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**Sixth Revised Volume No. 1**

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## DEFINITIONS

### 1. DEFINITIONS

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

**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 Point Operator itself.

**Agreement.** A Service Agreement, Discounted Agreement, Negotiated Rate Agreement, Precedent Agreement, or any other contract between Transporter and Shipper, related to the provision of services under the Tariff and which shall be subject to the Tariff.

**Balance or Balancing.** The Shipper's or Point 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.

**British Thermal Unit ("Btu").** One (1) British thermal unit and is defined as the amount of heat required to raise the temperature of one (1) pound of water from fifty-nine degrees Fahrenheit (59°F) to sixty degrees Fahrenheit (60°F) at a constant pressure of fourteen and seventy-three hundredth pounds per square inch absolute (14.73 Psia). Total Btu's shall be determined by multiplying the total volume of Natural Gas delivered times the Gas heating value expressed in Btu's per cubic foot of Gas adjusted on a dry basis.

**Bump.** A scheduling procedure whereby a particular Nomination is scheduled and given effect over, and in lieu of, other scheduled Nominations.

**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, calculated by reference to Mountain Time.

**Capacity.** The Gas quantity which Transporter's System is capable of transporting or storing, including on any particular segment or at any particular Point.

**Capacity Rights.** The quantity of Gas transportation or storage service which a Shipper is entitled to receive on the System, which may include Receipt Points, Delivery Points, total contract quantities, and/or segments, taking into account uniform hourly flow requirements, as applicable and as set forth under Shipper's Agreement and the Tariff. Capacity Rights are those specified by the MDRQ, MDDQ, MDQ, MSQ, WQ, IQ, or MAQ in an applicable Service Agreement.

**Cheyenne Market Center ("CMC").** The points of receipt and delivery that are listed on Transporter's Cheyenne Market Center Master Point List ("MPL") on its Interactive Website.

**Commission.** See FERC.

**Curtailed or Interruption.** Suspension, either in total or in part, of service due to Transporter's inability to provide service to a Shipper for any reason, or due to Transporter's exercise of any right or obligation not to provide service pursuant to any Tariff provision, Agreement, law, regulation or order of a duly constituted body having jurisdiction.

**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.

**Dekatherm (Dth).** As defined in NAESB WGQ Standard No. 1.3.1.

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

**Discounted Agreement.** A contract between Transporter and Shipper for services under any Rate Schedule at an agreed upon Discounted Rate in conformance with the Tariff.

**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.

**Electronic Data Interchange ("EDI").** The electronic communication methodology used to transmit and receive data related to Gas transactions. Transporter shall designate and maintain an electronic "website" 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 applicable 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.

**Electronic Flow Measurement ("EFM").** EFM shall mean that form of measurement equipment which may consist of a computerized remote terminal unit, transducers and other associated power, radio and sensing and other electronic devices to accomplish real-time Gas measurement and transfer of data.

**Equivalent Quantities.** The sum of the quantities 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 the Tariff during the same period of time; and (b) adjusted for any variations in

Btu content, as corrected for any water vapor in excess of seven (7) pounds per million (1,000,000) cubic feet of Gas, it being the intent of the parties that the quantities of Gas delivered hereunder at the Delivery Point after transportation be the thermal equivalent of the quantities of Gas delivered at the Receipt Point for transportation, after reduction, correction and adjustment as provided above.

In determining Equivalent Quantities 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. 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 Shipper shall be responsible for Unauthorized Overrun Gas delivered by Shipper to Transporter which is vented in accordance with the Tariff; and provided further that FL&U shall not exceed the actual FL&U as defined in the Tariff. The formula used to determine the delivery quantity shall be:  $\{(1 - \text{FL\&U}\%) / 100\}$  multiplied by the receipt quantity (rounded to the nearest Dth).

**Existing Shipper.** Those parties which have an executed Service Agreement in effect 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.

**Firm or Firm Services.** Services rendered pursuant to rate schedules under the Tariff for which Capacity is reserved and first scheduled for service before Interruptible Services in accordance with the scheduling priorities set forth in the Tariff. Service is offered on a not unduly discriminatory basis, to the extent Transporter determines firm capacity is available.

**Firm Daily Quantity (FDQ).** The quantity of Gas nominated for Firm Service by Shipper which Transporter is obligated to schedule on a Firm basis for Shipper at Primary Point(s) under a Firm Agreement on a Day, consistent with, and subject to, the Tariff.

**Flow Control Device.** A physical valve at a Point of Receipt or Point of Delivery on Transporter's pipeline which provides control over flowing quantities at that point.

**FL&U.** Fuel, Lost and Unaccounted for Gas.

**FL&U Reimbursement Quantity.** The sum of the quantity of Fuel and the quantity of Lost and Unaccounted for Gas which Shipper will tender and deliver to Transporter at Receipt Points as compensation for Gas used in rendering service to Shipper. The FL&U Reimbursement Quantity shall be stated as a percentage of the quantity (measured in Dth) of Natural Gas received by Transporter at the Receipt Point(s).

**Gas or Natural Gas.** A mixture of hydrocarbons or of hydrocarbons and non-combustible Gas, in a Gaseous state, consisting essentially of methane. In the context of services to be provided under the Tariff, "Gas" or "Natural Gas" is further defined as merchantable Gas that conforms to the Gas quality provisions set forth in the Tariff and any applicable electronic posting or Agreement.

**Gas Day or Day.** A period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. (CT).

**General Terms and Conditions or "GT&C".** The current General Terms and Conditions set forth in the Tariff as may be revised from time-to-time, including the form of service Agreements.

**Hub.** A set of Receipt and/or 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 Dekatherms of Gas received by the Transporter at the Receipt Point(s) for the Shipper's or Point Operator's account and the total Dekatherms of Gas delivered by Transporter to the Shipper's or Point Operator's account at the Delivery Point(s), with due regard given to the FL&U Reimbursement Quantities, and other deductions.

**Interactive Website.** Transporter's internet website maintained for communication regarding transportation and storage services in accordance with applicable Commission regulations and NAESB WGQ Standards, as described in the Tariff.

**Interruptible or Interruptible Services.** Non-Firm Services rendered pursuant to rate schedules under the Tariff for which Capacity is not reserved and which are scheduled pursuant to the scheduling priorities set forth in the Tariff, using available Capacity, if any, after first scheduling Firm Services.

**Interruption.** See Curtailment.

**Intraday Nomination.** A Nomination submitted whose effective time that 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 all 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 difference between the Gas received and measured into the System and the Gas delivered and measured out of the System or otherwise accounted for, including but not limited to the change in quantity of Gas contained by the System (also known as "System pack" or "line pack"), storage lost and loss as a result of force majeure.

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

**Maximum Storage Quantity (MSQ).** The Maximum Storage Quantity (MSQ) shall be the maximum quantity of Natural Gas in Dth which Transporter agrees to store for the account of Shipper. Such MSQ shall be specified in Dth in the executed Service Agreement.

**Mcf.** The quantity of Natural Gas occupying a volume of one thousand (1,000) cubic feet at a specified temperature and pressure.

**MDQ or Contract MDQ.** The maximum daily quantity of Gas for which Transporter will perform service under a contract at the sum of all Receipt Points (or Delivery Points) or in the aggregate, as specified in an Agreement. The MDQ shall not include Fuel and Lost and Unaccounted-for Gas.

**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.

**NAESB.** The North American Energy Standards Board.

**NAESB WGQ Standard.** Those 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 Agreement.** A contract between Transporter and Shipper for services under any Rate Schedule at an agreed upon Negotiated Rate.

**Negotiated Rate.** A rate or rate formula for service under any applicable Service Agreement which Transporter and Shipper mutually agree upon pursuant to the Tariff where one or more of the individual rate components may be less than, equal to, or greater than applicable maximum and/or minimum Tariff rates, and which conforms with applicable requirements for Negotiated Rates set forth in the Tariff. A Negotiated Rate may be based on a rate design other than Straight Fixed Variable (SFV), and may include a minimum quantity.

**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 the appropriate FERC interest rate, to determine the highest incremental revenue stream for Transporter's System.

**Nomination.** A submission made by a Shipper desiring service under an Agreement at specified Receipt Point(s) and Delivery Point(s) pursuant to the procedures and provisions regarding Nominations as set forth in the Tariff.

**Operational Balancing Agreement or OBA.** A contract between Transporter and a qualified Point Operator which specifies the procedures to manage variances between scheduled quantities and actual quantities at interconnect points between Transporter's System and other interstate and intrastate Natural Gas pipelines or gathering systems.

**Operational Impact Area (OIA).** The largest possible area(s) on Transporter's System where Imbalances have a similar operational effect. For Transporter, the System will comprise a single Operational Impact Area.

**Operator.** Any party which is designated by Transporter to operate the System and perform Transporter's obligations under the Tariff and Agreement(s). Transporter reserves the right to make and change the designation of any Operator at any time.

**Overrun Quantities.** Those quantities of Transporter's Natural Gas service utilized by Shipper, including Gas quantities received or delivered by Transporter for the account of Shipper, which are in excess of a Shipper's Capacity Rights by point, or total contract under its applicable Service Agreement.

**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. A Point Operator must comply with the Tariff.

**Pooling.** 1) the aggregation of Gas from multiple physical and/or logical points to a single logical point, and/or 2) the dis-aggregation of Gas from a single 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 or Primary Rights.** Defined as first for scheduling purposes and before Secondary or Interruptible or Overrun Service scheduling. Also, the points that define a Firm Shipper's Capacity Rights.

**Primary Delivery Point(s).** Those Delivery Points on Transporter's System listed as Primary under a Firm 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 determined by Transporter.

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

**Prospective Shipper.** Those entities who may have an interest in obtaining services from Transporter, but do not have a currently effective Service Agreement.

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

**Psia.** Pressure unit pounds per square inch absolute.

**Psig.** Pressure unit pounds per square inch gauge.

**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.

**Receipt/Delivery pair.** Points of Receipt and Points of Delivery as specified in an Agreement or as applicable to service under such Agreement by operation of this Tariff.

**Recourse Rate.** The applicable maximum Tariff rate(s) at any particular time which would apply to that service as shown in the Currently Effective Rate Section of this Tariff but for the Negotiated and Discounted Rate flexibility allowed under the Tariff.

**Secondary or Secondary Rights.** Shall mean that service scheduled after Primary but before Interruptible and Overrun Services.

**Secondary Delivery Point(s).** Those Delivery Points not listed as Primary on a Firm Shipper's Service Agreement that such Shipper may elect from time-to-time, subject to availability and the applicable Rate Schedule and other applicable Tariff provisions, and to which such Shipper holding Firm Service may nominate. Neither the sum of Gas quantities nominated, nor the sum of Gas quantities delivered, at all Primary and Secondary Delivery Points, less FL&U and other deductions, in one Day, shall exceed Shipper's Capacity Rights (as specified by the MDDQ or MDQ in the applicable Agreement) in total.

**Secondary Receipt Point(s).** Those Receipt Points not listed as Primary on a Firm Shipper's Service Agreement that such Shipper may elect from time-to-time, subject to the applicable Rate Schedule and other applicable Tariff provisions, and from which such Shipper holding Firm Service may nominate. Neither the sum of Gas quantities nominated, nor the sum Gas quantities received, at all Primary and Secondary Receipt Points, less FL&U and other deductions, in one

Day, shall exceed Shipper's Capacity Rights (as specified by the MDRQ or MDQ in the applicable Agreement) in total.

**Section.** When used in the GT&C, the term "this Section" shall refer to the numbered Section of the GT&C in which the term appears (e.g., Section 16 Capacity Release by Firm Shippers), including all sub-Sections thereunder (e.g., Section 16.1 through 16.21)

**Service Agreement.** A written contract for transportation, storage services or other services under the Tariff, in the form provided by the Tariff, including any exhibits, attachments and/or amendments thereto, which is executed by Transporter and Shipper.

**Shipper.** May refer to Existing Shippers or Prospective Shippers, individually or collectively, depending on the context.

**System.** The pipeline, storage and any compression, and related facilities of Transporter including where applicable, leased facilities and Capacity held by Transporter on other pipeline Systems.

**Tariff.** Transporter's currently effective FERC Gas Tariff on file with the Commission, including Currently Effective Rates, the Rate Schedules, General Terms and Conditions and forms of service Agreements, all as may be revised from time-to-time.

**Tax Rate.** The determined rate of taxation equaling the sum of federal, state and local income taxes applicable to income generated by Transporter.

**Transporter.** Tallgrass Interstate Gas Transmission, LLC and/or its authorized Operator or agents as applicable.

**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. REQUESTS FOR SERVICE**

Shippers seeking service from Transporter shall submit a "Request for Service" to Transporter as follows:

### **2.1 Delivery of Request for Service**

Shippers desiring transportation or storage services must submit a properly executed Request for Service on Transporter's Interactive Web Site or sent via mail, or E-mail at the following address:

Tallgrass Interstate Gas Transmission, LLC  
Attn: Commercial Operations  
370 Van Gordon St.  
Lakewood, CO 80228  
Phone: (303) 763-2950 or  
E-mail: [TEP@tallgrassenergylp.com](mailto:TEP@tallgrassenergylp.com)

### **2.2 Information Required**

In order to be a valid request for transportation, storage, or other services contained within the Tariff, including requests for amendments to existing Agreements, whether by using unsubscribed Capacity, capacity released pursuant to the Tariff, or interruptible Capacity, a Shipper requesting service shall include in writing via email or other agreed upon electronic means the information specified in Transporter's Interactive Website, as may be revised from time-to-time. A Request for Service shall include information required to provide service under the applicable Rate Schedule and any other information required by the Tariff. A Request for Service shall also include any additional information that may be required by the Commission.

### **2.3 Credit**

Acceptance of a Request for Service (including capacity release pursuant to the Tariff), and the continuation of any Service, is contingent upon Shipper satisfying, on an ongoing basis, a credit appraisal by Transporter as set forth in Section 14 of these General Terms and Conditions. Transporter shall apply consistent evaluation practices to determine the acceptability of Shipper's overall financial condition.

### **2.4 Valid Requests**

A. A Request for Service shall not be valid, and no service request date and time shall be assigned, until Transporter has received in writing all required information in a full and complete manner. Upon notification by Transporter to Shipper that any part of a Request for Service is deficient, Shipper must provide such information within seven (7) days of such notice. Shipper's Request for

Service will be deemed to be valid and received only when all required information has been received by Transporter. In any event, a Request for Service that is still deficient ten (10) days after Transporter's notice of such deficiency to Shipper will be considered to have been withdrawn and shall have no force or effect. Transporter may agree, in its sole discretion, to a later date for withdrawal due to information deficiency. Additionally, if Shipper fails to execute a Service Agreement within ten (10) days of the date on which it was tendered by Transporter following receipt of a valid Request for Service, such Request for Service may be considered by Transporter to be withdrawn and of no force or effect.

- B. A Request for Service shall not be valid and Transporter shall not be required to grant any such request: (1) for which adequate Capacity is not available on any portion of Transporter's System necessary to provide such service; (2) as to which Transporter does not have the operational capability to effect receipt, transportation and/or delivery consistent with the terms and conditions of the applicable rate schedule; (3) 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; (4) unless and until Shipper has provided Transporter with all required information; (5) if Transporter determines, based on its credit analysis in accordance with the Tariff, that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided hereunder will be paid for on a timely basis; (6) if the service requested would not comply with the applicable Rate Schedule of the Tariff under which service is being requested; or (7) if the service requested is at less than the applicable Recourse Rate; provided, however, that Transporter may agree to provide service hereunder at a Discounted Rate or Negotiated Rate consistent with the applicable Rate Schedule in the Tariff.

#### 2.5 Otherwise Applicable Agreement To Discounted Or Negotiated Rates

Transporter and Shipper may agree, as set forth by written Agreement and further subject to applicable provisions of the Tariff, and any further required Commission approvals or acceptances, to assess Discounted or Negotiated Rates in lieu of the otherwise applicable Recourse Rates set forth in this Tariff. If the parties agree upon a rate(s) other than the maximum Tariff rates, the parties shall mutually agree that such rates are either (1) agreed upon Discounted Rate(s); or (2) agreed upon Negotiated Rates as specified in the Service Agreement. Unless otherwise agreed to as a Negotiated Rate pursuant to the General Terms and Conditions of this Tariff, the applicable Discounted Rate shall not be in excess of the maximum Tariff rate nor less than the minimum Tariff rate. A request for service at a Discounted or Negotiated Rate shall specify the rates to which the Shipper is willing to agree. Agreements as to Discounted or Negotiated Rates shall specifically state the effective date of such rate change and the quantity affected. Transporter shall file for approval and acceptance with the

Commission any and all reports as required by the Commission's Regulations with respect to the institution or discontinuance of any Discounted or Negotiated Rates.

2.6 Compliance with Transporter's Tariff

Submission of a Request for Service hereunder shall be deemed agreement by Shipper that it will abide by the Tariff, including the terms and conditions of the applicable Rate Schedule and the applicable General Terms and Conditions of the Tariff, as may be revised from time-to-time.

### **3. OBTAINING, RETAINING, OR TERMINATING FIRM SERVICE**

#### 3.1 Obtaining Firm Capacity

- A. 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.
- B. 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.
- C. 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 three (3) Business Days for Capacity being offered for a term of greater than one (1) Month and 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 16.11 of the General Terms and Conditions of this Tariff or other method as may be defined by Transporter in an open season. 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 to such criteria. 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.
- D. From time-to-time, Transporter may post an open season for the purposes of obtaining competitive bids for 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 bids accepted for a period of at least one (1) hour for Capacity being offered for a term of one (1) Month or less.
- E. An open season posting shall constitute an announcement of Capacity availability (Capacity Announcement) and shall include at least the following information:

1. Effective date;
2. Term;
3. Applicable rates for the service;
4. Minimum conditions;
5. The criteria by which bids are to be evaluated; and
6. Whether the Capacity is subject to Right of First Refusal.

For Capacity provided under Rate Schedule FT, an open season posting shall also include the MDQ stated in Dth/Day and the Receipt and Delivery Points (or areas).

For Capacity provided under Rate Schedule NNS, an open season posting shall also include the MSQ, IQ, WQ and MDTQ, stated in Dth/Day, and the Receipt and Delivery Points, MDRQ and MDDQ.

For Capacity under Rate Schedule FSS, an open season posting shall also include the MSQ, IQ and WQ, stated in Dth/Day.

For Capacity provided under Rate Schedule CMC-2, an open season posting shall also include the MSQ, IQ and WQ, stated in Dth/Day, and the Receipt and Delivery Points, MDRQ and MDDQ.

- F. Qualifications for Bidding. Any party wishing to become a Shipper must comply with the requirements of the Tariff, including Section 14 of the General Terms and Conditions of this Tariff prior to submitting a bid for Capacity.
- G. 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 electronic mail. Parties are free to offer any price, designate any term, and request any available Receipt and/or Delivery Points, consistent with the criteria specified in the Capacity Announcement.
  2. All bids received during the open season period remain binding on the bidder through the end of the open season unless withdrawn by bidder. A bidder may withdraw its bid at any time during the open season, utilizing the same medium through which a bid can be submitted. A bidder which has withdrawn a bid may submit a bid with a higher value during the open season, but neither that bidder nor any of its affiliates may submit a bid with a lower value than the withdrawn bid, except if the withdrawn bid was withdrawn due to a material error, during that open season [value is to be determined applying the criteria in Section 16.11 or consistent with the terms posted for that open season]. If an

open season is extended, a bidder is free to submit a new bid without restriction in the extended open season even if that bidder withdrew its bid in the original open season. If a bidder withdraws its bid in an extended open season, the same rules as in an original open season apply to that bidder. At the end of any open season, all bids either withdrawn or not accepted shall be deemed null and void.

3. Transporter may agree, on a not unduly discriminatory basis, to include allowances for changes in MDQ, MSQ and/or MDTQ (e.g. for seasonal service), as applicable, during the term of the bid, in Parties' Capacity bid. For prearranged Capacity or parties submitting bids in an open season, which include the changes in MDQ, Transporter, in its determination for awarding capacity, will consider the changes in its award calculations.
4. 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.

- H. Awarding of Capacity. Transporter's Capacity shall be awarded in accordance with the terms and the NPV evaluation method provided for in Section 16.11 of the General Terms and Conditions or as stated in the terms of the open season. 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 to such criteria. Transporter shall post after-the-fact the NPV, term, and quantity of the winning bid for each 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 GT&C Section 16.11 or as stated in the terms of the open season if there are competing valid requests.

1. 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.
2. 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.

3. Minimum terms. Transporter shall not be obligated to sell Firm transportation Capacity less than the applicable maximum rate(s), for a term of less than one Month, less than 10 Dth at an individual Primary Receipt or Delivery Point or an MDQ of 1,000 Dth or less.
- I. Rollover and Right of First Refusal. The Capacity allocation procedures of this Section shall not apply where a Shipper is utilizing a Contractual Rollover Right or a Right of First Refusal. Instead, the procedures in said Section 3.4 and 3.5 will govern the award of Capacity.
  - J. Capacity Reserved for Expansion Projects. Notwithstanding any other provision of this Section Transporter reserves the right, but shall not be obligated, to reserve for expansion projects Capacity which is or will become available pursuant to this Section 3.2 B. Expansion projects can encompass Capacity on Transporter's existing System which will or may be needed by a Shipper in conjunction with Capacity which may be acquired by that Shipper in a future extension project.
  - K. Changing Primary Delivery or Receipt Points. Subject to the availability of Firm Capacity at the requested point(s), Shipper, under any Firm rate schedule, 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 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, 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. 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 NPV evaluation method provided for in Section 16.11 of the General Terms and Conditions. to determine which Shipper(s) will be awarded the Capacity. The rate applicable to the revised Point(s) shall be the applicable Recourse Rate, unless the existing Agreement or related Discounted Rate Agreement 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 Primary Receipt/Delivery pair with a different rate, the reservation rate applicable to the changed Primary Receipt/Delivery pair shall be the greater of the changed or original Primary Receipt/Delivery pair and apply for the remaining term of the

Agreement, but the commodity rate applicable to the changed Primary Receipt/Delivery pair shall apply so long as the Primary Receipt/Delivery pair is in effect under the Agreement; provided, however, the FL&U for the Receipt/Delivery pair utilized shall apply.

### 3.1.1 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 service under the provisions of Section 3.1 or 2) interruptible service 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 3.1 E.
- C. Bidding and Awarding on Discounted Capacity:
  - (1) 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, MSQ and/or MDTQ, as applicable. The posted MDQ, MSQ, and/or MDTQ as applicable, may not be increased and the posted term may not 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 bid for the Capacity in subsequent Bid Periods.
  - (2) The bid that offers the highest per Dekatherm rate for some or all of the available capacity 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" 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., Central Clock Time, 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 3.1.1 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) 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, MSQ and/or MDTQ, as applicable. 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 the Capacity in subsequent Bid Periods.
- (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" will be presented to the Original Shipper. The Original Shipper will have the opportunity to match the "best bid" before 4:00 p.m., Central Clock Time, 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 3.1.1 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 (C) or (D) 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.

### 3.2 Expansion of the System

- A. Transporter may be willing to expand the System or construct incremental facilities to make Capacity available to a Shipper or Point Operator (collectively known as "SPO") whenever such an expansion is deemed, in Transporter's sole judgment, economically, operationally and technically acceptable. To the extent that SPO builds facilities to interconnect with Transporter's System, such facilities shall be in conformance with 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 constructed by SPO shall be subject to individual negotiation between Transporter and SPO. The expansion or construction of incremental facilities by Transporter are subject to the following conditions:
  - 1. Transporter has adequate unsubscribed Capacity on the System to accommodate the Nominations or requests for Capacity of existing and prospective SPO pursuant to this Tariff;
  - 2. 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;
  - 3. 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;

4. Transporter has received an executed Agreement from each existing and prospective SPO;
  5. The nature, extent and timing of facilities required for any expansion shall be at the sole discretion of Transporter; and
  6. Transporter receives acceptable assurance that the SPO requesting additional facilities or Capacity meets the credit criteria outlined herein.
- B. Capacity Reserved for Future Expansion/Extension Projects. Transporter may elect to reserve for future expansion/extension projects, any unsubscribed capacity or capacity under expiring or terminating FT Service Agreements where Shipper does not have a Right of First Refusal or Shipper does not exercise its Right of First Refusal.
1. Capacity may be reserved up to one year prior to the date of filing for certificate approval or requesting prior notice authorization pursuant to Transporter's blanket construction certificate for construction of proposed expansion or extension facilities, and thereafter until all expansion/extension facilities related to the certificate filing are placed into service.
  2. Transporter shall conduct an open season for the expansion/ extension within one year prior to or following the date that Transporter posts such capacity as being reserved. Transporter will not, absent Commission approval, accept advance payments to reserve capacity under this Section 3.2.
  3. If Transporter elects to reserve capacity, it will notify Shippers of its intent as part of its posting of capacity on its EBB. Transporter's posting for reserved capacity for future expansion/extension projects shall include the following information: (a) a description of the project for which the capacity will be reserved; (b) the total quantity of capacity to be reserved; (c) the location of the proposed reserved capacity on the pipeline system; (d) 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; (e) the projected in-service date of the new facilities; and (f) 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. If the expansion/extension project still requires the construction of facilities given the amount of reserved capacity, then Transporter shall post a non-binding solicitation for turnback capacity no later than 90 days after the close of the expansion project open season, specifying the minimum term for a response to the solicitation. Transporter shall make reasonable efforts to notify shippers of any material changes in the scope of the project.

- a) To participate in any such solicitation, a Shipper must have capacity under an FT Service Agreement with a remaining term and with primary receipt and delivery point rights that would allow the use of such capacity in connection with the proposed expansion project and that would avoid the need for construction of new facilities.
4. Prior to reserving capacity for future expansion/extension projects, all capacity to be reserved must be posted as unsubscribed capacity or in an open season for at least five business days. Transporter shall post and award available capacity in accordance with the service request procedures of Section 2 of these General Terms and Conditions.
  5. When the capacity to be reserved is offered through an open season, Transporter shall have the right to impose minimum terms and conditions for bids that would be acceptable. In the event that the subsequent expansion project open season imposes minimum terms and conditions that are materially different from the terms and conditions imposed in the previous capacity open season, Transporter shall hold another open season for the reserved capacity that uses the same minimum terms and conditions as were imposed for the expansion project open season. If the expansion project open season is held prior to or during the open season for the reserved capacity, Transporter shall use the same minimum terms and conditions as used for the expansion project open season.
  6. Any capacity reserved under this Section 3.2 shall be made available for transportation service pursuant to these General Terms and Conditions on a limited-term basis up to the in-service date of the expansion project(s). For such limited-term Firm Service agreements, Transporter reserves the right to limit any term extension rights provided in the FTSA and pursuant to Section 3.5 (Right of First Refusal) commensurate with the proposed in-service date of the expansion project. Transporter will indicate in any posting of the reserved capacity any limitations on term

extension rights that will apply to such limited-term transportation service.

7. Any capacity reserved for a project that does not go forward for any reason shall be reposted as generally available capacity within 30 days of the date that the project terminates, with the exception of capacity committed to in contracts entered into on an interim limited-term basis, which shall be posted as available at the expiration of the interim contracts.
- C. When the construction of new facilities is required in order to provide service to SPO, the SPO will pay Transporter for costs of such facilities including administrative and overhead costs, filing fees and income tax reimbursement. SPO will pay either: (1) a one-time 100 percent reimbursement for the cost of facilities in the form of a contribution in aid of construction ("CIAC") and may include future operating expenses; (2) the cost of facilities over a period of time, or (3) a cost reimbursement component added to the reservation rates of such Shipper(s) payment option 1, 2 or 3 above will be mutually agreed to by SPO and Transporter. If the CIAC is paid by the SPO in accordance with the construction of facilities Agreement and such transaction is determined to be taxable, it shall include an amount (Tax Reimbursement) to compensate for the corporate income tax effects thereof, according to the following formula:
- $$\text{Tax Reimbursement} = [\text{Tax Rate} \times (\text{CIAC} - \text{Present Value of Tax Depreciation})] \times [1 + \{\text{Tax Rate}/(1 - \text{Tax Rate})\}]$$
- D. A facility reimbursement schedule setting the terms may include, the rate and the conditions for reimbursement of the additional facility charge, including an obligation to reimburse Transporter upon demand for any unamortized capital charges which may remain if service by Transporter to Shipper under this rate schedule is terminated prior to the end of said amortization period. Transporter will allocate additional facility charges among multiple Shippers pro-rata, based on the percentage of requested use of the facilities. Alternatively, and at Transporter's sole discretion, to be exercised on a not unduly discriminatory basis, Transporter may charge such Shipper(s) a Recourse, Discounted or Negotiated Rate that Transporter is satisfied will compensate Transporter for the risk of the costs related to such construction.

### 3.3 Term Coordination

- A. In some circumstances, Shipper may desire to extend and coordinate the term of its Service Agreement with Transporter ("Transporter Service Agreement") with the term of Shipper's service Agreement ("Other Pipeline Service Agreement") on a planned, but not yet constructed, Natural Gas pipeline project ("Project") which will interconnect with Transporter and where the in-service date of the Project

cannot be definitively ascertained. In such circumstance, Transporter may agree, on a not unduly discriminatory basis, as part of the term provision of the Transporter Service Agreement that similarly situated Shippers may elect to extend the contract term of the Transporter Service Agreement, and any associated rate Agreement, to match the term of the Other Pipeline Service Agreement, subject to the following conditions:

1. the Project is placed in service and Shipper is a shipper thereon; and
2. Transporter has available Capacity which has been posted and Shipper obtains such Capacity on Transporter for the extension period of the Transporter Service Agreement through an open season or under otherwise applicable procedures.

### 3.4 Rollovers

A shipper under any Firm Service which has entered into a Service 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 Service Agreement and to rollover such Service Agreement for an additional term. For rollovers with a three-Year or greater term, shipper shall have a subsequent rollover right to continue to receive the Firm Service beyond the extended term. For rollovers for a period of less than three Years, shipper shall not receive a subsequent rollover right.

Such rollover shall be subject to the following conditions:

- A. Shipper must give Transporter written notice that it will exercise such Tariff Rollover Right the earlier of (a) the date of the notice period provided for in Shipper's Service Agreement; or (b) one (1) year prior to the expiration of the term of the Service Agreement. Such notice shall be binding on the Shipper. Such notice must be in a form specified by Transporter and must indicate a desired term of service and the desired MDQ, in total and at each Primary point. Such MDQ must be equal to or less than the existing MDQ in total and at each Primary point and the Primary Receipt/Delivery pair under the request must not result in a rate reduction vis a vis the Primary Receipt/Delivery pair in the existing Agreement. 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. Any Agreement amended pursuant to this Section 3.4 is expressly subject to agreement between Transporter and Shipper as to the applicable rate(s) and term to be applied to the rollover. No Discounted 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.

- C. Within thirty (30) Days after receipt of the notice described in 3.4 A., 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. If Shipper and Transporter are engaged in good faith negotiations to extend the existing Service Agreement, the date by which Transporter tenders the amended Service Agreement to Shipper may be extended indefinitely up to and including the last Day of the existing Service Agreement at Transporter's sole discretion. Shipper shall execute such Service Agreement within ten (10) Business Days after Transporter tenders such amended Service Agreement to Shipper. If Shipper fails to execute the rollover Agreement on a timely basis, existing Agreement terminates by its own terms. Shipper shall (in addition to all other remedies available to Transporter for Shipper's failure to fulfill its obligation to execute such Agreement) forfeit any right to continuation of service after the expiration of the existing Agreement.
- D. If Shipper and Transporter agree to rollover a Service Agreement, the Right of First Refusal procedure under Section 3.5 shall not be applicable. 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.
- E. The term of service under any firm or interruptible transportation Agreement may be extended pursuant to a contractual rollover provision in such Agreement, which provision supersedes any otherwise applicable rollover to this Section. In addition, the parties may subsequently negotiate rollover provisions which differ from this Section. Transporter is not obligated to offer or agree to any such rollover provisions; provided, however, that to the extent it offers or agrees to any such provision, it must do so on a non-discriminatory basis for similarly situated Shippers.

### 3.5 Right of First Refusal

- A. Shippers under Firm contracts, with a term of 12 consecutive Months or more at Recourse Rates, or multi-Year seasonal Recourse Rate contracts for services not offered for a full 12 Months, Shipper shall have a Right of First Refusal ("ROFR") to extend service under the existing service Agreement or under a new service Agreement, provided Shipper satisfies the credit requirements under the Tariff and is current on its obligations as prescribed by and otherwise in compliance with the terms of this Tariff and its Service Agreement. Such Agreements are not subject to pre-granted abandonment provided notice is given as described

herein. A Firm Shipper may elect to retain a portion of its Capacity, subject to the ROFR process and have Transporter's pre-granted abandonment authority apply to the remainder of the Capacity. A Firm Shipper may not exercise its ROFR with regard to either segmenting its contract by geographic areas in exercising the ROFR or as to services provided under Section 12.6 of the General Terms and Conditions of this Tariff.

- B. A Shipper paying a Discounted Rate or a Negotiated Rate will not have the ROFR, unless otherwise expressly agreed to in writing by Transporter. Transporter and a Shipper under a Service Agreement may agree that Shipper shall have the right to extend the term of its existing contract pursuant to a negotiated contractual ROFR provision, which right shall be exercised in accordance with this Section. Transporter is not obligated to offer or agree, nor is Shipper required to agree, to any such contractual ROFR provision, provided, however, that to the extent Transporter offers or agrees to any such contractual ROFR provision, it must do so on a nondiscriminatory basis for similarly situated Shippers.
- C.
  - 1. The ROFR will not be applicable to any Agreements for any Capacity that are subject to a prior commitment as follows:
    - a) Capacity reserved for expansion of the System as set forth in this Section; and
    - b) Capacity that is already under contract for a future period subject to the following conditions:
      - i. 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
      - ii. the bids must have been evaluated and awarded on a Net Present Value basis.
  - 2. Avoidance of ROFR Process.
    - a) Subject to this Section 3.5, Shipper can extend the term of its Service Agreement at any time and not be subject to the ROFR process outlined below if, prior to the receipt of notice in Section 3.5 D. herein, Shipper agrees to any of the following actions: (1) Shipper agrees to amend the term of its Service Agreement for a term of five or more years at the maximum recourse rate from the effective date of the amendment or (2) Shipper and Transporter mutually agree to amend the terms of the existing

Service Agreement which shall include an extension of the term beyond the termination date of the existing Service Agreement. An amended Service Agreement containing the revised terms also must be executed prior to the date when notice would otherwise have to be provided pursuant to Section 3.5 D.

- D. To exercise the ROFR, Shipper must provide Transporter with notice via email or 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 different than that specified in the preceding sentence. Shipper's notice of intent to proceed under the ROFR 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 ROFR under this Section. The ROFR may apply to a portion of the original Shipper's then effective service. Such MDQ must be equal to or less than the existing MDQ in total and at each Primary point and the Primary Receipt/Delivery pair under the request must not result in a rate reduction vis a vis the Primary Receipt/Delivery pair in the existing Agreement. Any notice specifying a decrease in MDQ in total or at any Point shall not affect the existing Agreement during its remaining term.
- E. Within fifteen (15) Business Days after receipt of a notice from Shipper under Section 3.5. D. above, Transporter shall post via the Interactive Website a Capacity Announcement containing information consistent with Section 3.1 above. Such Capacity Announcement shall be maintained, and bids accepted via the Interactive Website, for a period of at least three (3) Days from the initial posting.
1. A third-party Shipper desiring to acquire the available Capacity shall place a bid with Transporter by e-mail 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 third-party Shipper's bid must include all credit information required by these General Terms and Conditions.
  3. A third-party Shipper may bid alternate Receipt and Delivery points as long as the alternate points utilize the same Receipt and Delivery and are

within the same Receipt Point to Delivery Point path as the expiring ROFR contract.

- F. Transporter will determine which bid constitutes the best offer by determining the highest economic unit value (per Dth of Capacity) to Transporter. A calculation based on the formula and interest rate set forth under the Capacity Release provisions of these General Terms and Conditions will be used to determine the highest economic unit value. The comparative economic unit value of each bid will be determined by calculating the Net Present Value ("NPV") of the reservation charges or other form of revenue guarantee of each offer over the term of the offer or five (5) Years, whichever is less, and then dividing by the quantity of the respective bid. However, if the bid is at Recourse Rates and the term is more than five (5) Years, the entire term will be considered in determining the economic unit value. For a Shipper's bid with a reservation rate or other form of revenue guarantee which exceeds the maximum Recourse Rate during all or any portion of the bid term, the NPV calculated for the bid may not exceed the NPV calculated assuming that the maximum Recourse Rate shall be in effect during the full term of the bid. Transport is not obligated to accept any bid at less than the applicable Recourse Rate unless the Capacity Announcement so advises.
1. In the event Transporter will allow a contingent bid, Transporter shall detail in its posting the specific contingency(ies) it will accept and Bidder must specify the details of the contingency in its bid. Transporter will not accept a bid containing contingencies other than those allowed in the posting of the capacity.
  2. In those instances where a contingent bid(s) pursuant to Section 3.5. F.1. herein is determined to be the best offer, the allocation of capacity may be delayed, without undue discrimination, pending satisfaction of the contingency. If such contingency has not been resolved by no later than ten (10) Business Days after the bid closing date, then such contingent bid is deemed void.
- G. In the event equivalent offers are submitted, the Capacity will be made available on a pro rata basis to the equal bidders, taking into consideration any minimum bid quantity.
1. A bid that exceeds a Shipper's creditworthiness may, at Transporter's election, be accepted up to the level of capacity or duration commensurate with Shipper's creditworthiness capability.
- H. Upon acceptance of a bid, Transporter shall inform the Existing Shipper of the terms of the accepted third-party Shipper bid(s) to permit the Existing Shipper to exercise its ROFR. The Existing Shipper shall have the option under ROFR to

execute a service Agreement which matches the bid constituting the highest economic value to Transporter. 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 ten (10) Days of Transporter's tender thereof. Transporter is not required to accept an offer at less than the Recourse Rate.

1. If the best offer contains a Negotiated Rate, Shipper may retain all or a portion of its MDQ by choosing one of the following options: 1) matching the best bid offer as a Negotiated Rate, or 2) matching the best bid offer as a discounted rate, if applicable, that is equivalent to the Negotiated Rate, or 3) agreeing to pay the currently effective maximum recourse rate. If Shipper timely matches the best bid offer, Transporter shall prepare a Service Agreement setting forth the terms and conditions of the best bid offer for Shipper's execution to be effective on the date the existing Service Agreement expires. If Shipper fails to execute such Service Agreement within ten (10) business days of Transporter's tender, Shipper will forfeit any claim under its ROFR to the subject capacity. Thereafter, notwithstanding the prior notice of any award of such capacity to Shipper, Transporter shall have the ability to re-sell the capacity and Shipper will be required to pay Transporter the difference between the matched best bid offer and the price received for the resold capacity multiplied by the quantity of the awarded bid, in the event the matched best bid offer was above the price ultimately received for the resold capacity.
  - I. Where there are no bids or no acceptable bids for the Capacity and the Existing Shipper agrees to pay the Recourse Rate, service may be contracted for a term of no less than one (1) Year. 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 Recourse Rate and for a specified term of at least a one (1) Year and for the ROFR Capacity elected per this Section. Such notice shall be binding and shall include the extended term chosen by the Existing Shipper for which it is willing to pay the Recourse Rate. If the Existing Shipper fails to so notify Transporter within the above-prescribed timeframe, the ROFR shall expire. Transporter is not required to accept an offer at less than the Recourse Rate. Existing Shippers shall execute a conforming Service Agreement within ten (10) Business Days of Transporter's tender thereof.
  - J. Any Shipper that acquires available Capacity according to the Rollover or ROFR processes of this Section will not be required to repeat the bidding procedures

for sales by Transporter of available Capacity in these General Terms and Conditions.

- K. Any Agreement entered into pursuant to this Section shall be evaluated on a stand-alone basis hereunder for purposes of determining whether it, in turn, is eligible for the ROFR under this Section.

### 3.6 Early Termination of Service Agreements

Transporter may, in a not unduly discriminatory manner, agree with Shipper to terminate its Recourse rate, Discounted Rate or Negotiated Rate Service Agreement prior to its expiration date. The situations in which Transporter may agree to terminate such a Service Agreement include, without limitation, the following:

- A. where Shipper responds to a solicitation for Capacity turn back offers in a reverse open season for Capacity requiring the construction of new facilities and the conditions set forth in the solicitation have been satisfied;
- B. where Shipper agrees to pay an exit fee that is sufficient, taking into account the remaining term of the Service Agreement and the value and liquidity of the Capacity subscribed under the Service Agreement being terminated or reduced, to make the termination or reduction financially beneficial to Transporter, in Transporter's reasonable judgment. Transporter may waive the exit fee where Shipper's Service Agreement provides for a Discounted Rate and Transporter concludes that the Capacity subscribed there under would be sold at a higher rate for the full remaining term of the Service Agreement.

An Agreement to terminate a Service Agreement hereunder shall not constitute a material deviation from the applicable form of Service Agreement.

## 4. SCHEDULING AND CURTAILMENT PRIORITIES

### 4.1 General Scheduling Priorities

- A. Transporter shall schedule Gas properly nominated and confirmed pursuant to the Tariff in accordance with the following priority sequence, with transportation services scheduled to the extent transportation Capacity is available and storage injections and withdrawals scheduled separately to the extent injection, withdrawal and storage Capacity are available.
- B. Transporter shall schedule Shipper's nominated transportation and storage services subject to the availability of Capacity on Transporter's System.
- C. Released Capacity has the same priority as non-released Capacity.
- D. Firm Nominations are entitled to Bump scheduled Interruptible quantities only during the Evening, Intraday 1 and Intraday 2 Nomination cycles, as defined in the Tariff. Firm Evening and Intraday Nominations are not entitled to Bump already scheduled Firm.
- E. Interruptible Nominations are not entitled to Bump already scheduled Interruptible Service.

### 4.2 Transportation Services Scheduling Priorities

The priority of service for scheduling all transportation services contracted on Transporter's System (including the transportation portion of any combined transportation/storage service under a Rate Schedule, when separately released) for segments and points shall be as follows:

- A. Segment Capacity scheduling in the order of declining priority:
  - 1. Firm Services for Primary in Primary Path to Primary and Secondary points (scheduled pro rata based on MDQ);
  - 2. Firm Services for Secondary out of Primary Path (scheduled pro rata based on Nominations within the MDQ);
  - 3. Firm Shippers may nominate service to Secondary points so that the direction of flow is the opposite ("backhaul") from the Primary Path direction of flow, if operationally feasible, but such Nomination shall be treated as being outside the Primary Path, and shall be subject to scheduling by Transporter pursuant to acceptable operating conditions; and

4. Interruptible Services and all Authorized Overrun Services scheduled based on the total rate to be paid (including commodity rates for IT and PAWS) from highest to lowest. Where two or more Shippers are paying the same rate, available Capacity will be scheduled pro rata based on Nominations.
- B. Receipt and Delivery point Capacity scheduling in the order of declining priority:
1. Firm Services for Primary points (scheduled pro rata based on MDQ);
  2. Firm Services for Secondary in Primary Path (scheduled pro rata based on Nominations within the MDQ);
  3. Firm Services for Secondary out of Primary Path (scheduled pro rata based on Nominations within the MDQ);
  4. Quantities required by Transporter for System requirements pursuant to Section 12 of the General Terms and Conditions; and
  5. Interruptible Services and all Authorized Overrun Service, scheduled based on the total rate to be paid (including commodity rates for IT, PAWS, and applicable rates for PALS and S-PALS) from highest to lowest. Where two or more Shippers are paying the same rate, available Capacity will be scheduled pro rata based on Nominations.
- C. Any Shipper paying the Recourse Rate applicable to its service (or revenue equal to or greater than the applicable Recourse Rate pursuant to a Negotiated Rate or Negotiated Rate Formula) shall be afforded priority equally with other Recourse Rate shippers.

#### 4.3 Storage Services Scheduling Priorities

- A. The priority of service for scheduling storage services contracted to Transporter's storage facilities (including the storage portion of service under Rate Schedule CMC-2, where separately released) shall be as follows in order of declining priority.
1. Firm Service for all injections and withdrawals nominated or allocated within IQ or WQ (scheduled pro rata based on IQ or WQ) and Firm Storage rights.
  2. Firm Service for injections and withdrawals nominated or allocated in excess of IQ and WQ but within Firm storage rights (scheduled pro rata based on Nomination).

3. Interruptible storage services, including Authorized Overrun and Storage Parking and Loaning Service, scheduled based on the rate to be paid, from highest to lowest. Where two or more Shippers are paying the same rate, available Capacity will be scheduled pro rata based on Nominations. Any Shipper paying the Recourse Rate applicable to its service (or revenue equal to or greater than the applicable Recourse Rate pursuant to a Negotiated Rate or Negotiated Rate Formula) shall be afforded priority equally with other Recourse Rate shippers.

#### 4.4 Priority Re-Determinations and Reallocations

Transporter shall re-determine the priority of each Shipper and reallocate Capacity 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.

#### 4.5 Unscheduled Services

No Shipper or Point Operator shall have any right to tender or take Unauthorized Overrun Gas. Unauthorized Overruns are subject to penalty as set forth in the Tariff. 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 or to take other action to address Unauthorized Overrun Gas, without incurring any liability to Shipper, or any third party, such Unauthorized Overrun Gas that it is unable to transport. However, Transporter shall use reasonable efforts to avoid or minimize such venting or such other actions.

#### 4.6 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, for both Firm and Interruptible services, 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 for transportation and storage services set forth herein, provided that, once scheduled, all Firm Service is assigned the same curtailment priority whether the Capacity is scheduled on a Primary or Secondary basis.

#### 4.7 Protection of Life and Property

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

#### 4.8 Liability for Interruption

If service under this Tariff is withheld, interrupted, suspended, or terminated consistent with the Tariff, Transporter shall not be liable for any damages or liabilities of any kind, including direct, indirect or consequential damages, resulting from such Interruption or termination, including any that may arise from the implementation of the scheduling priorities and procedures described herein. Transporter shall have the right, without liability to Shippers, Point Operators, or any other persons, to interrupt the transportation or storage of Gas when necessary to inspect, test, alter, modify, enlarge, repair, or maintain any facility or property comprising a part of, or appurtenant to, its System, or otherwise related to the operation thereof. Except in cases of emergency, Transporter shall endeavor to give advance notice of its intention to interrupt or terminate the transportation or storage of Gas, stating the anticipated timing and magnitude of each such interruption.

#### 4.9 Other Constraints to Schedule Gas

Notwithstanding the priorities set forth above, Transporter may decline to schedule and/or may interrupt and curtail service for any of the following reasons:

- A. If Shipper tenders Gas which does not conform to the applicable pressure or quality requirements of the Tariff;
- B. For reason of Force Majeure per the General Terms and Conditions of this Tariff;
- C. Due to routine repair and maintenance to be reasonably determined by Transporter;
- D. Due to delinquency in payment of amounts owed Transporter consistent with the payment provisions of the Tariff;
- E. To rectify Imbalances or to conform physical flows to Nominations to the extent consistent with the specific Rate Schedule;
- F. To maintain System integrity;
- G. If there is a dispute over title, ownership or right to tender or receive Gas;

- H. If Capacity is required to provide a service with higher priority, notwithstanding Section 4.1D. of this Section; or
- I. Any other provision provided for in the Tariff.

4.10 General Curtailment Priorities

- A. In interrupting or curtailing service, Transporter shall curtail in accordance with this Section, with transportation services curtailed to the extent there is insufficient transportation Capacity and storage injections and withdrawals curtailed separately to the extent there is insufficient injection, withdrawal or storage Capacity.
- 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 an Agreement to the extent consistent with the Tariff and applicable Rate Schedule, or to maintain System integrity.

4.11 Transportation Services Curtailment Priorities

The priority of service for curtailment of all transportation services contracted on Transporter's System (including the transportation portion of any combined transportation/storage service under a Rate Schedule, when separately released) for segments and points shall be as follows:

- A. Segment Capacity curtailment in the order of lowest to highest priority:
  - 1. Interruptible Services and all Authorized Overrun Services scheduled based on the total rate to be paid (including commodity rates for IT and PAWS) from lowest to highest. Where two or more Shippers are paying the same rate, available Capacity will be scheduled pro rata based on Nominations;
  - 2. Firm Shippers may nominate service to Secondary points so that the direction of flow is the opposite ("backhaul") from the Primary Path direction of flow, if operationally feasible, but such Nomination shall be treated as being outside the Primary Path, and shall be subject to curtailment by Transporter pursuant to acceptable operating conditions;
  - 3. Firm Services for Secondary out of Primary Path (curtailed pro rata based on Nominations within the MDQ); and

4. Firm Services for Primary Path to Primary and Secondary points (curtailed pro rata based on MDQ).
- B. Receipt and Delivery point Capacity curtailed in the order of lowest to highest priority:
1. Interruptible Services and all Authorized Overrun Service, curtailed based on the total rate to be paid (including commodity rates for IT, PAWS, and applicable rates for PALS and S-PALS) from lowest to highest. Where two or more Shippers are paying the same rate, available Capacity will be scheduled pro rata based on Nominations;
  2. Quantities required by Transporter for System requirements pursuant to Section 12 of the General Terms and Conditions;
  3. Firm Services for Secondary out of Primary Path (curtailed pro rata based on Nominations within the MDQ);
  4. Firm Services for Secondary in Primary Path (curtailed pro rata based on Nominations within the MDQ); and
  5. Firm Services for Primary points (curtailed pro rata based on Nominations within MDRQ, MDDQ, and MDQ).
- C. Any Shipper paying the Recourse Rate applicable to its service (or revenue equal to or greater than the applicable Recourse Rate pursuant to a Negotiated Rate or Negotiated Rate Formula) shall be afforded priority equally with other Recourse Rate shippers.

#### 4.12 Storage Services Curtailment Priorities

- A. The priority of service for curtailment of storage services contracted to Transporter's storage facilities (including the storage portion of service under Rate Schedule CMC-2, where separately released) shall be as follows in order of lowest to highest priority;
1. Interruptible storage services, including Authorized Overrun and Storage Parking and Loaning Service, curtailed based on the rate to be paid, from lowest to highest. Where two or more Shippers are paying the same rate, available Capacity will be scheduled pro rata based on Nominations. Any Shipper paying the Recourse Rate applicable to its service (or revenue equal to or greater than the applicable Recourse Rate pursuant to a Negotiated Rate or Negotiated Rate Formula) shall be afforded priority equally with other Recourse Rate shippers;

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2. Firm Service for injections and withdrawals nominated or allocated in excess of IQ and WQ but within Firm storage rights (curtailed pro rata based on Nomination); and
3. Firm Service for all injections and withdrawals nominated or allocated within IQ or WQ (curtailed pro rata based on IQ or WQ) and Firm Storage rights.

## **5. RESERVED**

## **6. RESERVED**

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

### 7.1 Receipt and Delivery Quantities

- 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 Quantities, or cause Equivalent Quantities to be delivered, in uniform hourly amounts 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, including the provisions of subparagraph B below.
  
- B. Quantities received at the Receipt Point(s) and delivered to the Delivery Point(s) shall flow ratably ( $1/24 \times$  confirmed daily Nomination in each hour) unless otherwise provided in the applicable Rate Schedule or agreed to by Transporter. Nothing in this Section shall restrict Transporter from agreeing with a Shipper or Point Operator to batch receipts or deliveries for operational purposes.

## 8. ADDITIONAL FACILITIES

### 8.1 Facilities

- A. 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 Section 3.2 of the General Terms and Conditions, including additional facility charges, scheduling priorities and applicable rate schedules.
- B. 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 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.

### 8.2 Obligation 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.

### 8.3 Responsibility for Costs

- A. Shipper Reimbursement. Shipper may be required to reimburse Transporter, on mutually agreeable terms, for costs associated with constructing and operating facilities under this Section 8. 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 reimbursement for any associated tax

effects. Transporter may waive this requirement on a not unduly discriminatory basis.

- B. **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 quantities or firm service contracts that will result from the project. Transporter may consider quantities or firm service contracts to be incremental if the quantities 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.

## **9. NOMINATIONS, CONFIRMATIONS, BALANCING, SEGMENTATION & RESERVATION CHARGE CREDITS**

### 9.1 General

- A. Transporter provides personnel available to process 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 as applicable 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 will be considered original Nominations and will 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 Agreement. All Nominations will be based on a daily quantity and all quantities 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 quantities transported are subject to a Discounted or Negotiated 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 must adhere to Nomination, confirmation and scheduling deadlines. The receiving party may waive any submittal deadline in this Section.

- D. The standard quantity for Nominations, confirmation and scheduling is Dth per Gas Day in the United States, gigajoules per Gas Day in Canada and gigacalories per Gas Day in Mexico. (For reference, 1 Dth = 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.
- E. A No-Notice Shipper is only required to make nominations when separately using the FT or FSS service embedded in the NNS service. If the primary receipt and/or delivery point is an off-system facility point, a nomination on Transporter's system is required to confirm the nomination for NNS.

## 9.2 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 the 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 Nomination 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 will 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 will 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 9.2 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 the Capacity release provisions addressing recalls as set forth in 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, which occur on or after the time Capacity is awarded, including an Intraday Nomination in either the Intraday 1, Intraday 2 or the Intraday 3 Nomination Cycle, and which is consistent with Section 16.10 D of these General Terms and Conditions.

### 9.3 Timely Nominations

- A. Timely Nominations are Nominations submitted consistent with the standard Nomination cycle set out in Section 9.2 A.
- B. Nominations received after the Nomination deadline will be scheduled after the Nominations received before or by the deadline.

#### 9.4 Transporter Right to Require Nomination Changes

If estimated or actual 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 quantities into Balance within twenty-four (24) hours of Transporter's notification to Shipper. Transporter will evaluate Imbalances at a point, Receipt/Delivery pair, segment, and/or contract level. 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 corrective Nomination consistent with Section 9.2 hereof. If the Imbalance is not resolved by the Shipper within twenty-four (24) hours, Transporter may adjust receipts or deliveries to compensate for the inaccurate Nominations. If the corrective Nomination and/or Transporter adjustment of receipt and/or deliveries does not correct the Imbalance, Transporter shall have the right to apply the operational tools found in Section 33 of this Tariff.

#### 9.5 Confirmation by Transporter

- A. Nominations made in accordance with Sections 9.2, 9.3, 9.4, and 9.6 hereof shall not become effective until Transporter has confirmed the nominated receipts and deliveries with upstream and downstream parties, subject to Section 9.5C. Shipper shall designate the appropriate person(s) who has the authority to resolve allocation issues, if requested by Transporter and, 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 9.2 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 will 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 will 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 will 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 will 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 9.5.C.3 does not apply to the Evening Nomination Cycle.
4. With respect to Sub-Sections 9.5 C. 1, 2, and 3, if there is no response to a request for confirmation or an unsolicited confirmation response, the Transportation Service Provider will 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; and
- 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.

#### 9.6 Intraday Nominations

- A. An Intraday Nomination is a Nomination submitted in accordance with Section 9.2 C, 9.2D and 9.2E, 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 in Section 9.2 during non-Critical Times. During Critical Times, as described in Section 33 of these General Terms and Conditions, valid Intraday Nominations may be submitted at any time.
- C. Transporter will provide notification of Bumped quantities through the Scheduled Quantity document, as posted on Transporter's Interactive Website, or other means consistent with NAESB WGQ Standards as adopted in these General Terms and Conditions. During non-Critical Times, Transporter will waive daily penalties applicable to Bumped quantities 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 which a service requester may submit for any one standard Nomination cycle or in total across all standard Nomination cycles.
- E. Revised Pre-Determined Allocations (described in Section 10 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 9.5 C. 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.

#### 9.7 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) requirement to send such documents.

#### 9.8 Overrun Quantities

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

#### 9.9 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, and an entity which controls a point of interconnection with Transporter may delegate to any third party responsibility for administering Agreements regarding allocation of Gas quantities at the point and/or for administering any Point Operator 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 9.9 B. 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 9.9 B.

- 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.

#### 9.10 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 9.2. In addition to the transfer Nomination, the purchasing entity should submit a predetermined allocation in accordance with Section 10 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 9.10 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 9.10 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 9.10.

#### 9.11 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.

#### 9.12 Segmentation of Transportation Capacity

- A. A Shipper may segment its Capacity under a Firm Transportation Service Agreement to the extent operationally feasible. In addition, any Shipper may segment such Capacity through release to a Replacement Shipper to the extent operationally feasible. A Shipper segmenting its Firm Capacity shall effectuate such segmentation through the Nomination process under this Section 9.12. Prior to segmenting their Transportation Capacity, NNS customers will be required to release the embedded Firm Transportation. When NNS customers segment the embedded Firm Transportation, storage will be the primary receipt point and all other receipt points will be secondary. If the embedded Firm Transportation is segmented, the availability of NNS will be reduced accordingly. A Shipper may release Firm Capacity on a segmented basis to the extent consistent with this Section 9.12 by following the procedures for Capacity release set out in these General Terms and Conditions.
- B. For the purposes of this Section 9.12, a segmentation of Firm transportation 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 or on any segment or portion of its System; (ii) the proposed segmentation would be for the storage component of any firm service; (iii) the proposed segmentation would result in a physical haul in a direction opposite of the Primary Receipt/Delivery pair under the Service Agreement being segmented, absent a determination by Transporter, which determination will be made within ten (10) Business Days of the request, that it can physically perform the segmentation as requested; (iv) the contract Primary Receipt/Delivery pair resulting from the proposed segmentation would be entirely within a Hub, as defined in the Informational Postings portion of Transporter's Interactive Website; (v) the contract Primary Receipt/Delivery pair 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 Receipt/Delivery pair, as such reticulated segments are specifically identified in the Informational Postings portion of Transporter's Interactive Website; (vi) the proposed segmentation would create a new contract Receipt or Delivery point within a reticulated segment, if that reticulated segment is within the Primary Receipt/Delivery pair that is being

segmented; or (vii) the proposed segmentation would occur outside the Primary Receipt/Delivery pair defined by the Shipper's contract.

- C. In the event a transportation Receipt/Delivery pair is segmented under this Section 9.12, as between the parties to a specific segmentation, the upstream Receipt/Delivery pair segment shall receive priority at all Secondary points within the Primary Path upstream of the break point and the downstream Receipt/Delivery pair 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 Receipt/Delivery pair.
- 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 Receipt/Delivery pair segment that results in a reverse flow from the original Receipt/Delivery pair, subject to determination of the applicable rate pursuant to Section 9.12 J 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.
- 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 4 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, subject to the availability of point Capacity, if the Shipper (or in the case of a release, the Original Releasing Shipper) agrees to amend the Service Agreement to change the Primary Receipt or Delivery point(s) accordingly. However, Transporter is not obligated to reserve Capacity for Primary Receipt and Primary Delivery Points. 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.
- F. In the event segmentation of a Shipper's Receipt/Delivery pair, or segmentation that results from a release of Capacity, creates deliveries or receipts exceeding the original Shipper's Capacity rights within a 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. 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 9.12. Disallowance of segmentation requests will be made on a not unduly 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.
- I. 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 Days' 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.
- J. Previously Discounted or Negotiated Rate Agreements for Primary Receipt and Delivery points may 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 charges shall apply at the new Receipt or Delivery point, unless Transporter otherwise agrees in writing.

#### 9.13 Pooling Points

Transporter may provide one or more pools for purposes of facilitating the aggregation and dis-aggregation of Gas received or delivered on its System. Gas physically received at Receipt Points can be aggregated directly into one pool and nominated for delivery at Delivery Points, excluding deliveries on non-contiguous facilities. Transactions at Pooling Points shall not be consolidated for billing purposes.

#### 9.14 Reservation Charge Credits

- A. Transporter shall have the right, without further liability, except as to reservation charge credits in Section 9.14 C below, to Shipper, to interrupt or curtail the transportation of Gas for Shipper for reasons of force majeure or PHMSA Event. Transporter shall endeavor to cause a minimum of inconvenience to Shipper because of such Interruptions.
- B. As used in this Section 9.14, 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 9.14 D.1, 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, 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 9.14 E below, in the event Transporter fails to schedule or deliver Nominations on any Day under any Firm contract, then the applicable Reservation Charges shall be eliminated as follows:
1. 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 Receipt Point(s) and Primary Delivery Point(s) and that is not scheduled or not delivered, whichever is greater; or

2. 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 seven (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 or any subsequent updates to Transporter's Monthly Maintenance Schedule that are posted prior to the Month in which the Firm Service curtailment is scheduled to occur, 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 or PHMSA Event outage is announced that continues beyond ten (10) Days following a force majeure or PHMSA Event, then the seven (7) Days immediately preceding the announcement of the Force Majeure or PHMSA Event outage consistent with the availability of reservation charge credits pursuant to Section 9.14 E.3.; except that
  - d) Section 9.14 D.2. above shall not apply, but Section 9.14 D.1 shall, where the seven (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 9.14:
  1. to the extent that the Shipper uses alternate receipt or Delivery Point(s) instead of its Primary Receipt and Delivery Point(s); or
  2. when Transporter's failure to schedule or deliver nominated quantities is due solely to the conduct of Shipper or the upstream or downstream Point Operator of the facilities at the Receipt or Delivery Point respectively, not operated or controlled by Transporter; or
  3. 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 or PHMSA Event as contemplated by Section 21 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 or PHMSA 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.

## 10. ALLOCATION OF DAILY RECEIPTS AND DELIVERIES

### 10.1 General

Gas at any Receipt or Delivery point shall be deemed to have been delivered in the following sequence in accordance with the confirmed Nomination for that point:

- A. Quantities scheduled under Firm Service Agreements consistent with confirmed Nominations and within MDQ;
- B. Quantities scheduled under Interruptible and Authorized Overrun Services consistent with scheduled and confirmed Nominations.
- C. No-notice Injection or Withdrawal rights, within the IQ and WQ, as applicable.
- D. Additional quantities shall be allocated pro rata based on confirmed Nominations, but not to exceed the applicable MDQ, under which Shippers nominated that Day.
- E. Any remaining quantities shall be allocated as Unauthorized Overrun Gas pro rata based on confirmed Nominations among Shippers nominated that Day.

Quantities shall be allocated consistent with the above criteria, unless otherwise agreed to pursuant to a PDA.

### 10.2 Pre-Determined Allocations (PDA)

Pursuant to NAESB WGQ Standard 2.4.1, Transporter will enter into an acceptable PDA Agreement with upstream or downstream parties to accommodate allocation methodologies different than that outlined in Section 10.1.

In accounting for the quantities delivered by Transporter, in circumstances where multiple services are provided at any Point, the sequence of quantities delivered may be determined by a PDA Agreement between Transporter and upstream and downstream parties at the point where Gas is delivered. The upstream or downstream party providing the Point confirmation should submit the PDA to Transporter before 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. Transporter should send back confirmation of receipt of the pre-determined allocation prior to the start of the Gas Day. Such PDA shall specify how any underage or overage from the confirmed nominated quantities should be allocated among the entities listed on the PDA. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentage, swing and Point 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. In the absence of such an Agreement, Section 10.1 shall control.

- A. 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 upstream or downstream party submits a new PDA that is accepted by Transporter. 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's acceptance is contingent on Transporter being able to administer the allocation submitted by the allocating party. PDAs may be submitted to Transporter on any Business Day during the Month and should be submitted if necessary to reflect any changes in Shippers or the allocation method at the point.
- B. Parties who may submit PDAs include the Point Operator of the upstream or downstream 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.
- C. 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. 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.
- D. If Transporter and upstream or downstream parties agree to the PDA methodology of 'swing', then only one contract or entity can be designated as the swing party.

## **11. OPERATIONS BY SHIPPERS**

- 11.1 In addition to delivering and receiving quantities 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 quantities of Gas than Transporter has received for the account of the Shipper or to accept for the account of the Shipper more quantities of Gas than are scheduled for delivery for the account of the Shipper on any Day. Upon request, Shipper shall furnish to Transporter, as far in advance as operations permit, estimates of the expected daily, monthly and annual quantities of natural gas required by Shipper.
- 11.2 At each Receipt Point and Delivery Point, and in conformance with Section 7 of these General Terms and Conditions and taking into account a Shipper's rights under that Shipper's Rate Schedule, each Party to an Agreement shall deliver, or cause to be delivered, Gas at uniform hourly and daily rates of flow as required by the Tariff, provided, however, either Party may request the other Party to change the rates of delivery or receipt. The Party requested to make such changes may consent to do so, but only to the extent that it can do so, in its judgment, without adversely affecting its deliveries of Gas to or receipts of Gas from any other party.
- 11.3 Transporter shall, to the extent reasonable, deliver quantities for Shipper's account concurrently with the receipt of receipt quantities. It is recognized that the Parties to an Agreement may be unable to control exactly the quantities of Gas received and delivered on any Day and that the quantities received by Transporter may vary from the quantities delivered on any Day. Such variations shall be kept to a minimum and shall be balanced as soon as practicable. Monthly cumulative net variations may result in the application of charges as provided in the Transportation Rate Schedules. Shipper and Transporter shall manage the receipts and deliveries so that the difference between receipt quantities and delivery quantities shall be kept as near zero as practicable, taking into account Fuel reimbursement and other deductions. Further, Transporter shall be under no obligation to accept from Shipper Gas in excess of the confirmed Nomination for the Receipt Point for that Day.
- 11.4 If actual daily receipts or deliveries are over or under confirmed Nominations, Transporter may adjust deliveries to compensate for the inaccurate Nominations and impose penalties as set forth in these General Terms and Conditions, for the variance in quantities received or delivered versus the confirmed nominated quantities.

## **12. MONTHLY IMBALANCE RESOLUTION, OPERATIONAL TRANSACTIONS OF GAS AND ACQUIRED CAPACITY**

### 12.1 Monthly Imbalances, Netting and Off Setting

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. Transportation Imbalances will be netted together within an Operational Impact Area (OIA) by production Month to obtain the Shipper's Total Monthly Imbalance by OIA. The Total Monthly Imbalance by production Month by OIA 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 OIA by production Month 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. If requested by Shipper, cumulative Imbalances may be injected into or withdrawn from a contracted storage service, effective the Month in which the Imbalance occurred, if available. Injections and withdrawals will be in accordance with the applicable Tariff provisions and rates governing the applicable storage service. Injection trades will not be permitted that cause a storage contract's balance to be above MSQ at any time. Withdrawal trades will not be permitted that cause a storage contract balance to be below zero at any time;
- D. Transporter shall enable the Imbalance trading process whereby Shippers can trade transport Imbalances within the same OIA with off-setting transport Imbalances or in accordance with Section 12.1 C of these General Terms and Conditions by production Month 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;

- E. All Imbalance Trades shall be received by the 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 party;
- F. 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. If Imbalance trading is conducted on-line via the Transporter's Interactive Website, the trade confirmation can be viewed via that website;
- G. Shipper Imbalances remaining after the Imbalance netting and trading procedures set out in Sub-Sections A through E above shall be cashed out as described in Section 12.2 of these General Terms and Conditions; and
- H. 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, or charges related to movement of Gas, via netting or trading, outside the Receipt/Delivery pairs covered by Shipper's Service Agreement(s).

12.2 Cashout Procedures

- A. Any Imbalance remaining following netting and offsetting in accordance with Section 12.1 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 (As a % of actual deliveries)</b>	<b>Overage (Transporter pays Shipper)</b>	<b>Underage (Shipper pays Transporter)</b>
0-5%	100% X MIP	100% X MIP
5-10%	75% X MIP	125% X MIP
Greater than 10%	50% X MIP	150% X MIP

- B. The Monthly Index Price (MIP) is based on prices as reported by Natural Gas Intelligence. Transporter shall use either the highest weekly price or the lowest weekly price determined for each Month as the MIP for all Monthly Imbalances subject to cashout hereunder, as described below. For Gas owed Transporter, (negative Imbalances), the MIP shall be the highest of the two indices weekly average price for the Month in which the Imbalance occurred. For Gas owed

Shipper (positive Imbalances), the MIP shall be the lowest of the two indices weekly average price for the Month in which the Imbalance occurred. The 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) at the following locations:

- (1) NGPL Midcontinent average; and
- (2) Cheyenne Hub average.

- C. The issues of such publication to be used in determining each Month's highest and lowest weekly 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.
- D. A Shipper's Imbalance subject to this Section will be cashed out based on the percentage of that Imbalance compared to the total deliveries in the cashout OIA for that Shipper during the Month. For example, if the total deliveries in an OIA were 1,000 Dth and the remaining underage Imbalance after netting and offsetting was 150 Dth, the total Imbalance Level would be 15%. The first 5% (50 Dth) would be cashed out at 100% of the MIP, the next 5% (50-100Dth) would be cashed out at 125% and the remaining 50 Dth would be cashed out at 150% of the MIP.
- E. 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.
- F. In each instance when a Shipper(s) must cashout its remaining OIA 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 not unduly discriminatory basis to all Shippers from whom cashout amounts were collected in that instance.
- G. In the event "Natural Gas Intelligence" 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.
- H. Any liability of Shipper under this GTC Section 12 continues in force and effect until satisfied, regardless of whether the related Agreement has terminated or Shipper has become a former Shipper.

### 12.3 Operational Data

In determining the cashout tier applicable under Section 12.2 above, Transporter will utilize the operational data posted on Transporter's Interactive Website as of the end of the Month.

### 12.4 Prior Period Adjustments ("PPAs")

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 applicable MIP during the Month the Imbalance occurred. There will be a one Month lag for cashout of PPAs to permit Imbalance trading. Trading will only be permitted between shippers with offsetting Imbalances in the accounting Month that the related production Month Imbalance occurred.

No Imbalance charge shall be imposed when a prior period adjustment applied to the current period causes or increases a current Month charge.

### 12.5 Operational Transactions of Gas

Transporter may buy, sell and/or borrow or tender Gas for return at a later date (an "Operational Transaction") in connection with the provision of storage and transportation services. Without limitation of the foregoing, Transporter may engage in Operational Transactions for Gas to the extent incidental to the operation of its System, including but not limited to, purchases or sales related to FL&U, maintenance or management of System pressure, maintenance or management of System storage, replenishment of any Gas in storage retained by Transporter for System operations, provision of adequate storage inventory to support storage services except to the extent the Shipper is responsible for such inventory, maintenance or management of line pack and provision of additional line pack for new facilities, implementation of cashout Imbalance procedures under the Tariff, and performance of any other functions of Transporter in connection with transportation and storage services ("Operational Gas"). Nothing herein shall constitute a gas supply or sales service nor shall it impose on Transporter any obligation to provide a supply or commodity sales function to any of its transportation or storage Shippers.

Transporter may engage in Operational Transactions for Operational Gas at any point on the System. Any seller, buyer, borrower or tenderer of Operational Gas will be required to arrange with Transporter and any third parties the necessary transportation and/or storage Agreements to transport Gas to or from the point of the Operational Transaction.

Transporter may elect, in its sole discretion, to use an auction process prior to entering into an Operational Transaction. Transporter shall post the auction notice at least twenty-four (24) hours prior to the commencement of the bidding, which shall set forth the terms and conditions of the proposed Operational Transaction and the criteria to be

considered as part of the bid evaluation methodology and the weighting to be given to such criteria. All bids are considered binding upon receipt by Transporter; however, a bidder may withdraw its bid prior to the close of the auction. Transporter is not obligated to accept any bids received. If an auction process is not selected, the availability of an Operational Transaction will be posted for bidding on Transporter's Interactive Website to the extent feasible at least twenty-four (24) hours prior to the actual Operational Transaction.

If Transporter completes an Operational Transaction of Gas, Transporter will post on its Interactive Website not more than two (2) Business Days after the transaction is complete, to the extent feasible, the counterparty, the date, quantity and price of the Operational Transaction. The information pertaining to a completed transaction shall remain on the Interactive Website for at least thirty (30) Days.

## 12.6 Acquired Capacity

- A. Transporter may from time-to-time enter into transportation or storage Agreements with upstream or downstream entities, including other interstate pipelines, intrastate pipelines, or local distribution companies (referred to as "acquired Capacity" or "off-System Capacity"). Transporter may use acquired Capacity for its System operational needs and/or to render service to its customers. If Transporter transports or stores Gas for others using acquired Capacity, it will apply to such services the same rates and tariffs as are applicable to on-System customers, as such rates and tariffs may change from time-to-time. For purposes of any use of acquired Capacity covered by this Section 12.6, the "shipper must hold title" requirement shall be waived.

Transporter shall not be obligated to acquire or maintain off-System Capacity, except as to that acquired off-System Capacity necessary to maintain Firm Service for those Firm transportation contracts affected by the Pony Express Pipeline Conversion Project authorized by FERC order issued September 12, 2013 in Docket No. CP12-495-000. In no event shall Transporter's obligation to maintain such off-System Capacity exceed the quantity necessary to meet the September 12, 2013 effective Firm transportation service obligation under such contracts, during the primary or any extension term thereof, as it may exist from time-to-time.

- B. 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 circumstance, and Transporter will be required to seek a case-specific waiver of that requirement from the Commission.

- C. Any off-System Capacity acquired by Transporter from a third party shall be offered to other Shippers on a Secondary and interruptible basis, subject to Transporter's operating conditions, pursuant to Transporter's FERC Gas Tariff and currently effective rates as such Tariff and rates may change from time-to-time. Transporter's Shipper rights on off-System Capacity segments may be limited to the Primary Receipt/Delivery pair and such other limitations as posted on its Interactive Website or as set forth in any applicable discount or Negotiated Rate Agreement associated with the off-System transportation between Transporter and the off-System provider. Transporter will post on its Interactive Website the availability of off-System Capacity segments and points and any related operational conditions consistent with the rights under Transporter's transportation contracts for the use of such acquired Capacity.

## 13. STATEMENTS, BILLING AND PAYMENT

### 13.1 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 herein, a bill is deemed to have been "rendered" by Transporter and received by Shipper at the time it is posted on the Interactive Website posting or sent to Shipper's designated site if sent EDI for invoice viewing by Shippers. Invoices will be based on actuals (if available) or best available data. Quantities at Points where OBAs are in effect will be invoiced based on scheduled quantities.

### 13.2 Shipper Information

If information is required from Shipper, or its designee, to actualize quantities or allocations, Shipper shall furnish the required information, or cause it to be furnished, to Transporter, in accordance with Section 18 of these General Terms and Conditions.

### 13.3 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.

### 13.4 Payment

- A. 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 on the date posted on the Transporter's Interactive Website or sent to Shipper's designated site if sent EDI. The invoice number shall be identified on all payments and the Shipper should submit supporting documentation identifying what is being paid.
- B. 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 pursuant to current NAESB remittance advice standard. In the event of a good faith dispute, Transporter may demand and

Shipper, within ten (10) Days of such demand, shall furnish good and sufficient surety bond, guaranteeing payment to Transporter of all disputed amounts for any invoices that are or will be affected by such dispute. If Shipper fails to provide a bond to Transporter guaranteeing payment, or if Shipper defaults in the conditions of such bond, then Transporter shall have the right to suspend service or terminate Shipper's Agreement. If Shipper fails to make payment in accordance with this Section, Transporter may, in addition to any other remedy it may have under the Tariff or under law or equity: (a) suspend deliveries in accordance with the procedures set forth in the Tariff; and/or (b) offset such deficient payments against any payments, refunds or credits owed by Transporter to Shipper.

### 13.5 Adjustment of Errors

- A. The time limitation for disputing allocations of receipts and deliveries made pursuant to the Tariff 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 twelve (12) 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 24 Months from the initial date of statements, billings or payment, based on actualized quantities, 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.

### 13.6 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 15 Days of such notice,

Transporter may suspend service at any time thereafter in accordance with the Tariff and FERC regulations. Such suspension of service shall not be considered a waiver of Shipper's contractual obligations under Service Agreement;

2. 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 hereunder, consistent with the Tariff; and
3. If a Shipper which has been deficient in payment under any Agreement is again deficient in payment under the same or another Agreement 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:
  - a) 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 shall be done in conformance with the Tariff and FERC regulations. Such notice may be given simultaneously with any other notices required under the Tariff. To avoid termination, the Shipper must remedy the deficiency within this notice period. To the extent required by FERC regulations Transporter shall concurrently notify the Commission of any actual termination of service under this provision;
  - b) Lawful suspension or termination of any service or Service Agreement by Transporter shall not release Shipper from its contractual obligations to pay Transporter for all reservation charges in full under the applicable Service Agreement. Within 30 days following any such termination, Shipper shall pay Transporter in lump sum all reservation charges that would have become due under the full term of such Service Agreement, discounted to net present value using the then current FERC interest rate. Transporter shall have no obligation to continue sending billing statements or demands for payment from Shipper after suspension or termination of any service or Service Agreement, and Transporter shall retain all rights under law and equity to seek remedies from Shipper for any breach of the Service Agreement, and shall be entitled to recover reasonable attorney's fees. Shipper may not release or recall Firm Capacity under any service or Service Agreement which has been suspended or terminated; and

- c) Any suspension or termination of any service or Agreement pursuant to the provisions of the Tariff shall be without prejudice to the right of Transporter to collect any amounts then due to it for Gas delivered or service provided prior to the date of the termination, and without waiver of any other remedy to which the Transporter may be entitled for breaches of an Agreement.

13.7 Default

- A. If Shipper has multiple Agreements with Transporter and defaults on one Agreement, Transporter may deem a default by Shipper on that one Agreement as a loss or creditworthiness on any other Agreement(s) Shipper has with Transporter, provided, however, this provision shall not affect amounts disputed by Shipper in good faith.
- B. To the extent Shipper or former Shipper is delinquent in payment of an invoice, Transporter to the maximum extent permissible under state law may obtain a lien or other security interest in such Shipper's natural gas or credits otherwise due to Shipper for service rendered subject to Transporter's billings.

## 14. EVALUATION OF CREDIT

### 14.1 Credit Measurement

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); and (ii) 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 and Capacity Release Agreements with Transporter's Shippers, then the total potential fees and charges of all such service agreements shall be considered in determining creditworthiness. The creditworthiness requirements of this Section 14 shall apply to any assignee pursuant to an assignment (in whole or part) of any Agreement under this Tariff or to any permanent release, in whole or part, of a Service Agreement; provided, however, that an assignee or the Replacement Shipper of capacity from a permanent release (in whole or part) of a Service Agreement that is a result of a precedent agreement for a construction project or new construction project shall be subject to the creditworthiness provisions contained in such Service Agreement for the remainder of the initial term.
  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." 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, such Shipper may still obtain or continue service hereunder if it elects and provides within five (5) Days of the first notification of such failure one of the following options:

Payment in advance of all fees and charges for three (3) Months' advance service;

- a) A standby irrevocable letter of credit covering all fees and charges for three (3) Months' advance service to include language acceptable to transporter and drawn upon a bank acceptable to Transporter;
  - b) 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; or
  - c) any other mutually-agreeable level and form of collateral or security, on a not unduly-discriminatory basis.
  - d) Guarantee of all fees and charges for three (3) Months' advance service by a person or another entity which does satisfy the credit appraisal. If at any time during the term of service the guarantor does not meet the credit criteria of Section 14.1A herein, Transporter may request and shall be provided within ten (10) Days thereafter a new guaranty or other form of security consistent with Section 14.1A.
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 FERC 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 14.1B 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 14.1B 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 13.6 and 14.2 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 14.1B 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 14.1 which conflicts with any order of the U.S. Bankruptcy Court.
- G. Loaned Gas. For loan services under Rate Schedules PALS and SPALS, 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 8.4B 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 12.2B 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 12.2B 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.

#### 14.2 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 14 of these General Terms and Conditions, or if Shipper fails to maintain assurance of future performance under Section 14 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 14 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 14 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 14 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 14.2A.1. of these General Terms and Conditions shall apply for suspension of service and Section 14.2D 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 14 of these General Terms and Conditions, until Shipper has provided adequate assurance of future performance under that Section 14, or until Transporter terminates service under Section 14.2D 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 14 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 14 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. 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 14 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 14.1B., above. To avoid termination, the Shipper must satisfy the requirements of Section 14.1B of these General Terms and Conditions within this notice period.
- E. A Shipper may not release or recall firm Capacity under service which has been suspended.

- F. 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 14.2.
- G. Transporter may not take any action under this Section 14.2 which conflicts with any order of the U.S. Bankruptcy Court.

#### 14.3 Consent Agreements

If Transporter's financing arrangements so require, Shippers with Agreements under Firm Rate Schedules shall agree to execute "Consent Agreements" requested by Transporter's lenders at such lenders' request, in forms reasonably required to secure the lenders in the event of a default on the part of Transporter under such financing arrangements.

## 15. INTERACTIVE WEBSITE

### 15.1 Description of Website

- 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 not unduly discriminatory basis.
- 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/Quantity 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 this Section below.
  1. Informational Postings. The types of information available through the Informational Postings portion of the Interactive Website include: (i) information posted in compliance with the Commission's Standards of Conduct; (ii) reports on operationally available Capacity, design Capacity, unsubscribed Capacity and released Capacity at Receipt/Delivery Points and on the mainline and for storage; (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 quantities available for trading among Shippers prior to cashout, as provided in 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 these General Terms and Conditions. Point Operators can confirm quantities online. Shippers and Point Operator can review, print or download scheduled quantity reports.
  3. Flowing Gas/Quantity Inquiry. This feature provides quantity 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 quantities 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.
  6. Capacity Release Request and Bid Processing. This interactive feature allows Shippers to submit Capacity Release Offers and Bids, which, in turn, are automatically posted to this Interactive Website. Additionally, a 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.

## 15.2 Access to Website

Shippers, Subscribers, and other interested parties may obtain access to the interactive transactional web pages of the Interactive Website 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" as used in this Tariff shall mean those Shippers or other interested parties that obtain access to the interactive transactional web pages of the Interactive Website according to this Section.

## 15.3 Authority

Subscribers shall be deemed to have agreed and represented that any employee, Agent or representative of Subscriber who is permitted access to the Interactive Website by Subscriber shall have the legal authority to act on behalf of Subscriber, and to contractually bind Subscriber, in performing any functions on the Interactive Website,

including those functions that are available presently and those functions that may become available at a later date.

#### 15.4 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.

#### 15.5 Reliance By Transporter

Transporter may act, and shall be fully indemnified and held harmless by a Subscriber in acting, in reliance upon any acts or things done or performed by Subscriber and/or its employees, representatives or Agents on behalf of Subscriber 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.

#### 15.6 Access to Confidential Information

Should a Subscriber require access to confidential information (such as Agreements, Points, Nominations, quantities, 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 provide a confidential logon code and password within one (1) Business Day.

#### 15.7 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 secured and 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.

**15.8 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 Customer Services Department.

**15.9 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.

**15.10 Indemnity and Limits of Responsibility**

Each Subscriber shall indemnify Transporter and hold Transporter harmless for all claims, damages, losses, penalties, and liabilities of any kind, including attorney fees arising out of:

- A. Subscriber's or its employees', representative's, or Agents' breach of any of Subscriber's obligations under the Tariff or any Agreement, 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 any act, or for any omission or failure by Transporter to act or perform any duty, related to a function of the Interactive Website, and Subscriber releases and waives any claims against Transporter in that regard. Transporter shall not be responsible for 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.

15.11 Reservation

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

15.12 Agreement

Any Subscriber who is not a Shipper under one of the Rate Schedules contained in this Tariff shall be bound by the provisions of the Tariff, including this Section, and will be required, as a precondition of access to the Interactive Website, to sign an Agreement with Transporter.

## **16. CAPACITY RELEASE BY FIRM SHIPPERS**

### 16.1 Qualification For Participation In The Capacity Release Program

- 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 this Tariff. 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. Credit applications shall be completed in full with all information required to establish creditworthiness under the credit criteria included in Section 14 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 14 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.

### 16.2 General

- A. Subject to the terms, conditions and limitations set forth in this Section and the Tariff, a Shipper shall have the right to release all or a portion of its Firm Transportation or Storage Capacity held under an Eligible Firm Transportation Agreement and, if a temporary Capacity release is effectuated, to receive a credit for reservation charge revenues received by Transporter from Replacement Shipper for such released Capacity.
- B. The deadlines set forth in this Section are applicable to all parties involved in the Capacity release process; however, they are only applicable if 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, and there are no special terms or conditions of the release.

C. Following is a summary of the Capacity release process and deadlines set forth in greater detail in the remainder of this Section (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; and
- (vii) For temporary capacity release, electronic 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). For permanent releases, paper contract issued within three (3) business days of award of posting.

2. For biddable releases (greater than one (1) Year or more):

- (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 winning Best Bid(s) 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) For temporary capacity release, electronic 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). For permanent releases, paper contract issued within three (3) Business Days of award posting.
3. For non-biddable releases (in accordance with NAESB WGQ Standard 1.3.2):
- (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 9.2 of these General Terms and Conditions. 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.

### 16.3 Definitions

- A. Bid Value. The value assigned to a Qualified Bid or a Prearranged Release according to the bid evaluation procedures set forth in this Section, 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.
- C. Eligible Firm Transportation Agreement. A Transportation or Storage Service Agreement for Firm Services under any Firm Transportation or Storage Rate Schedule in this Tariff which qualifies for capacity release under the provisions and requirements of this Tariff.
- D. Maximum Bid Quantity. The maximum amount of Capacity the Qualified Bidder agreed to accept in its Qualified Bid.
- E. Minimum Bid Quantity. 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 or Storage Agreement Capacity Rights that is exempt, under Commission regulations, from competitive bidding, the effectiveness of which is subject only to: (1) the prequalification of the Prearranged Shipper under this Section; and (2) the release of such Capacity rights to the Prearranged Shipper as provided by this Section.
  - 1. 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, as a "Prearranged Asset Manager Release".
  - 2. 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, as a "Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program".
  - 3. 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.

- H. **Prearranged Shipper.** A person or entity pre-qualified under this Section 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 16.1 by a Qualified Bidder for Capacity Rights subject to a Capacity Release Request under this Section.
- J. **Qualified Bidder.** Any person or entity prequalified under Section 16.1 who bids for capacity rights being released under this Section 16, 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.
- 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.
- 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.
- 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.
- 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.
- P. **Winning Bid Value.** The highest possible total Bid Value achievable under Section 16.10 for the Capacity Release Request from the Qualified Bids consistent with the Capacity Release Request and this Section.

#### 16.4 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 Receipt/Delivery pair(s) [or segment(s) thereof] being released, including identification by Transporter's Location number of the Receipt Points, Delivery Points and Pooling Points defining the release Receipt/Delivery pair/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 applicable provisions of this Section, including Sections 16.6 and 16.15). 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 this Section;
- 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 this Section, including Section 16.8);
- H. Whether the Releasing Shipper will accept Qualified Bids whose revenues will vary by the quantity 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 16.11 the Shipper wishes to use, if any;
- J. Whether the Qualified Bids are to specify dollars and cents and/or percentage of the maximum Tariff rate, or an index based formula as detailed in the Capacity Release Request. The bids for the given capacity release offer should adhere to the method specified by the Releasing Shipper;

- K. Under a release of storage Capacity, whether the Capacity being released is subject to certain conditions on the sale and/or repurchase of Gas in storage inventory and on there being a certain amount of Gas left in storage at the end of the release and if so, any such conditions; and
- L. Any other applicable conditions (which must conform to Section 16.6), 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 16.11 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 pre-submitted a computer file for such bid evaluation procedure pursuant to Section 16.6A.

#### 16.5 Prearranged Release

Subject to Section 16.7, 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 by Transporter and to execute a Released Firm Service Agreement, which consists of Transporter's standard form of Service 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 Receipt/Delivery pair(s) [or segment(s) thereof] being released, including identification by Transporter's Location (or Common Code) of the Receipt Points, Delivery Points and Pooling Points defining the

- released Receipt/Delivery pair/segment and the Firm Capacity to be released at each such Point;
2. The fixed reservation rate and/or volumetric based 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 16.6 and 16.15). 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 quantities, and if so, what is the maximum quantity 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 this Section;
  - F. The starting date for and the length of time for the open season (which must conform to Section 16.8) and the length of time (consistent with Section 16.10B) 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 quantity 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 16.11 the Shipper wishes to use, if any;
  - I. Whether the Qualified Bids are to specify dollars and cents and/or percentage of the maximum Tariff rate or an index-based formula as detailed in the Capacity Release Request. The bids for the given offer should adhere to the method specified by the Releasing Shipper;

- J. Under a release of storage Capacity, whether the Capacity being released is subject to certain conditions on the sale and/or repurchase of Gas in storage inventory and on there being a certain amount of Gas left in storage at the end of the release and if so, any such conditions;
- K. Whether the release is a Prearranged Asset Manager Release as defined in Section 16.3.G.1 hereof, and the Asset Manager's obligation to deliver Gas to, or purchase Gas from, the Releasing Shipper;
- L. Whether the release in a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program, as defined in Section 16.3.G.2 hereof;
- M. Any other applicable conditions (which must conform with Section 16.6), 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 16.11 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 pre-submitted a computer file for such bid evaluation procedure pursuant to Section 16.6.A; and
- N. Prior to Transporter awarding Capacity on a Prearranged Release, the Prearranged Shipper shall confirm electronically the terms of the Prearranged Release.

#### 16.6 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 Commission 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 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 16.11B through 16.11H 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 a file format which is compatible with Transporter's Interactive Website computer system which will enable Transporter to make such alternative bid evaluation entirely through Transporter's Interactive Website, prior to the time any alternative bid evaluation procedure is requested, if such bid evaluation procedure is not based on (1)

highest rate; (2) net revenue; or (3) present value as determined in Sections 16.11B.1 through 16.11B.3 (collectively referred to as "Acceptable Alternative Bid Evaluation Procedure") and the remaining procedures set forth in Sections 16.11.C and 16.11.D. If the Releasing Shipper elects a bid evaluation procedure that differs from Transporter's bid evaluation procedure or the Acceptable Alternative Bid Evaluation Procedure and the remaining procedures set forth in Sections 16.11.C and 16.11.D, Transporter shall not be held to the subsequent deadlines set forth in this Section, but Transporter shall make a reasonable attempt to adhere to such deadlines. The Releasing Shipper shall warrant that the computer file conforms to the bid evaluation procedure in the Capacity Release Request.

- B. The term of any release of Capacity sought under this Section 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 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 Receipt/Delivery pair covered by such Eligible Firm Transportation Agreement. In the event a Receipt/Delivery pair is segmented by a Capacity Release under this Section, such segmentation shall be governed by the provisions of Section 9.12 of these General Terms and Conditions.
  - 2. The commodity and reservation rates applicable to deliveries to and from newly created Receipt/Delivery pair endpoints as a result of a Receipt/Delivery pair segment release shall be determined in accordance this Tariff.
  - 3. (i) The Recourse Rates that may be bid and charged for a Released Firm Transportation Agreement that is for a term more 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, 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 based rates); provided the resulting charges must be

within the range set by the applicable maximum and minimum rates.

- (ii) There is no Recourse 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.
- 4. No Replacement Shipper or Subreplacement Shipper shall have the right to change the Primary Receipt or Delivery Points listed in the Eligible Firm Transportation Agreement, unless the Original Shipper and Transporter agree to amend the Eligible Firm Transportation Agreement to accordingly change the Primary Receipt and Delivery Points.
- 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 16.15 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 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 is 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 (except as prohibited by the FERC).
- H. Any Capacity Release Request not in compliance with this Section 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.

#### 16.7 Open Season Exceptions

An open season is not required for: (a) a Prearranged Release for more than one (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 16.3G.1 hereof or (d) a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program, as defined in Section 16.3G.2 hereof. A Capacity Release Request which is not subject to an open season need only contain the information required in Sections 16.5.A 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 16.10 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 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 16.4 and 16.5, or the re-release qualifies for any of the other exemptions from bidding, referenced in subsections (a), (c) or (d) hereof.

#### 16.8 Postings and Open Seasons

- 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 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.
- 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.

#### 16.9 Qualified Bids for Release 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 pursuant to Section 16.1, 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 Quantity and a Maximum Bid Quantity (in Dth per Day);
  - 4. The fixed reservation rate and/or volumetric based rate that the Qualified Bidder agrees to pay for the Capacity (and if a volumetric based 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. 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 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 quantity in a Qualified Bid may not be less than the minimum quantity required for an Eligible Firm Transportation Agreement under Transporter's Tariff. Neither the quantity nor the release term specified in a Qualified Bid may exceed the maximum quantity 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 16.5 (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, 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 Recourse 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 Lost 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.

**16.10 Awarding of Released Capacity**

- A. For a Prearranged Release for which no open season is required under Section 16.7 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 have been complied with.
- 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 one or more of such winning Qualified Bid(s), but may not elect to match only a portion of any single 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 16.2.
- 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.
- D. A Capacity release shall become effective upon the awarding of Capacity consistent with this Section. 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(b)(B)(ii); provided that Nominations cannot be effectuated prior to the beginning time specified in the release. Transporter shall issue an electronic 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 Section 2 of these General Terms and Conditions 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 Gas Day, the original Shipper may incur Overrun Service Charges if its 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 the Tariff, including Section 9 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, 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, 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.

#### 16.11 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 16.11.B through 16.11.H 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. CCT 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 volumetric based rate 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); and
  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, (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 Quantity and any subsequent bids will be awarded up to their Maximum Bid Quantity but no less than their Minimum Bid Quantity.
- 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 Quantity</b>	<b>Term</b>	<b>Bid Price</b>	<b>Minimum Bid Quantity</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 Quantities

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

Winning Qualified Bids: Bids (c) would be awarded their Maximum Bid Quantity of 40,000; Bid (a) would be awarded 40,000; 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 Quantity</b>	<b>Term</b>	<b>Bid Price</b>	<b>Minimum Bid Quantity</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 Quantities; 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 16.11 result in winning Qualified Bids with a total quantity in excess of the Capacity specified in the Capacity Release Request.
- G. The bid evaluation procedure set forth in this Section 16.11 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 16.11, which procedure must comply with Section 16.6, Transporter shall determine the winning Qualified Bid(s) pursuant to the Releasing Shipper's bid evaluation procedure in its Capacity Release Request and computer file (if any) submitted by the Releasing Shipper pursuant to Section 16.6.A.

**16.12 Confirmations**

At the time the award of Capacity under this Section 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.

**16.13 Completed Transactions**

After Capacity has been awarded under this Section, 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.

**16.14 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 quantities or gas inventory quantities tied to a transportation or storage 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 based releases with volumetric based commitments by fully accounting for volumetric based 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 this Section. 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 as of the invoice cycle following the initial invoice to Replacement or Subreplacement Shipper, 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 commodity-based 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 reservation charges. Payments by Replacement or Subreplacement Shippers in excess of the total amount(s) due for the Released Firm Transportation Agreement Capacity shall not be applied to any outstanding Balance owed until directed by Shipper, or a refund if requested in writing and no such outstanding Balance exists.
- E. Pursuant to the provisions of Sections 30 and 31 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 16.14.
- F. If Transporter is obligated to refund any amounts attributable to reservation charges for Capacity which has been released, Transporter shall make the applicable refund to the Replacement Shipper to the extent that Transporter has actually received reservation charge amounts from the Replacement Shipper in

excess of the amounts assessable under the revised maximum reservation charge rates (which amounts are credited to the account of the Releasing Shipper under this Section). Except as may be otherwise provided pursuant to these General Terms and Conditions, Transporter shall make a corresponding adjustment to the capacity release credit provided to the Releasing Shipper, and may reflect the reduced capacity release credit in a lower refund or adjusted billings to the Releasing Shipper, with any other applicable reservation charge refunds going to the Releasing Shipper. Except as may be otherwise provided pursuant to these General Terms and Conditions, commodity rate refunds shall go to the party which paid the commodity charge.

16.15 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 9 of these General Terms and Conditions. In order for any Capacity recall or Capacity reput (returned to Replacement Shipper) 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; and

- (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; and
- (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; and
- (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; and
- (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; and

- (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 deadlines specified in this Section 16.15B (1-5) 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 16.15B of these General Terms and Conditions. The obligation of Transporter to provide notification is waived until at least one (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 (returned to Replacement Shipper)

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.

#### 16.16 Compliance By Shipper

- A. 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 Agreement.
- B. Transporter may elect to terminate a temporary capacity release transaction to a Replacement Shipper under the following conditions:
  - (i) The Replacement Shipper has not executed the respective Service Agreement underlying the awarded bid prior to the first nomination under such capacity release transaction; or
  - (ii) The Releasing Shipper has failed to maintain credit in accordance with Section 14 of the General Terms and Conditions and Transporter has provided the Replacement Shipper with 30 days written notice of its intent to terminate its capacity release transaction.

#### 16.17 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.
- B. A release by a Replacement Shipper shall not relieve the Original Shipper or the Replacement Shipper of their obligations under the Tariff or this Section.

- C. On a not unduly 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 Service Agreement.

16.18 Conversions Between Monthly and Daily Reservation Rates

For less than Recourse 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.

16.19 Capacity Release for SCS Shippers

If an SCS Shipper desires to release any of its Capacity on a permanent basis to a non-SCS Shipper, Transporter reserves the right to take that Capacity back and post it for bid. If an SCS Shipper releases any of its Capacity on a temporary basis, and the Replacement Shipper nominates to Secondary points, the Replacement Shipper will pay Transporter the applicable maximum transportation rate for such transportation Receipt/Delivery pair unless otherwise agreed to by Transporter in writing.

16.20 Transporter's Right to Terminate a Capacity Release

Transporter may elect to terminate a Replacement Shipper's Agreement with Transporter, and all services thereunder, upon prior written notice to the Replacement Shipper at least equal in duration to the minimum prior notice period which is provided for in the Tariff for termination of service to the Releasing Shipper from which the Replacement Shipper obtained its Capacity.

16.21 Fee for Active Marketing

When a Releasing Shipper under this Section 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.

## 17. TARIFF CHANGES AND REGULATION

### 17.1 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. Transporter shall have the unilateral right to file with any appropriate regulatory authority and make changes in the Tariff, including, but not limited to: (1) the rates, charges, terms and conditions applicable under any Rate Schedule, including both the level and design of such rates and charges; and (2) the General Terms and Conditions of this Tariff. Nothing in this Section shall limit Shippers' rights to file timely comments regarding any such changes. If the Commission or any other governmental authority having jurisdiction allows or permits Transporter to collect, or to negotiate to collect, a higher rate for the service hereunder, the rate shall, subject to any contrary provision in an Agreement, be increased to the highest such rate; conversely, if the Commission or any other governmental authority having jurisdiction requires Transporter to charge a lower rate for transportation service hereunder, the rate shall, subject to any contrary provision in an Agreement, be decreased to such reduced rate.
- C. Pursuant to the Commission's Regulations, Transporter shall give Shipper written notice of any filing of Tariff changes with the Commission, reflecting any proposed change in Tariff 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.

### 17.2 Regulation

The operations of Transporter and the provisions of the Tariff and any Agreement 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 to an Agreement, 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 lawful terms and conditions or under the Tariff.

## 18. MEASUREMENT

### 18.1 Measurement Standards

All meters (including ultrasonic, orifice, turbine, rotary, coriolis 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 2145-09
- 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 seven (7) pounds of water per MMcf. If the Gas at the measurement points contains more than seven (7) 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 Measurement By Transporter

Unless otherwise agreed upon or in the limited circumstances described in Section 18.8, 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 quantity of Gas received and Equivalent Quantities 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 Third Party Measurement

To the extent that Transporter delivers gas, for the account of a Shipper, to a location where Transporter does not have in place a measuring station equipped with flow meters and other necessary metering and measuring equipment by which the quantity of Gas received and Equivalent Quantities delivered hereunder can be determined by Transporter, the following shall apply:

- A. Transporter may elect, in its sole discretion, to rely on the flow data generated by measurement equipment that is owned and/or operated by a third party ("Third Party Measurement"), in which case such data shall constitute the official custody transfer measurement data, including heating value, for the gas

quantities delivered by the Transporter, for the account of Shipper at the designed Delivery Point.

- B. Third Party Measurement, including associated testing equipment and related materials, shall be of standard manufacture and shall be installed, operated, and maintained in a manner consistent with the industry standards applicable to natural gas measurement.
- C. Transporter shall have the right to be present during the installation, cleaning, changing, repairing, replacing, inspecting, reading, testing, calibrating and/or adjusting of Third Party Measurement performed by the owner and/or operator of such facilities. Except in the case of an emergency or other unplanned event, at meters with an annual delivery of 500 dekatherms or greater the owner and/or operator of Third Party Measurement shall notify Transporter at least five (5) business days in advance of any planned meter installation, cleaning, changing, repairing, replacing, inspecting, testing, calibrating and/or adjusting, and provide Transporter with an opportunity to observe the same. If, in the owner and/or operator of Third Party Measurement facility's reasonable judgement, any of the above-listed activity or activities must be performed immediately, the owner and/or operator of the Third-Party Measurement facility may perform such activities and shall provide Transporter with notice as soon as practicable. Upon such notice, Transporter may, at its own option and expense, have a representative be present to witness such activities performed, and upon advisement by Transporter of its intent to witness, such activities shall be done in the presence of and observed by representative(s) of Transporter. In the absence of such advisement by Transporter of its intent to witness, the presence of Transporter's representative shall not be a prerequisite for the initiation, continuation, or completion of any of the above-listed activity or activities.
- D. Transporter shall have no responsibility for constructing, installing, operating, calibrating, maintaining, or replacing Third Party Measurement, nor shall Transporter have any liability to any person or entity for the same. The owner and/or operator of Third Party Measurement shall assume full responsibility for its own acts (including those of its agents and designees) performed in relation to its ownership and/or operatorship of the Third Party Measurement, and shall indemnify and save harmless the Transporter from all liability, loss, claims, costs, and damages (including attorney's fees and court costs) resulting from such actions, including injury or death of persons and environmental impacts, arising from any act or accident in connection with the ownership or operatorship of the Third Party Measurement, except to the extent of Transporter's gross negligence or willful misconduct.
- E. Data Reporting Protocol

1. Quantities and heating values for Third Party Measurement that has electronic flow measurement and communications shall be reported daily to Transporter by electronic communications in a mutually agreed to format. All other measured quantities and heating values, or estimates thereof, shall be submitted by the owner and/or operator of the Third-Party Measurement to Transporter in a "Quantity Data File" to Transporter on a monthly basis no later than the fourth working day of each month, or as mutually agreed to by Transporter and the owner and/or operator of such facilities. The transmission of the Quantity Data File shall occur by electronic communication in a mutually agreed to format.
2. To the extent that Transporter delivers gas, on account of Shipper, to a Delivery Point where neither Transporter's measurement equipment nor Third Party Measurement are available, Transporter may elect, in its sole reasonable discretion, to accept a Third Party's premise level billing data to its customers for allocating deliveries between or among multiple Transporter Delivery Points.
3. Third Party Measurement data shall be provided to Transporter, independent of the Quantity Data File, on an individual premise level basis (i.e., at a point of delivery downstream of Transporter but upstream of a Third-Party meter operator's town border station or similar city gate facility) no later than the fourth working day of each month, or as mutually agreed to by the Parties. The file containing such data shall be referred to as the "Premise Detail File," and such data shall be used by Transporter for the limited purpose of verifying other forms of available measurement data and optimizing Transporter's operations. The Premise Detail File measurement data shall contain all metering information needed to verify and calculate quantities and shall be in a mutually agreed to format. The Premise Detail File shall include a list or indicator of premises that become active or go inactive during the month. For instances where billing needs to be estimated, the Shipper downstream of Third Party Measurement will provide the quantities to Transporter using the proper estimation routines required by the Shipper's tariff(s) and billing system or Transporter may, in its sole discretion, use its reasonable estimate.
4. If measurement usage data of any active individual premise for the reporting month is not included or missing in the monthly Premise Detail File received from the owner of Third Party Measurement, Transporter may estimate the applicable usage for such premise based on prior years' actual usage and notify the owner of the Third-Party Measurement of such estimate. The owner of the Third-Party Measurement shall

provide timely corrections to any estimates of usage on such premises in the next monthly submission.

5. Corrections to data contained in previously submitted Quantity Data Files and/or Premise Detail Files shall be included in the next monthly submission.

- F. Nothing herein shall preclude Transporter from installing measurement facilities owned and operated by Transporter, and from ceasing to rely on Third Party Measurement at any time.

#### 18.9 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.

#### 18.10 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.

#### 18.11 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. The measurement equipment owned and/or operated by Transporter shall be held to an accuracy standard of one percent (1%) and Third Party Measurement shall be held to an accuracy standard of two percent (2%). If, upon any test, the measuring equipment in the aggregate is found to be inaccurate by a percentage at or above the applicable foregoing standard 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 13.5 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.

**18.12 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; and
- D. By other methods mutually agreed upon by both parties.

**18.13 Measurement Data**

The Transporter shall adhere to the following requirements to provide and store measurement data at receipt or delivery points.

**A. Preservation of Records**

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.

**B. Record Exchange and Audit**

- 1. The transmission of Measurement data shall occur by electronic communication in a mutually agreed to format.
- 2. Both Transporter and Point Operator shall have the right to examine, at reasonable times, books and records of the other related to measurement data to the extent necessary to verify the accuracy of any measurement statement, measurement detail, or computation made under or pursuant to any of the provisions in this Section.

C. Closing of Measurement Data

The cutoff for the closing of measurement data is five (5) Business Days after business Month and such data available so as to permit timely billing under this Tariff.

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

### 19.1 Receipt Point Pressure

Point Operator 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.

### 19.2 Delivery Point Pressure

Transporter shall deliver Gas to Point Operator at the Delivery Point at the pressure prevailing in Transporter's pipeline at such point, as such pressure may vary from time-to-time.

## 20. QUALITY OF GAS

### 20.1 Quality Specifications

Except as provided in Sections 20.3 and 23, all Natural Gas received by Transporter shall conform to the following specifications at a base pressure of 14.73 p.s.i.a. and a base temperature of 60 degrees Fahrenheit and must be merchantable quality:

- A. Shall contain a Gross Heating Value of not less than nine hundred fifty (950) Btu per cubic foot nor more than 1100 Btu per cubic foot;
- B. Shall be commercial in quality and shall be free from any foreign material such as solids, sand, dirt, dust, gums, crude oil, water or hydrocarbons in the liquid phase, iron particles, and other objectionable substances which may be injurious to pipelines or which may interfere with its transportation or commercial utilization;
- C. Shall not contain more than 0.25 grain of hydrogen sulfide per one hundred (100) cubic feet of Gas;
- D. Shall not contain more than five (5) grains of total sulfur per one hundred (100) cubic feet;
- E. Shall not contain more than ten parts per million (10 ppm) by volume of oxygen;
- F. Shall be at a temperature not in excess of one hundred twenty degrees Fahrenheit (120°F) or less than twenty degrees Fahrenheit (20°F);
- G. Shall not contain water vapor in excess of seven (7) pounds per million cubic feet of Gas from any individual Receipt Point on an absolute basis;
- H. Shall have a cricondenthem hydrocarbon dew point of no more than twenty-five degrees Fahrenheit (25°F);
- I. Shall not contain more than two percent (2%) by volume of carbon dioxide.
- J. Shall not contain more than one (1) grain of mercaptans per one-hundred (100) cubic feet.

### 20.2 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.

### 20.3 Non-Conforming Gas

- A. If at any time, gas tendered to Transporter fails to conform to any of the quality specifications set forth above, Transporter may, at its option, refuse to accept delivery pending correction of the deficiency by the delivering party.
- B. Waiver of Quality Specifications. Transporter, in its reasonable discretion and judgment, may waive, on a non-discriminatory basis and subject to posting on its Interactive Website, 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.
- C. If gas tendered to Transporter fails to conform to any of the quality specifications set forth above, the party tendering the gas shall be responsible for any damages to the facilities of Transporter caused by such tender of non-conforming gas and, in addition, shall reimburse Transporter for all reasonable expenses incurred by Transporter to obtain merchantable gas; provided, however, Transporter has not waived the quality specifications at the applicable Receipt Point(s) pursuant to Section 20.3B above.

### 20.4 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 and requirements as may result from such commingling.

### 20.5 Odorization

Transporter shall not have any obligation to odorize any Gas received, transported, stored, or delivered by Transporter, or to continue odorizing or to maintain any odorant levels in such Gas.

## 21. FORCE MAJEURE and PHMSA EVENT

### 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 9.14 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, acts of public enemy, sabotage, wars, blockades, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, tornados, floods, high water, washouts, the elements, or other natural disasters, acts of terror, pestilence, threat of physical harm or damage resulting in the evacuation or shutdown of facilities necessary for the production, delivery, receipt, storage of gas, or business operations, 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, inability to obtain or unavoidable delay in obtaining needed equipment, freezing of wells or pipelines, diminution or failure of, or interference, partial or entire, with Transporter's pipeline system, 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, legal interferences, 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. Any suspension of obligation for reasons of Force Majeure shall be proportional to the effect of such Force Majeure on the particular obligation relief from which is sought, and shall not relieve any Party from its obligation to make payments hereunder which were due prior to such Force Majeure.
- 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.

21.3 PHMSA Event

- A. Definition of "PHMSA Event" – The term "PHMSA Event" shall refer to any testing, repair, replacement, refurbishment, or maintenance activity including scheduled maintenance that is commenced prior to January 1, 2017, to comply with Section 60139(c) of Chapter 601 of Title 49 of the Code of Federal Regulations, as added by section 23 of the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 or requirements issued by the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Section 60139(c).
  
- B. Effect of PHMSA EVENT – In the event that Transporter is rendered unable wholly or in part by a PHMSA Event to carry out its obligations under any Agreement, other than to provide demand charge credits thereunder, it is agreed that Transporter shall give notice of the circumstances of the PHMSA Event in writing or by electronic means to Shipper as soon as possible. Transporter's notice will identify the specific PHMSA order or requirement with which Transporter is complying. The obligations of Transporter shall be suspended during the continuance of any inability so caused but for no longer period than such inability, and such cause shall as far as possible be remedied with all reasonable dispatch.

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

- A. 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). Transporter's responsibility with respect to Shipper's Gas shall be deemed to be met if Transporter exercises due diligence in protecting such Gas. The point of the division of responsibility shall be the point of interconnection between the facilities of Transporter and Shipper, Point Operator, or their respective agents, at the Receipt or Delivery Point(s), as applicable. The foregoing provisions of this Section shall not relieve either party from responsibility for acts of gross negligence or willful misconduct of such party, its agents or employees.

## 23. GAS PROCESSING

- A. To the extent that Shipper's Gas does not meet Transporter's Gas quality specifications and requirements of Transporter's Tariff, Shipper (or its Agents, representatives, or the predecessors or successors in interest to the Gas) may process Gas, or cause to have it processed, before it enters Transporter's System.
  
- B. Transporter may accept, at Transporter's sole discretion and on a not unduly discriminatory or preferential basis, Gas tendered at Receipt Points that are upstream of third party straddle processing plant(s) located on Transporter's system, which does not meet the Gas quality specifications and requirements of the Tariff, provided that:
  - 1. Shipper (or its Agents, representatives, or the predecessors or successors in interest to the Gas) has entered into an agreement with the straddle plant(s) for the processing of such Gas;
  - 2. Such Gas will meet the Transporter's Tariff Gas quality specifications and requirements when it re-enters Transporter's System at the outlet of such straddle processing plant(s); and
  - 3. Shipper (or its Agents, representatives, or the predecessors or successors in interest to the Gas) replaces, or causes to be replaced, the thermal equivalent of any hydrocarbons removed during such processing with thermally equivalent quantities of Gas.
  
- C. In the event that Shipper tenders Gas to Transporter that does not meet Transporter's Gas quality specifications and requirements of Transporter's Tariff, and in the absence of a processing agreement between a Shipper (or its Agents, representatives, or the predecessors or successors in interest to the Gas) and a processing plant(s) straddling Transporter's system, Transporter may, at Transporter's sole discretion and on a not unduly discriminatory or preferential basis, cause a processing plant straddling its system to process the Shipper's Gas. In this event, the title to any liquids and liquefiable hydrocarbons recovered shall pass free and clear to Transporter (or its designee) at no cost, and Shipper shall hold Transporter and any such processor harmless and shall indemnify Transporter and any such processor against any adverse claims with respect to the same.
  
- D. Transporter shall have no liability resulting from any outage of any processing plant straddling Transporter's system or upstream thereof that results in Transporter's rejection of Shipper's tendered Gas that does not meet Transporter's Gas quality specifications and requirements of Transporter's Tariff.

## **24. NOTIFICATION, TRANSPORTATION INFORMATION, AND COMPLAINT PROCEDURES**

### 24.1 Notification

Except as provided otherwise in this Tariff or the Agreement, operational communications shall be made by posting to Transporter's Interactive Website 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, email or other means consistent with NAESB Standards as adopted in 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 specified in the Agreement, or through such electronic means as are available and consistent with NAESB Standards or at an address otherwise stated in a notice by Shipper to Transporter. Mailed communications shall be considered delivered when deposited in the United States mail, postage prepaid and registered, addressed to the street address of Transporter or Shipper, or at such other address as either party shall designate by formal written notice.

### 24.2 Transportation Information

#### A. General

Information regarding availability and pricing of transportation service, and Capacity of pipeline available for transportation, may be obtained on Transporter's Interactive Web Site at <http://pipeline.tallgrassenergyllp.com> or by contacting Transporter at:

Tallgrass Interstate Gas Transmission, LLC  
Commercial Operations  
370 Van Gordon Street  
Lakewood, CO 80228  
Telephone: (303) 763-2950  
Facsimile: (303) 763-3515  
e-mail: TEP@tallgrassenergyllp.com

#### B. Pricing

1. The availability and pricing of services on Transporter's System is governed by the Tariff. From time-to-time, Transporter changes or

updates its rates and other Tariff provisions by filings with the FERC, which are publicly noticed by the FERC.

2. Inquiries related to the availability or pricing of services are answered by representatives of Transporter. In order to attract or determine interest in the use of any particular service, representatives of Transporter may from time-to-time contact Shippers and engage in communications by telephone or other means. Such communications are confidential and may or may not result in Shipper submitting a request for a Discounted or Negotiated Rate for a particular service.
3. Shippers desiring a rate under any Agreement other than the Recourse Rate on file with the Commission are required to submit such requests in writing or electronically to Transporter, unless otherwise provided for via Transporter's Interactive Website. Any rate agreed to by Transporter, if evidenced in writing, is considered confidential unless and until it is made publicly available in a filing with the Commission consistent with FERC Regulations.

C. Capacity

1. The general availability of Firm Capacity is communicated by Transporter's Interactive Website.
2. The general availability of interruptible Capacity is communicated by Transporter's Interactive Website.
3. Inquiries related to the available Capacity may be answered by representatives of Transporter. In order to attract or determine interest in the use of any particular service, representatives of Transporter may from time-to-time contact Shippers and engage in communications by telephone or other means. Such communications are confidential and may or may not result in Shipper submitting a request for a particular rate or transportation service.
4. When available Capacity changes, Transporter will communicate such information to Shippers primarily via the Interactive Website. Transporter may also use e-mails, letters or telephone calls to communicate Capacity information when such means are appropriate.

24.3 Complaint Procedures

It is the goal of Transporter, as a provider of transportation services for others, that each of its Existing and Prospective Shippers receive service that is in accordance with Transporter's Tariff and is satisfactory to the Shipper. To the extent Shippers concerns

are not resolved through informal communications, the procedures set forth in this Section shall be followed prior to initiating any complaint or action at the FERC or in a court of law.

- A. Formal complaints by Shippers and potential Shippers shall be addressed to the General Manager of Transporter. 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 General Manager of Transporter, or designee, shall communicate, as necessary, with the complainant and others concerning the complaint and the formation of an appropriate response to it.
- C. The General Manager of Transporter, or designee, shall initially respond to a complaint within 2 Business Days.
- D. The timing and nature of subsequent communications with the complainant, including final resolution of the matter, shall be at the discretion of the General Manager of Transporter. Reasonable 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.

## 25. WARRANTY, COMPLIANCE, INDEMNIFICATION and WAIVER

- A. Shipper warrants that its requested service meets the requirement for service under the Tariff, including the applicable Rate Schedule and the General Terms and Conditions, and conforms to applicable Regulations and orders of the FERC. Shipper agrees to comply with and abide by the terms of the Tariff, including the applicable Rate Schedule and the General Terms and Conditions. Shipper shall indemnify Transporter and hold Transporter harmless from all claims, suits, actions, damages, liabilities, penalties, costs, losses, expenses (including reasonable attorney fees) and regulatory, court, or other proceedings arising from its breach of this warranty, the Tariff and any Agreement. Shipper further agrees to indemnify Transporter and save Transporter harmless from any claims asserted by any person because of acts or conduct by Transporter which are consistent with the Tariff, related to the performance of Shipper's Agreement. 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.
- B. In the absence of negligence, recklessness or willful misconduct on the part of Transporter, its officers, employees or agents, each Shipper waives any and all claims and demands against Transporter, 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 and demands arising out of the performance of the duties of Transporter, its officers, employees or agents hereunder; provided, however, that nothing herein shall limit Transporter's liability, if any, for direct costs, losses or damages resulting from its own negligence, recklessness or willful misconduct.
- C. Except in the case of negligence, recklessness or willful misconduct on the part of Transporter, its officers, employees or agents, each Shipper shall indemnify and save harmless Transporter, 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 performance of the duties of Transporter, its officers, employees or agents hereunder in transporting gas for any Shipper.
- D. Except as specifically provided herein, any remedies or damages arising from a breach of an Agreement by either Transporter or Shipper shall be limited to actual direct and foreseeable costs, losses, or damages caused by or resulting from the breach and incurred by the party claiming damages. No party shall be liable to any other party for any loss of profit or anticipated profit, business interruption, loss of revenue, loss of use, loss of contract, loss of good will, increased cost of working or loss of business opportunity, nor for any indirect loss, consequential loss, punitive, or exemplary damages

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suffered by a party or any other person, all or any part of which arise out of or relate to the Agreement or the performance or breach of the Agreement, or to any act or omission related to the Agreement, whether in contract, warranty, tort (including negligence), strict liability, or any other theory in contract, law, or equity, except those that result from a party's gross negligence or willful misconduct. For the purposes of this Section, "direct and foreseeable costs, losses, or damages" shall not include any cost, expense, loss, award or damage suffered or incurred by a party in respect of any actions, proceedings, claims, or demands made against that party by any of its customers or any other person.

## **26. SUCCESSORS AND ASSIGNS**

Any entity 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 an 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 14 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. FERC ANNUAL CHARGE ADJUSTMENT (ACA) PROVISIONS**

### 27.1 Purpose

For the purpose of funding of the Federal Energy Regulatory Commission's (FERC) costs incurred in any fiscal Year, this Section establishes an Annual Charge Adjustment 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 an NGA Section 4 rate case.

### 27.2 Basis

Pursuant to FERC order issued March 21, 2013 in 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).

### 27.3 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.

## **28. WAIVERS**

### 28.1 Penalty Waiver

Transporter may, in exercise of its reasonable discretion, and on a nondiscriminatory basis, waive all or a part of any penalty which might otherwise apply. Transporter shall maintain a record of all waivers granted. Such record shall include the identity of Shipper and the basis for Transporter granting the waiver and shall be available for public inspection at Transporter's office during normal business hours.

### 28.2 Discretionary Waiver

Transporter may waive any of its rights under this Tariff or any obligations of Shippers under this Tariff for good cause as to any specific default that has already occurred, or case-by-case in advance as to any specific, temporary operational problem, on a basis which is not unduly discriminatory.

### 28.3 Non-Waiver

Notwithstanding the foregoing, no waiver by either Transporter or Shipper of any one or more defaults by the other in performance of any of the provisions of an Effective Service Agreement shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or of a different character.

## 29. COMPLIANCE WITH 18 C.F.R. SECTION 284.12

29.1 Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ 3.0, and the standards revised by Minor Corrections MC15003, MC15004, MC 15009 and MC15012, all marked with an asterisk [\*], which are required by the Commission in 18 CFR Section 284.12(a), as indicated below. Standards without accompanying identification 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.

29.2 Standards not Incorporated by Reference and their Location in Tariff:

<b>NAESB Standard</b>	<b>Tariff Section</b>
1.2.12	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.5C.3)
1.3.1*	Section 1 – Definitions (see Section 1)
1.3.2 (i-vi)	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.2)
1.3.3	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.7)
1.3.4	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.1A)
1.3.5	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.1A)
1.3.6	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.3B)
1.3.7	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.1A)
1.3.13	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.6G)
1.3.19	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.8)
1.3.22	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.5C)
1.3.32	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.6D)
2.3.2	Section 10 – Allocation of Receipts and Deliveries (see Section 10.2)
2.3.3	Section 10 – Allocation of Receipts and Deliveries (see Section 10.2)
2.3.4	Section 10 – Allocation of Receipts and Deliveries (see Section 10.2)
2.3.5	Section 10 – Allocation of Receipts and Deliveries (see Section 10.2)
2.3.6	Section 10 – Allocation of Receipts and Deliveries (see Section 10.2)
2.3.7	Section 18 – Measurement (see Section 18.13)
2.3.9	Section 1 – Definitions (see Section 1)
2.3.11	Section 13 – Billing (see Section 13.6)
2.3.13	Section 13 – Billing (see Section 13.6)
2.3.14	Section 13 – Billing (see Section 13.6)

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<b>NAESB Standard</b>	<b>Tariff Section</b>
2.3.16	Section 10 – Allocation of Receipts and Deliveries (see Section 10.2)
2.3.18	Section 10 – Allocation of Receipts and Deliveries (see Section 10.2)
2.3.26	Section 10 – Allocation of Receipts and Deliveries (see Section 10.2)
2.3.28	Section 13 – Billing (see Section 9.1)
3.2.1	Section 1 – Definitions (see Section 1)
3.3.6	Section 9 – Noms, Confirms, Balance & Seg (see Section 9.13)
3.3.9	Section 13 – Billing (see Section 13.1)
3.3.14	Section 13 – Billing (see Section 13.3)
3.3.15	Section 13 – Billing (see Section 13.5)
3.3.19	Section 13 – Payments (see Section 13.4)
5.3.1	Section 16 – Capacity Release (see Section 16.2B)
5.3.2	Section 16 – Capacity Release (see Section 16.2C)
5.3.3	Section 16 – Capacity Release (see Section 16.6)
5.3.14	Section 16 – Capacity Release (see Section 16.6F2)
5.3.15	Section 16 – Capacity Release (see Section 16.9F)
5.3.16	Section 16 – Capacity Release (see Section 16.6F1)
5.3.19	Section 16 – Capacity Release (see Section 16.6G)
5.3.25	Section 16 – Capacity Release (see Section 16.8C)
5.3.26	Section 16 – Capacity Release (see Section 16.5j)
5.3.26	Section 16 – Capacity Release (see Section 16.5i)
5.3.44	Section 16 – Capacity Release (see Section 16.15B)
5.3.45	Section 16 – Capacity Release (see Section 16.15)
5.3.46	Section 16 – Capacity Release (see Section 16.15C1)
5.3.47	Section 16 – Capacity Release (see Section 16.15C1)
5.3.48	Section 16 – Capacity Release (see Section 16.15C2)
5.3.49	Section 16 – Capacity Release (see Section 16.15C3)
5.3.50	Section 16 – Capacity Release (see Section 16.15C1)
5.3.51	Section 16 – Capacity Release (see Section 16.15A)
5.3.52	Section 16 – Capacity Release (see Section 16.15C1)
5.3.53	Section 16 – Capacity Release (see Section 16.15E)
5.3.55	Section 16 – Capacity Release (see Section 16.15D)
5.3.56	Section 16 – Capacity Release (see Section 16.15D)

<b>NAESB Standard</b>	<b>Tariff Section</b>
5.3.57	Section 16 – Capacity Release (see Section 16.15D)
5.3.58	Section 16 – Capacity Release (see Section 16.15D)
5.3.73	Section 37 – Advertisements (see Section 37.1)

**29.3 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
Gas/Electric Operational Communications	Standards: 0.3.11 to 0.3.15
Operating Capacity and Unsubscribed	Standards: 0.3.18, 0.3.20 to 0.3.22 Data Sets: 0.4.2*, 0.4.3
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 1.2.6, 1.2.8 to 1.2.11, 1.2.13 to 1.2.19
Standards:	1.3.8, 1.3.9*, 1.3.11, 1.3.14 to 1.3.18, 1.3.20, 1.3.21, 1.3.23 to 1.3.31, 1.3.33*, 1.3.34 to 1.3.62, 1.3.64 to 1.3.77, 1.3.79, 1.3.80, 1.3.81
Data Sets:	1.4.1*, 1.4.2*, 1.4.3*, 1.4.4*, 1.4.5*, 1.4.6*, 1.4.7*

(c) **Flowing Gas** Related Standards

Definitions:	2.2.1 to 2.2.5
Standards:	2.3.1, 2.3.8, 2.3.10, 2.3.12, 2.3.15, 2.3.17, 2.3.19 to 2.3.23, 2.3.25, 2.3.27, 2.3.29 to 2.3.32, 2.3.40 to 2.3.66
Data Sets:	2.4.1*, 2.4.2, 2.4.3*, 2.4.4*, 2.4.5*, 2.4.6 to 2.4.11, 2.4.17, 2.4.18

(d) **Invoicing** Related Standards

Definitions: 3.2.1

Standards: 3.3.3, 3.3.4, 3.3.5, 3.3.7, 3.3.8, 3.3.10 to 3.3.13,  
3.3.16, 3.3.17, 3.3.18, and 3.3.20 to 3.3.26

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, 4.3.17, 4.3.18, 4.3.20, 4.3.22 to  
4.3.28, 4.3.30 to 4.3.38, 4.3.40 to 4.3.50, 4.3.52 to  
4.3.55, 4.3.57, 4.3.58, 4.3.60, 4.3.61, 4.3.62, 4.3.66 to  
4.3.69, 4.3.72, 4.3.75 to 4.3.78 to 4.3.87, 4.3.89 to  
4.3.105

(f) **Capacity Release** Related Standards

Definitions: 5.2.1 to 5.2.5

Standards: 5.3.4, 5.3.5, 5.3.7 to 5.3.12, 5.3.13, 5.3.18, 5.3.20 to  
5.3.24, 5.3.28, 5.3.29, 5.3.31 to 5.3.33, 5.3.34, 5.3.35  
to 5.3.40, 5.3.41, 5.3.42, 5.3.54, 5.3.59, 5.3.60, 5.3.62  
to 5.3.72

Data Sets: 5.4.14 to 5.4.16\*, 5.4.17, 5.4.20\*, 5.4.21\*, 5.4.22\*,  
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

Standards: 10.3.1, 10.3.3 to 10.3.12, 10.3.14 to 10.3.27

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

[No waivers or extensions have been granted or requested]

29.5 Transporter's HTML page(s) is accessible via the Internet's World Wide Web at the following address:

<http://pipeline.tallgrassenergyllp.com>

## 30. NEGOTIATED RATES

### 30.1 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.

### 30.2 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 quantity.

### 30.3 Limitations

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

### 30.4 Capacity Allocation

For purposes of Curtailment and scheduling of services pursuant to the General Terms and Conditions, 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.

### 30.5 Capacity Release

With the exception of short-term (one (1) Year or less) Capacity release transactions, 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 16 of the General Terms and Conditions.

### 30.6 Treatment of Discount-Type Adjustments

- 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, by:
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.

### 30.7 Right of First Refusal

The Right of First Refusal provided in the Tariff with respect to certain Shipper's Firm Service Agreement(s) 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.

### 30.8 Negotiated Rate Surcharge and Fuel Retention Components

If Transporter negotiates surcharge or Fuel retention percentage rate components at lower than the Recourse 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 surcharge or Fuel retention Recourse Rate Shippers are not adversely affected due to Negotiated Rate Agreements with individual Shippers.

### 30.9 Accounting

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

## 31. DISCOUNT RATE AGREEMENTS

### 31.1 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 Recourse Rate. Such rate may apply:

- A. to specified quantities under Shipper's Service Agreement(s);
- B. to quantities above or below a certain level, or all quantities if quantities exceed a certain level;
- C. 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);
- D. during specified periods of the Year or over specifically defined periods of time;
- E. to specified Receipt Points, Delivery Points, zones, pooling areas, transportation routes, markets or other defined geographical areas;
- F. to production reserves, Gas supplies or markets committed by Shipper;
- G. if one rate component, which was at or below the applicable Recourse Rate at the time the discount Agreement was executed, subsequently exceeds the applicable Recourse Rate due to a change in Transporter's Recourse Rates so that such rate component must be adjusted downward to equal the new applicable Recourse 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 Recourse 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;
- H. 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. 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 Recourse Rate, nor be below the applicable minimum rate; and/or

- I. 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 Recourse Rate for a separate service provided under another rate schedule, and any such discount shall specify the rate component to be discounted.

## 32. OPERATIONAL BALANCING AGREEMENTS

### 32.1 Terms Governing

For the purpose of facilitating more efficient operations 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 Natural Gas 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 its Interactive Web Site those Points of Receipt and Points of Delivery which are subject to an OBA.

### 32.2 Prerequisite to Execution

It is Transporter's intent to negotiate and execute OBAs on a not unduly 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 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.

### 32.3 Right To Protect System Integrity

Nothing in this Section, 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.

32.4 Recordkeeping

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

## 33. OPERATIONAL PARAMETERS, UNAUTHORIZED GAS AND PENALTY CHARGES

### 33.1 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. 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 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 (including the capability and deliverability of storage reservoirs), 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.

### 33.2 Facility Control

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

### 33.3 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 33.4. If such measures are not sufficient and the situation continues to deteriorate, Transporter shall next employ Directional Notices as provided in Section 33.5. 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 33.6. Finally, Transporter may take unilateral action as provided in Section 33.7. 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 33.8. 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.

### 33.4 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 storage/supply mix of deliveries;
2. Shift receipts to obtain better System 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 (after taking into account such Shipper's storage rights) that such Imbalances must not continue;
2. Curtail or require adjustments or supply shifts in IT service;
3. Curtail or adjust the Interruptible portion of injections and/or withdrawals under applicable Storage Rate Schedules; and/or
4. Take such other actions as are within Transporter's control and discretion to alleviate or forestall the situation.

### 33.5 Directional Notice

- A. 1. In the event that, in Transporter's judgment, the Advisory Actions under Section 33.4 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.

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 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 33.9, 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) In the case of a Shipper with storage or a transport component with storage, inject Gas into storage in accordance with a schedule ordered by Transporter. Injections may be required at any time during the Year;
  - b) In the case of a Shipper with storage or a transport component with storage, withdraw Gas in accordance with a schedule ordered by Transporter. Withdrawals may be required at any time during the Year;
  - c) Commence or increase supply inputs into Transporter's system or at specific points, or shift such supply inputs (in whole or in part) to different points;
  - d) Cease or reduce supply inputs into Transporter's system or at specific points;
  - e) Commence or increase takes of Gas from Transporter's system or from specific points, or shift takes to different points;
  - f) Cease or reduce takes from Transporter's system or at specific points;
  - g) Reconcile Transportation Imbalances;
  - h) Change the storage/supply delivery mix;

- i) 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
    - j) 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 (less firm storage rights, if applicable) 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 quantities will have four (4) hours to make needed adjustments, after which they will be subject to penalties if the necessary adjustments have not been made. A Directional Notice issued pursuant to this Section 33.5C 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 test storage fields, 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 33.5D 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 33.5D. An order issued pursuant to this Section 33.5D shall be canceled when such planned maintenance or other activities have been completed.
- E. Transporter has the right to issue a Directional Notice and require specified storage inventory levels under any applicable rate schedule in order to maintain System integrity. Any such Directional Notice shall be posted in accordance with the terms and conditions set forth herein.
- F. 1. Directional Notices will be posted 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. 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; (ix) whether nominations from and/or to Interruptible

storage need to be taken to zero and (x) 24-hour contact number for Transporter during the duration of the Directional Notice.

- G. If any Shipper fails to comply with a Directional Notice (other than those described in Subsection H below) during any period which is not a Critical Time, it shall be subject to a penalty which is the greater of: i) \$6 per Dth times any quantity of Gas, outside of a five percent (5%) tolerance, by which it deviated from the requirements of the Directional Notice, or ii) two (2) times the maximum IT Rate per Dth applicable to the Operational Impact Area times any quantity 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 33.5 to the extent the Directional Notice requires action beyond Shipper's contract limits under its Agreement with Transporter.
- H. 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 Shipper to keep any variances between actual flows, including uniform hourly flow rates, and confirmed Nominations at all of the Receipt Points or Delivery Points in a rate zone under 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 in the rate zone for purposes of determining the Swing Shipper's variance.
    - b) Shippers that fail to comply with such Directional Notice described in this Subsection H shall be subject to a penalty which is the greater of: i) \$10 per Dth times any quantity of Gas, outside of a ten percent (10%) tolerance, by which it deviated from the requirements of the Directional Notice, or ii) two (2) times the Monthly Index Price per Dth, (as determined in Section 12 of these General Terms and Conditions), applicable to the Operational Impact Area, times any quantity of Gas, outside of a

ten percent (10%) tolerance, by which Shipper deviated from the requirements of the Directional Notice. A Shipper shall be exempt from any penalty under this Section 33.5H to the extent the Directional Notice requires action beyond Shipper's contract limits under its Service Agreement with Transporter.

- I. 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.

### 33.6 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 plus the maximum quantities of Gas Transporter is able to inject into Transporter's storage without jeopardizing the integrity of Transporter's storage facilities; (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; (4) when the total physical deliveries from all or a portion of the system are approaching or expected to approach, a level that is in excess of the total physical receipts and the maximum quantity of Gas available to be withdrawn from Transporter's storage without jeopardizing the integrity of Transporter's storage facilities; or (5) 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 33.6A 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 this Section 33.6 during a Critical Time. Transporter will waive (i) injection storage charges under applicable Storage Rate Schedules for Shippers that provide extra Gas to the system during a Critical Time when there is a need for more Gas, and (ii) withdrawal storage charges under applicable Storage Rate Schedules for Shippers that increase takes from the system during a Critical Time when there is a need to reduce the amount of Gas on the system.
- 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 which is the greater of \$25 per Dth plus the Gas index price or five (5) times the Monthly Index Price per Dth (as determined in Section 12 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 33.6D to the extent the Critical Time Operational Flow Order requires action beyond Shipper's contract limits under its Service Agreement with Transporter.
- E. Critical Time Operational Flow Order will be posted in the Informational Postings portion of Transporter's 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 33.1) 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.

**33.7 Unilateral Action**

In the event that the requested or required actions under Sections 33.3 through 33.6 (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 the integrated operation of storage, line pack, supply received into and deliveries from Transporter's System. Transporter shall not, however, be responsible as a supplier of Gas to any Shipper.

**33.8 Applicability of Actions**

In exercising its authority pursuant to Sections 33.3 through 33.7, 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 (after taking into account any storage rights of such Shipper);
- 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.

**33.9 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 34 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 and any storage injection or withdrawal charges not collected because of the waiver of the injection and withdrawal charges as

described in Sections 33.5 or 33.6) to alleviate the conditions which resulted in 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 penalties based on the method described in Section 34 of these General Terms and Conditions.

#### 33.10 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 not unduly 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.

#### 33.11 Liability

- A. Transporter shall not in any way 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 Transporter's actions, provided that Transporter's actions were undertaken in furtherance of and in accordance with this Section.
- 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 to Transporter in law or at equity, Transporter shall not in any way be liable to any person as a result of such event.

#### 33.12 Reporting

Within 30 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.

### 33.13 Unauthorized Receipt or Delivery of Gas (UROG, UDOG)

Any Point 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 Point 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 any Point Operator or Shipper receives Gas off of Transporter's System that is neither nominated nor confirmed, the particular Rate Schedule's provisions shall apply.

#### A. Definition

"Unauthorized Gas" shall mean any quantity of Gas received into Transporter's System or delivered off of Transporter's System that Transporter cannot identify as being received or delivered pursuant to a transportation Nomination on behalf of an existing Shipper.

#### B. Applicability Notice and Claims

All Unauthorized Gas shall be subject to this Section. Transporter shall give notice to the owner/Shipper of the Unauthorized Gas (if known) and to the Point Operator of the applicable point where the Unauthorized Gas was received or delivered that such Unauthorized Gas is subject to these provisions and will be posted on the Informational Postings portion of Transporter's Interactive Website. On the first Business Day following the fifteenth of each Month, Transporter shall post on the Informational Postings portion of Transporter's Interactive Website the quantity, date first received into or delivered off of Transporter's System, and point of receipt or delivery of any Unauthorized Gas received or delivered ("Notice"). Transporter will continue to post the Notice on the Informational Postings portion of Transporter's Interactive Website until a Valid Claim has been submitted or until sixty (60) Days after the initial notice to the Point Operator. In order to be a Valid Claim for purposes hereof, a claim must: (a) be provided to Transporter in writing; (b) identify the specific Unauthorized Gas delivered; (c) provide independent evidence of ownership of the Unauthorized Gas claimed; and (d) agree to indemnify Transporter fully with respect to any adverse claims to ownership of the Gas or to the proceeds resulting from the sale thereof. In addition, the Unauthorized Gas must be nominated to an effective transportation Agreement with Transporter that contains the Receipt Point or Delivery Point at which the Unauthorized Gas was received or delivered ("Valid Nomination") in order to prevent the accrual of further penalties under this Tariff.

33.14 Disposition of Unauthorized Gas

- A. If a Valid Claim and Valid Nomination are submitted within three (3) Business Days of the posting of Notice, no penalty shall be assessed under this Section.
- B. If a Valid Claim and Valid Nomination are submitted after three (3) Business Days of the posting of Notice but within sixty (60) calendar days of the initial notice to the Point Operator, Transporter shall assess a penalty of fifty cents (\$.50) per Dth upon that Shipper claiming the Unauthorized Gas after Nomination to a transportation Agreement with Transporter.
- C. If a Valid Claim and Valid Nomination are not submitted within sixty (60) Days of Notice, for Gas received, Transporter shall retain the Gas without any payment required of Transporter. Gas delivered off of Transporter's System that Transporter cannot identify as being received or delivered pursuant to a transportation Nomination on behalf of an existing Shipper will be cashed out at 150% of the production month cashout index and billed to the Point Operator.

## **34. REFUND AND CREDITING OF PENALTY CHARGES**

### 34.1 Penalty Charges

This Section 34 establishes the procedures to be used by Transporter to credit to Shippers applicable Penalty Charges. "Penalty Charges" shall include all Unauthorized Overrun Service Charges, Cashout penalties, Directional Notice and Critical Time Operational Flow Order penalties described in Section 33.9 of the General Terms and Conditions and Unauthorized Receipts and Deliveries penalties described in Section 33.14 of the General Terms and Conditions, which are received by Transporter, and the value of Gas confiscated or retained by Transporter, pursuant to the Tariff.

### 34.2 Reconciliation

- 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 for the calendar year ending on that date, and the allocation of any Penalty Charges and related costs under this Section 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, invoice credit or offset against an outstanding receivable due to Transporter. 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.
- E. In each instance when amounts are collected as penalties, 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. Any such waiver shall be granted on a not unduly discriminatory basis to all Shippers from whom penalties were collected in that instance.

## **35. LIMITATION OF SERVICE, REMEDIES, LIABILITY & APPLICABLE LAW**

### 35.1 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 any Agreement with a Shipper that fails to comply with any of the terms and conditions of the Agreement or the Tariff, including the applicable rate schedules and these General Terms and Conditions, but excluding the suspension of service for non-payment, which is governed by specific provisions in the Tariff. Transporter may suspend service immediately if Shipper's actions or failure to act threaten the integrity of Transporter's System.

### 35.2 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 addition to any other remedies available to Transporter under the Tariff or at law or in equity, in the event of a bona fide dispute between the parties to an agreement 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 non-appealable decision by the FERC or by a court of competent jurisdiction in favor of Transporter, if Shipper has failed to remedy or correct such violation within said 30-Day period.

### 35.3 Consequential Damages

In no event shall Transporter or Operator be liable for any indirect or consequential damages to Shippers or another party.

### 35.4 Applicable Law

The interpretation and performance of Service Agreements shall be in accordance with the laws of the State of Kansas. The interpretation and performance of all other Agreements shall be in accordance with the laws of the State of Kansas unless otherwise provided in the Agreement.

At the Transporter's request, the Shipper shall irrevocably appoint an agent in Kansas to receive, for it and on its behalf, service of process in connection with any judicial proceeding in Kansas relating to this Service Agreement. Such service shall be deemed completed on delivery to such process agent (even if not forwarded to and received by the Shipper). If said agent ceases to act as a process agent within Kansas on behalf of

Shipper, the Shipper shall appoint a substitute process agent in Colorado and deliver the new agent's acceptance to Transporter within 30 days of the prior agent's cessation of accepting service for Shipper.

35.5 Survival of Obligation

Notwithstanding the termination of Shipper's Agreement, Shipper and Transporter shall have the following obligations as such obligations relate to activities undertaken prior to the date any Agreement between Shipper and Transporter terminates:

- A. Shipper shall remain liable thereafter to pay all invoices rendered by Transporter to it in the manner contemplated in Section 13 of these General Terms and Conditions;
- B. Transporter shall remain liable thereafter to make all payments to Shipper required to be made under Section 13 of these General Terms and Conditions, provided Transporter has been paid in full for obligations owed to it;
- C. Transporter and Shipper shall remain liable thereafter to indemnify each other as provided in Section 25 of these General Terms and Conditions with respect to events taking place prior to such termination;
- D. Transporter shall remain liable thereafter to deliver gas to Shipper to the extent necessary to discharge Transporter's undischarged obligations in accordance with these General Terms and Conditions; and
- E. Shipper and Transporter shall remain liable thereafter to resolve all other obligations to the date of such termination (e.g., under GTC Section 12).

With all reasonable dispatch after the giving of a notice of termination as may be required under Shipper's Agreement, Transporter and Shipper shall enter into such arrangements as may be reasonably necessary to ensure performance of the foregoing obligations and otherwise as may be necessary or desirable in connection with such termination.

## 36. THIRD PARTY IMBALANCE MANAGEMENT

- 36.1 Transporter shall accommodate Third Party Imbalance Management Services on a not unduly 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.
- 36.2 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.
- 36.3 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.
- 36.4 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.
- 36.5 The conditions set forth in this Section 36 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.
- 36.6 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.

- 36.7 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.

## **37. ADVERTISEMENT AND MARKETING FEES**

### 37.1 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 required, 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 16 of these General Terms and Conditions.

### 37.2 FEE FOR ACTIVE MARKETING

When a Releasing Shipper under Section 16 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.

## **38. GATHERING AFFILIATE**

- 38.1 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 its gathering affiliate, if any, undue preference over shippers of nonaffiliated gatherers or other customers in scheduling, transportation, storage or curtailment priority.
- 38.2 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.

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

39.1 This Section 39 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 in the Currently Effective Rates – FL&U and Electric Power Cost Reimbursement Section of this FERC Gas Tariff. 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 Group required to recover related Fuel costs, and (b) amortization of the Deferred Account by Service Group provided for in Section 39.5 hereof. Fuel shall be recovered in-kind by Transporter by applying the Fuel Reimbursement Percentages to the quantity scheduled for receipt or storage injection, as applicable. Lost and Unaccounted-for shall be recovered in-kind by Transporter by applying the L&U Reimbursement Percentages to the quantity scheduled for receipt or storage injection to all Service Groups, as applicable.

### 39.2 DEFINITIONS

- A. "Gas Fuel" shall mean the actual dekatherm quantity consumed 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. Gas Fuel includes any quantities, including fuel and Lost and Unaccounted-for quantities, paid to other third parties for the compression of gas.
- 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. Notwithstanding the preceding sentence, the initial Base Period shall be the period beginning May 1, 2016 and ending December 31, 2016.
- 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 39.3.
- E. "Lost and Unaccounted-for" shall mean the actual system-wide dekatherm quantity lost (or gained) during the Base Period (excluding vented gas), 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 quantities of Gas received by Transporter at the various Receipt Points and/or storage injections on Transporter's system.
- G. "Service Group" shall mean the Rate Schedule groups for which a separate PRA will be calculated. The Service Groups shall include the following:
  - 1. Transportation Rate Schedule group (FT, IT & NNS)
  - 2. Storage Rate Schedule group (FSS, ISS, NNS & S-PALS)
  - 3. CMC Rate Schedule group (CMC-2)
  - 4. PAWS Rate Schedule group (PAWS)

### 39.3 PERIODIC RATE ADJUSTMENT

- A. The initial Fuel Reimbursement Percentages and L&U Reimbursement Percentages shall be as set forth in the Currently Effective Rates Section of the Tariff effective May 1, 2016, but shall be re-determined at least annually to be effective April 1 of each year.

Transporter has the option to re-determine the FRP and/or L&UP based on updated Gas Fuel and/or Receipt Quantities to be effective November 1 during a Recovery Period.

- B. Transporter shall file its annual adjustment and/or the optional adjustment filing to the Fuel Reimbursement Percentages and L&U Reimbursement Percentages at least thirty (30) days prior to the effective date of the annual or optional redetermination, based on the procedures set out in Sections 39.4 and 39.5. Tracking filings submitted in accordance with this Section shall become effective, subject to refund, on the designated effective dates. Any changes from the prior tracking level shall be subject to review in the tracking filing proceeding.

### 39.4 FUEL REIMBURSEMENT PERCENTAGE AND LOST & UNACCOUNTED-FOR PERCENTAGE

- A. The methodology used to derive the FRP applicable to each Service Group PRA is as follows:
  - 1. Gas Fuel is divided by FRP Receipt Quantities.

2. FRP Receipt Quantities shall be the Receipt Quantities, as defined by Section 39.2f above for the Base Period, as adjusted for changes that are known and measurable with reasonable accuracy.

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

1. The Lost and Unaccounted-for quantities are divided by the L&U Receipt Quantities.
2. L&U Receipt Quantities shall be the system-wide Receipt Quantities, as defined by Section 39.2f above as adjusted for changes that are known and measurable with reasonable accuracy.

### 39.5 DEFERRED ACCOUNTS

Beginning May 1, 2016, Transporter shall establish and maintain separate deferred accounts to track the monthly quantity of under and/or over recovered Fuel ("Fuel Deferred Account") for each Service Group 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 separately for each Service Group;
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 one shall be calculated as follows:

1. Transporter shall determine the actual Fuel quantities for each Service Group incurred each month.

2. Transporter shall then determine the quantity recovered by each Service Group as follows:
  - a) The Fuel Reimbursement Quantity recovered shall be determined by multiplying the Fuel Reimbursement Percentages, in effect during each deferral Month, by the FRP Receipt Quantities during the month, plus any adjustment required by Section 39.5B(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 for each Service Group shall be determined by taking the difference between the quantities derived in Section 39.5B(1) and Section 39.5B(2), herein. The resulting quantity shall be reflected in Transporter's current deferral subaccount. 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 22.8 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 each Service Group 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 in effect during each 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 39.5E(1) and Section 39.5E(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.

#### 39.6 VOLUMETRIC AMORTIZATION PERCENTAGES

The ending volumetric balance in the Fuel Deferred Account will be divided by the applicable Receipt Quantities for the Recovery Period of the next PRA for each Service Group 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.

#### 39.7 EFFECTIVE DATE

The Fuel and L&U Reimbursement Percentages will be applicable to Receipt Quantities effective May 1, 2016 and revised thereafter on a periodic basis as set out in Section 29.3.

## 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 in the Currently Effective Rates – FL&U and Electric Power Cost Reimbursement Section of this FERC Gas Tariff. 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”) for each Service Group, and (b) amortization of the Deferred Account by Service Group 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 or storage injection, 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 electric 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. Notwithstanding the preceding sentence, the initial Base Period shall be the period beginning May 1, 2016 and ending December 31, 2016.
- 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 quantities of Gas received by Transporter at the various Receipt Points and/or storage injections on Transporter’s system.

F. "Service Group" shall mean the Rate Schedule groups for which a separate PRA will be calculated. Service Groups shall include the following:

1. Transportation Rate Schedule group (FT, IT & NNS)
2. Storage Rate Schedule group (FSS, ISS, NNS & S-PALS)
3. CMC Rate Schedule group (CMC-2)

#### 40.3 PERIODIC RATE ADJUSTMENT

A. The initial Power Cost Charges shall be as set forth in the Currently Effective Rates Section of this FERC Gas Tariff effective May 1, 2016, but shall be re-determined at least annually to be effective April 1 of each year.

Transporter has the option to re-determine the PCRC based on updated Electric Power Costs and/or Receipt Quantities to be effective November 1 during the Recovery Period. Electric Power Costs includes any electric charges paid to other parties for the compression of gas.

B. Transporter shall file its annual adjustment and/or optional adjustment filing to the Power Cost Charges at least thirty (30) days prior to the effective date of the annual or optional redetermination, based on the procedures set out in Sections 40.4 and 40.5. Tracking filings submitted in accordance with this Section shall become effective, subject to refund, on the designated effective dates. Any changes from the prior tracking level shall be subject to review in the tracking filing proceeding.

#### 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.
- 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 for the Base Period, as adjusted for known and measurable changes.

#### 40.5 DEFERRED ACCOUNT

Beginning May 1, 2016, Transporter shall establish and maintain a current deferral sub-account to track the monthly over or under recovered Electric Power Costs ("Electric

Power Cost Deferred Account”) for each Service Group. 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 for each Service Group;
  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 and for each month of the Base Period shall be calculated as follows:
1. Transporter shall determine the actual Electric Power Costs for each Service Group incurred that month for the Base Period.
  2. Transporter shall then determine the Electric Power Costs recovered by each Service Group as follows:
    - a) The EPC recovered shall be determined by multiplying the Power Cost Charges in effect during each deferral Month, by the actual PCRC Receipt Quantities 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 for each Service Group 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 for each Service Group 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 for each Service Group 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 divided by the PCRC Receipt Quantities, as defined in Section 40.4(b), for the Recovery Period for each Service Group. 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 May 1, 2016 and revised thereafter on a periodic basis as, set out in Section 40.3.

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