipt Point shall be allocated in accordance with the confirmed Nominations for that Point. Transporter will accept NAESB WGQ approved allocation methodology types from the upstream or downstream custody transfer party who is providing the point confirmation. In the event the actual volumes received by Transporter do not equal the confirmed Nominations for that Point, any underage or overage will be allocated as follows:
- A. First, in accordance with the effective predetermined allocations (PDAs) submitted by those entities (Allocators) owning or controlling the Gas being delivered to Transporter. An OBA is one type of a PDA. Shipper agrees that such an allocation is binding on Shipper. Upon request, Transporter agrees to provide to any requesting Shipper a copy of any PDA to which such Shipper's Gas is subject.
  - B. Then, if there is no effective PDA, pro rata to the extent applicable based on confirmed Nominations or transfer Nominations, as applicable. Shipper agrees that such an allocation is binding on Shipper.
- 8.2 The upstream or downstream party providing the Point confirmation should submit the PDA to the allocating party after or during confirmation and before the start of the Gas Day, except that no other PDAs need be submitted if an OBA is in effect at a Point. Unless otherwise agreed, all PDAs must be submitted to Transporter through the Interactive Website or through EDI before the start of the Gas Day the PDA is to be effective. Such PDA shall specify how any underage or overage from the confirmed nominated volumes should be allocated among the entities listed on the PDA. Transporter shall acknowledge receipt and acceptance of the PDA through the Interactive Website if received through the Interactive Website or via EDI if received via EDI. Such notification of acknowledgment and acceptance will be within fifteen (15) minutes of receipt via the Interactive Website if received via the Interactive Website or via EDI if received via EDI. Transporter's acceptance is contingent on Transporter being able to administer the allocation submitted by the Allocator. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentages, swing and operator provided value. Other examples of allocation methods that can be used are matching of supply sources with specified customers and combinations of methodology types. Different methods may be submitted for overages or underages. If the parties cannot agree, Section 8.1B shall apply.
- 8.3 A PDA will be effective as of the date specified thereon (which may not be earlier than the date on which the PDA is submitted to Transporter unless otherwise agreed) and will continue in effect through the end of the calendar Month unless the Allocator submits a new PDA that is accepted by Transporter. PDAs may be submitted to Transporter on any

Business Day during the Month and should be submitted if necessary to reflect any changes in the Shippers or the allocation method at the Point.

- 8.4 Allocators who should submit PDAs include the operator of the upstream facilities, the Shippers or producers/owners of the Gas being delivered by the upstream entity, buyers of the Gas who are in turn selling the Gas at that Point, and Shippers who are using more than one transportation Agreement at that Point.
- 8.5 Transporter may rely conclusively on effective PDAs in allocating the Gas received at a Point. No retroactive changes to the PDA may be made unless Transporter and all affected parties agree.
- 8.6 The time limitation for disputes of allocations should be six (6) months from the date of the initial month-end allocation with a three (3) month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.



## **9. DETERMINATION OF DELIVERIES**

### **9.1 PREDETERMINED ALLOCATIONS**

In accounting for the volumes delivered by Transporter, Transporter will accept NAESB WGQ approved allocation methodology types from the upstream or downstream custody transfer party who is providing the point confirmation. In circumstances where multiple services are provided at any Delivery Point, the sequence of volumes delivered shall be determined by a predetermined allocation Agreement between Transporter and the operator of the facilities immediately downstream of the Point at which Transporter delivers Gas. The upstream or downstream party providing the Point confirmation should submit the PDA to the allocating party after or during confirmation and before the start of the Gas Day. In the absence of such an Agreement, Sections 9.2 and 9.3 shall control. Any new or proposed change to the methodology should be sent to Transporter before the start of the Gas Day on which the methodology is to be effective. Transporter shall confirm receipt of the methodology within fifteen (15) minutes via the Interactive Website if received via the Interactive Website or via EDI if received via EDI. Transporter's acceptance is contingent on Transporter being able to administer the allocation submitted by the Allocator. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentages, swing and operator provided value. Other examples of allocation methods that can be used are combinations of methodology types. Different methods may be submitted for overages and underages.

### **9.2 DELIVERY SEQUENCE**

Unless otherwise agreed, Gas at any Delivery Point shall be deemed to have been delivered in the following sequence:

- A. Volumes scheduled under Firm Service Agreements consistent with confirmed Nominations and within MDQ;
- B. Volumes scheduled under Interruptible Service Agreements and Authorized Overrun Service consistent with confirmed Nominations and within MDQ;
- C. Additional volumes shall be allocated pro rata based on confirmed Nominations, but not to exceed the applicable MDQ, under which Shippers nominated that Day; and
- D. Any remaining volumes shall be allocated as Unauthorized Overrun Gas pro rata based on confirmed Nominations among Shippers nominated that Day.

### **9.3 DEFICIENT VOLUMES**

Any deficiency in takes from nominated or scheduled volumes shall, unless otherwise agreed, be identified to services by allocating volumes delivered in the sequence set out in Section 9.2. Volumes shall be allocated among Agreements within each class based on confirmed Nominations.

#### **9.4 TIME LIMITATION FOR DISPUTES**

The time limitation for disputes of allocations should be six (6) months from the date of the initial month-end allocation with a three (3) month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

## **10. ITS REVENUE CREDITING FOR SHIPPERS**

Revenues collected by Transporter for Zone 1 under Rate Schedule ITS during any calendar year shall be subject to the following crediting requirements.

- 10.1 Transporter shall retain all Rate Schedule ITS revenues collected for Zone 1 attributable to:
  - (a) that portion of the applicable Zone 1 Rate Schedule ITS rates representing variable costs, including Transporter's administrative costs of providing service in Zone 1; and
  - (b) any applicable surcharges.
- 10.2 In the event Transporter receives revenues from ITS Zone 1 in excess of the cost allocation described in Section 20.4(a) above, Transporter shall credit such excess revenues pro rata to Zone 1 Firm and Interruptible Transportation Shippers. Zone 1 Firm and Interruptible Transportation Shippers shall be credited 100% of their pro rata share of such excess Zone 1 ITS revenues. For purposes of this Section, a Shipper's share of the revenues credited shall be determined in accordance with the quantities transported for that Shipper. Specifically, a firm Shipper's share of revenues shall be determined by multiplying the greater of Shipper's CD or actual quantities transported by the relevant time period.
- 10.3 The revenues to be credited, if any, shall be credited to those qualifying Shippers not later than April 1 of each year, or if a credit cannot be applied, a cash refund shall be distributed.

## **11. IMBALANCES, PURCHASE AND SALE OF GAS AND ACQUISITION OF OFF-SYSTEM CAPACITY**

### **11.1 RESPONSIBILITY FOR BALANCING**

In addition to delivering and receiving volumes of Gas in conformance with Nominations, Shippers are responsible for conforming their takes at Delivery Points with their deliveries to Transporter at Receipt Points each Day. Transporter has no obligation to deliver for the account of a Shipper more volumes of Gas than Transporter has received for the account of the Shipper or to accept for the account of the Shipper more volumes of Gas than are being delivered for the account of the Shipper on any Day.

### **11.2 MONTHLY IMBALANCES, NETTING AND OFFSETTING**

At the end of each calendar Month, to the extent the net receipts (with the appropriate deductions for FL&U) do not equal the deliveries under an Agreement on a Dth basis, the following netting and offsetting procedures will apply:

- A. Imbalances under a Shipper's Service Agreements of the same class (e.g., FTS, BHS or ITS) will be netted together within an Operational Impact Area to obtain the Shipper's Total Monthly Imbalance by Operational Impact Area. The Total Monthly Imbalance by Operational Impact Area will be shown with the Monthly billings sent to Shippers.
- B. To assist Shippers in arranging offsets, Transporter will post on its Interactive Website the Total Monthly Imbalance by Operational Impact Area of any Shipper which has notified Transporter that it has elected to have such information posted. Notification by the Shipper must be made via Transporter's Interactive Website or via EDI and shall be effective by 8:00 a.m. on the next Business Day (Central Clock Time) if the notification is received by 11:45 a.m. on a Business Day. Imbalance information authorized for posting through such notification shall be posted no later than the ninth Business Day of the Month after the Imbalance occurred. Shippers shall have the ability to post and trade Imbalances, and Imbalance information shall remain posted, until the seventeenth Business Day of the Month after the Imbalance occurred.
- C. Transporter shall enable the Imbalance trading process whereby Shippers can trade Imbalances within the same Operational Impact Area via its Interactive Website or via EDI by:
  - (1) Receiving the Request for Imbalance Trade;
  - (2) Receiving the Imbalance Trade Confirmation;

- (3) Sending the Imbalance Trade Notification; and
  - (4) Reflecting the trade prior to or on the next Monthly Shipper Imbalance or cashout statement.
- D. All Imbalance Trades shall be received by the seventeenth (17th) Business Day of each Month. Imbalance trades can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. Imbalance trades are considered final when confirmed by the confirming trader and effectuated by Transporter.
- E. After receipt of an Imbalance Trade Confirmation, Transporter shall send the Imbalance Trade Notification to the initiating trader and the confirming trader no later than noon (Central Clock Time) the next Business Day.
- F. Shipper Imbalances by Operational Impact Area remaining after the Imbalance netting and trading procedures set out in Subsections A through E above shall be cashed out as described in Section 11.3 of these General Terms and Conditions.
- G. Nothing contained in this Section shall require Transporter to allow netting or trading of Imbalances which may result in a negative financial impact to Transporter. Shipper shall be responsible for all applicable transportation or other charges related to netting or trading Imbalances across zones, or charges related to movement of Gas, via netting or trading, outside the paths covered by Shipper's service agreement(s).

### **11.3 CASHOUT PROCEDURES**

- A. Any Imbalance remaining will be cashed out on a tiered basis pursuant to the following schedule, unless other means of disposition are mutually agreed between Transporter and Shipper:

<b>IMBALANCE LEVEL</b>	<b>OVERAGE</b> (Transporter pays Shipper)	<b>UNDERAGE</b> (Shipper pays Transporter)
0% to 5%	100% x MIP	100% x MIP
Greater than 5%	95% x MIP	105% x MIP

- B. Following any offsetting with other Shippers, a Shipper's remaining Imbalance will be cashed out based on the percentage of that Imbalance compared to the total net receipts or deliveries for that Shipper during the Month. An overage Imbalance will be compared to total net receipts and an underage Imbalance will be compared to total deliveries. For example, if the total receipts were 1,000 Dth

and the remaining underage Imbalance after offsetting with other Shippers was 100 Dth, the total Imbalance Level would be 10%. The first 5% (50 Dth) would be cashed out at 100% of the MIP and the remaining 50 Dth would be cashed out at 105% of the MIP.

- C. The Monthly Index Price (MIP) is based on prices as reported by Natural Gas Intelligence. Transporter shall use either the highest weekly average price or the lowest weekly average price determined for each Month as the MIP for all Monthly Imbalances subject to cashout hereunder, as described below. The average price for each week shall be the price in the table entitled "Natural Gas Intelligence Weekly Gas Price Index; Cash Market Prices" of the above publication (or the superseding reference if the publication titling is revised). The issues of such publication to be used in determining each Month's highest and lowest weekly average prices shall include all issues with publication dates within the calendar Month in which the imbalance occurred, plus the first publication of the next Month after the Imbalance occurred.
- (1) For Gas owed Transporter (negative Imbalances), the MIP shall be the highest of the weekly average prices for the applicable location indicated below for the Month in which the Imbalance occurred.
  - (2) For Gas owed Shipper (positive Imbalances), the MIP shall be the lowest of the weekly average prices for the applicable location indicated below for the Month in which the Imbalance occurred.

Operational Impact Area, as applicable:

<b>Pipeline Segment</b>	<b>East of:</b>	<b>West or South of &amp; Including:</b>	<b>Index</b>
100-120 600-650 700-750		Wamsutter	Rocky Mountains, CIG
130-170	Wamsutter	Cheyenne	Rocky Mountains, Cheyenne Hub
200-290	Cheyenne	PEPL-Audrain County, MO	Midcontinent, Northern Natural Demarc
300-320	PEPL	IL / IN Border	Midwest, Chicago Citygate
330-390	IL / IN Border	Clarington	Appalachia, Columbia Gas

- D. Following the period for offsetting Imbalances, Shippers with remaining Imbalances shall pay Transporter or will be credited with the appropriate cashout amounts, unless otherwise agreed to in writing by Transporter.

- E. In each instance when a Shipper(s) must cashout its remaining Operational Impact Area Imbalance(s), Transporter shall have the right to review the circumstances surrounding such remaining Imbalance and, in its judgment, may waive all or a portion of the cashout amount. Any such waiver shall be granted on a non-discriminatory basis to all Shippers from whom cashout amounts were collected in that instance.
- F. In the event "Natural Gas Intelligence Weekly Gas Price Index; Cash Market Prices" becomes unavailable, Transporter shall request authorization from the Commission to substitute another publication and, upon approval, shall substitute information posted in the approved publication for similar indices.

#### **11.4 OPERATIONAL DATA VS. ACTUALS**

In determining the cashout tier applicable under Section 11.3 above, Transporter will utilize the operational data posted on Transporter's Interactive Website as of the end of the Month or the actual flow volumes, whichever results in a lower cost impact to Shipper.

#### **11.5 PRIOR PERIOD ADJUSTMENTS**

Any Imbalances for a Month that are booked after the transportation for that Month has been billed will be cashed out at 100% of the highest MIP during the Month the Imbalance occurred.

#### **11.6 PURCHASE AND SALE OF GAS**

Transporter is not providing a supply service under any Rate Schedule of this Tariff. Without limitation of the foregoing, Transporter may purchase and/or sell Gas to the extent necessary to maintain System pressure, to acquire, maintain or manage line pack Gas on the System, to implement the cashout procedures under this Section 11 and/or to perform other System management or operational functions deemed necessary from time-to-time in connection with providing transportation services. The availability of Gas for sale or interest in purchasing Gas will be posted for bidding on Transporter's Interactive Website in accordance with the applicable bidding provisions set forth in this Tariff. If Transporter completes a purchase or sale of Gas, Transporter will post on its Interactive Website, to the extent feasible, not more than two (2) Business Days after the transaction is complete, the counterparty, the date of the purchase/sale, volume and the purchase/sale price. The information pertaining to a completed transaction shall remain on the Interactive Website for at least thirty (30) Days. Further, by April 1 of each Year, Transporter shall submit a report to the Commission stating the above information for each purchase/sale transaction occurring during the previous calendar Year. The annual report will also include information on the cost and revenue associated with the purchase/sale(s), identification of the source of the gas, an explanation as to the purpose of the purchase/sale(s), and all entities, including affiliates, from which Transporter

purchased operational Gas. The Point(s) of any such purchase or sale shall occur at any Receipt Points or Delivery Points on Transporter's System, or at Points located within any off-System Capacity held by Transporter on other systems. Such purchases or sales shall be authorized pursuant to Transporter's blanket certificate and will be made on a non-discriminatory basis. Any buyer of Gas will be required to arrange with Transporter for the necessary transportation from the Point of sale. Nothing herein shall impose on Transporter any obligation to provide a supply function to any of its Shippers.

### **11.7 ACQUISITION OF OFF-SYSTEM CAPACITY BY TRANSPORTER**

- A. Transporter may, from time-to-time, enter into transportation or storage Agreement(s) with upstream or downstream entities, including other interstate pipelines, intrastate pipelines, or local distribution companies (Acquired Capacity). Transporter may use the Acquired Capacity for its System operational needs and/or to render service to its customers. For purpose of any use of Acquired Capacity covered by this Section 11.7, the "shipper must hold title" requirement is waived.
- B. Transporter states that if it provides service for others using Acquired Capacity, it will apply to such services the same tariff as is applicable to on-System customers, as such tariff may change from time-to-time. Additionally, Shipper may pay Transporter an amount equal to the charges Transporter is obligated to pay such third party(ies) for the Acquired Capacity, as agreed between Transporter and Shipper. Such charges may include, but are not limited to, reservation and/or usage charges and surcharges, Fuel charges, compression fees, balancing or storage fees, measurement fees, processing fees and/or facility charges. Such Charges shall be set forth as separate items, as necessary, on bills rendered by Transporter to Shipper.
- C. Nothing herein shall be read to preclude Transporter from filing with the Commission for different tariff provisions applicable to any such service which Transporter provides using Acquired Capacity; provided, however, that the waiver of the "shipper must hold title" requirement hereunder shall not apply in such a circumstance and Transporter will be required to seek a case-specific waiver of that requirement from the Commission.



## **12. STATEMENTS, BILLING, PAYMENT, RATE DISCOUNT ORDER AND TYPES OF DISCOUNTS**

### **12.1 STATEMENT AND INVOICES**

Transporter shall, on or before the ninth (9th) Business Day of each Month, render to Shipper a bill or bills for service under each applicable Rate Schedule during the preceding Month. As used in this Section 12, a bill is deemed to be "rendered" by Transporter and received by Shipper at the time the monthly final invoice notice is posted on the Interactive Website. Invoices will be based on actuals (if available) or best available data. Quantities at Points where OBAs exist will be invoiced based on scheduled quantities.

### **12.2 SHIPPER INFORMATION**

If information is required from Shipper, or its designee, to actualize volumes or allocations, Shipper shall furnish the required information, or cause it to be furnished, to Transporter, on or before the tenth (10th) Business Day of each Month.

### **12.3 IMBALANCE STATEMENT**

Imbalance statements will be generated at the same time or prior to the generation of the invoice. Prior to or with the above-required invoice for billing, Transporter shall render the Gas Imbalance statement that details in Dth, the Gas received and delivered each Month at the Receipt and Delivery Point(s), based on the best information available.

### **12.4 PAYMENT**

Shipper shall pay to Transporter at the address indicated on the invoice or, if directed by Transporter, by wire transfer to a bank designated by Transporter, the amount due Transporter for services provided pursuant to an Agreement during the appropriate calendar Month as reflected in the billing described above, within ten (10) calendar Days after the date of receipt of such billing. For purposes of this section, the bill is deemed to be received by Shipper at the time the monthly final invoice notice is posted on the Interactive Website. The invoice number should be identified on all payments and the Shipper should submit supporting documentation identifying what is being paid. Transporter shall apply payment per such supporting documentation. If payment differs from the invoiced amount, remittance detail should be provided with the payment. Should Shipper fail to pay any undisputed portion of any bill as herein provided when such amount is due, interest on the unpaid portion of the bill shall accrue at the maximum allowable interest permitted under the Commission's Regulations. For any amount to be considered "disputed," Shipper must provide appropriate documentation supporting and identifying the basis for the dispute. If Shipper fails to make payment in

accordance with this section, Transporter may, in addition to any other remedy it may have under this Tariff or under commercial law: (a) suspend deliveries as provided in Section 3.8 of these General Terms and Conditions; and (b) offset such deficient payments against any payments, refunds or credits owed by Transporter to Shipper.

## **12.5 ADJUSTMENT OF ERRORS**

- A. The time limitation for disputes of allocations shall be six (6) Months from the date of the initial Month-end allocation with a three (3) Month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.
- B. Prior period adjustment time limits shall be six (6) Months from the date of the initial transportation invoice and seven (7) Months from date of initial sales invoice with a three (3) Month rebuttal period, excluding government-required rate changes. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.
- C. In no event will any changes be made after twenty-four (24) Months from the initial date of statements, billings or payment, based on actualized volumes, unless the parties mutually agree.
- D. Any error discovered as a result of a timely claim shall be corrected within thirty (30) Days of the determination thereof. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

## **12.6 RATE DISCOUNT ORDER AND TYPES OF DISCOUNTS**

- A. Rate Discount Order

If and when Transporter discounts the rates and charges applicable for service under any Rate Schedule, the components of the currently applicable Maximum Rate shall be discounted in the following order: The first item of the overall charge discounted will be any surcharge, followed by the base rate charge. Any surcharges will be attributed in accordance with the applicable section of the General Terms and Conditions that provides for the surcharge as established in individual proceedings.

- B. Types of Discounts

If Transporter agrees to a Discounted Rate under Transporter's Rate Schedules, the following terms may be agreed to without constituting a material deviation from Transporter's applicable pro forma Service Agreement; provided, however,

any such rate or component thereof shall not be less than Transporter's applicable minimum rate, nor greater than Transporter's applicable maximum rate. Such rate may apply:

- (1) to specified quantities under Shipper's Service Agreement(s);
- (2) to quantities above or below a certain level, or all quantities if quantities exceed a certain level;
- (3) in a specified relationship to quantities actually transported (i.e., that the rates shall be adjusted in a specified relationship to the quantities actually transported);
- (4) during specified periods of the Year or over specifically defined periods of time;
- (5) to specified Receipt Points, Delivery Points, Pooling areas, transportation routes, markets or other defined geographical areas;
- (6) to production reserves, Gas supplies or markets committed by Shipper;
- (7) if one rate component, which was at or below the applicable maximum rate at the time the discount Agreement was executed, subsequently exceeds the applicable maximum rate due to a change in Transporter's maximum rates so that such rate component must be adjusted downward to equal the new applicable maximum rate, then other rate components may be adjusted upward to achieve the agreed upon overall rate, so long as none of the resulting rate components exceed the maximum rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission Order accepts revised tariff Sections;
- (8) if the rate is based on published index prices for specified Receipt or Delivery Points or other agreed-upon pricing reference points for price determination, which indices conform to Commission policy and standards. Such Discounted Rate may be based on the differential between published index prices or arrived at by formula. Such Discounted Rate: (i) shall not change the underlying rate design; (ii) shall not include any minimum bill or minimum take provision that has the effect of guaranteeing revenue; (iii) shall in each agreement entered into pursuant hereto, specify the rate component(s) to be discounted and the extent thereof; and (iv) shall not exceed the applicable maximum rate, nor be below the applicable minimum rate; and/or

- (9) to provide for increasing (or decreasing) a Discounted Rate for service under one rate schedule to make up for a decrease (or increase) in the maximum rate for a separate service provided under another rate schedule, and any such discount shall specify the rate component to be discounted.

## 13. EVALUATION OF CREDIT

13.1 In evaluating requests for service and for certain other purposes under this Tariff, Transporter will perform a credit appraisal of Shipper.

- A. Acceptance of a Shipper's request for service and the continuation of service to a Shipper are contingent upon the Shipper satisfying creditworthiness requirements on an on-going basis. To determine creditworthiness, a credit appraisal shall be performed in accordance with the following criteria:
1. Transporter shall apply consistent evaluation practices to all similarly situated Shippers in determining any Shipper's financial ability to perform the payment obligations due to Transporter over the term of the requested or existing Service Agreement.
  2. A Shipper will be deemed creditworthy if (i) its long-term unsecured debt securities are rated at least BBB- by Standard & Poor's Corporation ("S&P") and at least Baa3 by Moody's Investor Service ("Moody's") (provided, however, that if the Shipper's rating is at BBB- or Baa3 and the short-term or long-term outlook is Negative, Transporter may require further analysis as discussed below); (ii) it has no outstanding payments due on invoices for which Transporter would be entitled to suspend service, or has already suspended service, per the terms of Section 3.8(A)(1) of the General Terms and Conditions (not including amounts disputed by Shipper in good faith); and (iii) the sum of reservation fees, commodity fees and any other associated fees and charges for the contract term, on a Net Present Value basis, is less than 15% of Shipper's tangible net worth. If a Shipper has multiple service agreements with Transporter, then the total potential fees and charges of all such service agreements shall be considered in determining creditworthiness.
  3. As used in the prior paragraph, the term "tangible net worth" means the excess of assets over liabilities from an accounting standpoint, which is also known as "capital." For example, in the case of a corporation, tangible net worth is represented by the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts, if any. Transporter defines tangible net worth for a corporation as the sum of the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts less goodwill, patents, unamortized loan costs or restructuring costs, and other intangible assets. Only actual tangible assets are included in

Transporter's assessment of creditworthiness. Tangible net worth is compared with the Net Present Value of a Shipper's obligations to Transporter under its contracts in applying the 15% test in the prior paragraph.

4. If a Shipper does not meet the criteria described above, then such Shipper may request that Transporter evaluate its creditworthiness based upon the level of its current and requested service(s) on Transporter relative to the Shipper's current and future ability to meet its obligations. Such credit appraisal shall be based upon Transporter's evaluation of the following information and credit criteria:
  - a. S&P and Moody's opinions, watch alerts, and rating actions and reports, ratings, opinions and other actions by Dun and Bradstreet and other credit reporting agencies will be considered in determining creditworthiness.
  - b. Consistent financial statement analysis will be applied by Transporter to determine the acceptability of Shipper's current and future financial strength. Shipper's balance Sheets, income statements, cash flow statements and auditor's notes will be analyzed along with key ratios and trends regarding liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency and profitability.
  - c. Results of bank and trade reference checks and credit reports must demonstrate that Shipper is paying its obligations in a timely manner.
  - d. Shipper must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws and there must not be pending any petition for involuntary bankruptcy of the Shipper. An exception may be made for a Shipper which is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act if Transporter is assured that the service billing will be paid promptly as a cost of administration under the federal court's jurisdiction, based on a court order in effect, and if the Shipper is continuing and continues in the future actually to make payment.
  - e. Whether Shipper is subject to any lawsuits or judgments outstanding which could materially impact its ability to remain solvent.

- f. Whether Shipper has or has had any delinquent balances outstanding for services provided previously by Transporter and whether Shipper is paying and has paid its account balances according to the terms established in its service agreements (excluding amounts as to which there is a good faith dispute).
- g. The nature of the Shipper's business and the effect on that business of general economic conditions and economic conditions specific to it, including Shipper's ability to recover the costs of Transporter's services through filings with regulatory agencies or otherwise to pass on such costs to its customers.
- h. Any other information, including any information provided by Shipper, that is relevant to Shipper's current and future financial strength and Shipper's ability to make full payment over the term of the contract.
- i. Information which Transporter may request to be provided by Shipper to Transporter in connection with such a credit evaluation includes the following:
  - (i) Audited Financial Statements;
  - (ii) Annual Reports;
  - (iii) Most recent statements filed with the Securities and Exchange Commission (or an equivalent authority) or other similar publicly available information;
  - (iv) For public entities, the most recent publicly available interim financial statements, with an attestation by its Chief Financial Officer, Controller, or equivalent (CFO) that such statements constitute a true, correct, and fair representation of the Shipper's financial condition prepared in accordance with Generally Accepted Accounting Principles (GAAP) or equivalent;
  - (v) For non-public entities, including those that are state-regulated utilities, the most recent available interim financial statements, with an attestation by its CFO that such statements constitute a true, correct, and fair representation of the Shipper's financial condition prepared in accordance with GAAP or equivalent;

- (vi) For non-public entities, including those that are state-regulated utilities, any existing sworn filings, including the most recent available interim financial statements and annual financial reports filed with the respective regulatory authority, showing the Shipper's current financial condition;
  - (vii) For any state-regulated utility local distribution company, documentation from its state regulatory commission(s) (or equivalent authority) of an authorized cost recovery mechanism;
  - (viii) List of affiliates, parent companies, and subsidiaries;
  - (ix) Publicly available credit reports from credit and bond rating agencies;
  - (x) Private credit ratings, if obtained by the Shipper;
  - (xi) Bank references;
  - (xii) Trade references;
  - (xiii) Statement of legal composition;
  - (xiv) Statement of the length of time the business has been in operation; and
  - (xv) Such other information as may be mutually agreed to by the parties.
5. If Transporter concludes that a Shipper is non-creditworthy, Transporter shall provide written notice to Shipper within ten (10) Days after that determination is made. If requested by Shipper, Transporter shall provide a written explanation of the reasons for this determination. A Shipper may challenge this determination by providing a written rebuttal to Transporter's explanation within ten (10) Days after the explanation is provided by Transporter. Transporter shall respond to such a rebuttal in writing within ten (10) Days. Any reevaluation of credit by Transporter in response to such a rebuttal by the Shipper shall be based on the credit criteria set out in this Section.
6. If Transporter requests additional information to be used for credit evaluation after the initiation of service, Transporter, contemporaneous with the request, shall provide its reason(s) for requesting the additional



information to Shipper and designate to whom the response should be sent. Transporter and Shipper may mutually agree to waive this requirement. Upon receipt of either an initial or follow-up request from Transporter for information to be used for creditworthiness evaluation, Shipper's authorized representative(s) shall acknowledge receipt of Transporter's request. Transporter and Shipper may mutually agree to waive the requirements of this standard. Shipper's authorized representative(s) shall respond to Transporter's request for credit information, as allowed by this Tariff, on or before the due date specified in the request. Shipper shall provide all the credit information requested by Transporter or provide the reason(s) why any of the requested information was not provided. Upon receipt from Shipper of all credit information provided pursuant hereunder, Transporter shall notify Shipper's authorized representative(s) that it has received such information. Transporter and Shipper may mutually agree to waive this requirement. Shipper shall designate up to two representatives who are authorized to receive notices regarding Shipper's creditworthiness, including requests for additional information, pursuant to the applicable standards and shall provide to Transporter the internet e-mail addresses of such representatives prior to the initiation of service. Written requests and responses are to be provided via internet e-mail, unless otherwise agreed to by the parties. The obligation of Transporter to provide creditworthiness notifications is waived until the above requirement on designation of representatives has been met. Shipper shall manage internal distribution of any creditworthiness notices that are received. Transporter shall designate, on its Interactive Website or in written notices to Shipper, the internet e-mail addresses of up to two representatives who are authorized to receive notices regarding Shipper's creditworthiness. Shipper's obligation to provide confirmation of receipt is met by sending such confirmation to such representatives, and Transporter shall manage internal distribution of any such confirmations. In complying with the creditworthiness related notifications pursuant hereto Shipper and Transporter may mutually agree to other forms of communication in lieu of internet e-mail notifications.

- B. 1. If a Shipper fails to satisfy the credit criteria or loses its creditworthiness status subsequent to the commencement of service on Transporter's system and desires to commence, re-commence, or continue service with Transporter, Transporter may require Shipper to (i) provide adequate assurance of payment for service in one of the forms set forth below, and (ii) if such Shipper is not creditworthy in part because there are outstanding payments due in accordance with Section 13.1A(2)(ii) of these General Terms and Conditions, pay any outstanding balances due to Transporter for services rendered.

Shipper may satisfy an obligation to provide adequate assurance of payment for service by providing Transporter with one of the following options, at Shipper's election:

- i. Payment in advance of all fees and charges for three (3) Months' advance service;
  - ii. A standby irrevocable letter of credit covering all fees and charges for three (3) Months' advance service drawn upon a bank acceptable to Transporter;
  - iii. Security interest covering all fees and charges for three (3) Months' advance service in collateral provided by the Shipper found to be satisfactory to Transporter;
  - iv. Guarantee of all fees and charges for three (3) Months' advance service by a person or another entity which does satisfy the credit appraisal; or
  - v. Any other mutually-agreeable level and form of collateral or security on a not unduly-discriminatory basis.
2. Nothing herein shall be read to preclude Transporter from requiring, and enforcing for the term of the initial contracts, more than three (3) Months of fees and charges for advance service as security in agreements supporting an application for a certificate to construct new or expanded facilities. For purposes of this paragraph, the term "initial contract" shall include any replacement contract entered into upon a permanent release of Capacity under an initial contract.

- C. Where a Shipper selects the prepayment option under Section 13.1B of these General Terms and Conditions, the prepayment amounts shall be deposited in an interest-bearing escrow account if such an escrow account has been established by the Shipper which meets the criteria set out in this paragraph. The costs of establishing and maintaining the escrow account shall be borne by the Shipper. The escrow bank must be rated at least AA or better and shall not be affiliated with the Shipper. The escrow arrangement shall provide for the prepayment amounts to be applied against the Shipper's obligation under its service agreement(s) with Transporter and shall grant Transporter a security interest in such amounts as an assurance of future performance. The escrow agreement shall specify the permitted investments of escrowed funds so as to protect principal, and shall include only such investment options as corporations typically use for short-term deposit of their funds. Such escrow account shall at all times maintain the amount of prepayment required under Section 13.1(B) of these

General Terms and Conditions. If Transporter is required to draw down the funds in escrow, it will notify the Shipper and the Shipper must replenish such funds within three (3) Business Days after such notice.

- D. Transporter's credit appraisal procedures involve the establishment of dollar credit limits on a standardized, nondiscriminatory basis. To the extent that a Shipper's accounts with Transporter do not exceed such limit, and Shipper has met all creditworthiness requirements as determined in periodic credit reviews by Transporter, which reviews may be conducted on at least an annual basis, no new credit appraisals shall be required when an existing Agreement is amended or a request for a new Agreement is made, provided that Shipper's payment history has been satisfactory and there is no bona fide basis for questioning Shipper's creditworthiness, subject to the provisions of Section 3.8 and 13.2 of these General Terms and Conditions.
- E. In the event Transporter constructs new facilities to accommodate a Shipper, Transporter may require from the Shipper security in an amount up to the cost of such facilities. Security hereunder may be in any of the forms available under Section 13.1B of these General Terms and Conditions, at Shipper's choice. Transporter is only permitted to recover the cost of facilities once, either through rates or through this provision. As Transporter recovers the cost of these facilities through its rates, the security required shall be reduced accordingly. Where facilities are constructed to serve multiple Shippers, an individual Shipper's obligation hereunder shall be for no more than its proportionate share of the cost of the facilities. This provision is in addition to and shall not supersede or replace any other rights that Transporter may have regarding the construction and reimbursement of facilities.
- F. Transporter shall not take any action under this Section 13.1 which conflicts with any order of the U.S. Bankruptcy Court.
- G. **Loaned Gas.** For loan services under Rate Schedule PALS, the credit requirement shall include the amount to adequately account for the value of loaned gas. The value of loaned gas shall be calculated on Shipper's Quantity pursuant to Section 8.4(B) of the PALS Rate Schedule.
- H. **Imbalances Due Transporter**
  - 1. Transporter has the right to seek security to cover the value of Shipper Imbalances owed Transporter by Shipper.
    - a. For existing Shippers, such imbalances shall be valued at Shipper's largest monthly negative imbalance over the most recent twelve (12) month period multiplied by the average of the highest MIP pursuant to Section 11.3C of the General

Terms and Conditions of this Tariff for the most recent available twelve (12) month period, on the day the credit requirement is determined.

- b. For new Shippers, such imbalances shall be valued at ten percent of Shipper's estimated monthly usage (as defined by Transporter) multiplied by the average of the highest MIP pursuant to Section 11.3C of the General Terms and Conditions of this Tariff for the most recent available twelve (12) month period, on the day the credit requirement is determined. This formula shall be used for the first twelve (12) months of service while a historical record is established; thereafter, security for such Shipper will be determined as specified for an existing Shipper.
2. Transporter may require credit support to cover the value of imbalances owed Transporter pursuant to an OBA.

## **13.2 DETERIORATION OF CREDIT**

- A.
  1. If at any time Transporter reasonably determines, based on adequate information available to it, that a Shipper is not creditworthy under Section 13 of these General Terms and Conditions, or if Shipper fails to maintain assurance of future performance under Section 13 of these General Terms and Conditions, Transporter may notify such Shipper in writing (which writing shall set forth the basis for Transporter's decision) that it has five (5) Business Days to provide Transporter with security consistent with Section 13 of these General Terms and Conditions. Such security shall be adequate to cover all charges for one Month's advance service.
  2. In addition, within thirty (30) Days after such notification, the Shipper must fully comply with the means for adequate assurance of future performance, covering three (3) full Months of advance service from the end of such 30-Day notice period, as provided under Section 13 of these General Terms and Conditions. If the Shipper has not satisfied the requirements in either of the prior two (2) sentences by the end of the specified notice period, Transporter may immediately suspend service to Shipper. Transporter may terminate service once it has complied with the procedures set forth further in this Section below, including the requisite prior notice.
  3. If Transporter does not have sufficient information to determine whether a Shipper is creditworthy, it may request additional information in writing from the Shipper consistent with Section 13 of these General Terms and

Conditions, and Shipper must provide such information within five (5) Business Days. If Shipper fails to provide the requested information or if Transporter determines that the Shipper is not creditworthy based on such information, Section 13.2A.1. of these General Terms and Conditions shall apply for suspension of service and Section 13.2D shall apply for termination of service.

- B. Any suspension of service hereunder may continue until Transporter is reasonably satisfied that Shipper is creditworthy under Section 13 of these General Terms and Conditions, until Shipper has provided adequate assurance of future performance under that Section 13, or until Transporter terminates service under Section 13.2E below.
- C. At any time after a Shipper is determined to be non-creditworthy by Transporter, Shipper may initiate a creditworthiness re-evaluation by Transporter. Such reevaluation shall be performed consistent with this Section 13 of these General Terms and Conditions. As part of Shipper's re-evaluation request, Shipper must either update or confirm in writing the prior information provided to Transporter related to Shipper's creditworthiness. Such update should include any event(s) that Shipper believes could lead to a material change in Shipper's creditworthiness. After Transporter's receipt of Shipper's request for re-evaluation, including all required information specified above, within five (5) Business Days, Transporter shall provide a written response to Shipper's request. Such written response should include either a determination of creditworthiness status, clearly stating the reason(s) for Transporter's decision, or an explanation supporting a future date by which a re-evaluation determination will be made. In no event should such re-evaluation determination exceed twenty (20) Business Days from the date of the receipt of Shipper's request unless specified in this Tariff or if the parties mutually agree to some later date. If Transporter determines that Shipper is now creditworthy, any security required under Section 13 of these General Terms and Conditions shall be terminated and any prepayment amounts (including any applicable interest) shall be released to Shipper from escrow within five (5) Business Days after such determination.
- D. Transporter and a Shipper may agree to reduce the MDQ of an Agreement ("MDQ Reduction") or to terminate an existing Agreement before the expiration of the term of the Agreement ("Early Termination") in response to an observable deterioration, based upon a review of the criteria specified in Section 13.1A of these General Terms and Conditions, of a Shipper's financial ability to perform the payment obligations due to Transporter over the term of the existing Agreement. As a condition of an MDQ Reduction or Early Termination, Transporter may require that a Shipper provide a payment to Transporter equal to all or a portion of the net present value of reservation charges that Shipper would be obligated to pay Transporter for the remaining term of the Agreement but for an MDQ Reduction or Early Termination. Neither Transporter nor a

Shipper shall be under any obligation to agree to an MDQ Reduction or Early Termination. Transporter shall negotiate MDQ Reductions and Early Terminations with Shippers on a not unduly discriminatory basis.

- E. In addition to or in lieu of suspension, Transporter may terminate service if the Shipper fails to provide adequate assurance of future performance consistent with this Section 13 of these General Terms and Conditions. Any such termination requires thirty (30) Days' prior notice to Shipper and to the Commission. Such notice may be given simultaneously with the notice provided for under Section 13.1A., above. To avoid termination, the Shipper must satisfy the requirements of Section 13.1B of these General Terms and Conditions within this notice period.
- F. Transporter may not assess reservation charges to a Shipper for suspended service and a Shipper may not release or recall firm Capacity under service which has been suspended.
- G. In addition to any prior notice provided for above, Transporter shall simultaneously notify the Commission in writing of any suspension or termination of service under this Section 13.2.
- H. Transporter may not take any action under this Section 13.2 which conflicts with any order of the U.S. Bankruptcy Court.

- 13.3 In order to obtain an Agreement under Rate Schedules FTS, C-HUB-FS, and/or BHS a Shipper must sign a consent and agreement, in a form acceptable to Transporter, to pay all charges under the Agreement to the agent designated by Transporter's lenders in the event the Shipper is notified that an event of default has occurred under Transporter's loan agreement.

## **14. INTERACTIVE WEBSITE**

### **14.1 WEBSITE DESCRIPTION**

- A. Transporter maintains a Commission compliant Interactive Website that is available for use by all Shippers and other interested parties. The Interactive Website has both secure and non-secure regions. Information of a general nature is included in the non-secure region while confidential, Shipper specific data is accessible only through the secure region, which requires a logon and password. Daily back-up records of the information displayed or entered through the Interactive Website is archived, and non-secure information is accessible to customers on a non-discriminatory basis. The data will be kept for a rolling three (3) Year period, inclusive of both current and archived data.
- B. The non-secure information is primarily comprised of Commission mandated informational postings. Transporter, in its sole discretion, may add informational sections to the Interactive Website in order to facilitate timely and complete communications with customers. The secure region provides access to Nominations, Flowing Gas/Volume Inquiry data, Invoicing, Contracting and Capacity Release Processing. Logon and password information required to enter the secure region of the Interactive Website may be obtained per the procedures outlined in Section 14.2 of the General Terms and Conditions, below.

#### **1. INFORMATIONAL POSTINGS**

The types of information available through the Informational Postings portion of the Interactive Website include: (i) all affiliated marketer information including names and addresses for affiliated marketing companies; (ii) reports on operationally available Capacity, design Capacity, unsubscribed Capacity and released Capacity at Receipt/Delivery Points and on the mainline; (iii) notices concerning critical Capacity related issues and non-critical Capacity issues providing relevant contract and customer information; (iv) the FERC Index of Customers and the FERC Contract transactional postings; (v) the Tariff with search, download and print capabilities; (vi) Imbalance volumes available for trading among Shippers prior to cashout, as provided in Section 11.3 of these General Terms and Conditions; and (vii) a Point catalogue and Transporter's customer contracts listing.

#### **2. NOMINATIONS**

This feature allows for submittal of all transportation Nominations, transfer Nominations, predetermined allocations and Nomination priorities as required in Section 7. Operators can confirm volumes online. Shippers and Point Operator(s) can review, print or download scheduled quantity reports.

3. FLOWING GAS/VOLUME INQUIRY

This feature provides volumetric information on total Gas flows and allocated flows, at a Point and contract level. The timing for reporting daily operational allocations after the Gas has flowed is within one (1) Business Day after the end of the Gas Day. If the best available data for reporting daily operational allocations is the scheduled quantity, that quantity should be used for the daily operational allocation. Each Shipper and each other entity involved in a transaction at a Point will be able to see the total flows at the Point and the volumes allocated to or by such Shipper or other entity.

4. INVOICING

This system component allows Shippers to view and download invoices and a statement of account. Additionally, using this component, Shippers can create and submit a Payment Remittance.

5. CONTRACT REQUEST PROCESSING

Using this feature, Shippers can review their existing Agreement information, submit new requests for Agreements and submit requests to amend Agreements and execute Service Agreements online.

6. CAPACITY RELEASE REQUEST AND BID PROCESSING

This interactive feature allows Shippers to submit Capacity Release Requests and Bids, which, in turn, are automatically posted to this Interactive Website as provided in Section 15. Additionally, Shipper with recall provisions in a release of Capacity can initiate the recall process using this feature.

- C. Unless specifically stated otherwise, all communications with the Transportation Service Provider should be made via the electronic method(s) (Interactive Website, EDI, email) specified in NAESB standards for a particular NAESB document/process or via some other mutually agreeable means.

## **14.2 ACCESS TO WEBSITE**



Shippers and other interested parties ("Subscriber(s)") may obtain access to the interactive transactional web pages by contacting a representative of Transporter's Customer Services Department of which the contact information is available on the website. Logons, passwords and access instructions will be supplied upon request under the terms and conditions set forth in this section. The Internet address for this Interactive Website is <http://pipeline.tallgrassenergyllp.com>. The term "Subscribers" used in Section 14 of these General Terms and Conditions shall mean those Shippers or other interested parties that do obtain access to the interactive transactional web pages according to this Section 14.

### **14.3 AUTHORITY**

Users of the Interactive Website shall be deemed to have agreed and admitted that any employee permitted access by Subscriber shall have the legal authority to act on behalf of Subscriber in performing any functions, including those functions that are available presently and those functions that will or may become available at a later date.

### **14.4 INSTALLATION**

Each Subscriber shall purchase and ensure that lawful installation of Internet browser software occurs for each personal computer (PC) from where the Interactive Website is accessed.

### **14.5 CONFIDENTIALITY**

Certain information contained on the Interactive Website is confidential. A Subscriber shall not reproduce, disclose or otherwise make available confidential information contained therein to any other company, corporation, individual, or partnership.

### **14.6 RELIANCE BY TRANSPORTER**

Transporter may act, and shall be fully protected by a Subscriber in acting, in reliance upon any acts or things done or performed by Subscriber's employees or designated Agents on behalf of Subscriber and in respect to all matters conducted through the Interactive Website. Transporter may correct errors in information entered into the Interactive Website by a Subscriber promptly after receiving notice of the corrections or may require Subscribers to enter the corrections directly into the Interactive Website.

### **14.7 ACCESS TO CONFIDENTIAL INFORMATION**

Should a Subscriber require access to confidential information (such as Agreement, Points, Nomination, volume, or other customer-specific information deemed to be of a confidential nature requiring controlled access), Transporter will require the Subscriber to provide a written request and officer level approval for issuance of a company-level computer access (logon) identification code and password. Upon receipt of such request,

Transporter will ensure return of a confidential logon code and password within one (1) Business Day.

## **14.8 LOGON**

A Subscriber's logon and password are confidential and are used to identify that Subscriber. A Subscriber shall keep its Interactive Website logon and password confidential. A Subscriber will ensure that only authorized employees and Agents of Subscriber will be given Subscriber's logon and password and only these authorized persons will be permitted to access the Interactive Website on Subscriber's behalf. A Subscriber and its employees and Agents will not disclose the Subscriber's logon and password to anyone without authority to access the Interactive Website on behalf of the Subscriber. To ensure such confidentiality is not breached, requests from Subscriber employees or Agents for information regarding Subscriber logon and password made subsequent to issuance of the original logon and password may not be honored without receipt by Transporter of additional authorization from Subscriber. Subscriber shall be responsible for and accepts liability for any security breach that is traced to Subscriber's logon and password.

## **14.9 BREACH OF SECURITY**

A Subscriber shall promptly notify Transporter if there is any indication that a security breach has occurred with regard to Subscriber's logon and password. This includes, but is not limited to: (a) loss of confidentiality of logon and password; (b) termination of employment of any authorized employee; or (c) loss of authority to access the Interactive Website by any authorized employee. Such notification shall be made to Transporter's Gas Transportation Services Department.

## **14.10 LIMITATION TO ACCESS**

A Subscriber may attempt to access only that data for which Subscriber has authorization. A Subscriber shall provide supporting legal documentation prior to being given access to data of other subsidiaries, affiliates, or companies for whom it has an agency relationship. See these General Terms and Conditions for information on delegation.

## **14.11 INDEMNITY AND LIMITS OF RESPONSIBILITY**

Each subscriber shall indemnify Transporter and hold Transporter harmless for all damages, losses and liabilities arising out of:

- A. Subscriber's or its employees' or Agents' breach of any of Subscriber's obligations under this Section 14, including any breach of confidentiality with respect to the assignment of logon(s) and/or password(s) to Subscriber's authorized employees and Agents and any unauthorized use by a formerly authorized person or by any

unauthorized person who gained knowledge of Subscriber's logon(s) and/or password(s) through no fault of Transporter;

- B. Any omission or failure by Subscriber's employees or Agents to act or perform any duty required by an Interactive Website function; and
- C. Any action taken by Subscriber, its employees or Agents, its former authorized employees and Agents or unauthorized persons who gained knowledge of Subscriber's logon(s) and/or password(s) through no fault of Transporter, which interferes with the proper operation of the Interactive Website.

Transporter shall not be responsible for an omission or failure by Transporter to act or perform any duty requested by a function accessed via the Interactive Website if such omission or failure to act is caused by or related to data lost in the transmission of such data from Subscriber's to Transporter's computer system, power failures, failure of appropriate backup systems, or any other event beyond the reasonable control of Transporter.

#### **14.12 RESERVATION**

Transporter reserves the right to add, modify or terminate the Interactive Website functions at any time subject to compliance with Commission Regulations.

#### **14.13 AGREEMENT**

Any Subscriber who is not a Shipper under one of the Rate Schedules contained in this FERC Gas Tariff will be required, as a precondition of access to the Interactive Website, to sign an Agreement with Transporter pursuant to which the Subscriber agrees to be bound by the provisions of this section.

## **15. CAPACITY RELEASE BY RATE SCHEDULE FTS, C-HUB-FS, AND BHS SHIPPERS**

### **15.1 GENERAL**

- A. Any Shipper wishing to become a Qualified Bidder and make a Qualified Bid must first enter into a Master Capacity Release Agreement with Transporter and satisfy the creditworthiness requirements in these General Terms and Conditions prior to submitting a Qualified Bid under this Section. The form of Master Capacity Release Agreement is contained in Transporter's Interactive Website. A Shipper cannot bid for services which exceed its pre-qualified level of credit-worthiness. Transporter will process applications from potential Qualified Bidders seeking prequalification for bids they may make in the future.
- B. Subject to the terms, conditions and limitations set forth in this Section 15, a Shipper shall have the right to release all or a portion of Capacity held under an eligible firm Transportation Agreement and, if a temporary Capacity release is effectuated under this Section 15, to receive a credit for reservation charge revenues received by Transporter from that other Shipper for such released Capacity.
- C. The capacity release timeline set forth in this Section 15 applies to all parties involved in the Capacity release process provided that: 1) all information provided by the parties to the transaction is valid and the Replacement Shipper (or Sub-replacement Shipper, if applicable) has been determined to be creditworthy before the Qualified Bid is tendered, 2) for index-based capacity release transactions, the Releasing Shipper has provided Transporter with sufficient instructions to evaluate the corresponding bids according to the timeline, and 3) there are no special terms or conditions of the release. Further, Transporter may complete the capacity release process in a different timeline if the offer includes unfamiliar or unclear terms and conditions (e.g., designation of an index not supported by Transporter).
- D. Following is a summary of the Capacity release process and deadlines set forth in greater detail in the remainder of this Section 15 (all times are CCT):
  - (1) For biddable releases (one (1) year or less):
    - (i) The offer should be tendered by 9:00 a.m. on a Business Day;
    - (ii) The open season ends at 10:00 a.m. on the same or a subsequent Business Day (evaluation period begins at 10:00

a.m. during which any contingency is eliminated, determination of winning Best Bid(s) is made, and ties are broken);

- (iii) Evaluation period ends and award posting if no match required at 11:00 a.m.;
- (iv) Match if required, or award is communicated by 11:00 a.m.;
- (v) Match response by 11:30 a.m.;
- (vi) Award posting where match required by 12:00 Noon;
- (vii) Contract issued within one (1) hour of award posting (with a new contract number if applicable), Nomination possible beginning at the next available Nomination cycle for the effective date of the contract (Nomination is not contingent on a contract being issued or executed so long as the Replacement Shipper has pre-approved credit).

(2) For biddable releases (more than one (1) year):

- (i) The offer should be tendered such that it can be posted by 9:00 a.m. on a Business Day;
- (ii) The open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days;
- (iii) Evaluation period begins at 10:00 a.m., on the final day of the open season, during which any contingency is eliminated, determination of Best Bid is made and ties are broken;
- (iv) Evaluation period ends and award posting if no match required by 11:00 a.m.;
- (v) Match, if required, or award is communicated by 11:00 a.m.;
- (vi) Match response by 11:30 a.m.;
- (vii) Where match required, award posting by 12:00 Noon; and
- (viii) Contract issued within one (1) hour of award posting (with a new contract number when applicable), Nomination possible beginning at the next available Nomination cycle for the effective date of the contract (Nomination is not contingent on

contract being issued or executed so long as the Replacement Shipper has pre-approved credit).

- (3) For non-biddable releases (in accordance with NAESB WGQ Standard 5.3.2):
- (i) The posting of prearranged deals that are not subject to bid are due no later than one hour prior to the nomination deadline for the applicable cycle, pursuant to Section 7.2. The posting deadlines are:
    - 1) Timely Cycle            12:00 Noon
    - 2) Evening Cycle        5:00 p.m.
    - 3) Intraday 1 Cycle     9:00 a.m.
    - 4) Intraday 2 Cycle     1:30 p.m.
    - 5) Intraday 3 Cycle     6:00 p.m.
  - (ii) The contract is issued within one hour of the award posting (with a new contract number, when applicable).
  - (iii) Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

## **15.2 DEFINITIONS**

**A. BID VALUE**

The value assigned to a Qualified Bid or a Prearranged Release according to the bid evaluation procedures set forth in Section 15.10 or, if applicable, the bid evaluation procedures set forth in the Capacity Release Request.

**B. CAPACITY RELEASE REQUEST**

The request that a Releasing Shipper submits to initiate the Capacity release procedure under this Section 15.

**C. ELIGIBLE TRANSPORTATION AGREEMENT**

A Transportation Agreement under Rate Schedules FTS, C-HUB-FS, or BHS.

**D. MAXIMUM BID VOLUME**

The maximum amount of Capacity the Qualified Bidder agreed to accept in its Qualified Bid.

E. MINIMUM BID VOLUME

The minimum amount of Capacity the Qualified Bidder agreed to accept in its Qualified Bid.

F. ORIGINAL SHIPPER

The entity that is the Shipper under an Eligible Firm Transportation Agreement (other than through a Capacity release).

G. PREARRANGED RELEASE

The binding written release agreement between a Releasing Shipper and a Prearranged Shipper covering Eligible Firm Transportation Agreement Capacity rights, the effectiveness of which is subject only to: (1) the prequalification of the Prearranged Shipper under Section 15.15; and (2) the release of such Capacity rights to the Prearranged Shipper as provided by this Section 15.

(i) A prearranged Release between a Releasing Shipper and an Asset Manager as that term is defined in 18 C.F.R. Section 284.8(h)(3), shall be defined for purposes of this Section 15, as a "Prearranged Asset Manager Release".

(ii) A Prearranged Release between a Releasing Shipper and a Marketer Participating in a State-Regulated Retail Access Program, as that term is defined in 18 C.F.R. Section 284.8(h)(4), shall be defined for purposes of this Section 15, as a "Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program".

(iii) A Prearranged Asset Manager Release and a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program are exempt from the Open Season Requirements set forth in this Section 15.

H. PREARRANGED SHIPPER

A person or entity pre-qualified under Section 15.15 who has entered into a Prearranged Release with a Releasing Shipper for Eligible Firm Transportation Agreement Capacity rights, including a Replacement Shipper under either a Prearranged Asset Manager Release, or a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program.

I. QUALIFIED BID

A binding bid pre-qualified under Section 15.15 by a Qualified Bidder for Capacity rights subject to a Capacity Release Request under this Section 15.

J. QUALIFIED BIDDER

Any person or entity pre-qualified under Section 15.15 who bids for Capacity rights being released under this Section 15.

K. RELEASED FIRM TRANSPORTATION AGREEMENT

The Agreement between Transporter and a Replacement Shipper or a Subreplacement Shipper by which the Replacement Shipper or Subreplacement Shipper confirms the receipt of Capacity rights under an Eligible Firm Transportation Agreement released by a Releasing Shipper under this Section 15.

L. RELEASING SHIPPER

Any Shipper holding Capacity rights under an Eligible Firm Transportation Agreement or Released Firm Transportation Agreement who has released or seeks to release such Capacity rights pursuant to this Section 15.

M. REPLACEMENT SHIPPER

A Shipper receiving Capacity rights under an Eligible Firm Transportation Agreement pursuant to a direct release from an Original Shipper under this Section 15.

N. SHORT-TERM PREARRANGED RELEASE

A Prearranged Release with a term of thirty-one (31) Days or less.

O. SUBREPLACEMENT SHIPPER

A Shipper receiving Capacity rights released from an Eligible Firm Transportation Agreement by a Replacement Shipper or a Subreplacement Shipper under this Section 15.

P. WINNING BID VALUE

The highest possible total Bid Value achievable under Section 15.10 for the Capacity Release Request from the Qualified Bids consistent with the Capacity Release Request and this Section 15.



### **15.3 RELEASE WITHOUT A PREARRANGED SHIPPER**

A Shipper seeking to release its Eligible Firm Transportation Agreement Capacity rights without a Prearranged Shipper shall deliver a Capacity Release Request to Transporter's Interactive Website (or in writing for posting on Transporter's Interactive Website if Transporter's Interactive Website is unavailable for receiving Capacity Release Requests) which sets forth:

- A. The Releasing Shipper's legal name, address and phone number, the Eligible Firm Transportation Agreement number, the date of the Eligible Firm Transportation Agreement and the name and title of the individual responsible for authorizing the Capacity release;
- B. The quantity of the Capacity (in Dth per Day) and the transportation path(s) [or segment(s) thereof] being released, including identification by Transporter's Location of the Receipt Points, Delivery Points, Pooling Point defining the release path/segment and the firm Capacity to be released at each such Point;
- C. Whether the Capacity being released is subject to recall and/or reput, and if so, the exact conditions for such recall and/or reput (which conditions must conform to Sections 15.5 and 15.14). Reput method and rights are individually negotiated between the Releasing Shipper and Replacement Shipper and should be specified at the time of the deal;
- D. The proposed effective date and proposed term of the release;
- E. Whether the Releasing Shipper wants Transporter to actively market the Releasing Shipper's Capacity rights pursuant to Section 16 of these General Terms and Conditions;
- F. Whether the Releasing Shipper will accept Qualified Bids which are contingent on subsequent events (such as the subsequent purchase of upstream or downstream Capacity), and if so, what events and the last date by which such contingency must be fulfilled;
- G. The starting date for the open season and the length of time for the open season (which must conform to Section 15.7);
- H. Whether the Releasing Shipper will accept Qualified Bids whose revenues will vary by the volume transported, and if so, any minimum amount to be billed as a reservation charge even if there is no flow (or insufficient flow);
- I. Which of the bid evaluation procedures set forth in Section 15.10 the Shipper wishes to use, if any;

- J. Which one of the following methods is acceptable for bidding on the given capacity release offer:
- (1) Non-index-based release -- dollars and cents,
  - (2) Non-index-based release -- percentage of maximum rate, or
  - (3) Index-based formula as detailed in the capacity release offer.

The bids for the given capacity release offer should adhere to the method specified by the Releasing Shipper.

- K. Any other applicable conditions (which must conform to Section 15.5), including any minimum price condition and whether the Releasing Shipper wishes to apply a bid evaluation procedure different from the bid evaluation procedure set forth in Section 15.10 for evaluating Qualified Bids for its Capacity rights, and if so, all the factors to be used in evaluating Qualified Bids, including how its Capacity rights are to be awarded in the event of a tie for the highest valued Qualified Bid and whether the Releasing Shipper has presubmitted a computer diskette for such bid evaluation procedure pursuant to Section 15.5A.

## **15.4 PREARRANGED RELEASE**

Subject to Section 15.6, a Shipper seeking to release its Eligible Firm Transportation Agreement Capacity rights to a Prearranged Shipper shall deliver a Capacity Release Request to Transporter's Interactive Website or via EDI at Transporter's designated site for an open season. The Capacity Release Request shall set forth:

- A. The Releasing Shipper's legal name, address and phone number, the Prearranged Shipper's legal name, and where applicable, identification of the Prearranged Replacement Shipper as an "Asset Manager" as that term is defined in 18 C.F.R. 284.8(h)(3) or a "Marketer Participating in a State-Regulated Retail Access Program" (as that term is defined in 18 C.F.R. 284.8(h)(4)), address, phone number, and facsimile number, the Eligible Firm Transportation Agreement number, the date of the Eligible Firm Transportation Agreement and the name and title of the individuals at the Releasing Shipper and the Prearranged Shipper responsible for authorizing the Capacity release.
- B. A statement that the Prearranged Shipper has agreed to be bound by a Capacity award to the Prearranged Shipper under this Section 15 by Transporter and to execute a Released Firm Transportation Agreement, which consists of Transporter's standard form of FTS, C-HUB-FS, or BHS Agreement and the terms and conditions of the Prearranged Release, in accordance with Transporter's Tariff. Such statement shall also set forth:
- (1) The quantity of the Capacity (in Dth per Day) and the transportation path(s) [or segment(s) thereof] being released, including identification by Transporter's Location (or Common Code) of the Receipt Points,

- Delivery Points, Pooling Point defining the released path/segment and the firm Capacity to be released at each such Point;
- (2) The fixed reservation rate and/or volumetric rate the Prearranged Shipper has agreed to pay for the released Capacity;
  - (3) Whether the Capacity being released is subject to recall and/or reput in the Prearranged Release and, if so, the exact conditions of such recall and/or reput (which conditions must conform with Sections 15.5 and 15.14). Reput method and rights are individually negotiated between the Releasing Shipper and Replacement Shipper and should be specified at the time of the deal; and
  - (4) The proposed effective date of the Prearranged Release and the proposed term of the Prearranged Release.
- C. Whether the Releasing Shipper will accept Qualified Bids which are contingent on subsequent events (such as the purchase of upstream or downstream Capacity), and if so, what events and the last date by which such contingency must be fulfilled;
- D. Whether the Releasing Shipper will accept Qualified Bids with longer terms or larger volumes, and if so, what is the maximum volume and the longest term the Releasing Shipper will accept;
- E. Whether the Releasing Shipper wants Transporter to actively market its Capacity rights subject to the Prearranged Release, pursuant to Section 16 of these General Terms and Conditions;
- F. The starting date for and the length of time for the open season (which must conform to Section 15.7) and the length of time (consistent with Section 15.9B) for the Prearranged Shipper to be able to match a winning Qualified Bid;
- G. Whether the Releasing Shipper will accept Qualified Bids whose revenues will vary by the volume transported, and if so, any minimum amount to be billed as a reservation charge even if there is no flow (or insufficient flow);
- H. Which of the bid evaluation procedures set forth in Section 15.10 the Shipper wishes to use, if any;
- I. Which one of the following methods is acceptable for bidding on the given capacity release offer:
- (1) Non-index-based release -- dollars and cents,
  - (2) Non-index-based release -- percentage of maximum rate, or
  - (3) Index-based formula as detailed in the capacity release offer.

The bids for the given offer should adhere to the method specified by the Releasing Shipper.

- J. Whether the release is a Prearranged Asset Manager Release as defined in Section 15.2G(i) hereof, and the Asset Manager's obligation to deliver gas to, or purchase gas from, the Releasing Shipper;
- K. Whether the release is a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program, as defined in Section 15.2G(ii) hereof; and
- L. Any other applicable conditions (which must conform with Section 15.5), including any minimum price condition and whether the Releasing Shipper wishes to apply a bid evaluation procedure different from the bid evaluation procedure set forth in Section 15.10 for evaluating Qualified Bids for its Capacity rights, and if so, all the factors to be used in evaluating Qualified Bids, including how its Capacity rights are to be awarded in the event of a tie for the highest valued Qualified Bid and whether the Releasing Shipper has presubmitted a computer diskette for such bid evaluation procedure pursuant to Section 15.5A.

## **15.5 CAPACITY RELEASE REQUIREMENTS**

- A. All terms and conditions relating to a release which is the subject of a Capacity Release Request: (1) must be nondiscriminatory and applicable to all potential bidders; (2) must be made available to Transporter for posting; (3) must relate to the details of acquiring or maintaining the transportation Capacity rights on Transporter's System, consistent with this Tariff and Order No. 712 which are the subject of the release; and (4) must not place any obligations or burdens on Transporter in addition to the terms and conditions applicable to a Capacity release under this Section 15 which are specified in Transporter's Tariff. Any bid evaluation procedure elected by a Releasing Shipper different from Transporter's bid evaluation procedure set forth in Sections 15.10B through 15.10D must be objective, nondiscriminatory in all circumstances and contain a complete description of the bid evaluation procedure for posting on Transporter's Interactive Website. Transporter may require the Releasing Shipper to submit a working computer program to Transporter in diskette form which is compatible with Transporter's Interactive Website computer which will enable Transporter to make such alternative bid evaluation entirely through Transporter's Interactive Website. The Releasing Shipper shall warrant that the computer diskette conforms to the bid evaluation procedure in the Capacity Release Request.

For the capacity release business process timing model, only the following methodologies are supported by Transporter and provided to Releasing Shippers as choices from which they may select and, once chosen, will be used in

determining the awards from the bid(s) submitted. They are: (i) highest rate, (ii) net revenue and (iii) present value. For index-based capacity release transactions, the Releasing Shipper should provide the necessary information and instructions to support the chosen methodology. Other choices of bid evaluation methodology (including other Releasing Shipper defined evaluation methodologies) can be accorded similar timeline evaluation treatment at the discretion of Transporter. However, Transporter is not required to offer other choices or similar timeline treatment for other choices, nor, is Transporter held to the timeline should the Releasing Shipper elect another method of evaluation.

- B. The term of any release of Capacity sought under this Section 15 shall be at least one full Day and shall not exceed the remaining term of the Eligible Firm Transportation Agreement.
- C. The quantity sought to be released under a Capacity Release Request shall not be less than the minimum quantity required for the Eligible Firm Transportation Agreement under Transporter's Tariff.
- D.
  - (1) No Capacity release under this Section 15 shall result in an increase in the total Capacity set forth in the Eligible Firm Transportation Agreement with the Original Shipper for any segment of a path covered by such Eligible Firm Transportation Agreement. In the event a path is segmented by a Capacity Release under this Section 15, such segmentation shall be governed by the provisions of Section 7.12 of these General Terms and Conditions.
  - (2) The commodity and reservation rates applicable to deliveries to and from newly created path endpoints as a result of a path segment release shall be determined in accordance with the General Terms and Conditions of this Tariff.
  - (3)
    - (i) The maximum rates that may be bid and charged for a Released Firm Transportation Agreement that is for a term greater than one (1) year are the maximum lawful rates applicable to the Eligible Firm Transportation Agreement held by the Original Shipper. If the Original Shipper is paying a Negotiated Rate pursuant to Section 33 of these General Terms and Conditions, a Qualified Bidder may not bid a rate which exceeds the applicable Recourse Rate or is less than the applicable minimum rate. A qualified Bidder may bid a rate form which would be a Negotiated Rate if and only if the rate form is one explicitly recognized in Transporter's Tariff as available for Capacity releases (such as volumetric rates); provided the resulting charges must be within the range set by the applicable maximum and minimum rates.

- (ii) There is no maximum rate limitation applicable to bids for capacity release for a term of one (1) year or less, if the release is to take effect on or before one (1) year from the date on which Transporter is notified of the release.
- E. A Capacity Release Request may include the right by a Releasing Shipper to recall all or part of the Capacity, and/or to reput all or part of the recalled Capacity, at any time and from time-to-time. All recalls or reputs must be made in accordance with the other provisions of Transporter's Tariff, including Section 15.14 of these General Terms and Conditions. Reput method and rights are individually negotiated between the Releasing Shipper and Replacement Shipper and should be specified at the time of the deal.
- F.
  - (1) The Releasing Shipper may withdraw its posted Capacity Release Request during an open season under this Section 15 where unanticipated circumstances justify and no minimum bid has been received; following the close of the open season, a Releasing Shipper may not reject a winning Qualified Bid.
  - (2) Offer should be binding until notice of withdrawal is received by Transporter on its Interactive Website.
  - (3) Notice of a withdrawal of a Capacity Release Request must be delivered to Transporter's Interactive Website or via EDI no later than the end of the open season for the Capacity Release Request.
- G. A Replacement Shipper or Subreplacement Shipper may release the Capacity on the same terms and basis as the primary release under the provisions of this Section 15 (except as prohibited by the Federal Energy Regulatory Commission Regulations).
- H. Any Capacity Release Request not in compliance with this Section 15.5 and the other provisions of Transporter's Tariff shall be null and void and, even if posted, may be removed from Transporter's Interactive Website by Transporter at any time.

## **15.6 OPEN SEASON EXCEPTIONS**

An open season is not required for: (a) a Prearranged Release for more than (1) year at the maximum reservation rate applicable to the Capacity being released, (b) a Short-term Prearranged Release, (c) a Prearranged Asset Manager Release, as defined in Section 15.2G(i) hereof or (d) a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program, as defined in Section 15.2G(ii) hereof. A Capacity Release Request which is not subject to an open season need only contain the information required in Sections 15.4A and B. Such Capacity Release Request must be

delivered to Transporter's Interactive Website (or in writing for posting on Transporter's Interactive Website if Transporter's Interactive Website is unavailable for receiving Capacity Release Requests) sufficiently in advance so that the release may become effective under Section 15.9 before the release transaction is to commence. A Releasing Shipper may not rollover, extend or in any way continue a Short-term Prearranged Release exempt from bidding under a subsection (b) hereof with the same Replacement or Subreplacement Shipper until twenty-eight (28) Days after the Short-term Prearranged Release has ended unless the Releasing Shipper complies with the Capacity Release Request provisions in Sections 15.3 and 15.4, or the re-release qualifies for any of the other exemptions from bidding, referenced in subsections (a), (c) or (d) hereof.

### **15.7 POSTINGS; OPEN SEASON**

- A. A Capacity Release Request received by Transporter via EDI (which is applicable only for Prearranged Capacity Release Request) or through the Interactive Website prior to the starting time of the open season requested by the Releasing Shipper in its Capacity Release Request in conformance with this Section 15 shall be posted on Transporter's Interactive Website as requested. The posting shall contain the information contained in the Capacity Release Request, except that all identifying information, and the minimum price in any minimum price condition requested to be held confidential by the Releasing Shipper (but not the existence of the minimum bid condition), shall be kept confidential and shall not be posted. The posting shall also include the maximum reservation charges (including all reservation surcharges) applicable to the Capacity subject to the Capacity Release Request, the beginning and ending time for the open season and the time the notice was posted. Transporter shall post the Capacity Release Request upon receipt, unless the Releasing Shipper requests otherwise. If the Releasing Shipper requests a posting time, Transporter will comply with that request as long as it comports with the deadlines set forth in this Section 15.
- B. An open season shall consist of (all times are CCT): (1) a one (1) hour period on a Business Day between 9:00 a.m. and 10:00 a.m. or (2) any number (no fractions) of Business Days running from 9:00 a.m. on a Business Day to 10:00 a.m. on a subsequent Business Day, as requested by the Releasing Shipper in its Capacity Release Request; provided, however, that any Capacity release for a period of more than one (1) Year must have an open season of at least three (3) consecutive Business Days, each running from 9:00 a.m. on a Business Day to 10:00 a.m. two (2) consecutive Business Days later.
- C. A Releasing Shipper may not specify an extension of an open season or the match period for a Prearranged Release. Rather, the Releasing Shipper must submit a new Capacity Release Request.

## **15.8 QUALIFIED BIDS FOR RELEASED CAPACITY RIGHTS**

- A. At any time during an open season, a Qualified Bidder may submit a Qualified Bid to Transporter's Interactive Website (or in writing for posting on Transporter's Interactive Website if Transporter's Interactive Website is unavailable for receiving Qualified Bids) seeking released Capacity rights under a Capacity Release Request. In addition to being prequalified for credit pursuant to Section 15.15, each Qualified Bid must include the following:
- (1) The Qualified Bidder's legal name, address, phone number, facsimile number, the name and title of the individual responsible for authorizing the Qualified Bid and identification of the Capacity rights for which the Qualified Bid is made;
  - (2) The term for the purchase;
  - (3) A Minimum Bid Volume and a Maximum Bid Volume (in Dth per Day);
  - (4) The fixed reservation rate and/or volumetric rate that the Qualified Bidder agrees to pay for the Capacity (and if a volumetric charge, any minimum amount to be billed as a reservation charge, which must be equal to or greater than any such amount designated by the Releasing Shipper);
  - (5) A statement that the Qualified Bidder agrees to all the terms and conditions of the Capacity Release Request, with only the modifications as expressly provided in its Qualified Bid, which modifications must be permitted by the Capacity Release Request and must conform with the requirements in this Section 15. In the event that the Releasing Shipper has stated that Qualified Bid(s) may be contingent upon subsequent events and the Qualified Bidder submits such a contingent Qualified Bid, then the Qualified Bidder must state in full the nature of the condition and the last date by which the Qualified Bid is null and void if the contingency does not occur; and
  - (6) Agreement that the Qualified Bidder is bound by the terms and conditions of the Capacity award by Transporter pursuant to this Section 15 to the Qualified Bidder, including Transporter's standard form of Agreement covering the Rate Schedule applicable to the released Capacity and the terms and conditions of the Qualified Bid and the Capacity Release Request, in accordance with Transporter's Tariff. Bids shall be binding until notice of withdrawal is received by Transporter on its Interactive Website.



- B. The volume in a Qualified Bid may not be less than the minimum volume required for an Eligible Firm Transportation Agreement under Transporter's Tariff. Neither the volume nor the release term specified in a Qualified Bid may exceed the maximum volume or term specified in a Capacity Release Request, unless the Capacity Release Request specifically allows otherwise. A Qualified Bidder must accept all the terms and conditions of a Capacity Release Request submitted under Section 15.4 (involving a Prearranged Release) except for the level of the reservation rate and the MDQ, unless the Capacity Release Request specifically allows otherwise.
- C. For releases for a term of more than one (1) year, a Qualified Bidder may not bid rates which would exceed Transporter's maximum reservation rate applicable to the Eligible Firm Transportation Agreement Capacity. If the Original Shipper is paying a Negotiated Rate pursuant to Section 33 of these General Terms and Conditions, a Qualified Bidder may not bid a rate which exceeds the applicable Recourse Rate. The maximum Qualified Bid reservation rate includes all demand surcharges, including all direct-billed charges which are or may become applicable to the Eligible Firm Transportation Agreement Capacity.
- D. There is no maximum rate limitation applicable to bids for capacity release for a term of one (1) year or less, if the release is to take effect on or before (1) year from the date on which Transporter is notified of the release.
- E. All Qualified Bids shall provide for payment of maximum commodity rates under Transporter's Tariff for the Capacity bid, as well as all other applicable add-on charges and surcharges under Transporter's Tariff, such as, but not limited to, ACA, Fuel and Unaccounted-for Gas.
- F. A Qualified Bid received by Transporter during an open season shall be posted by Transporter on its Interactive Website, without the name of the Qualified Bidder. A Qualified Bid may be withdrawn by the Qualified Bidder prior to the close of the open season, but may not be withdrawn thereafter. Following such withdrawal, the Qualified Bidder cannot bid for the same Capacity during the open season at a lower rate.
- G. All Qualified Bids must be consistent with all provisions of Transporter's Tariff. Any Qualified Bid inconsistent with Transporter's Tariff or the applicable Capacity Release Request shall be null and void.

## **15.9 AWARDING OF RELEASED CAPACITY**

- A. For a Prearranged Release for which no open season is required under Section 15.6 and which is received at least one (1) hour prior to a Nomination deadline on a Gas Day, Transporter shall award the Capacity to the Prearranged Shipper

within one (1) hour after release notification provided that all applicable provisions of this Section 15 have been complied with.

Notwithstanding the foregoing, the Replacement Shipper may nominate under a Pre-arranged release at the first Nomination opportunity after Transporter has received valid notification of the Pre-arranged release. For notification to be considered valid, the offer and confirmation procedures must be completed, whether communication is online or through EDI.

- B. As to any other Prearranged Release, in the event there was no winning Qualified Bid(s) with a higher total Bid Value than the Prearranged Shipper's Bid Value, Transporter shall notify the Prearranged Shipper. If, during an open season, the winning Qualified Bid(s) have a higher total Bid Value than the Bid Value of the Prearranged Release under the bid evaluation procedure selected by the Releasing Shipper, Transporter shall notify the Prearranged Shipper of the terms and conditions of the winning Qualified Bid(s), except for any identification of the Qualified Bidder(s). The Prearranged Shipper may elect to match any or all of such winning Qualified Bid(s), but may not elect to match only a portion of a winning Qualified Bid. Such election shall consist of the Prearranged Shipper submitting notice to Transporter of its unconditional agreement to the terms and conditions of one or more of such winning Qualified Bid(s) in writing or electronic means. In the event of a timely match, then the Prearranged Shipper shall be awarded the released Capacity. To the extent that the Prearranged Shipper fails to timely match (within the required time frame) the winning Qualified Bid(s) with a higher Bid Value, then the Qualified Bidder(s) who made the winning Qualified Bid shall be awarded the Capacity. The timelines for the above actions shall be as provided in Section 15.1.
- C. For any other Capacity Release Request, the Capacity rights shall be automatically awarded to the winning Qualified Bidder(s) when Transporter has identified the entity(s) to receive the released Capacity under this Section 15.
- D. A Capacity release shall become effective upon the awarding of Capacity consistent with this Section 15. Nominations for Gas service utilizing the released Capacity shall be accepted at the next available Nomination opportunity which occurs on or after the time the release becomes effective hereunder, consistent with 18 C.F.R. Section 284.12(c)(1)(ii); provided that Nominations cannot be effectuated prior to the beginning time specified in the release. Transporter shall issue a contract to the winning Qualified Bidder within one (1) hour after the Capacity has been awarded. So long as the winning bidder has pre-approved credit, that bidder can submit a Nomination consistent with the above regardless of whether a contract with Transporter covering the Capacity awarded has been issued or executed; provided, however, that a contract must be executed under the provisions of the relevant rate schedule regarding timely execution of a contract tendered by Transporter in order for a Shipper to have

continued service beyond the maximum time specified for timely contract execution. If the original Shipper has already submitted a Nomination on a Gas Day under the Agreement being released, and if the Replacement Agreement covering the released Capacity is effective that same Day, the original Shipper may incur Overrun Service Charges if his Nomination exceeds the reduced contractual parameters under the original Agreement resulting from the release (i.e., if the original Shipper fails to reduce its Nomination, or does not adequately reduce its Nomination, at the first opportunity the Replacement Shipper has to nominate).

- E. Gas Nominations for transportation pursuant to released Capacity are subject to the provisions of Section 7 of these General Terms and Conditions. Gas Nominations by a Shipper utilizing released Capacity awarded by Transporter shall constitute Shipper's binding acceptance of the terms and conditions of the Capacity award by Transporter pursuant to this Section 15, including Transporter's standard form of Agreement covering the Rate Schedule applicable to the released Capacity and the terms and conditions of the Qualified Bid and the Capacity Release Request, in accordance with Transporter's Tariff.
- F. Subject to the other provisions in this Section 15, in the event that there is no Qualified Bidder or Prearranged Shipper for posted Eligible Firm Transportation Agreement Capacity during an open season, no Capacity release will be awarded and the Releasing Shipper shall retain the Capacity sought to be released.

## **15.10 BID EVALUATION PROCEDURE**

- A. Unless specifically requested otherwise by a Releasing Shipper in its Capacity Release Request, Qualified Bids for released Capacity shall be evaluated pursuant to Sections 15.10B through 15.10H below. Any Qualified Bid which does not meet a minimum price condition stated in the Capacity Release Request shall be rejected outright. Any Qualified Bid with a contingency must have such contingency eliminated before 3:00 p.m. Central Clock Time following the close of the open season, unless the Releasing Shipper's offer has specified a later time; otherwise, such Qualified Bid will be rejected.
- B. Transporter shall calculate a Bid Value for each Qualified Bid and Prearranged Release (if any), and shall calculate the Winning Bid Value, as follows:
  - (1) For each Month, the volume and reservation rate per Dth stated in the Qualified Bid shall be multiplied together to derive a gross Monthly revenue figure. If the Qualified Bids contain volumetric-based rates permitted by the Capacity Release Request, then the gross Monthly revenue figure shall be equal to any minimum amount designated by the bidder to be billed as a reservation rate even if there is no (or insufficient) flow.

- (2) Each gross Monthly revenue figure shall be discounted to a Net Present Value figure as of the first Day of the Capacity release as sought in the Capacity Release Request, using the current Federal Energy Regulatory Commission interest rate as defined in 18 C.F.R. Section 154.501(d).
- (3) The Net Present Value figures for the proposed release shall be summed, and such sum shall be the Bid Value.
- C. Capacity shall be awarded among the bids, Best Bid first (highest Bid Value or other evaluation criteria as specified by the Shipper in the Capacity Release Offer), until all offered Capacity is awarded. The best qualified bid will be awarded its Maximum Bid Volume and any subsequent bids will be awarded up to their Maximum Bid Volume but no less than their Minimum Bid Volume.
- D. In the event ties exist among Qualified Bids, the Qualified Bid submitted and received earliest by Transporter's Interactive Website (or if Transporter's Interactive Website is not available and the Qualified Bid is submitted in writing, the time Transporter received the Qualified Bid) shall be the winning bid.
- E. The following are examples of how Subsections C and D are applied:

Example (1) - Awarding by Best Bid

Assume: Capacity Release = 100,000/Day for 5 Years  
Qualified Bids:

	<b>Maximum Bid Volume</b>	<b>Term</b>	<b>Bid Price</b>	<b>Minimum Bid Volume</b>
Bid (a)	40,000/Day	5 Years	\$0.18	0
Bid (b)	40,000/Day	5 Years	\$0.17	0
Bid (c)	40,000/Day	5 Years	\$0.15	0

Winning Qualified Bids: Bid (a) has the highest Bid Value and would be awarded 40,000; Bid (b) has the next highest bid value and would be awarded 40,000; Bid (c) would be awarded the remainder of the Capacity 20,000.

Example (2) - Awarding with Minimum Bid Volumes

The assumptions remain the same as in Example 1, except that we assume that Bid (c) has a Minimum Bid Volume of 40,000. The combination of awards that provide the highest Bid Value is as follows:

Winning Qualified Bids: Bid (c) would be awarded their Maximum Bid Quantity of 40,000; Bid (a) would be awarded 40,000; and Bid (b) would be awarded 20,000.

Example (3) - Awarding using the tie-breaker

Assume: Capacity Release = 100,000/Day for 5 Years  
 Qualified Bids:

	<b>Maximum Bid Volume</b>	<b>Term</b>	<b>Bid Price</b>	<b>Minimum Bid Volume</b>	<b>Time Bid Received</b>
Bid (a)	60,000/Day	5 Years	\$0.18	0	13:57:40
Bid (b)	50,000/Day	5 Years	\$0.17	50,000	13:55:05
Bid (c)	35,000/Day	5 Years	\$0.17	0	13:56:40
Bid (d)	35,000/Day	5 Years	\$0.17	0	13:56:30

Winning Qualified Bid (a) receives 60,000 since it has the highest Bid Value; Bid (b) receives 0 because of its Minimum Bid Volumes; Bid (c) receives 5,000 because the bid was submitted after Bid (d); Bid (d) receives 35,000.

- F. In no event shall this Section 15.10 result in winning Qualified Bids with a total volume in excess of the Capacity specified in the Capacity Release Request.
- G. The bid evaluation procedure set forth in this Section 15.10 shall only consider Qualified Bids to the extent they provide for an objectively quantifiable payment by the Qualified Bidder. A Qualified Bid based on a percentage of Transporter's reservation rate shall be evaluated by Transporter based solely on the maximum reservation rate being charged by Transporter for such service as of the end of the open season.
- H. If the Releasing Shipper selected a bid evaluation procedure which is different from the procedure set forth in this Section 15.10, which procedure must comply with Section 15.5, Transporter shall determine the winning Qualified Bid(s) pursuant to the Releasing Shipper's bid evaluation procedure in its Capacity Release Request and computer diskette (if any) submitted by the Releasing Shipper pursuant to Section 15.5.A.

**15.11 CONFIRMATIONS;  
RELEASED FIRM TRANSPORTATION AGREEMENT**

At the time the award of Capacity under this Section 15 is posted, Transporter shall send the winning Qualified Bidder or the Prearranged Shipper confirmation of the Capacity release awarded to such Qualified Bidder or Prearranged Shipper. Prior to Transporter awarding Capacity on a Prearranged Release, the Prearranged Shipper shall confirm electronically the terms of the Prearranged Release.

**15.12 COMPLETED TRANSACTIONS**

After Capacity has been awarded pursuant to Section 15.1(D), Transporter shall post on its Interactive Website the name(s) of the winning Qualified Bidder(s), identification of the winning Qualified Bid(s) and any minimum bid conditions held confidential during the open season. The Releasing Shipper is responsible for reviewing the Qualified Bids to ensure that the released Capacity was correctly awarded. The Releasing Shipper shall notify Transporter of any error in the award of Capacity within one Business Day after such posting on the Interactive Website. In the event of an error, the Capacity shall be re-awarded by Transporter. As between Transporter and the Releasing Shipper, the Releasing Shipper shall indemnify and hold Transporter harmless as to any costs, damages or expenses relating to the bid evaluation procedure for which timely notice of an error was not provided to Transporter by the Releasing Shipper hereunder. Transporter shall correct an error in a timely fashion after receiving notice of such error from the Releasing Shipper or another person.

**15.13 BILLING**

- A. Transporter shall bill the Replacement Shippers and the Subreplacement Shippers the rate(s) specified in the Released Firm Transportation Agreements and any other applicable charges and each such Replacement Shipper and Subreplacement Shipper shall pay the billed amounts directly to Transporter. Transporter shall not be responsible for billing the Replacement Shipper for any amounts attributable to gas purchase volumes tied to a transportation capacity release. Such charges shall be between the Releasing Shipper and Replacement Shipper. Transporter shall have the right to discount the commodity rates under the Released Firm Transportation Agreement. Transporter will support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations enunciated by the Federal Energy Regulatory Commission.
- B. A Releasing Shipper shall be billed the reservation charge associated with the entire amount of released Capacity pursuant to its contract rate, which includes all non-commodity based charges under Transporter's Tariff for such released Capacity including but not limited to additional direct-bill charges, with a concurrent conditional credit for payment of the reservation charge due from the

Replacement or Subreplacement Shipper(s), as applicable, which received the released Capacity. Releasing Shipper shall also be billed a marketing fee, if applicable, pursuant to the provisions of Section 16 of these General Terms and Conditions. As to any Capacity released by a Releasing Shipper, the Releasing Shipper shall not be billed or be responsible for: (1) commodity charges; (2) scheduling charges or cashouts of Imbalances; or (3) add-on charges and surcharges applicable to Transporter's commodity rates under Transporter's Tariff such as ACA or Fuel and Lost and Unaccounted-for Gas, which are incurred by a Replacement Shipper or Subreplacement Shipper which received the released Capacity.

- C. If a Replacement Shipper or Subreplacement Shipper does not make payment to Transporter of the reservation portion of the charges due as set forth in its Released Firm Transportation Agreement, Transporter shall bill the Releasing Shipper(s) from whom such Replacement or Subreplacement Shipper received the Capacity for the amount(s) due, including all applicable late charges authorized by Transporter's Tariff, and such amount shall be paid by such Releasing Shipper within ten (10) Days of the receipt of such billing, or interest shall continue to accrue. In the event that the Replacement or Subreplacement Shipper has not paid such amount(s) due by the end of such ten (10) Day period, then: (1) the Releasing Shipper has the right to recall the Capacity; and (2) Transporter's rights against the delinquent Replacement/Subreplacement Shipper shall be subrogated to the related rights of the Releasing Shipper. Transporter shall make a reasonable effort to collect from the Replacement/Subreplacement Shipper the amount(s) due. Such reasonable effort shall not include incurring costs from outside attorneys, collection Agents or other third parties.
- D. All payments received from a Replacement or Subreplacement Shipper shall first be applied to reservation charges, then to late charges on reservation charges, then to scheduling charges and cashout amounts, then to late charges not on the reservation charges, and then last to commodity-based charges. Payments by Replacement or Subreplacement Shippers in excess of the total amount(s) due for the Released Firm Transportation Agreement Capacity shall be a credit applied to any outstanding Balance owed under any contract with Transporter, or a refund if requested in writing and no such outstanding Balance exists.
- E. Pursuant to the provisions of Section 33 of these General Terms and Conditions, Transporter and Releasing Shipper may agree upon payment obligations and credit mechanisms in the event of Capacity releases that vary from or are in addition to those set forth in this Section 15.13.

#### **15.14 NOMINATIONS/SCHEDULING; RECALLS AND REPUTS**

- A. Recalling Capacity - General

Transporter supports the ability of a Releasing Shipper to specify as a condition of a Capacity release offer which recall notification periods as set out below will be available for use by the parties to the release and whether recall notices must be provided on a Business Day. All Replacement and Subreplacement Shippers shall nominate and schedule Gas for service hereunder directly with Transporter in accordance with the applicable procedures set forth in Section 7 of these General Terms and Conditions. In order for any Capacity recall or Capacity reput to be effective for a Day, a Releasing Shipper must give prior notice of such recall or reput and any allocation of the Capacity for a partial recall or reput to Transporter.

**B. Recall Nomination Timeline (all times are CCT)**

Releasing Shippers may, to the extent permitted as a condition of the Capacity release, recall released Capacity (scheduled or unscheduled) at any of the daily Nomination cycles consistent with the following (notice of the allocation of Capacity between the Releasing Shipper and the Replacement Shipper hereunder is intended to be provided in a manner that will permit affected parties sufficient time to place Nominations or take other corrective actions and thereby avoid penalties):

**1. Timely Recall Notification**

- (i) A Releasing Shipper recalling Capacity must provide notice of such recall to Transporter and to the first Replacement Shipper no later than 8:00 a.m. on the Day that Timely Nominations are due;
- (ii) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 9:00 a.m. on the Day that Timely Nominations are due.

**2. Early Evening Recall Notification**

- (i) A Releasing Shipper recalling Capacity must provide notice of such recall to Transporter and to the first Replacement Shipper no later than 3:00 p.m. on the Day that Evening Nominations are due;
- (ii) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 4:00 p.m. on the Day that Evening Nominations are due.

**3. Evening Recall Notification**



- (i) A Releasing Shipper recalling Capacity must provide notice of such recall to Transporter and to the first Replacement Shipper no later than 5:00 p.m. on the Day that Evening Nominations are due;
- (ii) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 6:00 p.m. on the Day that Evening Nominations are due.

4. Intraday 1 Recall Notification

- (i) A Releasing Shipper recalling Capacity must provide notice of such recall to Transporter and to the first Replacement Shipper no later than 7:00 a.m. on the Day that Intraday 1 Nominations are due;
- (ii) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 8:00 a.m. on the Day that Intraday 1 Nominations are due.

5. Intraday 2 Recall Notification

- (i) A Releasing Shipper recalling Capacity must provide notice of such recall to Transporter and to the first Replacement Shipper no later than 12:00 Noon on the Day that Intraday 2 Nominations are due;
- (ii) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 1:00 p.m. on the Day that Intraday 2 Nominations are due.

6. Intraday 3 Recall Notification

- (i) A Releasing Shipper recalling Capacity must provide notice of such recall to Transporter and to the first Replacement Shipper no later than 4:00 p.m. on the Day that Intraday 3 Nominations are due;
- (ii) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 5:00 p.m. on the Day that Intraday 3 Nominations are due.

7. Other

For recall notifications provided to Transporter prior to the recall notification deadline specified in 1-6 of this Section 15.14B and received by Transporter between 7:00 a.m. and 5:00 p.m., Transporter shall provide notification to all affected Replacement Shippers no later than one hour after receipt of such recall notification. For recall notifications provided to Transporter after 5:00 p.m. and prior to 7:00 a.m., Transporter should provide notification to all affected Replacement Shippers no later than 8:00 a.m. after receipt of such recall notification.

C. Methods of Notification

1. The Replacement Shipper is to provide Transporter with no more than two (2) Internet E-mail addresses to be used for recall notification under Section 15.14B of these General Terms and Conditions. The obligation of Transporter to provide notification is waived until at least on(1) of the addresses has been provided. When Transporter sends Internet E-mail notification for recalling of Capacity to each affected Replacement Shipper, the subject line of the e-mail shall include the following information separated by commas in the following order: (1) "Recall"; (2) the call notification period; (3) the effected date in YYYYMMDD format; (4) Transporter's name or abbreviation (excluding commas); and (5) Transporter's D-U-N-S number. The body of such e-mail notification shall contain at least the affected Replacement Shipper's contract number, the quantity of Capacity being recalled, and the offer number or award number, if necessary to uniquely identify the Capacity being recalled. For recalls that are effective at non-standard times, the appropriate recall notification period shall be included in the subject line and the effective time of the recall shall be in the body of the e-mail. If Transporter allows Capacity recall notification mechanisms in addition to internet e-mail, the notification shall include at least the same level of information. Affected Replacement Shippers must manage internal distribution of notifications of recall received from Transporter.
2. The Releasing Shipper shall provide Capacity recall notification to Transporter through Transporter's Interactive Website. The Releasing Shipper shall provide notice to its affected Replacement Shipper at the same time it provides notification to Transporter. The recall notification must specify the recall notification period for the specified effective Gas Day, as well as any other information needed to uniquely identify the Capacity being recalled. The mode of notification must be mutually agreed upon between the Releasing and the Replacement Shipper.

3. All recalled Capacity notices must indicate whether penalties will apply for the Gas Day for which quantities are reduced due to a Capacity recall.

D. Quantity Allocation

In the event of an Intraday Capacity recall, Transporter shall determine the allocation of Capacity between the Releasing Shipper and the Replacement Shipper(s) based upon the Elapsed Prorata Capacity (EPC). Variations to the use of EPC may be necessary to reflect the nature of Transporter's tariff, services, and/or operational characteristics. In any recall notification provided to Transporter, the quantity must be expressed in terms of the adjusted total released Capacity entitlements based upon EPC. EPC means that portion of the Capacity that would have theoretically been available for use prior to the effective time of the Intraday recall based upon a cumulative uniform hourly use of the Capacity. The amount of the Capacity allocated to the Replacement Shipper(s) must equal the original released Capacity less the recalled Capacity that is adjusted based upon the EPC. Transporter shall not be obligated to deliver in excess of the total daily contract quantity of the release as a result of any recall. The service flexibility available to either the Releasing Shipper or the Replacement Shipper for the subject Capacity shall not be less as a result of the recall.

E. Reputs

When Capacity is recalled, it may not be reput for the same Gas Day.

F. Disputes

In the event of a dispute between the Releasing Shipper and any other person as to the validity of any recall or reput, or the status of the holder of the Capacity rights, Transporter shall be entitled to conclusively rely on any notice provided by the Releasing Shipper. The Original Shipper, Replacement Shipper and/or Subreplacement Shipper involved in any such dispute shall indemnify and hold Transporter harmless from any costs, damages or expenses relating to Transporter's reliance on such notice.

## **15.15 QUALIFICATION FOR PARTICIPATION IN THE CAPACITY RELEASE PROGRAM**

- A. Any person wishing to become a Qualified Bidder and make a Qualified Bid must satisfy the creditworthiness requirements in Section 13 of these General Terms and Conditions prior to submitting a Qualified Bid under this Section 15. A person cannot bid for services which exceed its pre-qualified level of creditworthiness. Transporter shall process--and encourages--applications from

potential Qualified Bidders seeking prequalification for bids they may make in the future.

- B. Credit applications shall be completed in full with all information required to establish creditworthiness under the credit criteria included in Section 13 of these General Terms and Conditions. Should a potential bidder fail to satisfy such credit criteria, the potential bidder may still become a Qualified Bidder by providing a prepayment, letter of credit, security interest or guarantee satisfactory to Transporter as further set forth in Section 13 of these General Terms and Conditions.
- C. Based on Transporter's continuing review of a Shipper's financial records, Transporter shall have the right to amend a Shipper's line of credit and lower or increase the quantity and term.
- D. Transporter's determination of a Shipper's creditworthiness is solely for Transporter's purposes under Transporter's Tariff and such determination is neither a representation nor a guarantee to a Releasing Shipper or any other entity as to the ability of a Replacement or Subreplacement Shipper to pay any outstanding amount under a Released Firm Transportation Agreement.

## **15.16 COMPLIANCE BY SHIPPER**

By acquiring released Capacity, a Shipper agrees that it will comply with all provisions of Transporter's Tariff and all applicable Commission orders, rules and regulations. Such Shipper also agrees to be responsible to Transporter for compliance with all applicable terms and conditions of Transporter's Tariff, as well as the terms and conditions of the Released Firm Transportation Agreement.

## **15.17 OBLIGATIONS OF RELEASING SHIPPER**

- A. The Releasing Shipper shall continue to be liable and responsible for all reservation charges associated with the released Capacity up to the reservation charge specified in such Releasing Shipper's Agreement with Transporter. The Releasing Shipper agrees that the award of Capacity to a Replacement Shipper or Subreplacement Shipper shall automatically reduce the Releasing Shipper's firm Capacity rights under the Agreement with Transporter effective on the effective date of the release for the period of the release, except for any period that the firm Capacity is recalled by the Releasing Shipper (if the successful bid so permits) until such Capacity is reput to the Replacement or Subreplacement Shipper, in accordance with this Section 15.
- B. A release by a Replacement Shipper shall not relieve the Original Shipper or the Replacement Shipper of their obligations under this Section 15.

- C. On a non-discriminatory basis, Transporter, in its reasonable discretion, may agree to release the Original Shipper from liability for reservation charges, provided that:
- (1) the capacity release is permanent and contains no recall or other retention of rights to the capacity by the Original Shipper;
  - (2) adequate and, at minimum, equivalent credit assurances are provided by the Replacement Shipper, consistent with the General Terms and Conditions of Transporter's tariff; and
  - (3) the Replacement Shipper agrees, at minimum, to assume as its obligations, the equivalent or higher applicable reservation rate, contract term, and any other conditions which apply to the Original Shipper's Firm Transportation Service Agreement.

#### **15.18 CONVERSIONS BETWEEN MONTHLY AND DAILY RESERVATION RATES**

For less than maximum rate transactions only, converting daily rate to Monthly rate is accomplished by multiplying the daily rate times number of Days in rate period, dividing the result by number of Months in rate period and taking the remainder out to five (5) decimal places and rounding up or down to Transporter's specified decimal place. Converting a Monthly rate to a daily rate is accomplished by multiplying the Monthly rate by number of Months in rate period, dividing the result by number of Days in rate period and taking the remainder out to five (5) decimal places and rounding up or down to Transporter's specified decimal place.

#### **15.19 TRANSPORTER'S RIGHT TO TERMINATE A CAPACITY RELEASE**

- A. Transporter may elect to terminate a Replacement Shipper's Agreement with Transporter upon prior written notice to the Replacement Shipper at least equal in duration to the minimum prior notice period which is provided for in Section 3.7 or Section 3.8 of these General Terms and Conditions, for termination of service to the releasing Shipper from which the Replacement Shipper obtained its Capacity, under the following conditions:
- (1) The Releasing Shipper has failed to make timely payment or maintain credit (or provide adequate assurance of payment) in accordance with Section 3.7, Section 3.8 or Section 13 of these General Terms and Conditions and Transporter has suspended or terminated service to the Releasing Shipper or has provided notice under these General Terms and Conditions which ultimately results in suspension or termination of service; and

- (2) The rate stated in the Replacement Shipper's Agreement is less than the rate for service under Transporter's contract with the Original Shipper; provided, however, that a Replacement Shipper which is creditworthy can continue an existing Capacity release by notifying Transporter that it agrees to pay a rate which it specifies that equals or exceeds the lower of: (i) the applicable maximum rate; or (ii) the same rate as is in the original Agreement between Transporter and the Releasing Shipper. Alternatively, notwithstanding Section 15 of these General Terms and Conditions, Transporter and Replacement Shipper may agree upon pricing terms, in which case the release shall continue. Such notification or Agreement must be effectuated prior to the end of the notice period.

## **16. GENERAL ITEMS**

### **16.1 FEE FOR ACTIVE MARKETING**

When a Releasing Shipper under Section 15 of these General Terms and Conditions requests that Transporter actively market Capacity to be released, the Releasing Shipper and Transporter shall negotiate the terms of the marketing service to be provided by Transporter and the marketing fee to be charged.

### **16.2 TARIFF CHANGES**

- A. The rates, terms, and conditions, for services may require change from time-to-time. Accordingly, Transporter's rates and terms and conditions may be changed by appropriate lawful processes, including the filing of proposed changes with the FERC.
- B. Pursuant to the Commission's Regulations, Transporter shall give Shipper written notice of any filing of Tariff Sections with the Commission, reflecting any proposed change in such jurisdictional rates and charges. Subject to the terms of any agreement between Transporter and Shipper and subject to any subsequent action or order by the Commission or a court of competent jurisdiction in a situation in which FERC lacks exclusive and primary jurisdiction, Transporter shall be entitled to collect such changed rate from Shipper commencing with the effective date of such change. Subject to the terms of any agreement between Transporter and Shipper and subject to any subsequent action or order by the Commission or a court of competent jurisdiction in a situation in which FERC lacks exclusive and primary jurisdiction, Shipper shall be obligated to pay the changed rate, made effective in the manner described above, but nothing herein contained shall prejudice the rights of Shipper to contest at any time changes to the charges for the services rendered by Transporter.

### **16.3 LIMITATION OF SERVICE**

After giving Shipper ten (10) Days notice in which to comply, Transporter shall not be required to perform and may suspend service under the Agreement on behalf of any Shipper that fails to comply with any and all of the terms and conditions of the Service Agreement, including the applicable rate schedules and these General Terms and Conditions but excluding the suspension of service for non-payment in Section 12 of these General Terms and Conditions. Transporter may suspend service immediately if Shipper's actions or failure to act threaten the integrity of Transporter's System.

### **16.4 REMEDIES**

- A. No provision of these General Terms and Conditions regarding specific remedies shall bar Transporter from asserting any other remedy it may have at law or in equity.
- B. In the event of a bona fide dispute between the Parties with respect to any invoices, Transporter shall have the right to discontinue the transportation of Gas beginning 30 Days after the issuance of a final nonappealable decision by the Commission or a court of competent jurisdiction in favor of Transporter, if Shipper has failed to remedy or correct such violation within said 30-Day period.

## **16.5 ODORIZATION**

Transporter shall not have obligation whatsoever to odorize the Gas delivered, or to maintain odorant levels in such Gas.

## **16.6 POOLING POINTS**

If requested by a Shipper or supplier on Transporter's System, Transporter shall provide one or more pools for purposes of facilitating the aggregation and dis-aggregation of Gas received onto its System. The process of aggregating and disaggregating Gas receipts shall be deemed pooling. Deliveries from Receipt Points can be delivered directly into one pool and Delivery Points can receive quantities from at least one pool, excluding non-contiguous facilities. Transactions at pooling points shall not be consolidated for billing purposes.



## **17. OBTAINING FIRM CAPACITY, CONTRACT ROLLOVERS AND RIGHT OF FIRST REFUSAL**

## **17.1 OBTAINING FIRM CAPACITY**

- A. Notice of Available Firm Capacity. Transporter will continuously post the availability of Capacity on the Informational Postings portion of its Interactive Website, pursuant to Section 284.8(b)(3) of the Commission's Regulations. Posted available firm Capacity, not subject to an open season or auction, will be awarded to a first-in-time Shipper that has submitted to Transporter a request for such firm Capacity at the maximum Recourse Rate.
- B. Qualifications for Bidding. Any party wishing to become a Shipper must comply with the requirements of Section 13 of the General Terms and Conditions of this Tariff prior to submitting a bid for Capacity.
- C. Bidding for Firm Capacity.
  - 1. A Party desiring to obtain firm Capacity from Transporter (by prearrangement or by bidding in an open season posted for competitive bidding) must submit a request for the service by facsimile or electronic means. Parties are free to offer any price, designate any term, and request any available Receipt and/or Delivery Points. All bids in an open season shall be binding on the bidding Party(s).
  - 2. Transporter may agree, on a not unduly discriminatory basis, to include allowances for changes in MDQ (e.g. for seasonal service), during the term of the bid, in Parties' Capacity bid. For prearranged Capacity or parties submitting bids in an open season, which include changes in MDQ, Transporter, in its determination for awarding capacity, will consider the changes in its award calculations.
  - 3. Except as provided for herein, a valid request for firm capacity cannot be received more than ninety (90) Days prior to the commencement of service. However, a request for service can be received and processed more than 90 Days prior to the commencement of service if the request is associated with an open season, new supply being attached to Transporter's System, termination of an existing contract on another pipeline, construction of new facilities required to serve a new receipt or delivery point, or the construction and/or modification of facilities that will result in a material increase in Gas usage or production.
- D. Requests for Discounts. Transporter is not obligated to accept any request or bid that is for less than the maximum rate as stated in the Statement of Rates set forth in this Tariff.

- E. Notice of Prearranged Capacity. Transporter may pre-arrange with any party for the sale of its posted available firm Capacity. Transporter will post the pre-arranged transaction on the Interactive Website for a period of at least three (3) Business Days for capacity being offered for a term of greater than one (1) Month and post for a period of at least one (1) hour for capacity being offered for a term of one (1) Month or less (Bid Period). Other parties may submit competing bids for the Capacity pre-arranged by Transporter during the Bid Period. All bids shall be evaluated according to the terms and the NPV method set forth in Section 17.1.H of the General Terms and Conditions of this Tariff or other method as may be defined by Transporter in an open season. If no higher offer is received during the Bid Period, the pre-arranged party shall receive the Capacity. If a higher offer is received, the pre-arranged party will be permitted to match the offer and receive the Capacity from Transporter. If the pre-arranged party does not elect to match the highest offer, the party making the highest offer will be awarded the Capacity.
- F. From time-to-time, Transporter may post an open season for the purposes of obtaining competitive bids of specific Firm Capacity (e.g., expiring, non-ROFR, relinquished, or new Capacity). Such open season shall be maintained and bids accepted for a period of at least three (3) Business Days for capacity being offered for a term of greater than one (1) Month and maintained and bids accepted for a period of at least one (1) hour for capacity being offered for a term of one (1) Month or less.
- G. An open season posting shall constitute an announcement of Capacity availability (Capacity Announcement) and shall include at least the following information:
1. MDQ stated in Dth/Day;
  2. Receipt and Delivery Points at which Capacity is available and the firm quantities at such points;
  3. Effective date;
  4. Term;
  5. Applicable rates for the service;
  6. Minimum conditions;
  7. The criteria by which bids are to be evaluated; and
  8. Whether the Capacity is subject to right of first refusal.
- H. Awarding of Capacity. Transporter's Capacity shall be awarded in accordance with the terms as stated in this Section 17.1.H and/or as specified in the notice of open season.

Transporter is not obligated to award Firm Capacity based on a request at less than the applicable Recourse Rate but any Capacity award must be consistent with this Section 17.1 or as stated in the terms of the open season, if there are competing Capacity bids.

1. Transporter shall calculate the value assigned to a binding bid pre-qualified under this Section 17.1 ("Qualified Bid") according to the bid evaluation procedures ("Bid Value") and the winning Bid Value, as follows:
  - a. For each Month (or portion thereof), the quantity and reservation rate per Dth stated in the Qualified Bid shall be multiplied together to derive a gross Monthly revenue figure. If the Qualified Bids contain volumetric-based rates permitted by the open season, then the gross Monthly revenue figure shall be equal to any minimum amount designated by the bidder to be billed as a reservation rate even if there is no (or insufficient) flow.
  - b. Each gross Monthly (or portion thereof) revenue figure shall be discounted to a Net Present Value figure as of the first Day of the Capacity sought in the open season, using nondiscriminatory evaluation criteria specified in the notice of open season.
  - c. The Net Present Value Monthly figures for each Qualified Bid shall be summed, and such sum shall be the Bid Value assigned to that bidder.
  - d. Capacity shall be awarded among the bids (highest Bid Value or other evaluation criteria as specified in the open season), until all offered Capacity is awarded. The best Qualified Bid will be awarded its maximum bid quantity and any subsequent bids will be awarded up to their maximum bid quantity but no less than their minimum bid quantity.
  - e. In the event ties exist among Qualified Bids, the applicable Qualified Bids will be allocated pro-rata based on the maximum bid quantity in each bid or as stated in the notice of open season.
  - f. The bid evaluation procedure set forth in this Section 17.1.H shall only consider Qualified Bids to the extent they provide for an objectively quantifiable payment by the Qualified Bidder. A Qualified Bid that includes a reservation rate that is higher than Transporter's currently effective Recourse Rate or based on a percentage of Transporter's reservation rate shall be evaluated by Transporter based solely on the Recourse Rate being charged by Transporter for such service as of the end of the open season.

- g. Transporter may apply a bid evaluation procedure which modifies or is different than set forth in this Section 17.1.H pursuant to the open season's bid evaluation procedure. Transporter shall include in the open season posting the criteria to be considered as part of the bid evaluation methodology and the weighting to be given such criteria.
  - h. Winning Bid. Transporter shall post after-the-fact the NPV, term, and quantity of the winning bid for each open season.
- I. Non-acceptable bids or no bids received. If no bids, or no acceptable bids are received during an open season, Transporter may sell the Capacity to any Shipper without instigating a new bidding process.
- J. Short-term contracts. Where a Capacity bid results in a contract term of one Month or less, Transporter may re-sell the Capacity at the end of the contract term without instigating a new bidding process.
- K. Transporter shall not be obligated to sell firm Capacity for a term of less than one Month.
- L. Notwithstanding the procedures set forth within this Section, Transporter may extend the contract of an existing Firm Shipper without posting the Capacity for third-party bids.

### **17.1.1 INTERACTIVE AUCTION PROCEDURES**

- A. In addition to the open season procedures set forth in the Tariff, Transporter may auction unsubscribed Capacity via its Interactive Website pursuant to requests for 1) firm Capacity in Section 17.1 or 2) interruptible Capacity under the provisions of the applicable interruptible rate schedule.
- B. Transporter shall post the auction notice on its Interactive Website at least 24 hours prior to the commencement of the bidding period for Capacity available for a term one (1) Month or less and at least three (3) Business Days prior to the commencement of the bidding period for Capacity available for a term of greater than one (1) Month or for Prearranged Capacity. The notice will include at least the information in Section 17.1.G.
- C. Bidding and Awarding on Discounted Capacity:
  - 1. Each Day during the Bid Period as stated in the auction notice, bids and revisions which increase existing bids may be submitted. A bid must include the rate and the MDQ. The posted MDQ may not be increased and

the posted term cannot be changed. All bids are considered binding upon receipt by Transporter; however, a bidder may withdraw its bid prior to the close of the Bid Period. If a bidder withdraws a bid, it is precluded from submitting a lower bid for the Capacity.

2. The bid that offers the highest per Dekatherm rate for some or all of each primary pair MDQ shall be deemed to be the "best bid." If the auction is pursuant to an Internet notice posted by Transporter on its Internet Website, Transporter shall enter into an Agreement with the Shipper that submitted the "best bid."

If the auction is pursuant to a Request for Capacity, the "best bid" for each primary point pair MDQ will be presented to the Shipper submitting the original service request ("Original Shipper"). The Original Shipper will have the opportunity to match the "best bid" before 4:00 p.m., CCT, of the second Business Day following the close of the Bid Period. If the Original Shipper timely matches the "best bid", or if no "best bid" is submitted, Transporter shall enter into an Agreement with this Original Shipper. If the Original Shipper does not match the "best bid", Transporter shall enter into an Agreement with the Shipper that submitted the "best bid."

3. Transporter may apply a bid evaluation procedure which modifies or is different than set forth in this Section pursuant to the auction notice. Transporter shall include in the auction posting the criteria to be considered as part of the bid evaluation methodology and the weighting to be given such criteria.

D. Bidding and Awarding on Recourse Rate Requests:

1. Each Day during the Bid Period as stated in the auction notice, bids which increase the requested/minimum term by at least monthly increments may be submitted. A bid must include the term and may include a lesser MDQ. The posted MDQ cannot be increased. All bids are considered binding upon receipt by Transporter; however, a bidder may withdraw its bid prior to the close of the Bid Period. If a bidder withdraws a bid, it is precluded from submitting a bid for a lesser term.
2. The bid that offers the longest Agreement term shall be deemed to be the "best bid."

If the auction is pursuant to an Internet notice posted by Transporter on its Internet Website, Transporter shall enter into an Agreement with the Shipper that submitted the "best bid."

If the auction is pursuant to a Request for Service, the "best bid" for each primary point pair MDQ will be presented to the Original Shipper. The Original Shipper will have the opportunity to match the "best bid" before 4:00 p.m., CCT, of the second Business Day following the close of the Bid Period. If the Original Shipper timely matches the "best bid", or if no "best bid" is submitted, Transporter shall enter into an Agreement with this Original Shipper. If the Original Shipper does not match the "best bid", Transporter shall enter into an Agreement with the Shipper that submitted the "best bid."

3. Transporter may apply a bid evaluation procedure which modifies or is different than set forth in this Section pursuant to the auction notice. Transporter shall include in the auction posting the criteria to be considered as part of the bid evaluation methodology and the weighting to be given such criteria.

E. Execution of Agreement:

The Shipper awarded Capacity in D or E above is required to execute an Agreement within two (2) Business Days of its tender by Transporter if the Agreement term is two (2) years or less or within five (5) Business Days if the Agreement term is greater than two (2) years, notwithstanding the Agreement must be executed at least one (1) Day prior to the effective date of the Agreement. If the Shipper fails or refuses to execute the Agreement within the applicable time period, the Shipper shall forfeit all rights and entitlement to the subject Capacity and may be precluded from participation in future auctions. The Capacity will be offered to the bidder with the next highest bid (as defined herein) and such bidder, if they accept the offer, will be required to execute an Agreement as provided in this section. Any Shipper who fails to timely execute an Agreement will be required to pay Transporter an amount equal to any positive price difference between the best bid when the Capacity is resold and the price established in the Shipper's best bid multiplied by the MDQ provided in Shipper's best bid.

- F. Winning Bid. Transporter shall post after-the-fact the NPV, term, and quantity of the winning bid for each auction.

## **17.2 ROLLOVERS**

A Shipper under any Firm Transportation Service which has entered into an Agreement thereunder with a term of three (3) Years or longer shall have a right to continue receiving service on a firm basis beyond the term of the existing Agreement and to rollover such Agreement for a three-Year or greater term, subject to the following conditions:

- A. Shipper must give Transporter written notice that it will utilize the rollover procedure the earlier of (a) the date of the notice period provided for in Shipper's contract; or (b) three-hundred sixty five (365) Days prior to the expiration of the term of the contract. Such notice shall be binding on the Shipper. Any request for an increase in MDQ in total or at any Primary Point shall be treated as a request for new service, but only to the extent of the increase. Any notice hereunder specifying a decrease in MDQ in total or at any Primary Point shall not affect the existing Agreement during the remainder of its term.
- B. Within thirty (30) Days after receipt of the notice described in 17.2A, above, Transporter will evaluate the creditworthiness of Shipper. If Shipper meets the requirements of Transporter's credit appraisal procedures, Transporter shall tender to Shipper an amended Service Agreement consistent with the requirements of this Tariff. Any Agreement amended pursuant to this Section 17.2 is expressly subject to agreement between Transporter and Shipper as to the applicable rate(s) during the extended term under the rollover. No discount or Negotiated Rates applicable to the existing Service Agreement shall apply during the rollover term of a Service Agreement pursuant to this rollover provision, unless agreed to by Transporter. Shipper and Transporter shall execute such Service Agreement within ten (10) Days after Transporter tenders such amended Service Agreement to Shipper.
- C. If Shipper and Transporter agree to rollover a Service Agreement pursuant to this Section 17.2, the Right of First Refusal procedure under Section 17.3 shall not be necessary. Should Shipper secure a Right of First Refusal in an amended Service Agreement that resulted from a rollover, Shipper shall retain full rights to utilize such Right of First Refusal as it may apply during the term of the amended Service Agreement.
- D. Foundation Shippers (defined as those Shippers which were awarded Capacity of 500,000 Dth/Day or greater of MDQ, or identified as such in the Rockies Express 2006 certificate application) and Anchor Shippers (defined as those Shippers which were awarded Capacity of at least 200,000 Dth/Day of MDQ and up to 499,999 Dth/Day of MDQ, or identified as such in the Rockies Express 2006 certificate application) shall hold annual rollover rights, renewable for a one Year term, to be effective after expiration of the initial term and each subsequent



term of the Foundation Shipper's or Anchor Shipper's Service Agreement, which shall be applicable at the same rate and quantity (or any portion of the quantity) as set forth in the then-effective Service Agreement. A Foundation Shipper or Anchor Shipper shall provide notice to Transporter of its intent to extend the term of its Service Agreement no later than six (6) Months prior to expiration of the initial term and each subsequent term of its Service Agreement.

### **17.3 RIGHT OF FIRST REFUSAL**

- A. Upon expiration or notice of termination from Transporter of a firm Service Agreement with a term of twelve (12) consecutive Months or greater at the maximum tariff rate, or multi-Year seasonal maximum rate contracts for services not offered for a full twelve (12) Months, Shipper shall have a Right Of First Refusal (ROFR) to extend service under a new Service Agreement, provided Shipper satisfies the credit requirements under Section 13 of these General Terms and Conditions. A Shipper paying a Discounted Rate or a Negotiated Rate will not have the Right of First Refusal, unless otherwise expressly agreed to in writing by Transporter. The ROFR will not be applicable to interim Service Agreements for entitlement association with:
1. Expansion projects as set forth in Section 2 of these General Terms and Conditions; and
  2. Capacity that is already under contract for a future period subject to the following conditions:
    - a. the future Capacity must have been sold through an open season bidding process permitting bids for Capacity for service to start immediately or anytime in the future; and
    - b. the bids must have been evaluated and awarded on a Net Present Value basis.
- B. To exercise the Right of First Refusal, Shipper must provide Transporter with notice via the Interactive Website of its intent to do so in a form specified by Transporter and must submit such notice at least one (1) year prior to the expiration of the existing Service Agreement, unless a Service Agreement is only one (1) year in length, in which case the notice period shall be not less than six (6) months. Transporter and Shipper may mutually agree to a notice period greater than that specified in the preceding sentence.. Shipper's notice of intent to proceed under the Right of First Refusal must specify a desired term of service and the desired MDQ in total and the desired MDRQ or MDDQ, as applicable, at each Receipt and Delivery Point. If the requested MDQ is greater than the existing MDQ in total or above the existing MDRQ or MDDQ at each Receipt and Delivery Point, any such increase shall be treated as a request for new service under the applicable Rate Schedule and only the original MDQ, MDRQ and MDDQ shall be subject to the Right of First Refusal under this section. The Right of First Refusal may apply to a portion of the original Shipper's then effective service. Any notice specifying a decrease in MDQ in total or at any Point shall not affect the existing Agreement during its remaining term.

- C. Within fifteen (15) Business Days after receipt of a notice from Shipper under Section 17.3B, Transporter shall post via the Interactive Website a Capacity Announcement containing information consistent with Section 17.1G of these General Terms and Conditions. Such Capacity Announcement shall be maintained, and bids accepted via the Interactive Website, for a period of at least three (3) Business Days, but no more than one (1) Month from the initial posting.
- D. Capacity will be made available on a nondiscriminatory basis and will be assigned on the basis of a Bid Period determined pursuant to the open season or Capacity Announcement provisions provided for in Section 17.1 of these General Terms and Conditions.
  - 1. A Shipper desiring to acquire the available Capacity shall place a bid with Transporter by facsimile or other electronic means, during the bidding period. The bid shall be binding once received by Transporter and may not be withdrawn by the bidding Shipper.
  - 2. The bidding Shipper's bid must include all information required by Section 13 of these General Terms and Conditions.
- E. Transporter shall determine the value of bids pursuant to the NPV method set forth in Section 17.1.H of these General Terms and Conditions. Transporter shall not be obligated to accept any bid for the Capacity at less than the maximum applicable tariff rate or for a term greater than twenty (20) Years. Upon acceptance of a bid, Transporter shall inform the Existing Shipper of the terms of the bid to permit the Existing Shipper to exercise its Right of First Refusal.
- F. The Existing Shipper shall have the option to execute a Service Agreement which matches the bid constituting the highest economic unit value to Transporter, as determined pursuant to Section 17.1.H of these General Terms and Conditions. Transporter will notify the Existing Shipper within five (5) business Days of the best offer it must match by tendering to such Shipper a Service Agreement. The Service Agreement must be executed by the Existing Shipper within fifteen (15) Days of Transporter's tender thereof. Transporter is not required to accept an offer at less than the maximum rate.
- G. Where there are no bids or no acceptable bids for the Capacity and the Existing Shipper agrees to pay the maximum rate, service may be contracted for any term the Existing Shipper chooses. Transporter shall notify the Existing Shipper within five (5) Business Days that no bids or no acceptable bids were received. Upon such notice, the Existing Shipper shall have fifteen (15) Days (or such extended period as may be mutually agreed between Transporter and Shipper) to notify Transporter in writing that it intends to exercise its option to continue receiving service at the maximum rate. Such notice shall be binding and shall

include the extended term chosen by the Existing Shipper for which it is willing to pay the maximum rate. If the Existing Shipper fails to so notify Transporter within the above-prescribed timeframe, the Right of First Refusal shall expire. If the capacity is not renewed at maximum rate, for a thirty-Day period after the expiration of the Existing Shipper's ROFR right, Transporter may only renew the Existing Shipper's Agreement at a value that exceeds the Best Bid rejected by Transporter during the ROFR process. Transporter is not required to accept an offer at less than the maximum rate.

- H. Any Shipper that acquires available Capacity according to the Rollover or ROFR processes of this Section 17 will not be required to repeat the bidding procedures outlined in Section 17.1 of these General Terms and Conditions.
- I. Any Agreement entered into pursuant to this Section 17 shall be evaluated on a stand-alone basis hereunder for purposes of determining whether it, in turn, is eligible for the Right of First Refusal under this Section 17.
- J. Each Foundation Shipper and each Anchor Shipper shall be afforded a one-time ROFR to be effective after expiration of the initial term of its Service Agreement(s), which shall be applicable to any portion of the quantity (but not at the same rate) set forth in the initial Service Agreement. A Foundation Shipper or Anchor Shipper shall provide notice to Transporter prior to the end of the initial term of the applicable Service Agreement of its intent to exercise this one-time ROFR, consistent with the notice provisions set forth herein. Nothing in this Section 17.3J. shall be construed to limit the rollover rights of any Foundation Shipper or Anchor Shipper, as set forth under Section 17.2D. of these General Terms and Conditions.

**17.4 RIGHTS OF FOUNDATION SHIPPERS  
AND ANCHOR SHIPPERS ON ASSIGNMENT  
OR CAPACITY RELEASE**

- A. A Foundation Shipper or Anchor Shipper shall retain its status as a Foundation Shipper or Anchor Shipper, and its attendant rights to the Foundation Shipper or Anchor Shipper rate, the rollover rights in Section 17.2D and the one-time ROFR in Section 17.3J., even if its Capacity drops below the 500,000 Dth/Day or 200,000 Dth/Day thresholds, respectively, pursuant to an assignment of a Firm Transportation Service Agreement, permitted by this Tariff or pursuant to a permanent Capacity Release governed by this Tariff.
- B. A Foundation Shipper or Anchor Shipper may transfer its Foundation Shipper or Anchor Shipper status only in the limited circumstance where all of its Firm Transportation Service Agreements are permanently assigned or released, as applicable, pursuant to the provisions of this Tariff, at the same time to a single successor Shipper. With respect to rate, this means that Transporter shall deem the Foundation Shipper or Anchor Shipper Negotiated reservation rate acceptable for purposes of the Foundation Shipper or Anchor Shipper's assignment or permanent Capacity Release, subject to any bidding requirements that apply under Section 15 of these General Terms and Conditions. No such limitations apply to the transfer of the Foundation Shipper or Anchor Shipper Negotiated reservation rate in temporary Capacity Release.

## **17.5 FAVORED NATIONS RIGHTS OF FOUNDATION SHIPPERS AND ANCHOR SHIPPERS**

- A. An Anchor Shipper's Negotiated reservation rate applicable to the Capacity awarded prior to the Rockies Express 2006 expansion certificate application shall be no higher than the lowest Negotiated reservation rate applicable to any other Shipper under a Firm Transportation Service Agreement covering the same rate zones and/or facilities, excluding Negotiated reservation rates applicable to Foundation Shippers and rates applicable to short-term transactions (i.e., twelve or fewer consecutive Months) or seasonal transactions.
- B. A Foundation Shipper's Negotiated reservation rate applicable to the Capacity awarded prior to the Rockies Express 2006 expansion certificate application shall be the lowest Negotiated reservation rate contained in any Firm Transportation Service Agreement applicable to the same rate zones and/or facilities, excluding rates applicable to short-term transactions (i.e., twelve or fewer consecutive Months) or seasonal transactions.
- C. Foundation Shippers and Anchor Shippers shall pay any applicable Commodity or Surcharge rates, and such rates shall be equal to or lower than those afforded any other Shipper.

## **18. MEASUREMENT**

### **18.1 MEASUREMENT STANDARDS**

All meters (including Ultrasonic, orifice, turbine, rotary and diaphragm type) shall be installed in accordance with the following standards, where applicable:

- A. Measurement of Gas by Multipath Ultrasonic Meters - AGA 9
- B. Orifice Metering of Natural Gas - Specifications and Installation Requirements - AGA 3; Part 2
- C. Orifice Metering of Natural Gas - Natural Gas Applications - AGA 3; Part 3
- D. Measurement of Natural Gas by Turbine Meters - AGA 7
- E. Compressibility and Supercompressibility for Natural Gas and other Hydrocarbon Gases - AGA 8
- F. Measurement of Natural Gas by Coriolis Meter – AGA 11
- G. Table of Physical Constants of Paraffin Hydrocarbons and other Components of Interest to the Natural Gas Industry - GPA 2145-16
- H. Flow Measurement Using Electronic Metering Systems - section 1 Electronic Gas Measurement - API 21.1
- I. ANSI B109.1 — Diaphragm-Type Gas Displacement Meters (Under 500 Cubic Feet per Hour Capacity)
- J. ANSI B109.2 — Diaphragm-Type Gas Displacement Meters (500 Cubic Feet per Hour Capacity and Over)
- K. ANSI B109.3 — Rotary-Type Gas Displacement Meters

### **18.2 UNIT OF MEASUREMENT AND METERING BASE**

The volumetric measurement base shall be one (1) cubic foot of Gas at a pressure base of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 Psia), at a temperature base of sixty degrees Fahrenheit (60 F.), and without adjustment for water vapor except as described in Section 18.5.

### **18.3 ATMOSPHERIC PRESSURE**

For the purpose of measurement, calculations, and meter calibration, the average absolute atmospheric (barometric) pressure shall be based on the actual elevation of each Point of measurement irrespective of variations in natural atmospheric pressure from time-to-time. In the event electronic flow measurement (EFM) is used, the absolute Gas pressure may be measured directly, using an absolute pressure measuring device or a gage pressure corrected to absolute for continuous input to the EFM.

## **18.4 TEMPERATURE**

The temperature of the Gas shall be determined at the Points of measurement by means of a properly installed recording thermometer or continuous electronic transducer.

## **18.5 DETERMINATION OF GAS COMPOSITION, HIGHER HEATING VALUE AND SPECIFIC GRAVITY**

- A. Higher Heating Value. The heat energy generated by complete stoichiometric combustion of a defined quantity of reactants, where the products of combustion are returned to the temperature of the reactants and water produced by combustion is condensed to the liquid state. Water vapor accompanying combustion air (spectator water) is not considered as a part of the combustion reaction.
- B. The Gas Composition, Higher Heating Value and specific gravity of the Gas may be determined by spot samples, continuous samples, or an on-line chromatograph. In the event a continuous Gas sampling device is used, intervals mutually agreed upon should not be less than once every Month. The arithmetical average of the Gas composition, hourly heating value and specific gravity recorded during periods of flow each Day by an on-line chromatograph, if installed, shall be considered as the Higher Heating Value and specific gravity of the Gas delivered during each Day. In the event EFM is used, the determination of Higher Heating Value and specific gravity from a chromatograph shall input continuously into the EFM for volume and energy calculations. In the event a continuous Gas sampler is installed or a spot sample is taken, then the Higher Heating Value and specific gravity shall be determined in an approved laboratory. Such determinations shall be considered as the Higher Heating Value and specific gravity of all Gas delivered. All Higher Heating Value and specific gravity determinations made with a chromatograph shall use physical Gas constants for Gas compounds as outlined in GPA Std. 2145-09, Rev 1 Table of Physical Constants of Paraffin Hydrocarbons and Other Components of Natural Gas, with any subsequent amendments or revisions which Transporter may adopt in exercise of its reasonable judgment. The calculations (for Btu) shall be based on dry Gas if the Gas at the measurement points contains less than six (6) pounds of water per MMcf. If the Gas at the measurement Points contains more than six (6) pounds of water per MMcf, the Btu value may be corrected for the actual water vapor of the flowing Gas based upon actual flowing conditions.



## **18.6 SUPERCOMPRESSIBILITY**

The measurement hereunder shall be corrected for deviation from Boyle's Law at the pressures and temperatures under which Gas is measured hereunder by the use of the applicable meter standards set forth in Section 18.1 of these General Terms and Conditions.

## **18.7 MEASURING EQUIPMENT**

Unless otherwise agreed upon, Transporter will install, maintain and operate or cause to be installed, maintained and operated, measuring stations equipped with flow meters and other necessary metering and measuring equipment by which the volumes of Gas received and Equivalent Volumes delivered hereunder shall be determined. Point Operator may install check measuring equipment at its own cost and expense; provided such equipment shall be so installed as not to interfere with the operations of Transporter. Transporter and Point Operator, in the presence of each other, shall have access to the other's measuring equipment at all reasonable times but the reading, calibrating and adjusting of electronic measurement components and/or mechanical recording instruments shall be done only by the equipment owner or such owner's representative, unless otherwise agreed upon. Both Transporter and Point Operator shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment; provided, however, failure of either Transporter or Point Operator to witness such an operation shall not affect the validity of such operation in any way. The records from such measuring equipment shall remain the property of its owner, but upon request, each will submit within ten (10) Days to the other its records, together with calculations. The measurement equipment of Point Operator shall be for check purposes only and, except as expressly provided herein, shall not be used in the measurement of Gas for purposes hereof.

## **18.8 NEW MEASUREMENT TECHNIQUES**

If, at any time, a new method or technique is developed with respect to Gas measurement or the determination of the factors used in such Gas measurement, such new method or technique may be substituted by Transporter in exercise of its reasonable judgment.

## **18.9 CALIBRATION AND TEST OF METERS**

The accuracy of all measuring equipment shall be verified by meter operator at reasonable intervals, and if requested, in the presence of representatives of Point Operator, but meter operator shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) Day period. If either party at any time desires a special test of any measuring equipment, it will notify the other, and

the parties shall then cooperate to secure a prompt verification of the accuracy of such equipment.

### **18.10 CORRECTION OF METERING ERRORS**

If, upon any test, any measuring equipment is found to be inaccurate, such equipment shall be adjusted immediately to measure accurately. If, upon any test, the measuring equipment in the aggregate is found to be inaccurate by one percent (1%) or more at a recording corresponding to the average hourly rate of Gas flow for the period since the last preceding test, any payments based thereon shall be corrected pursuant to Section 12.5 of these General Terms and Conditions, at the rate of such inaccuracy for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon, such correction shall be for a period extending over one-half (1/2) of the time elapsed since the date of the last test not to exceed 45 Days. Measurement data corrections should be processed within six (6) Months of the production Month with a three (3) Month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

### **18.11 FAILURE OF MEASURING EQUIPMENT**

In the event any measuring equipment is out of service, or is found registering inaccurately and the error is not determinable by test, or by previous recordings, receipts or deliveries through such equipment shall be estimated and agreed to by the parties upon the first of the following methods which is feasible:

- A. By correcting the error if the percentage of error is ascertainable by calibration, special test, or mathematical calculation, or in the absence of A;
- B. By using the registration of any check meter or meters, if installed and accurately registering, or in the absence of both A and B, then;
- C. By estimating the quantity of receipt or delivery based on receipts or deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.
- D. By other methods mutually agreed upon by both parties.

### **18.12 PRESERVATION OF RECORDS**

Point Operator and Transporter shall preserve for a period of at least three (3) Years, or for such longer period as may be required by appropriate authority, all test data, charts and other similar records.

## **19. PRESSURE AND DELIVERY CONDITIONS**

### **19.1 RECEIPT POINT PRESSURE**

Shipper shall deliver Gas to Transporter at the pressure prevailing in Transporter's System at the Receipt Point, as such pressure may vary from time-to-time. For Deliveries into Transporter's mainline Meeker Compressor Station, Shipper shall not be required to deliver Gas to Transporter at a pressure greater than 1280 psig.

### **19.2 DELIVERY POINT PRESSURE**

Transporter shall deliver Gas to Shipper at the Delivery Point at the pressure available in Transporter's pipeline at such point, subject to operational conditions allowing for agreement by Transporter to alternate minimum or maximum pressures.

## **20. QUALITY OF GAS**

All natural Gas received by Transporter shall conform to the following specifications:

### **20.1 HEAT CONTENT**

The Gas delivered at each Receipt and Delivery Point shall contain a Gross Heating Value of not less than nine hundred fifty (950) Btus per cubic foot nor more than 1150 Btu per cubic foot.

### **20.2 FREEDOM FROM OBJECTIONABLE MATTER**

Except as provided in Section 20.4 below, the Gas which Transporter delivers to Shipper and the Gas which Shipper delivers to Transporter for transport shall comply with the following requirements:

- A. Shall be commercially free from dust, gums, gum-forming constituents, dirt, impurities or other solid or liquid matter that might cause injury to or interference with proper operation of the pipelines, regulators, meters, or other equipment of Transporter;
- B. Shall not contain more than 0.25 grain of hydrogen sulfide per one hundred (100) cubic feet of Gas;
- C. Shall not contain more than five (5) grains of total sulfur (including the sulfur in any hydrogen sulfide and mercaptans) per one hundred (100) cubic feet;
- D. Shall not at any time have an oxygen content in excess of ten parts per million (10 ppm) by volume, and the parties hereto shall make every reasonable effort to keep the Gas free of oxygen;
- E. Shall be delivered at a temperature not in excess of one hundred twenty degrees Fahrenheit (120°F) or less than twenty degrees Fahrenheit (20°F);
- F. Shall not contain water vapor in excess of six (6) pounds per million cubic feet of Gas from any individual receipt point on an absolute basis;
- G. Shall have a cricondenthem hydrocarbon dew point of no more than: (i) fifteen degrees Fahrenheit (15°F) for gas delivered through the Overthrust Lease Facilities, unless a higher cricondenthem hydrocarbon dew point limit is posted by Transporter to correspond with any applicable higher limit posted by the operator of the Overthrust Lease Facilities; or (ii) twenty degrees

Fahrenheit (20°F) for gas delivered through any other portion of Transporter's system; and

- H. Shall not contain inert substances (carbon dioxide, nitrogen, helium, oxygen or any other diluent compound) of more than three percent (3%) by volume of which not more than two percent (2%) by volume shall be carbon dioxide.

### **20.3 TOXIC AND HAZARDOUS SUBSTANCES**

Shipper agrees to supply or cause its designee to supply to Transporter upon demand, at any time and from time-to-time, a sample of liquids removed from the Gas stream at any Receipt Point, whether removed by a coalescer or otherwise, for analysis at a laboratory of Transporter's choosing. If at any time PCBs or any other toxic substances or chemicals that Transporter deems hazardous and/or in any way unsafe for transportation are found in the liquid samples supplied to Transporter by Shipper, Transporter may in its sole discretion immediately cease the receipt of such Gas and any associated liquids through its facilities. Upon proof that such toxic or hazardous substances are no longer present at levels deemed unsafe by Transporter, Transporter shall restore service to Shipper at the affected Receipt Point.

### **20.4 ACCEPTANCE OF NON-CONFORMING GAS**

- A. Waiver of Quality Specifications. Transporter, in its reasonable discretion and judgment, may waive, on a non-discriminatory basis, the Gas quality specifications at any receipt point to accept Gas that does not conform to the quality specifications set forth in this section, if Transporter determines that such acceptance will not interfere with Transporter's ability to: (1) maintain prudent and safe operation of part or all of Transporter's pipeline System, (2) ensure that such Gas does not adversely affect Transporter's ability to provide service to others, and (3) ensure that such Gas does not adversely affect Transporter's ability to tender Gas for delivery to a downstream pipeline or end-user.
- B. Shipper may deliver Gas at one or more receipt point(s) that exceeds the above specifications for carbon dioxide, water content, total inerts and cricondenthem hydrocarbon dew point; provided, however, that Shipper causes the Gas delivered at all of its Receipt Point(s) on a blended basis to meet or be less than the applicable specification for all Gas delivered by Shipper to Transporter.
- C. Transporter shall optimize the blending capability of the system, to the extent operationally feasible, to accommodate the Gas of Shippers who have Firm Service Agreements. Transporter shall address the request of such Shippers, on a first-through-the-meter basis, for purposes of determining the

acceptability of any Gas which does not otherwise meet, on a stand-alone or on a blended basis, the gas quality provisions of this Tariff.

## **20.5 Shipper's Failure to Meet Specifications.**

Should any Gas tendered by Shipper to Transporter hereunder fail at any time to conform to any of the specifications of this section, Transporter shall notify the responsible Shipper of any such failure, and Transporter may suspend all or a portion of the receipt of any such Gas which may jeopardize Transporter's ability to meet its obligations to its other Shippers or endanger the safe operation and integrity of Transporter's System. Transporter shall be relieved of its obligations hereunder to the extent of rightful suspension for the duration of such time as such off-specification Gas tendered by such Shipper does not meet the specifications; provided, however, such suspension by Transporter shall not relieve Shipper of its payment obligations hereunder. Upon receipt of notice by Transporter, Shipper shall, at its expense, make a diligent effort to correct such failure by treatment, cooling, or dehydration consistent with prudent operation so as to tender Gas conforming to the above specifications.

- 20.6 Transporter reserves the right to retain gasoline or any other substance whatsoever derived from the normal operations of its system. Title to such recovered products shall pass to the Company at no cost, and Shipper shall hold Transporter harmless and free and clear of adverse claims with respect to the same.

In the event Transporter or a third party installs processing on Transporter's system, Transporter shall hold harmless its Shippers by not including any volumes of system processing plant shrinkage in its fuel tracking mechanism, which is defined in Section 38 of these General Terms and Conditions.

- 20.7 A. If Transporter notifies any party that the party's Gas does not conform to this Tariff's Gas quality specifications and will not be accepted on Transporter's System, and the Party thereafter delivers non-conforming Gas into Transporter's System, such Gas will be considered Unauthorized Gas (not scheduled and confirmed), subject to the Unauthorized Overrun Service Charges of the applicable rate schedule of this Tariff, and will become the property of Transporter. Transporter shall have no obligation to redeliver such Gas to or for the account of the Party who owned the Gas.
- B. In each instance when an Unauthorized Overrun Service Charge is incurred, Transporter shall have the right to review the circumstances surrounding the Unauthorized Overrun Service Charge incurrence and, in its judgment, may waive all or a portion of the Unauthorized Overrun Service Charges. Any such waiver shall be granted on a non-discriminatory basis to all Shippers that incurred an Unauthorized Overrun Service Charge in that instance. Such waiver, if granted, shall be posted on Transporter's Interactive Website, as required by applicable FERC rules and regulations.

## **20.8 Commingling**

Gas delivered by Shipper will be commingled with the Gas of other Shippers in the System. Accordingly, Shipper's Gas shall be subject to such changes in Gross Heating Value and other specifications as may result from such commingling.

## **21. FORCE MAJEURE**

### **21.1 EFFECT OF FORCE MAJEURE**

In the event of either Transporter or Shipper being rendered unable by Force Majeure (on its part or that of a necessary third party) to carry out, wholly or in part, its obligations under the provisions of an Agreement, it is agreed that the obligations of the party affected by such Force Majeure, other than the obligation to make payments thereunder, except as provided in Section 7.14 of these General Terms and Conditions, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall, so far as possible, be remedied with all reasonable dispatch.

### **21.2 DEFINITION OF FORCE MAJEURE**

- A. The term "Force Majeure" as employed herein shall mean acts and events not within the control of the party claiming suspension and shall include acts of God, strikes, lockouts or other industrial disturbances, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, acts of terror, arrests and restraint of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the making of unscheduled or emergency repairs, alterations or replacements, freezing of wells or pipelines, and any other cause whether of the kind herein enumerated or otherwise, not within the control of Transporter or the party claiming suspension and which, by the exercise of due diligence, such party is unable to overcome. The term "Force Majeure" shall also mean interruptions by government, court orders, or any present or future orders of any regulatory body having proper jurisdiction to the extent that the actions by Transporter to address such occurrences are matters that are not reasonably within the control of Transporter.
- B. Nothing contained herein, however, shall be construed to require either party to settle a strike against its will. Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use reasonable diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies relieve either party of liability otherwise unless such party shall give notice and full particulars of the same in writing or by electronic means to the other party as soon as possible after the occurrence relied on.



## **22. POSSESSION OF GAS, TITLE AND RESPONSIBILITY**

Shipper warrants that it will at the time of delivery to Transporter have good title to all Gas so delivered free and clear of all liens, encumbrances and claims whatsoever. As between Shipper and Transporter, Shipper shall be deemed to be in control and possession of the Gas and responsible for and hold Transporter harmless of and from any damage or injury caused thereby until it shall have been delivered to Transporter at the Receipt Point(s), after which Transporter shall be deemed to be in control and possession of such Gas until its delivery to Shipper, or for Shipper's account at the Delivery Point(s) and while in such possession Transporter shall be responsible therefor and hold Shipper harmless of and from any damage or injury caused thereby. Transporter shall have no responsibility with respect to any Gas on account of anything which may be done, happen or arise with respect to said Gas until it is received by Transporter. Shipper shall have no responsibility with respect to said Gas after its receipt by Transporter or on account of anything which may be done, happen or arise with respect to said Gas after such receipt until its delivery to Shipper, or for Shipper's account, at the Delivery Point(s). The Point of the division of responsibility shall be the Point of interconnection between the facilities of Transporter and Shipper, or their respective Agents, at the Receipt or Delivery Point(s), as applicable. Shipper will indemnify Transporter and hold Transporter harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons or parties to said Gas including claims for royalties, taxes, license fees or charges applicable to such Gas or to the delivery thereof to Transporter. The foregoing provisions of this section shall not relieve either party from responsibility for acts of negligence or misfeasance of such party, its Agents or employees.

## **23. NOTIFICATION**

### **23.1 GENERAL**

Except as provided otherwise in this Tariff or the Agreement, operational communications may be made by telephone or other mutually agreeable means without subsequent written confirmation, unless written confirmation is requested by either party hereto. Any notice, request, demand, statement or other formal communication shall only be deemed given when delivered by first class, certified or registered U.S. mail, overnight delivery, courier, facsimile or Electronic Notice Delivery consistent with NAESB WGQ Standards as adopted in Section 32 of these General Terms and Conditions. Such delivery shall: (a) be sent to Transporter at the address specified in the Agreement, or through such electronic means as are available and authorized by Transporter, or at an address otherwise stated in a notice by Transporter to Shipper; and (b) be sent to Shipper at the address in the Agreement pursuant to the Rate Schedule, through Electronic Notice Delivery or at an address otherwise stated in a notice by Shipper to Transporter.

### **23.2 NOTIFICATION PROCEDURES**

#### **A. PRICING**

- (1) The availability and pricing of services on Transporter's System is governed by this Tariff. From time-to-time, Transporter changes or updates its Tariff by filings with the FERC.
- (2) Telephone inquiries related to the availability or pricing of services are answered by representatives of Transporter and upon request, potential Shippers may be provided copies of Transporter's Tariff filings.
- (3) Shippers desiring a rate under any Agreement other than the maximum rate on file with the Commission are required to submit such requests in writing or by electronic medium to Transporter's Commercial Operations Department. Any lower rate agreed to by Transporter is evidenced in writing to such Shipper, and such rate is considered confidential until it is reported to the Commission as required by the Regulations. In order to attract or determine interest in the use of any particular service, representatives of Transporter may from time-to-time contact Shippers by telephone. Such conversations are confidential and may or may not result in Shipper submitting a request for a discounted rate for a particular service.

#### **B. CAPACITY**

- (1) Capacity available for firm service is communicated to requestors of that service under the provisions of the applicable firm rate schedule. The general availability of firm Capacity is also communicated by Transporter's Interactive Website which is described in Section 14 of these General Terms and Conditions.
- (2) Capacity available for interruptible service is communicated to requestors of that service under the provisions of the applicable interruptible rate schedule. The general availability of interruptible Capacity is also communicated by Transporter's Interactive Website, which is described in Section 14 of these General Terms and Conditions.
- (3) When available Capacity is affected by construction projects or unforeseen conditions, Transporter communicates such information primarily via the Interactive Website to its Shippers. Transporter may also use letters or telephone calls to communicate Capacity information when such means are appropriate.

## **24. FACILITIES/OBLIGATION TO CARRY OUT AGREEMENT/FILINGS**

### **24.1 FACILITIES**

Transporter shall not be obligated to construct, modify, expand or acquire any facilities, and shall not be obligated to grant any Request for Service which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, that Transporter may agree in its sole discretion to construct, modify, expand, or acquire facilities to enable it to perform such services. However, when Transporter determines that new and/or expanded facilities are required to accommodate receipt and/or delivery of Gas and provide service under a request for new service, and that installation of such facilities will not impair service to any Existing Shipper under a Firm Agreement or threaten the integrity of Transporter's System, Transporter may construct such facilities subject to Sections 2, 6 and 24 of the General Terms and Conditions, including additional facility charges, scheduling priorities and applicable rate schedules.

The nature of, and responsibility for, any facilities which must be acquired, modified or constructed to effectuate an Agreement are to be set out in a separate Agreement between Transporter and Shipper. Point Operator or owner of the facilities. To the extent that Shipper builds or acquires facilities to interconnect with Transporter's System, such facilities shall comply in all respects, and be constructed, maintained, tested and operated in conformance with the Tariff, United States Department of Transportation regulations, and any other applicable governmental regulations, and shall be subject to inspection and prior approval by Transporter. Ownership of any such facilities shall be subject to individual negotiation between Transporter and third party.

### **24.2 OBLIGATIONS TO CARRY OUT AGREEMENT**

Other provisions of an Agreement notwithstanding, Transporter shall be under no obligation to commence service thereunder unless and until: (a) all facilities, of whatever nature, as are required to permit (as applicable) the receipt, measurement, transportation and delivery of Gas under the Agreement have been installed and are in operating condition; (b) any payments due Transporter thereunder have been received; and (c) Transporter has, in its reasonable discretion, determined that such service is authorized under all applicable Regulations.

### **24.3 REGULATORY FILINGS**

After the execution of an Agreement, each party shall make and diligently prosecute, any and all necessary filings with Federal or other governmental bodies, or both, as may be required for the initiation and continuation of the service which is the subject of an Agreement. Upon either party's request, the other party shall timely provide or cause to

be provided to the requesting party such information and material not within the requesting party's control and/or possession that may be required for such filings. Each party shall promptly inform the other party of any changes in the representations made by such party herein and/or in the information provided pursuant to this section.

## **25. INDEMNIFICATION**

### **25.1 GENERAL**

Shipper will indemnify and hold Transporter harmless from and against any and all suits, actions, causes of action, claims and demands arising from or out of any adverse claims by third parties claiming ownership of or an interest in the Gas tendered under an Agreement. Transporter will indemnify and save Shipper harmless from and against any and all suits, actions, causes of action, claims and demands arising from or out of any adverse claims by third parties claiming ownership of or an interest in the Gas delivered to Shipper, or for Shipper's account, under an Agreement.

### **25.2 ELIGIBILITY FOR SERVICE**

Shipper warrants that its requested service meets the requirement for service under the applicable Rate Schedule and these General Terms and Conditions and conforms to applicable Regulations of the FERC. Shipper further agrees to abide by the terms of the applicable Rate Schedule and these General Terms and Conditions. Shipper will indemnify Transporter and hold Transporter harmless from all suits, actions, damages, costs, losses, expenses (including reasonable attorney fees) and regulatory proceedings arising from its breach of this warranty. Shipper further agrees to indemnify Transporter and save Transporter harmless from any claims asserted by any person because of conduct which is consistent with the applicable Rate Schedule and these General Terms and Conditions. Shipper, however, shall have no obligation to indemnify Transporter for the results of any intentional or unintentional acts by Transporter that contravene the applicable Rate Schedule or these General Terms and Conditions.

## **26. SUCCESSORS AND ASSIGNS**

Any company which shall succeed by purchase, merger or consolidation to the properties, substantially as an entirety, of Shipper or Transporter shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under the Agreement; provided, however, that Transporter reserves the right to evaluate and approve the creditworthiness of the new entity in accordance with the Evaluation of Credit section of these General Terms and Conditions. No other assignment of an Agreement or any of the rights or obligations thereunder shall be made by Shipper unless there first shall have been obtained the written consent thereto of Transporter, which consent shall not be withheld unreasonably. Shipper or Transporter may pledge or assign their respective right, title and interest in and to and under the Agreement to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities without the necessity of such trustee or trustees becoming in any respect obligated to perform the obligations of the assignor under the Agreement and, if any such trustee be a corporation, without its being required to qualify to do business in any State in which performance of the Agreement may occur.

## **27. REGULATION**

The operation of the provisions of this Tariff shall be subject to any and all governmental statutes and all lawful orders, rules, and regulations affecting the receipt, storage, transportation or delivery of Gas hereunder or the equipment required in connection with such receipt, storage, transportation or delivery. It is understood that performance under any Agreement shall be subject to all valid laws, orders, rules and regulations of duly constituted governmental authorities having jurisdiction or control of the matter related hereto. Should either of the parties, by force of any such law, order, rule or regulation, at any time during the term of the Agreement be ordered or required to do any act inconsistent with the provisions thereof, then for that period only during which the requirements of such law, order, rule or regulation are applicable, the Agreement shall be deemed modified to conform with the requirement of such law, order, rule or regulation; provided, however, nothing herein shall alter, modify or otherwise affect the respective rights of the parties to cancel or terminate the Agreement under its the terms and conditions.



## **28. OPERATOR**

### **28.1 DESIGNATION OF OPERATOR**

The Operator of Transporter's System is Tallgrass NatGas Operator, LLC, which performs all of Transporter's obligations hereunder. Transporter reserves the right to change the designation of the Operator.

### **28.2 WAIVER AND INDEMNIFICATION**

- A. In the absence of negligence, or misfeasance on the part of Operator, its officers, employees or Agents, each Shipper waives any and all claims and demands against Operator, its officers, employees or Agents, arising out of or in any way connected with: (1) the quality, use or condition of the Gas after delivery from the System for the account of such Shipper; (2) any losses or shrinkage of Gas during and resulting from transportation hereunder; and (3) all other claims, damages and demands arising out of the conduct of Operator, its officers, employees or Agents hereunder.
- B. In the absence of negligence, or misfeasance on the part of Transporter, each Shipper waives any and all claims and demands against Transporter arising out of or in any way connected with: (1) the quality, use or condition of the Gas after delivery from Transporter for the account of such Shipper; (2) any losses or shrinkage of Gas during and resulting from transportation hereunder; and (3) all other claims, damages and demands arising out of the conduct of Operator, its officers, employees or Agents hereunder.
- C. Except in the case of negligence, recklessness or misfeasance on the part of Operator, its officers, employees or Agents, each Shipper shall indemnify and save harmless Operator, its officers, employees or Agents from any claim, demand or expense for loss, damage or injury to property or to persons who are not Shippers of Gas in the System which arises out of or is connected with the conduct of Operator, its officers, employees or Agents hereunder in transporting Gas for any Shipper.

## **29. OPERATING CONDITIONS**

### **29.1 PERSONNEL AND FACILITIES**

- A. Personnel of Tallgrass NatGas Operator, LLC operate Rockies Express Pipeline LLC.
- B. Transporter shall post on its Interactive Website the information required to be posted to comply with the Commission's standards of conduct, including information such as the names and addresses of Transporter's marketing affiliates. Such information will be updated within seven (7) Business Days of any change.
- C. If an employee of Transporter discloses non-public information about Transporter's transmission System or the transmission system of another or non-public information acquired from a non-affiliated customer or a potential non-affiliated customer to any of its marketing affiliates, Transporter shall immediately post such information on its Interactive Website.

### **29.2 VALID REQUEST INFORMATION**

The specific information and format for a valid request for transportation service are contained in the applicable rate schedules of Transporter's FERC Gas Tariff.

### **29.3 COMPLAINT PROCEDURE**

It is the goal of Transporter, as a provider of transportation services for others, that each of its Existing and potential Shippers receive service that is in accordance with Transporter's Tariff and is satisfactory to the customer. To that end, it is the policy of Transporter that customer concerns and problems, communicated in any form to any representative of Transporter, be satisfactorily resolved as informally, as rapidly and at as low a level as is possible. If attempts to resolve problems and concerns through such normal communication channels are unsuccessful, the procedures set forth in Sections 29.3A through 29.3E should be followed.

- A. Formal complaints by Shippers and potential Shippers shall be addressed to the Vice President, Commercial Operations. A complaint should contain as much specific information as is possible in order to facilitate the appropriate resolution of the matter. Anyone making a verbal complaint should specifically identify the communication as a complaint.
- B. The Vice President, or his designee, shall acknowledge the receipt of the complaint within forty-eight (48) hours of receipt. If appropriate, Transporter's

resolution of the matter will be communicated tentatively to the complainant at that time.

- C. The Vice President, or his designee, shall communicate, as necessary, with others concerning the complaint and the formation of an appropriate response to it.
- D. The timing and nature of subsequent communications with the complainant, including final resolution of the matter, shall be at the discretion of the Vice President. Every effort shall be made to resolve finally each complaint in writing within thirty (30) Days after the complaint was originally received. At a minimum, Transporter shall notify Shipper in writing of the status of the complaint within thirty (30) Days of its receipt.
- E. The foregoing recognizes that individual complaints may vary greatly as to complexity and seriousness. For this reason, the informed judgment of the Vice President shall be relied upon in each instance for the necessary determinations concerning such things as: (1) the exact steps to be taken in addressing the complaint; (2) the need to involve more senior officers in the matter; and (3) the appropriate final resolution of the complaint.

## **30. FERC ANNUAL CHARGE ADJUSTMENT (ACA) PROVISIONS**

### **30.1 PURPOSE**

For the purpose of funding of the Federal Energy Regulatory Commission's (FERC) costs incurred in any fiscal Year, this Section 30 establishes an Annual Charge Adjustment (ACA) to be applicable to Transporter's Rate Schedules as set forth below and in the applicable rate Sections of this Tariff. Transporter shall not recover any annual charges recorded in FERC Account No. 928 in a NGA Section 4 rate case.

### **30.2 BASIS**

Pursuant to FERC order issued March 21, 2013 at Docket No. RM12-14-000 (Order No. 776), Transporter incorporates by reference into this Tariff the ACA unit charge specified in the annual notice issued by the FERC entitled "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge" as found on the Annual Charges pages of the Natural Gas section of the FERC's website, located at <http://www.ferc.gov>. This ACA unit charge shall be effective the first day of October following issuance of this notice and shall extend to the last day of September the following year (i.e., the duration of the fiscal year).

### **30.3 REMITTANCE TO THE FERC**

Transporter shall remit to the FERC, not later than 45 Days after receipt of the Annual Charge Billing, the Total Annual Charge stated in such billing.

## **31. WAIVERS**

Transporter may waive any of its rights or any obligations of Shipper under this Tariff on a basis which is not unduly discriminatory; provided that no waiver shall operate or be construed as a waiver of other or future rights or obligations whether of a like or different character.

## 32. COMPLIANCE WITH 18 C.F.R., SECTION 284.12

32.1 Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 3.2, which are required by the Commission in 18 CFR Section 284.12(a), as indicated below. Standards without accompanying identifications or notations are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

### 32.2 Standards not Incorporated by Reference and their Location in Tariff:

<b><u>NAESB Standard</u></b>	<b><u>Tariff record</u></b>
1.3.1	Section 1 – Definitions (see Section 1)
1.3.2 (i-vi)	Section 7 – Nominations, Confirmations (see Section 7.2)
1.3.3	Section 7 – Nominations, Confirmations (see Section 7.2A)
1.3.4	Section 7 – Nominations, Confirmations (see Section 7.1)
1.3.5	Section 7 – Nominations, Confirmations (see Section 7.1A)
1.3.6	Section 7 – Nominations, Confirmations (see Section 7.3B)
1.3.7	Section 7 – Nominations, Confirmations (see Section 7.1A)
1.3.8	Section 7 – Nominations, Confirmations (see Section 7.1C)
1.3.9	Section 7 – Nominations, Confirmations (see Section 7.1B)
1.3.11	Section 7 – Nominations, Confirmations (see Section 7.6H)
1.3.13	Section 7 – Nominations, Confirmations (see Section 7.1B)
1.3.19	Section 7 – Nominations, Confirmations (see Section 7.8)
1.3.22	Section 7 – Nominations, Confirmations (see Section 7.5C)
1.3.23	Section 7 – Nominations, Confirmations (see Section 7.11)
1.3.32	Section 7 – Nominations, Confirmations (see Section 7.6D)
2.3.14	Section 18 – Measurement (see Section 18.11)
2.3.16	Section 8 – Determination of Receipts (see Section 8.2)
3.2.1	Section 1 – Definitions (see Section 1)
5.3.2	Section 15 – Capacity Release (see Section 15.1)
5.3.3	Section 15 – Capacity Release (see Section 15.5A)
5.3.4	Section 15 – Capacity Release (see Section 15.10C)
5.3.5	Section 15 – Capacity Release (see Section 15.13)
5.3.8	Section 15 – Capacity Release (see Section 15.3C)
5.3.11	Section 15 – Capacity Release (see Section 15.11)

5.3.14	Section 15 – Capacity Release (see Section 15.5F)
5.3.15	Section 15 – Capacity Release (see Section 15.8F)
5.3.16	Section 15 – Capacity Release (see Section 15.5F1)
5.3.22	Section 15 – Capacity Release (see Section 15.18)
5.3.24	Section 15 – Capacity Release (see Section 15.7)
5.3.25	Section 15 – Capacity Release (see Section 15.7C)
5.3.26	Section 15 – Capacity Release (see Section 15.3J)
5.3.44	Section 15 – Capacity Release (see Section 15.14B)
5.3.45	Section 15 – Capacity Release (see Section 15.14B)
5.3.46	Section 15 – Capacity Release (see Section 15.14C1)
5.3.47	Section 15 – Capacity Release (see Section 15.14C)
5.3.48	Section 15 – Capacity Release (see Section 15.14B6)
5.3.49	Section 15 – Capacity Release (see Section 15.14C3)
5.3.50, 5.3.51	Section 15 – Capacity Release (see Section 15.14A)
5.3.52	Section 15 – Capacity Release (see Section 15.14C)
5.3.53	Section 15 – Capacity Release (see Section 15.14E)
5.3.55 to 5.3.58	Section 15 – Capacity Release (see Section 15.14D)
5.3.59	Section 15 – Capacity Release (see Section 15.15A)
5.3.73	Section 41 – Advertisements (see Section 41.1)

### **32.3 Standards Incorporated by Reference:**

#### **A. Additional Standards**

General	Definitions:	0.2.5
	Standards:	0.3.1, 0.3.2, 0.3.16, 0.3.17
Creditworthiness	Standards:	0.3.3 to 0.3.10
Gas/Electric Operational Communications	Definitions:	0.2.1 to 0.2.4
Operating Capacity and Unsubscribed	Standards:	0.3.18, 0.3.20 to 0.3.22
Gas/Electric Operational Communications	Standards:	0.3.11 to 0.3.15
Location Data Download	Standards:	0.3.23 to 0.3.29
	Data Sets:	0.4.4*
Storage Information	Data Sets:	0.4.1*

**B. Nominations** Related Standards

Definitions: 1.2.1 to 1.2.3, 1.2.4 to 1.2.6, 1.2.8 to 1.2.12, 1.2.13 to 1.2.19

Standards: 1.3.14 to 1.3.18, 1.3.20, 1.3.21, 1.3.24 to 1.3.26, 1.3.27\*, 1.3.28 to 1.3.31, 1.3.33 to 1.3.62, 1.3.64 to 1.3.76, 1.3.77, 1.3.79 to 1.3.82

Data Sets: 1.4.1\*, 1.4.3\*, 1.4.4\*, 1.4.5\*, 1.4.6\*, 1.4.7

**C. Flowing Gas** Related Standards

Definitions: 2.2.1, 2.2.2, 2.2.3, 2.2.4, 2.2.5

Standards: 2.3.1 to 2.3.13, 2.3.15, 2.3.17 to 2.3.23, 2.3.25 to 2.3.32, and 2.3.40 to 2.3.66

Data Sets: 2.4.1\*, 2.4.2, 2.4.3\*, 2.4.5, 2.4.6\*, 2.4.7, 2.4.8, 2.4.9\*, 2.4.10\*, 2.4.11\*, 2.4.17\*, 2.4.18

**D. Invoicing** Related Standards

Definitions: 3.2.1

Standards: 3.3.3 to 3.3.27

Data Sets: 3.4.1\*, 3.4.2\*, 3.4.3, 3.4.4\*

**E. Quadrant Electronic Delivery Mechanisms** Related Standards

Definitions: 4.2.1 to 4.2.20

Standards: 4.3.1 to 4.3.3, 4.3.16 to 4.3.18, 4.3.20, 4.3.22 to 4.3.28, 4.3.30 to 4.3.36, 4.3.38, 4.3.40 to 4.3.48, 4.3.49\*, 4.3.50, 4.3.52 to 4.3.55, 4.3.57, 4.3.58, 4.3.60, 4.3.62, 4.3.66 to 4.3.69, 4.3.72, 4.3.75, 4.3.76, and 4.3.78, 4.3.79, 4.3.81, 4.3.82, 4.3.84 to 4.3.87, 4.3.89 to 4.3.105. 4.3.107 to 4.3.110

**F. Capacity Release** Related Standards

Definitions: 5.2.1 to 5.2.5

Standards: 5.3.1, 5.3.7, 5.3.9, 5.3.10, 5.3.12, 5.3.13, 5.3.18 to 5.3.21, 5.3.23, 5.3.28, 5.3.29, 5.3.31 to 5.3.42, 5.3.54,



5.3.60, 5.3.62 to 5.3.72

Data Sets: 5.4.14, 5.4.15\*, 5.4.16\*, 5.4.17, 5.4.23,  
5.4.24\*, 5.4.25\*, 5.4.26\*, 5.4.27**G. Internet Electronic Transport** Related Standards

Definitions: 10.2.1 to 10.2.38, 10.2.39

Standards: 10.3.1, 10.3.3 to 10.3.12, and 10.3.14 to 10.3.27 to  
10.3.29

\*These requirements have been implemented in relation to the posting of proprietary location codes on Transporter's Internet website. However, these requirements have not yet been implemented as they apply to electronic processes and are subject to the extension of time identified below.

**32.4 Standards for which Waiver or Extension of Time to Comply have been granted or requested:****Additional Standards**

Storage Information Data Sets: 0.4.1\*\*

Operational Capacity and Data Sets: 0.4.2, 0.4.3  
Unsubscribed Capacity

Location Data Download Data Sets: 0.4.4\*\*

**Nominations** Related Standards

Data Sets: 1.3.27\*\*, 1.4.1\*\*, 1.4.2, 1.4.3\*\*, 1.4.4\*\*, 1.4.5\*\*, 1.4.6\*\*

**Flowing Gas** Related Standards

Data Sets: 2.4.1\*\*, 2.4.3\*\*, 2.4.4, 2.4.6\*\*, 2.4.9\*\*, 2.4.10\*\*, 2.4.11\*\*, 2.4.17\*\*

**Invoicing** Related Standards

Data Sets: 3.4.1\*\*, 3.4.2\*\*, 3.4.4\*\*,

**Quadrant Electronic Delivery Mechanisms** Related Standards

Standards: 4.3.49\*\*, 4.3.80, 4.3.106

**Capacity Release** Related Standards

Data Sets: 5.4.15\*\*, 5.4.16\*\*, 5.4.20, 5.4.21, 5.4.22, 5.4.24\*\*, 5.4.25\*\*, 5.4.26\*\*

\*\*Extension of time does not apply to these requirements related to the posting of proprietary location codes on Transporter's Internet website.

32.5 Transporter's HTML page(s) is accessible via the Internet's World Wide Web at the following address: <http://pipeline.tallgrassenergyllp.com>

## **33. NEGOTIATED RATES**

### **33.1 Availability**

Transporter and Shipper may mutually agree in writing to a Negotiated Rate for service under any rate schedule contained in Transporter's Tariff. Transporter shall make any filings at the FERC necessary to effectuate a Negotiated Rate Agreement. Transporter's Recourse Rate is available to any Shipper that does not desire to negotiate a rate with the Transporter.

### **33.2 Definition**

Transporter and Shipper may mutually agree to a Negotiated Rate or rate formula for service, in which one or more of the individual rate components may be less than, equal to, or greater than Transporter maximum and/or minimum rates, may be based on a rate design other than Straight Fixed Variable (SFV), and may include a minimum volume.

### **33.3 Limitations**

This Section 33 does not authorize Transporter to negotiate terms and conditions of service.

### **33.4 Capacity Allocation**

For purposes of Curtailment and scheduling services pursuant to Section 3 of the General Terms and Conditions of this Tariff, Shippers which have agreed to pay a Negotiated Rate which exceeds the maximum tariff rate, when calculated on a 100 percent load factor basis, will be considered to be paying the maximum Recourse Rate. In evaluating bids for existing firm service or allocating existing Capacity among competing requests for firm service where one or more bid(s) is at a Negotiated Rate which is proposing a reservation rate or other form of revenue guarantee (i.e., minimum throughput condition or minimum bill) that exceeds the maximum applicable reservation rate, the Net Present Value of any such bid for firm service shall be capped by the Net Present Value of the maximum applicable reservation rate for such service over the contract term bid.

### **33.5 Capacity Release**

The maximum price cap for the release of Capacity under a Negotiated Rate Agreement shall be the Recourse Rate. Transporter and a Releasing Shipper may, in connection with their Agreement to a Negotiated Rate, agree upon payment obligations and credit mechanisms in the event of Capacity releases that vary from or are in addition to those set forth in Section 15 of these General Terms and Conditions.

### **33.6 Treatment of Discounts**

- (A) A discount-type adjustment to recourse rates for negotiated rate agreements shall only be allowed to the extent that Transporter can meet the standards required of an affiliate discount-type adjustment including requiring that Transporter shall have the burden of proving that any discount granted is required to meet competition. Transporter shall be required to demonstrate that any discount-type adjustment for negotiated rate agreements does not have an adverse impact on recourse rate shippers.
- (1) Demonstrating that, in the absence of Transporter's entering into such negotiated rate agreement providing for such discount, Transporter would not have been able to contract for such capacity at any higher rate, and that recourse rates would otherwise be as high or higher than recourse rates which result after applying the discount adjustment; or
- (2) Making another comparable showing that the negotiated rate discount contributes more fixed costs to the system than could have been achieved without the discount.
- (B) Transporter shall have the right to seek in future general rate proceedings discount-type adjustments in the design of its rates related to Negotiated Rate Agreements that were converted from pre-existing discount adjustments to Negotiated Rate Agreements, provided that the type of pre-existing service is not altered as a result of the conversion to a Negotiated Rate. In those situations, Transporter may seek a discount-type adjustment based upon the greater of: (a) the Negotiated Rate revenues received; or (b) the Discounted Rate revenues which otherwise would have been received.

### **33.7 Right of First Refusal**

The right of first refusal provided with respect to certain Shipper's firm Service Agreement(s), as described in Section 17 of these General Terms and Conditions, shall not apply to firm Service Agreement(s) with Negotiated Rates, unless otherwise agreed to in writing by Transporter or as specified in this Tariff.

### **33.8 Negotiated Rate Surcharge and Fuel Retention Components**

If Transporter negotiates surcharge or Fuel retention percentage rate components at lower than the maximum rate level for those components as part of a Negotiated Rate Agreement, it will assume any risk of under-recovery of costs or Fuel retention from Negotiated Rate Shippers in order to ensure that its FL&U Recourse Rate Shippers are not adversely affected due to Negotiated Rate Agreements with individual Shippers. If Transporter negotiates specific surcharge components of its rates, rather than total rates,

as part of a Negotiated Rate Agreement, the discount order policy in Section 12.6 of these General Terms and Conditions shall not apply.

### **33.9 Accounting**

Transporter shall maintain sufficient records to identify revenues associated with Negotiated Rate Agreements.

### **33.10 Standard of Review**

In the event the Commission considers or reviews an effective rate contained in a Negotiated Rate Service Agreement, the standard of review shall be the public interest standard of review under the *Mobile-Sierra* Doctrine.

## **34. OPERATIONAL BALANCING AGREEMENTS**

### **34.1 Terms Governing**

For the purpose of minimizing operational conflicts between various Gas facilities with respect to the delivery of Gas to and from Transporter's facilities, Transporter is willing to negotiate and execute OBAs with appropriate parties that operate facilities interconnecting with Transporter's System (any such party will be referred to herein as the "OBA Party"). Such OBAs shall specify the Gas custody transfer procedures to be followed by Transporter and the OBA Party for the confirmation of scheduled quantities to be received by Transporter at Point(s) of Receipt and delivered by Transporter at Point(s) of Delivery. Such OBAs will provide that any variance between actual quantities and scheduled and confirmed quantities for any Day shall be resolved pursuant to the terms of the OBA. To facilitate such determination of variances on a timely basis, Transporter and the OBA Party will agree in the OBA on necessary measurement and accounting procedures. Transporter shall post on the Informational Postings portion of the Interactive Website those Points of Receipt and Points of Delivery which are subject to an OBA.

The time limitation for disputes of allocations should be six (6) months from the date of the initial month-end allocation with a three (3) month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

### **34.2 Prerequisite to Execution**

It is Transporter's intent to negotiate and execute OBAs on a non-discriminatory basis with any OBA Party. However, Transporter shall have no obligation to negotiate and execute OBAs with any Party that:

- A. is not creditworthy as determined pursuant to Section 13 of these General Terms and Conditions, substituting the term "OBA Party" for "Shipper" for this purpose;
- B. does not maintain a Gas control operation which is staffed on a continuous, around-the-clock basis;
- C. does not have electronic flow measurement equipment to which Transporter has access at the interconnect Points which are proposed to be subject to the OBA;
- D. would cause an increase in the level of regulators or flow control regulation which Transporter is subject to prior to the execution of the applicable OBA; or

- E. does not commit to timely and final determination of Imbalances based on reasonable available measurement technology.

### **34.3 Right To Protect System Integrity**

Nothing in this Section 34, nor any executed OBA, shall limit Transporter's rights to take action as may be required to adjust receipts and deliveries under any transportation Agreement to reflect actual experience or to alleviate conditions which threaten the integrity of Transporter's System, including maintenance of service to higher priority customers or services.

### **34.4 Recordkeeping**

Transporter shall maintain records of volumes and amounts paid or received pursuant to OBAs entered into under this Section 34. Such records shall be available for review upon request by the parties to the agreement.

## **35. GATHERING AFFILIATE**

- 35.1 Transporter will provide nondiscriminatory access to all sources of supply in accordance with Part 284 of the Commission's regulations and will not give Shippers of any gathering affiliate undue preference over Shippers of nonaffiliated gatherers or other customers in scheduling, transportation, storage or Curtailment priority.
- 35.2 Transporter will not condition or tie its agreement to provide transportation service to an agreement by the producer, customer, end-user, or Shipper relating to any service by any gathering affiliate, any services by it on behalf of its gathering affiliate, or any services in which its gathering affiliate is involved.



## **36. OPERATIONAL PARAMETERS**

### **36.1 GENERAL**

- A. Transporter shall endeavor to maintain adequate pressure throughout its System and to preserve the overall operational integrity of its System; provided, however, that Transporter shall not be obligated to buy or sell Gas or to install additional compression or otherwise modify its System for these purposes. Operating personnel for Shippers and other entities which are physically taking delivery of Gas from Transporter or tendering Gas to Transporter shall cooperate with Transporter in furtherance of this section. Each Shipper shall designate the e-mail address, telephone and facsimile numbers of one primary and one backup person for Transporter to contact on operating matters (including the receipt of Directional Notices and notices of Critical Time Operational Flow Orders) at any time, on a 24-hour-a-Day, 365-Day-a-Year basis. Such contact persons must have adequate authority and expertise to deal with such operating matters.
- B. For the purpose of these General Terms and Conditions, the overall operational integrity of Transporter's System shall encompass the integrity of the physical System and the preservation of physical assets and their performance, the overall operating performance of the entire physical System as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total System deliverability and the quality of Gas delivered.
- C. Transporter shall post a Monthly Maintenance Schedule on its Interactive Website each month prior to bid-week for the subsequent month that contains a list of scheduled maintenance activities Transporter anticipates conducting in the subsequent month which are likely to result in curtailment or outages on the pipeline. Such Monthly Maintenance Schedule posting shall include the facilities anticipated to be impacted by the project, an estimate of the date each project will be conducted, and the name and amount of estimated curtailment for each segment anticipated to be impacted by the project. If it is necessary for Transporter to perform a new maintenance project in the subsequent month that was not previously included in the Monthly Maintenance Schedule posting, and that Transporter could not reasonably anticipate would be necessary to perform in the subsequent month when the Monthly Maintenance Schedule was posted, Transporter shall post an update to the Monthly Maintenance Schedule on its Interactive Website specific to the new maintenance project before the end of the current month in which the Monthly Maintenance Schedule posting was made.

## **36.2 FACILITY CONTROL**

Transporter shall maintain actual physical and operational control of all transmission or any other facilities located on its System.

## **36.3 OPERATIONAL CONTROL SEQUENCE**

- A. In the event Transporter's observations or projections indicate that a situation is or may be developing in which adequate pressures may not be maintained or the overall operational integrity of its System (or any portion thereof) could be threatened, or in the event that such a situation actually occurs, Transporter is authorized by this section to take action to alleviate this situation. In responding to the projected development of such a situation, Transporter shall first apply the Advisory Action procedures of Section 36.4. If such measures are not sufficient and the situation continues to deteriorate, Transporter shall next employ Directional Notices as provided in Section 36.5. In the event Directional Notices alone are not adequate, and the situation becomes worse, Transporter may invoke the Critical Time Operational Flow Order procedures set out in Section 36.6. Finally, Transporter may take unilateral action as provided in Section 36.7. The procedures set out in such provisions, and their sequencing, are intended to be applied only to the extent any of the specific actions indicated, or such sequencing, would be anticipated to alleviate the situation to be addressed. In issuing Advisory Actions, Directional Notices or Critical Time Operational Flow Orders, Transporter shall describe the specific System conditions, including providing available information that led Transporter to conclude that the particular action requested of Shipper(s) is appropriate, and the specific responses required from the affected parties.
- B. To the extent that specific actions can be reasonably identifiable, Transporter shall direct its actions hereunder to Shippers creating or anticipated to create the situation to be addressed and shall act consistent with Section 36.8. Nothing herein shall preclude Transporter from bypassing any of the above procedures if, in its judgment, the situation so requires. Transporter will keep Shippers advised on the status of the situation through the Informational Postings portion of Transporter's Interactive Website.

## **36.4 ADVISORY ACTIONS**

In the event Transporter determines that action is required to alleviate or forestall a situation in which System pressure is not maintained or when the overall operational integrity of the System or any portion of the System is jeopardized, Transporter may take the Advisory Actions set out herein to alleviate or forestall the development of such a situation.

- A. Transporter may request Shippers or other entities affecting its System to take any of the following actions, or other similar actions, to the extent such actions would tend to alleviate the situation, on a voluntary basis:
- (1) Increase or decrease the supply mix of deliveries;
  - (2) Shift receipts to obtain better Capacity Balance;
  - (3) Change Receipt or Delivery Points;
  - (4) Change usage patterns (e.g., end users switch to alternate Fuels);
  - (5) Provide assistance from market area resources;
  - (6) Activate pre-negotiated voluntary arrangements under which Gas is diverted from one Shipper to another or from a non-Shipper to a Shipper (which arrangements may specify appropriate compensation);
  - (7) Reconcile transportation Imbalances; and/or
  - (8) Such other voluntary action as would tend to alleviate or forestall the situation.
- B. Transporter may also take actions within its control which might tend to alleviate or forestall the situation. Such actions may include the following:
- (1) Advise any Shipper which is not maintaining receipts and deliveries in Balance that such Imbalances must not continue;
  - (2) Curtail or require adjustments or supply shifts in interruptible transportation service; or
  - (3) Take such other actions as are within Transporter's control and discretion to alleviate or forestall the situation.

### **36.5 DIRECTIONAL NOTICE**

- A. (1) In the event that, in Transporter's judgment, the Advisory Actions under Section 36.4 are not sufficient to alleviate conditions, inter alia, which threaten or could threaten the safe operations or integrity of Transporter's System or to maintain operations required to provide efficient and reliable firm service, Transporter is authorized to issue Directional Notices to Shippers which are intended to address such conditions consistent with the provisions of this Section 36.

- (2) Notwithstanding the foregoing, Transporter shall take reasonable actions to minimize the issuance and the adverse impact of Directional Notices, or of any other measure taken under this Section 36 in response to adverse operational events on Transporter's System. Transporter will issue Directional Notices only if necessary, in its reasonable judgment, to maintain the pressure of its System within the range of normal operating parameters or, to respond to or prevent facility outages or other conditions which could have a detrimental impact on the reliability or service integrity of its System. Directional Notices shall be lifted as soon as reasonably practicable after such conditions no longer prevail.
  - (3) Such Directional Notices may, subject to Section 36.10, require a Shipper to take any of the following actions, or similar actions, to the extent such actions would tend to alleviate the situation to be addressed:
    - (a) Cease or reduce takes from Transporter's System or at specific Points;
    - (b) Reconcile transportation Imbalances;
    - (c) Require that deliveries under all of Transporter's rate schedules be made on a uniform hourly rate effective three (3) hours after issuance of a Directional Notice; and/or
    - (d) Require any other actions which may be acceptable to a Shipper, within the Shipper's existing contractual limits.
  - (4) No Shipper will be required under a Directional Notice to exceed its total firm MDQ under its Agreements with Transporter under Part 284 of the Commission's Regulations. Nor will a Shipper be required to accept delivery of Gas which the Shipper cannot use at its Delivery Point.
- B. In issuing Directional Notices to correct problems with either too much Gas or insufficient Gas being received as compared to deliveries, Transporter will generally follow the following sequence, to the extent there is sufficient time:
- (1) Transporter will require all Shippers out of Balance to the detriment of the System to Balance their Agreements.
  - (2) Transporter will seek voluntary action from Shippers, subject to the Shipper and Transporter negotiating adequate compensation.
  - (3) Transporter will interrupt interruptible services then being provided if that will restore System flexibility prior to issuance of additional

Directional Notices or Curtailment of firm services. Further, this step may also be taken when Shippers are failing to comply with previously issued Directional Notices or when Transporter cannot identify which Shippers are creating the problem.

- C. (1) In the event receipts in segments of Transporter's System exceed scheduled receipts so that high System pressures back off scheduled receipt quantities, Transporter may issue a Directional Notice to all Shippers in the affected segment of the System stating that a high pressure condition exists. All such Shippers will be required to check their deliveries into Receipt Points on the affected portion of the System.
- (2) Those Shippers who are delivering more than their scheduled volumes will have four (4) hours to make needed adjustments, or enter the penalty situation. A Directional Notice issued pursuant to this Section 36.5C will be canceled by Transporter when the high pressure condition described above has been corrected and the Imbalances created by the high pressure condition have been reasonably resolved.
- D. In the event there is a need for Transporter to engage in routine and normal maintenance of the System, to undertake repairs and replacement of lines of pipe, to schedule DOT compliance activities, to install taps, to make pig runs, to test equipment, to check or change compressor internals, or to engage in other similar actions affecting the Capacity of any portion of the System, Transporter may issue Directional Notices pursuant to this Section 36.5D which will contain an estimate of the time, duration, and impact of the activity. An event of force majeure may affect deliveries, but not trigger the need for a Directional Notice pursuant to this Section 36.5D. An order issued pursuant to this Section 36.5D shall be canceled when such planned maintenance or other activities have been completed.
- E. (1) Directional Notices will be the first items shown in the Informational Postings portion of Transporter's Interactive Website. Transporter shall also post, as soon as available, information about operational parameters which affect when a Directional Notice will begin and end. Transporter shall provide as much advance warning as reasonably possible of conditions which may create the need to issue a Directional Notice. Transporter shall also provide as much advance warning as reasonably possible of the issuance of a Directional Notice. Transporter will endeavor to post the notice on its Interactive Website before 4:00 p.m. Central Time or otherwise will endeavor to notify Shippers via Transporter's Interactive Website by 4:00 p.m. Central Time that they should check the Website again at a specified later time to see whether a Directional Notice will be in effect for the next Day. Transporter must attempt to give actual notice of a Directional Notice via e-mail, facsimile

or telephone (provided a Shipper has given the numbers to Transporter as required in Section 36.1) at least four (4) hours prior to the start of the Day before a Directional Notice will be effective as to a Shipper. Such notice shall specify the anticipated duration of the Directional Notice. To the extent reasonably possible, a Directional Notice will be effective at the start of a Day and will continue until the end of the Day and through the end of successive Days until Transporter notifies Shippers on Transporter's Interactive Website that the Directional Notice has been lifted.

- (2) Such notice and posting shall include but not be limited to: (i) mandated specific actions; (ii) indication of voluntary actions; (iii) identification of the parties subject to the Directional Notice; (iv) the time the Directional Notice will become effective; (v) the estimated duration of the Directional Notice; (vi) whether Transporter is over-delivered or under-delivered; (vii) whether actual net receipts need to be equal to or greater than actual deliveries, or actual deliveries need to be equal to or greater than actual net receipts; (viii) whether or not authorized Overruns are acceptable; and (ix) 24-hour contact number for Transporter during the duration of the Directional Notice.

F. If any Shipper fails to comply with a Directional Notice (other than those described in Subsection G below) during any period which is not a Critical Time, it shall be subject to a penalty of two (2) times the maximum ITS Rate per Dth, applicable to the Operational Impact Area, times any volume of Gas, outside of a five percent (5%) tolerance, by which it deviated from the requirements of the Directional Notice. A Shipper shall be exempt from such a penalty under this Section 36.5F to the extent the Directional Notice requires action beyond Shipper's contract limits under its Agreement with Transporter.

G. Transporter may also issue Directional Notices as follows:

- (1) In order to improve System operations, Transporter may require any Shipper which has a variance of twenty percent (20%) or more between actual deliveries to Transporter at a Receipt Point and the confirmed Nomination at that Receipt Point to conform the deliveries to the confirmed Nomination as of the Day that commences with the effectiveness of the Directional Notice.
- (2) (a) Transporter may also require Shippers to keep any variances between actual flows and confirmed Nominations at all of the Receipt Points or Delivery Points under each Shipper's Agreements, which are to the detriment of Transporter's System, within a ten percent (10%) tolerance. If a Shipper ("Swing Shipper") agrees to keep all other Shippers at a Delivery Point

whole with their Nominations, such other Shippers' confirmed Nominations and actual takes at that Point will be included in the total confirmed Nominations and the total actual deliveries of the Swing Shipper at all Delivery Points for purposes of determining the Swing Shipper's variance.

- (b) Shippers that fail to comply with such Directional Notice described in this Subsection G shall be subject to a penalty of two (2) times the Monthly Index Price per Dth, (as determined in Section 11.3 of these General Terms and Conditions), applicable to the Operational Impact Area, outside of a ten percent (10%) tolerance, by which such Shipper deviated from the requirements of the Directional Notice. A Shipper shall be exempt from any penalty under this Section 36.5G to the extent the Directional Notice requires action beyond Shipper's contract limits under its Service Agreement with Transporter.

- H. A Shipper shall not be subject to Overrun penalties or Imbalance penalties with respect to any action taken in conformance with a Directional Notice issued by Transporter.

## **36.6 CRITICAL TIME OPERATIONAL FLOW ORDER**

- A. A Critical Time Operational Flow Order may be declared: (1) when the total physical receipts to all or a portion of the System are approaching or expected to approach a level that is in excess of the total physical deliveries of the System; (2) when System pressure on one or more pipeline segment(s) is falling and approaching a level, or is expected to fall and approach a level that is at or below the minimum that Transporter considers necessary for System integrity or to fulfill its firm contractual obligations; (3) when System pressure on one or more pipeline segment(s) is rising and approaching a level, or is expected to rise and approach a level that is at or above the maximum pressure at which Transporter's facilities may be safely operated; or (4) at other times when Transporter is unable or anticipates it may not be able to fulfill its firm contractual obligations or otherwise when necessary to maintain the overall operational integrity of all or a portion of Transporter's System. A Critical Time may not be declared on all or a portion of the System for the purpose of maintaining interruptible services on that portion of the System, but interruptible Gas may flow at times or on portions of the System when such flow would not violate any operational control restrictions or provisions of this Tariff. Transporter shall notify Shippers through the Informational Postings portion of Transporter's Interactive Website as to the reason(s) why a Critical Time was declared. A Critical Time Operational Flow Order shall be lifted as soon as reasonably practicable after the conditions giving rise to such Order no longer prevail.

- B. Transporter shall advise Shippers on its System if it is declaring a Critical Time, as described in Section 36.6A of these General Terms and Conditions, and shall specify the nature of the situation creating the Critical Time.
- C. Transporter may issue Critical Time Operational Flow Orders as described in Section 36.6 during a Critical Time.
- D. All quantities tendered on a net contract basis to Transporter and/or taken by Shipper on a daily basis in violation of Transporter's Critical Time Operational Flow Orders issued during a Critical Time shall constitute Unauthorized receipts or deliveries, for which a charge of five (5) times the Monthly Index Price per Dth (as determined in Section 11.3 of these General Terms and Conditions), applicable to the Operational Impact Area, shall be assessed for the Days the Critical Time Operational Flow Order is in place and the resulting Imbalance will be reduced to zero. A Shipper shall be exempt from any penalty under this Section 36.6D to the extent the Critical Time Operational Flow Order requires action beyond Shipper's contract limits under its Service Agreement with Transporter.
- E. Notice of a Critical Time Operational Flow Order will be posted on Transporter's Interactive Website, and will be the first information item shown in the Informational Postings portion of the Interactive Website. Transporter will endeavor to post the notice on the Interactive Website before 4:00 p.m. Central Time or otherwise will endeavor to notify Shippers via the Interactive Website by 4:00 p.m. Central Time that they should check the Interactive Website again at a specified later time to see whether a Critical Time Operational Flow Order will be in effect for the next Day. Transporter must attempt to give actual notice of a Critical Time Operational Flow Order via e-mail, facsimile or telephone (provided a Shipper has given the number to Transporter as required in Section 36.1) at least four (4) hours prior to the start of the Day before a Critical Time Operational Flow Order will be effective as to a Shipper(s). Such notice shall specify the anticipated duration of the Critical Time Operational Flow Order and whether other charges will apply to over-receipts and under-deliveries as compared to confirmed Nominations or to under-receipts and over-deliveries as compared to confirmed Nominations. If reasonably possible, a Critical Time Operational Flow Order will be effective at the start of a Day and will continue until the end of the Day and through the end of successive Days until Transporter notifies Shippers via the Informational Postings portion of its Interactive Website that there is no longer a Critical Time Operational Flow Order.
- F. A Shipper shall not be subject to Overrun penalties or Imbalance penalties with respect to any action taken in conformance with a Critical Time Operational Flow Order issued by Transporter.



### **36.7 UNILATERAL ACTION**

In the event that the requested or required actions under Sections 36.3 through 36.6 (the Advisory Actions, Directional Notices or Critical Time Operational Flow Orders) are inadequate, or there is insufficient time to carry out such procedures, Transporter may periodically have to take unilateral action to maintain System pressure and preserve the overall operational integrity of Transporter's System (or any portion thereof). Transporter is authorized to use all the resources of its System to such ends, including, but not limited to adjusting line pack and supply received into and deliveries from Transporter's System. Transporter shall not, however, be responsible as a supplier of Gas to any Shipper.

### **36.8 APPLICABILITY OF ACTIONS**

In exercising its authority pursuant to Sections 36.3 through 36.7, Transporter shall generally direct its actions to Shippers in the following sequence, to the extent such actions and/or sequencing will tend to alleviate the situation to be addressed:

- A. First, to any Shipper which has been identified to take action and is causing disruption due to its failure to maintain receipts and deliveries in Balance or to match physical flows with nominated receipts or deliveries;
- B. Second, to any Shipper which has been identified to take action and has failed or is failing to take action to anticipate a change in demand (i.e., a temperature sensitive LDC or end user failing to respond to changes in weather);
- C. Third, to any Shipper which has been identified to take action and is operating in a manner which conflicts with sound operational practices in relation to Transporter's System; and
- D. Lastly, to all other Shippers.

### **36.9 REFUND OF PENALTY AMOUNTS**

The amounts collected as penalties by Transporter for each Directional Notice or Critical Time Operational Flow Order shall be refunded through an event-by-event calculation in the annual reconciliation filing as referenced in Section 37 of these General Terms and Conditions and as follows:

- A. First, the amounts collected will be used to compensate Transporter for any costs it has incurred (including any compensation Transporter agreed to provide for voluntary actions) to alleviate the conditions which resulted in the issuance of

the Directional Notice or in declaration of the Critical Time Operational Flow Order.

- B. Then, any remaining amounts will be refunded to all Complying Shippers and other Shippers that did not incur Directional Notice or Critical Time Operational Flow Order penalties based on the method described in Section 37 of these General Terms and Conditions.
- C. In each instance when amounts are collected as penalties for a Directional Notice or Critical Time Operational Flow Order, Transporter shall have the right to review the circumstances surrounding each penalty incurrence and, in its judgment, may waive all or a portion of the amount collected in excess of 100% of the Monthly Index Price. Any such waiver shall be granted on a non-discriminatory basis to all Shippers from whom penalties were collected in that instance. Such waiver, if granted, shall be posted on Transporter's Interactive Website, as required by applicable FERC rules and regulations.

### **36.10 STANDARDS**

- A. In issuing Directional Notices, Critical Time Operational Flow Orders or taking other operational control action under this section, Transporter shall apply consistent and objective engineering and operational criteria to define the overall operational integrity of the System and acceptable pressure levels to be maintained, to evaluate the imminent nature of any threat to these factors, and to determine what steps are necessary to preserve such factors. Such criteria may be changed from time-to-time as operating experience indicates.
- B. In applying this section, Transporter shall operate its System in a non-discriminatory manner, without regard to the source of supply, the identity or nature of any Shipper or the identity of any entity tendering or receiving Gas except as otherwise explicitly provided herein.

### **36.11 LIABILITY**

- A. Transporter shall not be liable to any person for the manner in which it operates its System, or for any diversion of Gas or Capacity rights or any other adverse consequences to such person which may result from its actions, provided that Transporter's actions were undertaken in furtherance of and in accordance with this section and provided further that such adverse consequences are not attributable to Transporter's negligence or misfeasance.
- B. Compliance with the Directional Notices, Critical Time Operational Flow Orders and the other terms and conditions of Transporter's FERC Gas Tariff is essential to provide deliveries and services under all rate schedules. A failure by one or more Shippers to comply with the Directional Notices or Critical Time Operational

Flow Orders may affect Transporter's ability to provide such deliveries and services. In such event and in addition to other provisions hereof and not in lieu of any other remedies available in law or at equity, Transporter will, except for negligence or undue discrimination, have no liability consistent with the provisions of these General Terms and Conditions.

- C. In the event a Shipper's Gas supplies are diverted to another Shipper as a result of a Directional Notice or Critical Time Operational Flow Order, the party receiving such Gas supplies shall compensate the Shipper whose Gas was diverted at one hundred percent (100%) of Transporter's Monthly Index Price (as determined in Section 11.3 of these General Terms and Conditions). Should reduced deliveries result from the issuance of a Directional Notice or Critical Time Operational Flow Order, Transporter shall provide reservation charge credits to Shippers reflecting such reduced deliveries. Nothing in this provision shall limit a Shipper's right to seek compensation (under any available state or common law remedies) from any Shipper receiving diverted gas.

## **36.12 REPORTING**

Within 10 Business Days after a Critical Time Operational Flow Order has been lifted, Transporter will post on its Internet Website a report that describes the specific operational factors that caused the Critical Time Operational Flow Order to be issued and then lifted.

## **36.13 UNAUTHORIZED OVERRUN GAS**

Transporter will notify Operators or Shippers by approximately the 15th of each Month of their level of Unauthorized Gas for the preceding calendar Month. Transporter will post on its Interactive Website, by approximately the 15th of each Month, quantities of Unauthorized Gas in the preceding Month which cannot be attributed to any party. Any Operator or Shipper who delivers unscheduled Gas onto Transporter's System will be given sixty (60) Days from the date Transporter provides notice to the Operator that such Gas has been received, to deliver it off the System or schedule it for delivery, or it will become the property of Transporter at the end of the 60 Day period. If the party who delivered such Gas onto Transporter's System is not known, the Gas will become the property of Transporter sixty (60) Days after it was received by Transporter. The realized value of any Gas retained by Transporter pursuant to this Section 36.13 will be credited back to Shippers pursuant to Section 37 of these General Terms and Conditions. If any Operator or Shipper receives Gas off of Transporter's System that is neither nominated nor confirmed, the particular Rate Schedule's provisions shall apply.

## **37. CREDITING OF PENALTY CHARGES**

- 37.1 This Section 37 establishes the procedures to be used by Transporter to credit to Shippers Penalty Charges. "Penalty Charges" shall include all Unauthorized Overrun Service Charges, cashout penalties, Directional Notice penalties, Critical Time Operational Flow Order penalties, IBS and PALS contract cashout penalties received and the value of Gas retained pursuant to Sections 20.7 and 36.13 of these General Terms and Conditions.
- A. By June 1 of each Year, Transporter shall submit to the FERC a reconciliation filing setting forth in detail the penalty charges and related costs as of the preceding December 31, and the allocation of any penalty charges and related costs under this Section 37 to each Shipper.
  - B. Transporter shall compare penalty charges and related costs, and determine if the penalty charges were in excess of costs (net penalty charge revenue) or if costs were in excess of penalty charges (net penalty charge costs).
  - C. To the extent net penalty charge revenues are received by Transporter, such net penalty charge revenues, if any, shall be refunded through a direct payment or invoice credit. A refund allocation factor for each Shipper shall be calculated by dividing the actual revenues for each Shipper by the total revenues during the reporting period. The revenues used to calculate the refund allocation factor shall be net of all applicable surcharges, including but not limited to, ACA surcharges. The resulting refund allocation factor shall be multiplied by the net penalty charge revenue to determine the applicable direct payment or invoice credit to each Shipper.
  - D. Any net penalty charge costs shall be rolled forward into succeeding reporting periods until eliminated.

## **38. PERIODIC RATE ADJUSTMENT (PRA) - FUEL AND L&U REIMBURSEMENT**

**38.1** This Section 38 establishes a Periodic Rate Adjustment ("PRA") mechanism for the purpose of adjusting: (a) the Fuel Reimbursement Percentage ("FRP") and Fuel Volumetric Amortization Percentage ("F-VAP") ("Fuel Reimbursement Percentages"), and (b) the Lost and Unaccounted-for Percentage ("L&UP") and the Lost and Unaccounted-for Volumetric Amortization Percentage ("L&U-VAP") ("L&U Reimbursement Percentages") as set forth on Transporter's Electronic Bulletin Board. This provision specifies the procedure to be utilized to adjust such percentages to reflect: (a) changes in the level of Transporter's Fuel use per unit of relevant service required to recover related Fuel costs, and (b) amortization of the Deferred Account provided for in Section 38.5 hereof. Fuel shall be recovered in-kind by Transporter by applying the Fuel Reimbursement Percentages to the quantity scheduled for receipt. Lost and Unaccounted-for shall be recovered in-kind by Transporter by applying the L&U Reimbursement Percentages to the quantity scheduled for receipt.

### **38.2 DEFINITIONS**

- A. "Gas Fuel" shall mean the actual dekatherm quantity consumed within each zone during the Base Period, as adjusted for changes which are known and measurable with reasonable accuracy, to be recovered (or passed back) through the Fuel Reimbursement Percentages.
- B. "Fuel" shall mean the total Gas Fuel and those quantities necessary to amortize the Deferred Account.
- C. "Base Period" shall mean the twelve (12) months of the most recently available actual experience, and shall not be more than four (4) months prior to the commencement of a new Recovery Period.
- D. "Recovery Period" shall mean the period during which the revised Fuel Reimbursement Percentages and L&U Reimbursement Percentages may be in effect, which shall be a twelve (12) month period commencing with the effective date of the next redetermination as specified in Section 38.3.
- E. "Lost and Unaccounted-for" shall mean the actual system-wide dekatherm quantity lost (or gained) during the Base Period, as adjusted for changes which are known and measurable with reasonable accuracy, to be recovered (or passed back) through the L&U Reimbursement Percentages.

- F. "Receipt Quantities" shall mean the actual volumes of Gas received by Transporter at the various Receipt Points on Transporter's system.

### **38.3 PERIODIC RATE ADJUSTMENT**

- A. Fuel Reimbursement Percentages and L&U Reimbursement Percentages shall be re-determined monthly as posted no less than ten (10) calendar days prior to the beginning of each month on Transporter's EBB and made effective upon the first day of the following month. Any such monthly posting will include the following: (1) FRP applicable to scheduled shipper receipts; (2) L&UP applicable to Scheduled shipper receipts; and (3) the F-VAP and L&U-VAP variance adjustments.
- B. Transporter shall file an Annual Filing of its Fuel Reimbursement Percentages and L&U Reimbursement Percentages, pursuant to Section 4 of the NGA and Section 154.403(d) of the Commission's regulations, no later than March 1 of each year that fully incorporates the application of its monthly FL&U reimbursements for the most recently available 12 month period, according to the procedures set out in Sections 38.4 and 38.5. Tracker filings submitted in accordance with this Section shall become effective, subject to refund, on the designated effective dates. Any changes from the prior tracker level shall be subject to review in the tracker filing proceeding. Transporter may also re-determine said percentages to be effective November 1 based on interim filings at Transporter's discretion.

### **38.4 FUEL REIMBURSEMENT PERCENTAGE AND LOST & UNACCOUNTED-FOR PERCENTAGE**

The methodology used to derive the FRP for each PRA is as follows:

- A. Gas Fuel is divided by FRP Receipt Quantities within each zone.
- B. FRP Receipt Quantities shall be the Receipt Quantities, as defined by Section 38.2F above, excluding Backhaul, lateral, pooling, wheeling, and any other transaction quantities that are not subject to the FRP, for the Base Period, as adjusted for changes that are known and measurable with reasonable accuracy.

The methodology used  
to derive the L&UP for each PRA is as follows:

- C. The Lost and Unaccounted-for quantities are divided by the L&U Receipt Quantities.

- D. L&U Receipt Quantities shall be the system-wide Receipt Quantities, as defined by Section 38.2F above (except pooling), inclusive of Backhaul, lateral, wheeling, and other transaction quantities that are not subject to the FRP for the Base Period, as adjusted for changes that are known and measurable with reasonable accuracy.

## **38.5 DEFERRED ACCOUNTS**

Beginning July 1, 2014, Transporter shall establish and maintain separate deferred accounts to track the monthly quantity of under and/or over recovered Fuel for each zone ("Fuel Deferred Account") and Lost and Unaccounted-for ("Lost and Unaccounted-for Deferred Account"). These accounts shall be used for reconciling actual quantities used with actual quantities recovered in the next PRA filing.

- A. The accumulated current deferral subaccount balances of Account No. 182.3 may include the following:
- (1) The net monthly quantity for deferral as Transporter's under or over recovery of Fuel quantities under Transporter's Fuel Reimbursement Percentages as measured with Transporter's actual Fuel quantities;
  - (2) The net monthly quantity for deferral as Transporter's under or over recovery of Lost and Unaccounted-for under the applicable L&U Reimbursement Percentages, as measured with Transporter's actual Lost and Unaccounted-for quantities; and
  - (3) Transfers of any unamortized amounts remaining in a deferral sub-account of Account No. 854 to the next sub-account after the related surcharge amortization period has expired.
- B. The quantity to be included in the Fuel deferred account for each zone shall be calculated as follows:
- (1) Transporter shall determine the actual Fuel quantities incurred each month in the zone.
  - (2) Transporter shall then determine the quantity recovered as follows:
    - (a) The Fuel Reimbursement Quantity recovered shall be determined by multiplying the Fuel Reimbursement Percentages for each zone, as set forth in this FERC Gas Tariff in effect during the deferral Month, by the FRP Receipt Quantities for such zone and during the month, plus any adjustment required by Section 38.5 B (2)(b).

- (b) The quantities recovered in-kind by the Fuel Reimbursement Percentage shall be the Fuel Reimbursement, but in the event Transporter collects negotiated fuel rates, Transporter shall impute recovery of the maximum applicable tariff fuel rates in lieu of the negotiated fuel rates to determine the Fuel Reimbursement Quantity.
- C. The under or over recovery and associated monthly deferral quantity shall be determined by taking the difference between the quantities derived in Section 38.5B(1) and Section 38.5B(2), herein. The resulting quantity shall be reflected in Transporter's current deferral subaccount by zone. Notwithstanding the volumetric tracking of the over or under recovered Fuel Reimbursement quantities hereunder, the amount of costs or revenues associated with operational purchases or sales under Section 11.6 of the Tariff shall not affect the Fuel Reimbursement Percentages or the L&U Reimbursement Percentages.
- D. Transporter shall increase or decrease the deferred account for tracking future Fuel Reimbursement Percentages as follows:
  - (1) Transporter shall increase the current deferral account for under recovery in the event the actual Fuel exceeds the Fuel Reimbursement that Transporter recovered hereunder.
  - (2) Transporter shall reduce the current deferral account for over recovery in the event the actual Fuel is less than the Fuel Reimbursement that Transporter recovered hereunder.
  - (3) The quantity measured as under or over recovered shall include the F-VAP component of the Fuel Reimbursement Percentages to amortize the prior period deferred account.
- E. The quantity to be included in the Lost and Unaccounted-for deferred account for the system shall be calculated as follows:
  - (1) Transporter shall determine the Lost and Unaccounted-for Receipt Quantities incurred each month.
  - (2) Transporter shall then determine the quantity recovered as follows: The Lost and Unaccounted-for Reimbursement Quantity recovered shall be determined by multiplying the L&U Reimbursement Percentages, as set forth in this FERC Gas Tariff in effect during the deferral Month, by the Lost and Unaccounted-for Receipt Quantities.



- (3) The under or over recovery and associated monthly deferral quantity shall be determined by taking the difference between the quantities derived in Section 38.5E(1) and Section 38.5E(2), herein. The resulting quantity shall be reflected in Transporter's current deferral subaccount.
- (4) Transporter shall increase or decrease the deferred account for tracking future Lost and Unaccounted-for Reimbursement Percentages as follows:
  - a. Transporter shall increase the current deferral account for under recovery in the event the actual Lost and Unaccounted-for exceeds the Lost and Unaccounted-for Reimbursement Quantity that Transporter recovered hereunder.
  - b. Transporter shall reduce the current deferral account for over recovery in the event the actual Lost and Unaccounted-for is less than the Lost and Unaccounted-for Reimbursement Quantity that Transporter recovered hereunder.
  - c. The quantity measured as under or over recovered shall include the L&U-VAP component of the Lost and Unaccounted-for Reimbursement Percentages to amortize the prior period deferred account.

### **38.6 VOLUMETRIC AMORTIZATION PERCENTAGES**

The ending volumetric balance in the Fuel Deferred Account will be divided by the applicable Receipt Quantities by zone for the Recovery Period of the next PRA as the applicable F-VAP component of the Fuel Reimbursement Percentages. The ending volumetric balance in the Lost and Unaccounted-for Deferred Account will be divided by the applicable Receipt Quantities for the Recovery Period of the next PRA as the applicable L&U-VAP component of the L&U Reimbursement Percentages. Any residual balance in the respective deferred accounts will be maintained but carried forward to the next PRA filing.

### **38.7 EFFECTIVE DATE**

The Fuel and L&U Reimbursement Percentages will be applicable to Receipt Quantities effective July 1, 2014 and revised thereafter on a periodic basis as set out in Section 38.3.

## **39. THIRD PARTY IMBALANCE MANAGEMENT**

- 39.1 Transporter shall accommodate Third Party Imbalance Management Services on a non-discriminatory basis as long as these services comply with applicable NAESB Standards and do not adversely impact Transporter's System operations. These services may be used to manage Imbalances between actual receipts and deliveries; to manage variances between scheduled and actual deliveries; and to supply Gas for Overruns.
- 39.2 Criteria for Third Party Services will include compliance with the NAESB Nominations and Confirmation Time Lines, and meeting Transporter credit requirements appropriate for the quantity of Shipper Imbalance Gas for which such Third Party may be responsible.
- 39.3 Transporter and Third Party Provider must enter an Agreement which defines how such provider will accommodate Shipper's Imbalances, scheduling variances, or Overruns, how the provider is to make the corresponding operational changes, the limitations on the level of Imbalances, scheduling variances and Overruns to be accommodated and the consequences if such levels are exceeded or operational changes are not made. The Agreement must provide Transporter with the ability to call on the third-party provider on a basis consistent with service offered by the third-party provider to the Shipper. The Agreement must also specify a predetermined allocation methodology and shall specify the extent to which and the conditions under which the Shipper shall be kept whole because the third-party provider is agreeing to take the Imbalance, scheduling variance or Overrun. If there is an OBA at the Point at which the Imbalance management service is to be provided, the Agreement must also provide that Transporter shall not be responsible for Balancing within the agreed limits of the management service.
- 39.4 Transporter and Shipper must enter an agreement which designates the Service Agreements for which the third-party provider will take the Imbalance, scheduling variance, or Overrun and designating the Point(s) at which the third-party provider will provide the Imbalance management service. The Point(s) designated must have electronic real-time metering or must be otherwise agreeable to Transporter.
- 39.5 The conditions set forth in this Section 39 are minimum conditions that all third-party providers and Shippers utilizing such services must satisfy. When a specific third-party management service is proposed, Transporter may require the third-party provider and Shipper to satisfy additional conditions. Transporter shall not be obligated to enter into any agreement to accept Third-Party Imbalance Management Services which would, in Transporter's reasonable judgment, impair its ability to meet its existing System requirements or which would not relieve Transporter of the need to manage (to the extent of the third-party services) the Shipper's Imbalances, scheduling variances and Overruns.

- 39.6 Absent any other arrangements made by Shipper with Transporter, in the event a Shipper purchases Third Party Imbalance Management Services, and the Third Party Provider fails in whole or in part to provide those services, and an Imbalance results, Shipper will be deemed to have received PAL Service and will pay Transporter the maximum PAL Service rate pursuant to this FERC Gas Tariff, plus any additional costs incurred by Transporter to provide the services. If PALS is unavailable, Shipper may be subject to Overrun Service Charges reflective of the service(s) provided.
- 39.7 To the extent Transporter is unable to collect from the Shipper costs, expenses or liabilities incurred by Transporter due to the Third Party Provider's failure to provide the Imbalance Management Services, Transporter may pursue collection of any insufficiency from the Third Party Provider.

## **40. Periodic Rate Adjustment – Power Cost Tracker**

### **40.1 PURPOSE AND APPLICABILITY**

This Section 40 establishes a Periodic Rate Adjustment ("PRA") mechanism for the purpose of adjusting the Power Cost Reimbursement Charge ("PCRC") and Power Cost Variance Adjustment Charge ("PCVAC") ("Power Cost Charges") as set forth on Transporter's Electronic Bulletin Board. This provision specifies the procedure to be utilized to adjust such charges to reflect: (a) changes in the level of Transporter's Electric Power Costs ("EPC"), and (b) amortization of the Deferred Account as provided for in Section 40.5 hereof. All Electric Power Costs shall be recovered in-cash by Transporter by applying the Power Cost Charges as a commodity charge to the applicable transportation quantities scheduled for receipt, exclusive of the Fuel Reimbursement Quantity and the Lost and Unaccounted-for Reimbursement Quantity.

### **40.2 DEFINITIONS**

- A. "Electric Power Costs" shall mean the Base Period or Recovery Period cost of electric power purchased by or for Transporter used in compressor station operations. EPC shall also include the cost of any payments made by Transporter for surcharges and other associated costs imposed by electric power suppliers that may be billed or allocated to Transporter for compressor station operations.
- B. "Base Period" shall mean the twelve (12) months of the most recently available actual experience, and shall not be more than four (4) months prior to the commencement of a new Recovery Period.
- C. "Recovery Period" shall mean the period during which the revised Power Cost Charges may be in effect, which shall be a twelve (12) month period commencing with the effective date of the next redetermination as specified in Section 40.3.
- D. "Electric Power Cost Reimbursement" shall mean the Electric Power Costs recovered as a commodity charge by the Power Cost Charges.
- E. "Receipt Quantities" shall mean the actual volumes of Gas received by Transporter at the various Receipt Points on Transporter's system.

### **40.3 PERIODIC RATE ADJUSTMENT**

- A. Power Cost Charges shall be re-determined monthly as posted no less than ten (10) calendar days prior to the beginning of each month on Transporter's EBB and made effective upon the first day of the following month. Any such monthly posting will include the following: (1) PCRC applicable to scheduled shipper receipts, exclusive of the Fuel Reimbursement Quantity and the Lost and Unaccounted-for Reimbursement Quantity, and (2) the PCVAC variance adjustment.
- B. Transporter shall file an Annual Filing of its Power Cost Charges pursuant to Section 4 of the NGA and Section 154.403(d) of the Commission's regulations, no later than March 1 of each year that fully incorporates the application of its monthly Power Cost Charge reimbursements for the most recently available 12 month period, according to the procedures set out in Sections 40.4 and 40.5. Tracker filings submitted in accordance with this Section shall become effective, subject to refund, on the designated effective dates. Any changes from the prior tracker level shall be subject to review in the tracker filing proceeding. Transporter may also re-determine said charges to be effective November 1 based on interim filings at Transporter's discretion.

#### **40.4 POWER COST REIMBURSEMENT CHARGE**

The methodology used to derive the PCRC for each PRA is as follows:

- A. Electric Power Costs forecast for the Recovery Period are divided by the PCRC Receipt Quantities within each zone.
- B. PCRC Receipt Quantities shall be the Receipt Quantities, as defined by Section 40.2E above, exclusive of the Fuel Reimbursement Quantity and the Lost and Unaccounted-for Reimbursement Quantity, and excluding Backhaul, lateral, pooling, wheeling, and any other transaction quantities that are not subject to the PCRC, for the Base Period, as adjusted for known and measurable changes.

#### **40.5 DEFERRED ACCOUNT**

Transporter shall establish and maintain a current deferral sub-account to track the monthly over or under recovered Electric Power Costs for each zone ("Electric Power Cost Deferred Account"). These accounts shall be used for reconciling actual Electric Power Costs with the recovered Electric Power Costs in the next PRA filing.

- A. The accumulated current Electric Power Cost Deferred Account balances of Account No. 182.3 may include the following:

- (1) The net monthly dollar amount for deferral as Transporter's under- or over-recovery of EPC under Transporter's Power Cost Charges with Transporter's actual EPC;
  - (2) Appropriate prior period adjustments to activity, if any; and
  - (3) Transfers of any unamortized amounts remaining in a deferral sub-account of Account No. 855 to the next sub-account after the related surcharge amortization period has expired.
- B. The costs to be included in the Electric Power Cost Deferred Account for each zone and for each month of the Base Period shall be calculated as follows:
  - (1) Transporter shall determine the actual Electric Power Costs incurred that month in each zone for the Base Period.
  - (2) Transporter shall then determine the Electric Power Costs recovered as follows:
    - (a) The EPC recovered shall be determined by multiplying the Power Cost Charges for each zone, as set forth in this FERC Gas Tariff and in effect during the deferral Month, by the actual PCRC Receipt Quantities for such zone and during the month.
    - (b) The EPC recovered as a commodity charge by the Power Cost Charges shall be the Electric Power Cost Reimbursement, but in the event Transporter collects negotiated Power Cost Charges, Transporter shall impute recovery of the maximum applicable tariff Power Cost Charges in lieu of the negotiated Power Cost Charges to determine the Electric Power Cost Reimbursement.
  - (3) The under or over recovery and associated monthly deferral cost shall be determined by taking the difference between the dollar amounts derived in Section 40.5B(1) and 40.5B(2) herein. The resulting dollar amount shall be reflected in Transporter's current deferral subaccount.
  - (4) Transporter shall increase or decrease the Electric Power Cost Deferred Account for tracking future Power Cost Charges as follows:
    - (a) Transporter shall increase the current deferral account for under recovery in the event the actual EPC exceeds the EPC Reimbursement that Transporter recovered hereunder.

- (b) Transporter shall reduce the current deferral account for over recovery in the event the actual EPC is less than the EPC Reimbursement that Transporter recovered hereunder.
- (5) The quantity measured as under or over recovered shall include the PCVAC component of the Power Cost Charges to amortize the prior period deferred account.

#### **40.6 POWER COST VARIANCE ADJUSTMENT CHARGE (PCVAC)**

The PCVAC in the next PRA shall equal the ending balance in the Electric Power Cost Deferred Account by zone divided by the PCRC Receipt Quantities, as defined in Section 40.4(b), by zone for the Recovery Period. Any residual balance in the Electric Power Cost Deferred Account will be maintained but carried forward to the next PRA filing.

#### **40.7 EFFECTIVE DATE**

The Power Cost Charges will be applicable to PCRC Receipt Quantities effective July 1, 2014 and revised thereafter on a periodic basis as, set out in Section 40.3.

## **41. ADVERTISEMENT AND MARKETING FEES**

### **41.1 ADVERTISEMENTS**

Any person may advertise for the purchase of capacity on Transporter's System on its Interactive Website by submitting the desired advertisement (up to one page) to Transporter. Transporter shall post such advertisement on the Informational Postings / Notices / Non-Critical portion of its Interactive Website no later than the business day following receipt thereof if so requested, so long as the advertisement is not unlawful or inconsistent with Transporter's Tariff. The posted period requested may be for a period of time not to exceed one month. There will be no posting fee for such advertisements seeking to purchase capacity on Transporter. A response in and of itself to an advertisement seeking to purchase capacity never constitutes a capacity release; to release capacity, the Shipper holding the capacity rights must utilize the release procedures set forth in Section 15 of these General Terms and Conditions.

### **41.2 FEE FOR ACTIVE MARKETING**

When a Releasing Shipper under Section 15 of these General Terms and Conditions requests that Transporter actively market capacity to be released, the Releasing Shipper and Transporter shall negotiate the terms of the marketing service to be provided by Transporter and the marketing fee to be charged therefor.