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General Terms and Conditions

1. DEFINITIONS

AFFILIATE-SHIPPER

"Affiliate" or "Affiliate-Shipper" shall mean any person which directly or indirectly through one or more intermediaries, controls or is controlled by or under common control with another person.

AGREEMENT

"Agreement" shall mean a transportation agreement subject to, as applicable, Rate Schedule FTS, Rate Schedule FTB or Rate Schedule ITS.

BACKHAUL

"Backhaul" shall mean the transportation of Gas which is nominated for receipt and delivery opposite of the designated flow direction on the mainline of Transporter's System.

BUSINESS DAY

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

CAPACITY

"Capacity" shall mean the gas volume which any particular segment or point of Transporter's facilities is capable of accommodating.

CONTRACT DEMAND

"Contract Demand" shall mean the MDQ as set forth in an Agreement.

DAY OR GAS DAY

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

DELIVERY POINT

"Delivery Point" shall mean any point at which Transporter delivers to or for the account of Shipper, gas which has been transported by Transporter under an Agreement.

DTH

"Dth" shall mean one million (1,000,000) Btus and is equivalent to one (1) MMBtu.

ELECTRONIC DATA INTERCHANGE ("EDI")

"EDI" shall mean Electronic Data Interchange.

EQUIVALENT VOLUMES

"Equivalent Volumes" shall mean the sum of the volumes of gas measured in Dth received by Transporter for the account of Shipper at the Receipt Points during any given period of time: (a) reduced by (i) Shipper's pro rata share of Fuel Reimbursement pursuant to Section 38 of the General Terms and Conditions of this Tariff resulting from the operations of Transporter hereunder during the same period of time, and (ii) any gas vented as provided in Section 3.7 hereof during the same period of time; and (b) adjusted for any variations in Btu content, as corrected for any water vapor in excess of five (5) pounds per million (1,000,000) cubic feet of gas, it being the intent of the parties that the volumes of gas delivered hereunder at the Delivery Point after transportation be the thermal equivalent of the volumes of gas delivered at the Receipt Point for transportation, after reduction, correction and adjustment as provided above.

Each Shipper shall provide such Fuel pro rata to the actual Btus of gas delivered by such Shipper to Transporter during the period covered by the thermal balance; provided, however, that each Shipper shall be responsible for Unauthorized Overrun Gas delivered by Shipper to Transporter which is vented under Section 3.7. The formula used to determine the delivery quantity shall be: [1 - Fuel Reimbursement Percentage] multiplied by the receipt quantity (rounded to the nearest Dth).

EXISTING SHIPPER

"Existing Shipper" shall mean those entities which have an effective Contract Demand pursuant to the provisions of an executed Agreement with Transporter.

FERC

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

FUEL

"Fuel" shall mean the thermal equivalent of that volume of gas actually used by Transporter to effect the transportation of Shipper's gas hereunder from the Receipt Points to the Delivery Points, as determined by Transporter and is the sum of (1) Electric Compression Costs and (2) the Gas Fuel, expressed in dekatherms.

FUEL REIMBURSEMENT

"Fuel Reimbursement" shall mean Fuel quantities (or equivalent dollar amounts) provided by Shippers to Transporter based upon the Fuel Reimbursement Percentage in effect under this Tariff.

GAS

"Gas" shall mean combustible hydrocarbon gas.

HEATING VALUE

"Heating Value" shall mean the number of Btus per cubic feet of gas at the base condition of 14.73 psia 60 degrees Fahrenheit dry. The Btu value will be determined utilizing the complete actual composition of the gas according to the methods in GPA Standard 2172-96, titled "Calculation of Gross Heating Value, Relative Density and Compressibility Factor for Natural Gas Mixtures from Compositional Analysis," and corrected to the base conditions. For reporting purposes, Btu conversion factors will be reported to not less than three (3) decimal places and Pressure Base conversion factors will be reported to not less than six (6) decimal places. For calculation purposes, not less than six (6) decimal places will be used for both conversion factors.

INTERACTIVE WEBSITE

The term "Interactive Website" shall mean the interactive internet website maintained by Transporter for communication regarding its transportation service in accordance with applicable Commission Regulations and NAESB Standards, as more fully described in Section 15 of these General Terms and Conditions.

MCF

"Mcf" shall mean one thousand (1,000) cubic feet of gas.

MDQ

"MDQ" shall mean the maximum daily quantity of gas which Transporter is obligated to receive or deliver at each Receipt or Delivery Point or in the aggregate, as specified in the Agreement.

MONTH

"Month" shall mean the period beginning on the first day of any calendar month and ending on the first day of the next succeeding calendar month.

MONTHLY MAINTENANCE SCHEDULE

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

NEGOTIATED RATE

"Negotiated Rate" shall mean a rate which Transporter and Shipper have agreed will be charged for the service under Rate Schedule FTS, FTB or ITS where such rate may at all times or from time to time exceed the maximum rate for service under Rate

Schedule FTS, FTB or ITS, as applicable. Any Agreement which provides for a rate under Rate Schedule FTS, FTB or ITS other than the applicable maximum rate shall contain a provision setting out the mutual agreement of the parties as to whether the pricing terms represent a discounted rate or a Negotiated Rate.

NEGOTIATED RATE FORMULA

"Negotiated Rate Formula" shall mean a rate formula which Transporter and Shipper have agreed will be applied to service under Rate Schedule FTS, FTB or ITS which may result in a rate which at all times or from time to time exceeds the maximum rate for service under Rate Schedule FTS, FTB or ITS, as applicable. Any Agreement which provides for a rate under Rate Schedule FTS, FTB or ITS other than the applicable maximum rate shall contain a provision setting out the mutual agreement of the parties as to whether the pricing terms represent a discounted rate or a rate pursuant to a Negotiated Rate Formula.

NOMINATION

"Nomination" shall mean the written requests for transportation submitted pursuant to Section 7 of these General Terms and Conditions.

OPERATIONAL BALANCING AGREEMENT ("OBA")

"OBA" shall mean a contract between two parties which specifies the procedures to manage operating variances at an interconnect.

OVERRUN GAS

"Overrun Gas" shall mean those volumes of gas tendered for transportation by Shipper on any day in excess of its currently effective Contract Demand or MDQ, to the extent such gas is scheduled under Section 7 of these General Terms and Conditions.

PRIMARY DELIVERY POINT(S)

"Primary Delivery Point(s)" shall mean those Delivery Points on Transporter's System listed as primary under Shipper's applicable Service Agreement, as amended from time-to-time.

PRIMARY PATH

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

PRIMARY RECEIPT POINT(S)

"Primary Receipt Point(s)" shall mean those Receipt Points on Transporter's System listed as primary under Shipper's applicable Service Agreement, as amended from time-to-time.

PROSPECTIVE SHIPPER

"Prospective Shipper" shall mean those entities which do not have a currently effective Contract Demand.

RECEIPT POINT

"Receipt Point" shall mean 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 QUANTITIES

"Receipt Quantities" shall mean the nominated or allocated volumes of natural gas received by Transporter at the various Receipt Points on Transporter's system, including volumes received pursuant to Section 38 of the General Terms and Conditions of this Tariff.

RECOURSE RATE

"Recourse Rate" shall mean the applicable maximum rate which would apply to that service as shown in the applicable rate schedule as shown in the Currently Effective Rates Section of this Tariff but for the rate flexibility allowed under Section 35 of these General Terms and Conditions.

REQUESTS FOR CAPACITY

"Requests for Capacity" shall mean a written request by any Prospective Shipper for capacity or by an Existing Shipper for additional capacity under applicable Rate Schedules.

SECONDARY DELIVERY POINTS

"Secondary Delivery Points" shall mean those Delivery Points on Transporter's System not listed as primary on Shipper's Service Agreement that Shipper can nominate service from time-to-time subject to the applicable Rate Schedule and these General Terms and Conditions.

SECONDARY RECEIPT POINTS

"Secondary Receipt Points" shall mean those Receipt Points on Transporter's System not listed as primary on Shipper's Service Agreement that Shipper can nominate service from time-to-time, subject to the applicable Rate Schedule and these General Terms and Conditions.

SHIPPER

"Shipper" may refer to Existing Shippers, Prospective Shippers, firm Shippers, or interruptible Shippers, individually or collectively, depending on the context. In

addition, in a given context, Shipper may refer to an entity which is seeking to become a Shipper.

STANDARD REPORTING BASIS

Standardize the reporting basis for Btu as 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm squared and 15.6 degrees C, and dry.

Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, 60 degrees F, and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry.

SYSTEM

"System" shall mean the pipeline, any compression, and related facilities owned by Transporter.

UNACCOUNTED FOR GAS

"Unaccounted For Gas" shall mean the thermal equivalent of the difference between the sum of all input volumes of gas to the System and the sum of all output volumes of gas from the System, which difference shall include but shall not be limited to gas vented (other than gas vented pursuant to Section 3.7 of these General Terms and Conditions) and gas lost as a result of an event of Force Majeure, the ownership of which cannot be reasonably identified, but shall not include Fuel.

UNAUTHORIZED OVERRUN GAS

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

YEAR

"Year" shall mean a period of three hundred sixty-five (365) consecutive days or three hundred sixty-six (366) consecutive days if such period includes February 29.

2. EXPANSION OF THE SYSTEM

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

- (a) Transporter does not have adequate unutilized capacity in the System to accommodate the Nominations or Requests for Capacity of Existing and Prospective Shippers accepted by Transporter pursuant to this Tariff.
- (b) Transporter has received an executed revised Agreement from each Existing and Prospective Shipper requesting capacity such that the total Contract Demands of all Existing and Prospective Shippers under executed Agreements substantially equals the prospective new System capacity.
- (c) The nature, extent and timing of facilities required for any expansion shall be at the sole discretion of Transporter.
- (d) Transporter receives acceptable assurance that Shipper requesting additional capacity meets the credit criteria outlined herein.

3. PRIORITY OF SERVICE**3.1 ALLOCATION OF CAPACITY****(a) GENERAL**

This Section 3.1 governs the allocation of firm capacity on Trailblazer's System among entities requesting firm services. In assigning priority to otherwise valid requests for any particular firm service, Trailblazer shall afford priority based on rate, term, and volume, applying consistent and objective economic criteria. Such criteria shall be consistent with Section 3.1(c) of these General Terms and Conditions. In applying such criteria where a Negotiated Rate or Negotiated Rate Formula is involved, the value assigned to a request which includes a Negotiated Rate or Negotiated Rate Formula shall be limited by the Recourse Rate as provided in Section 35 of these General Terms and Conditions. Trailblazer shall not be required to grant otherwise valid requests at less than the applicable maximum rate, but may do so on a non-discriminatory basis.

(b) CAPACITY AWARD PROCEDURES

This Section 3.1(b), together with Sections 3.1(c) and 18 of these General Terms and Conditions, sets out the procedures to be followed by Trailblazer in awarding all firm forward haul transmission segment capacity becoming available on its system; provided, however, that these procedures do not apply to the initial allocation of such firm capacity created by the construction of new facilities (including both extensions and expansions of Trailblazer's system).

(1) INITIAL OPEN SEASON

Trailblazer shall conduct an Initial Open Season for all firm forward-haul transmission segment capacity becoming available on its system; provided, however, that the Initial Open Season procedure shall not apply (and the capacity shall not be considered as available or becoming available) where an existing Shipper has the right of first refusal or other rollover right under Section 18 of these General Terms and Conditions unless and until all such rollover rights have expired or, if the right of first refusal is exercised, the right of first refusal process has concluded and the capacity has not been awarded.

- (i) An Initial Open Season shall be conducted so that the open season concludes and any firm capacity award in the open season would be made at least two (2) Business Days before the date the firm capacity becomes available. Such capacity may not be awarded, except as otherwise provided in this Section 3.1

or Section 18 of these General Terms and Conditions, until after an Initial Open Season has been conducted. Any existing valid requests in Trailblazer's queue as of November 27, 2002, shall be treated as prearranged bids with the right to match in the first such Initial Open Season. In the event of a tie in the first Initial Open Season, available capacity shall be allocated pro rata based on the MDQs requested, subject to any minimum proration quantity stated in the bid.

- (ii) In any Initial Open Season, the minimum posting and bidding period applicable to firm capacity available for less than one (1) year is from 9:00 a.m. to 2:00 p.m. Central Clock Time on a Business Day and the minimum posting and bidding period for firm capacity available for one (1) year or longer is four (4) Business Days, with the minimum posting periods each day being from 9:00 a.m. to 2:00 p.m. Central Clock Time.
- (iii) The posting for an Initial Open Season shall include the following items:
 - (A) The bidding procedure to be used, including an explanation of how bids are to be submitted, a bid form, instructions for satisfying the request criteria under the applicable rate schedule, and the complete bid evaluation criteria consistent with this Section 3.1.
 - (B) The timetable for posting and bidding, which timetable must be consistent with Section 3.1(b)(1)(ii).
 - (C) The type, location, duration and amount of firm capacity to be covered by the Initial Open Season, including whether it represents Expansion 2002 or Existing System capacity, and the date on which such firm capacity will be available.
 - (D) Contingencies, if any, which will be accepted in open season bids.
 - (E) Any other bid requirements, conditions, criteria, restrictions or parameters.
- (iv) In the Initial Open Season, all bids must be submitted in the basic rate design then in effect on Trailblazer's system and are constrained by the applicable maximum and minimum rates. No

bid with rates in the form of a Negotiated Rate or Negotiated Rate Formula will be valid in an Initial Open Season.

- (v) Trailblazer shall establish a reserve price or reserve price matrix in every Initial Open Season, consistent with Section 3.1(c)(5) of these General Terms and Conditions.
- (vi) Unless otherwise specified in the posting, a bidder may bid on all or any portion of the term for which the firm capacity is available and on all or any portion of the capacity available. Trailblazer shall make firm capacity available without any term limit unless either that firm capacity is committed at some future time under a then existing contract or that firm capacity is operationally available only for a limited period of time. Any term limit shall reflect such a contractual or operational constraint. Trailblazer shall specify any such term limit, and the reason for the term limit, in the posting. Trailblazer may only impose minimum volume, geographical or term requirements on bids for operational reasons, such as maintaining pressure or sustaining the minimum level of prudent facility operations on any affected portion(s) of its system.
- (vii) Trailblazer shall have the right to terminate an Initial Open Season through a termination posting if there is a material error in the Initial Open Season posting, which error shall be explained in the termination posting. Trailblazer shall have the right to extend an Initial Open Season for good cause, as explained in the extension posting, or as specified in the original Initial Open Season posting.
- (viii) 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 during that open season a bid with a lower value than the withdrawn bid [value is to be determined applying the criteria in Section 3.1(c), consistent with the posting for that open season], except if the withdrawn bid was withdrawn due to a material error. A bidder may withdraw a bid for a material error by notifying Trailblazer by the deadline for bids that the bid contains a material error, which notification shall explain the material error. 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.

- (ix) Once firm capacity has been subject to an Initial Open Season, Trailblazer is not required to hold any further Initial Open Season for that capacity until it again becomes available through the expiration of the contracts covering that capacity entered into under this Section 3.1(b) and any rollover contract under Section 18 of these General Terms and Conditions.

(2) REQUEST PROCEDURE

For firm capacity which is not awarded in the Initial Open Season process and for existing firm capacity which is not subject to the Initial Open Season process or to Section 18 of these General Terms and Conditions, Trailblazer may award such capacity through either the Request Procedure in this Section 3.1(b)(2) or the Additional Open Season Procedure in Section 3.1(b)(3) of these General Terms and Conditions.

- (i) Trailblazer may award such firm capacity in response to requests for firm service in writing or on its Interactive Website which conform to the requirements in the applicable rate schedule for valid requests (including meeting credit criteria). Requests may be unsolicited or pre-negotiated, but no communication will be considered a request hereunder unless it constitutes a valid request for service consistent with the applicable rate schedule and has been submitted in writing or via Trailblazer's Interactive Website.
- (ii) Requests for firm capacity will be binding on the entity requesting firm capacity for two (2) Business Days unless the request states a shorter time period or until the request is accepted or rejected by Trailblazer, whichever occurs first. Trailblazer shall respond to any request for firm capacity within two (2) Business Days. In its request, the customer may specify that the request is binding for a stated period which is less than two (2) Business Days, but Trailblazer shall not be obligated to respond earlier than the end of the second Business Day. Unless granted by Trailblazer, all requests submitted are void effective the earlier of the time when Trailblazer rejects the request or

two (2) Business Days after the request is submitted. Trailblazer cannot grant any request which has become void, but a request becoming void hereunder is without prejudice to any future request by that Shipper or any other Shipper.

- (iii) The rate form under a request may be either the basic rate design then in effect on Trailblazer's system or a Negotiated Rate or Negotiated Rate Formula rate form.
- (iv) Trailblazer is not obligated to award firm capacity based on a request at less than the applicable maximum rate, but any capacity award must be consistent with Section 3.1(c) of these General Terms and Conditions if there are competing valid requests pending. For purposes of applying the evaluation criteria in Section 3.1(c) of these General Terms and Conditions, only pending valid requests which have not become void under (ii) are considered to be competing.
- (v) Requests shall not be accepted or valid as to any firm capacity which is subject to an Initial Open Season or an Additional Open Season during any period between the posting of that open season and the award of capacity (or the decision not to award capacity) under that open season.

(3) ADDITIONAL OPEN SEASON PROCEDURE

- (i) If available Capacity has not been awarded in the Initial Open Season, Trailblazer may at any time elect to hold an Additional Open Season for that Capacity.
- (ii) The posting requirements and minimum posting and bidding periods for an Additional Open Season shall be the same as for an Initial Open Season under Section 3.1(b)(1), except that Trailblazer will post any additional items necessary to comply with this Section 3.1(b)(3).
- (iii) In the Additional Open Season, Trailblazer may make firm capacity available only for a specified term or range of terms, which limitation must be included in the posting.
- (iv) In the Additional Open Season, bids may be on a Negotiated Rate or Negotiated Rate Formula basis to the extent specified in the posting. Trailblazer may limit the form of Negotiated Rate or Negotiated Rate Formula submitted, in which case that limitation must be reflected in the posting. Bids may always be submitted

in the basic rate design then in effect on Trailblazer's system at the applicable maximum rate.

- (v) Trailblazer may, but is not required to, establish a reserve price or reserve price matrix in an Additional Open Season, consistent with Section 3.1(c)(5) of these General Terms and Conditions.

(4) SPREADSHEETS

Contemporaneous with posting of an open season, Trailblazer shall make available (subject to reasonable user requirements) electronic spreadsheets setting out the analyses which will be used to determine the winning bid(s), in a format which will allow the user to calculate net present value.

(5) CONDITIONS ON REQUESTS AND BIDS

This sub-Section sets out conditions applicable to all requests and bids for firm capacity. Trailblazer shall reject any request or bid for service which may detrimentally impact the operational integrity of Trailblazer's system (if Trailblazer rejects a bid or request on this basis, it will provide a written explanation of the operational basis for this action); which does not satisfy all the terms of an applicable posting or tariff provision and/or does not provide all the information required by the posting of tariff provision; which contains terms and conditions other than those in Trailblazer's Tariff and/or any applicable posting; which would not constitute a valid request under the applicable rate schedule (it being understood that a bid in an open season cannot be rejected for incompleteness if all information required by the bid form and applicable posting has been provided); or is in any way inconsistent with Trailblazer's Tariff and/or any applicable posting. Any Shipper wishing to bid in an open season or submit a request for capacity must satisfy the creditworthiness requirements in Section 14 of these General Terms and Conditions prior to submitting a bid or request. A Shipper cannot bid for or request services which exceed its pre-qualified level of creditworthiness. Trailblazer shall process - and encourages - applications from potential bidders or requesters seeking prequalification for bids or requests they may make in the future. Credit applications shall be completed in full with all information required to establish creditworthiness under the credit criteria included in Trailblazer's rate schedule covering the applicable service. Should a potential bidder or requester fail to satisfy such credit criteria, it may still qualify by providing a prepayment, letter of credit, security interest or guarantee satisfactory to Trailblazer as further set forth in Section 14(b) of these General Terms and Conditions. Based on Trailblazer's continuing review

of a Shipper's financial records, Trailblazer shall have the right to amend a Shipper's line of credit and lower or increase the quantity and term.

(6) SECTION 18 RIGHTS

The capacity allocation procedures of this Section 3.1(b) shall not apply where a Shipper is utilizing the Right of First Refusal procedures or contractual rollover rights pursuant to Section 18 of these General Terms and Conditions. Instead, the procedures in said Section 18 will govern the award of capacity in such instances.

(7) CAPACITY AWARDED FOR INTERIM PERIOD

This provision applies in situations where firm capacity is awarded commencing on a future date and such capacity is not already subject to firm contract(s) for the entire interim period before such future service commencement date.

- (i) Trailblazer may market such capacity for the interim period until service under the capacity award becomes effective.
- (ii) If firm capacity is available for only an interim period for any reason (e.g., because the firm capacity is already contracted at a future date after such interim period or the firm capacity is only available physically or operationally for that interim period), then Trailblazer may limit the rights of the Shipper awarded the capacity for that interim period. Trailblazer will indicate in any open season posting for such capacity the limitation on rights which will apply to such firm capacity awarded for the interim period.

(c) EVALUATION OF COMPETING BIDS AND REQUESTS

In comparing valid bids received in an open season or in comparing two or more valid and competing pending requests for service under the Request Procedure, Trailblazer will award firm capacity based on the highest economic value, as defined in this Section 3.1(c).

(1) HIGHEST ECONOMIC VALUE

The highest economic value is the highest net present value of the stream of incremental revenue produced by a valid bid or request, or combination of valid bids or requests, received by Trailblazer for firm capacity which is consistent with the reserve price where one has been established. Incremental revenue is the additional revenue Trailblazer

would collect from a Shipper under any bid or request over and above the revenue Trailblazer would otherwise have received after taking into account any revenue lost or affected by the bid or request (i.e., where an existing capacity holder submits a bid or request which is contingent upon turnback by that existing capacity holder of an existing capacity commitment, only the value of such a bid or request net of the revenue which would be lost to Trailblazer due to the turnback of the existing contractual commitment will be considered).

(2) ONLY GUARANTEED REVENUE CONSIDERED

In the determination of highest economic value, Trailblazer shall consider only reservation charge revenue and any other guaranteed revenue under bids or requests which meet any applicable reserve price. In the case of a bid or request for firm service involving a Negotiated Rate or Negotiated Rate Formula, the rules on calculating net present value set out in Section 35.2 of these General Terms and Conditions shall apply.

(3) POSTING OF CRITERIA

Trailblazer shall post the criteria to be used in the determination of highest economic value for comparing valid bids in any open season and for comparing pending requests which are valid and competing. The posting will consist of a net present value formula, together with all relevant factors and parameters, such as discount rates. These criteria shall be posted continuously on the Informational Postings portion of Trailblazer's Interactive Website. Trailblazer may change the criteria at any time in a manner not inconsistent with the other provisions of this Section 3.1(c), but the revised criteria may only be applied to an open season the posting of which commenced at least one (1) Business Day after the change in criteria has been posted. Trailblazer cannot change the criteria for any on-going open season. The revised criteria shall apply immediately to all requests received after the change has been posted. In addition, the posting for each individual open season will include the following elements: the date to which all bids are discounted in the calculation of net present value; the discount rate utilized; how a Shipper's willingness to prorate will affect its bid; whether a prearranged transaction is involved and, if so, whether there is a right to match; the extent to which advance payments will be considered in evaluating bids; surcharges and optional service charges will be taken into account; and the procedure to be used in breaking ties.

(4) OBLIGATION TO AWARD CAPACITY

Trailblazer shall be obligated to award firm capacity if the applicable maximum rate is submitted for the entire term of a valid bid in any open season or is requested for the entire term of a valid request under the Request Procedure, up to the firm capacity covered by the maximum rate bid(s) or request(s), without regard to any reserve price. If such a maximum rate bid or request is received, Trailblazer shall be obligated to award the capacity either to the Shipper submitting such a bid or request or to a competing bidder or requestor. The capacity shall be awarded to a competing bidder or requestor to the extent provided in the posted criteria for evaluating competing bids or requests. The capacity award will be based on the posted criteria hereunder for evaluating bids or requests. Similarly, Trailblazer shall be obligated to award firm capacity if the reserve price is met in a valid bid for the capacity being posted for open season, up to the firm capacity covered by the bid(s) meeting the reserve price. The capacity awards will be based on application of the posted criteria. Notwithstanding the foregoing, Trailblazer shall not be obligated to award firm capacity based on the following types of bids or requests: (i) any bid or request for a term of less than one year, under which service is to commence more than ninety (90) days following the close of the open season; and (ii) any bid or request for a term which is not continuous the commencement of service date to the termination of service date reflected in the bid.

- (5) **RESERVE PRICE MATRIX** In an Initial Open Season, Trailblazer shall establish a reserve price or reserve price matrix. Trailblazer may, but is not required to, establish a reserve price or reserve price matrix in an Additional Open Season.
 - (i) A reserve price defines the minimum price(s) at which Trailblazer will award the firm capacity covered by the open season, which price(s) must be equal to or less than the applicable maximum rate(s). Trailblazer is not obligated to award capacity at less than the applicable maximum rate unless a lower rate is set out in the reserve price matrix. In determining whether a reserve price has been met by any bid, Trailblazer will compare the net present value of the requested prices in the bid with the net present value of the applicable reserve price(s). If the reserve price is met, Trailblazer will award firm capacity to valid bids consistent with the posted bid evaluation criteria and this Section 3.1(c).
 - (ii) Reserve prices in a reserve price matrix may vary by relevant elements, including but not limited to term, service type, Receipt Points, Delivery Points and markets. Differences in "markets", as that term is used in the prior sentence, shall refer to differences relating to any of the following: (A) defined geographical areas,

where the value of Trailblazer's services may vary among such geographical areas due to current or projected differences in competitive alternatives, regulation, or operational, supply or capacity factors; (B) customers, where the value of Trailblazer's services may vary by customer due to current or projected differences in competitive alternatives available to them or demand their characteristics (including access to alternative fuels); (C) contract time periods, where the value of Trailblazer's services may vary due to current or projected differences in competitive alternatives or market demand at or over different contract time periods (for example, winter season versus multi-year); (D) products and services, where the value of Trailblazer's product and service offerings may vary due to current or projected differences in competitive alternatives or market demand (provided that this is not intended to tie separate service together for bidding purposes); or (E) volumes, where the value of Trailblazer's services may vary due to current or projected differences in competitive alternatives, market demand or other factors related to contract volume levels. The reserve price matrix in an open season may include multiple terms, from one month or less to multi-year, and shall indicate if firm capacity is only available for a limited time due to operational or physical constraints or due to the contractual commitment of such capacity in the future.

- (iii) Unless Trailblazer elects to post the reserve price as part of the posting of an open season, Trailblazer shall provide the reserve price or reserve price matrix to an independent third party before the posting of an open season. A bidder in an open season may request the reserve price or reserve price matrix applicable to that open season at any time after the close of the open season and prior to the posting described in the following sentence, and Trailblazer will provide such information to the requesting bidder within one Business Day after Trailblazer receives the request.

3.2 SCHEDULING OF FIRM SERVICES

- (a) While firm services are not ordinarily interrupted due to lack of capacity, capacity constraints may exist from time to time or interruption of service may be necessary for certain other reasons. Trailblazer may decline to schedule and/or may curtail firm service for any of the following reasons:
 - (1) If Shipper tenders gas which does not conform to the applicable pressure or quality requirements of these General Terms and Conditions;

- (2) For reasons of Force Majeure;
- (3) Due to routine repair and maintenance to be reasonably determined by Trailblazer;
- (4) Pursuant to Section 3.9 of these General Terms and Conditions;
- (5) To rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule;
- (6) To maintain System integrity; or
- (7) If there is a dispute over title, ownership or right to tender or to receive gas.

Without limitation to the foregoing, Trailblazer shall have the right to reduce receipts or deliveries of natural gas on any day below Shipper's MDQ to permit maintenance, repair, overhaul, replacement, or construction of pipelines, compressors, metering, regulating, or other transmission facilities and equipment, or to maintain System integrity; provided, however, that with respect to routine repair and maintenance, Trailblazer will attempt to schedule such activity during a period when it will not result in curtailment to firm services, or when such curtailment will be minimized, after consulting with the Shippers which could be affected.

- (b) For the purposes of scheduling and curtailing gas, all firm services shall have priority within MDQ over all interruptible services. All firm services at primary points shall have equal priority to Trailblazer's System capacity. Service requested at secondary points shall have the priority described in Section 3.3. To the extent capacity does not exist to provide for all volumes nominated by Shippers on a firm basis within MDQ at primary points and along any path defined by primary points under all firm Rate Schedules, scheduling and curtailment shall be pro rata based on the MDQ on any portion of Trailblazer's System affected by a capacity constraint.
- (c) For Shippers under all firm services, Trailblazer shall provide notice of any curtailment or of any scheduling restriction as far in advance as feasible. Trailblazer shall attempt to provide at least two (2) days' prior notice, unless more timely action is necessary to respond to a Force Majeure situation, to balance the Agreement to the extent consistent with the applicable Rate Schedule, or to maintain System integrity.
- (d) Trailblazer and a Shipper under any firm service may add or delete primary Delivery or Receipt Points from time to time by mutual agreement. Subject to the availability of firm capacity at the requested point, Trailblazer shall

agree to any such change in primary Delivery or Receipt Point to the extent such new point is within the transportation path of the existing primary points. At other points, Trailblazer shall agree to a change to the extent that firm transmission and point capacity is available after taking into account existing capacity commitments under other firm Agreements.

- (e) Firm intra-day nominations are entitled to bump scheduled interruptible volumes, as defined in Sections 3.5 and 3.7, only during the Evening and Intra-day 1 Nomination Cycles, as defined in Section 7.2. Firm intra-day nominations are not entitled to bump already scheduled firm volumes.

3.3 SECONDARY POINTS

- (a) Shippers under Rate Schedule FTS shall have the right to use all Receipt and Delivery Points on Trailblazer's System as secondary Receipt and Delivery Points. The MDQ at any secondary point shall be equal to the aggregate MDQ. The priority of service at secondary points under Rate Schedule FTS shall be governed by the remainder of this Section 3.3.
- (b) Service at the secondary Receipt and Delivery Points shall be provided to the extent capacity is available at such points after all nominations for primary point service under all of Trailblazer's firm Agreements have been satisfied. No secondary point service shall be provided in excess of a Shipper's secondary point MDQ except as overrun service. Unless a capacity constraint exists at the point, a secondary point nomination at a point within a path created by Shipper's primary points shall be treated the same as a nomination by Shipper at a primary point. For a secondary point outside such a path, service at the point and service to or from the point shall have priority over interruptible service but shall be subordinate to nominations for primary point service. Service to or from such a secondary point outside the path shall also be subordinate to secondary point service within the path to the extent both services utilize the same capacity. If a capacity constraint exists at the point, subSection (c) shall govern. If a capacity constraint exists on a path, subSection (d) shall govern. Secondary point service shall not be subject to curtailment or allocation [except as set out in Section 3.2(a)] if no capacity constraint exists at the point or path on any segment to or from the point or path.
- (c) If nominations by all Shippers for secondary point service for which such Shippers are eligible exceed Trailblazer's available capacity at any secondary point, available capacity shall be allocated and scheduled pro rata based on each Shipper's confirmed nomination, within MDQ, at the secondary point. If curtailment is necessary, such curtailment shall be pro rata based on each Shipper's confirmed nomination, within MDQ, at that secondary point. Shippers utilizing points within the primary path as

secondary service shall have a higher priority than Shippers utilizing points outside the primary path as secondary service. This priority applies for service at constrained points and paths.

- (d) If nominations by all Shippers for secondary point service for which such Shippers are eligible exceed Trailblazer's available capacity on the applicable path, available capacity shall be allocated and scheduled pro rata based on a Shipper's confirmed nominations within MDQ. If curtailment is necessary, such curtailment shall be pro rata based on a Shipper's confirmed nominations, within MDQ, for the applicable path. Shippers utilizing points within the primary path as secondary service shall have a higher priority than Shippers utilizing points outside the primary path as secondary service. This priority applies for service at constrained points and paths.
- (e) Properly submitted and confirmed firm service nominations at primary points will supersede any secondary point service. Properly submitted and confirmed nominations at secondary points within a path created by primary points will supersede secondary point service outside the path unless the capacity constraint is only at the point. Confirmed nominations within MDQ at a secondary point by a holder of firm service will interrupt service at that point under any interruptible Rate Schedule.
- (f) The primary Receipt and Delivery Points define the primary path(s), including the direction of "forward" flow for the primary path(s). Shippers may nominate service at secondary points so that the direction of flow is the same as or the opposite ("backhaul") from the primary path direction of flow, but if opposite, such nomination shall be treated as being outside the primary path.

3.4 POOLING POINT

Service at the pooling point shall be governed by Section 8 of these General Terms and Conditions. Trailblazer shall determine the volumes which can be accommodated at the pooling point as follows:

Trailblazer shall evaluate the capacity available both: (1) upstream and at Receipt Points for gas tendered pursuant to the Agreement(s) under which gas is nominated for delivery to the pooling point; and (2) downstream and at Delivery Points under the Agreement(s) pursuant to which gas is nominated to be received from the pooling point. Gas shall not be confirmed at the pooling point to the extent capacity constraints exist which affect any such receipts or deliveries, applying the priorities set out elsewhere in this Section.

3.5 INTERRUPTIBLE AND OVERRUN SERVICES

This Section 3.5 governs the priority of interruptible services, including overrun, other than secondary point services under firm Agreements, on Trailblazer's System. All interruptible services, including overrun, shall have equal priority for capacity in accordance with the procedures set out in this Section 3.5.

- (a) Service within MDQ under any firm Rate Schedule shall have priority over all interruptible and overrun services. Confirmed nominations under any firm Agreement, including service at secondary points, shall have priority over all interruptible service and overrun services. If more than one such Shipper tenders gas at a point, receipts shall be allocated among such Shippers in accordance with the sequences set out in the remainder of this Section.
- (b) Trailblazer's interruptible transportation service, including overrun, other than service at secondary points under firm Agreements (which is covered in Section 3.3), shall be provided to the extent capacity is available after scheduling all of Trailblazer's firm transportation service at primary and/or secondary points. Trailblazer may decline to schedule and/or may curtail interruptible service for any of the following reasons:
 - (1) If Shipper tenders gas which does not conform to the applicable pressure or quality requirements of these General Terms and Conditions;
 - (2) For reason of Force Majeure;
 - (3) Due to routine repair and maintenance to be reasonably determined by Trailblazer;
 - (4) Pursuant to Section 3.9 of these General Terms and Conditions;
 - (5) To rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule;
 - (6) To maintain System integrity;
 - (7) If there is a dispute over title, ownership or right to tender or receive gas; or
 - (8) If capacity is required to provide a service with higher priority.
- (c) (1) If nominations under interruptible Agreements on any day exceed Trailblazer's available capacity on that day to provide such services, Trailblazer shall, to the extent possible given the priorities imposed by upstream or downstream transporters, allocate available capacity as

set out in this subSection (b) among Shippers which have executed interruptible Agreements.

- (i) Trailblazer shall schedule interruptible services (including authorized overrun) based on the rate to be paid, from highest to lowest daily rate, with service for which the highest daily rate being paid is scheduled first. Any Shipper paying the maximum rate applicable to its service (or revenue equal to or greater than the applicable maximum rate pursuant to a Negotiated Rate or Negotiated Rate Formula) shall be afforded highest priority even if a Shipper which has agreed to a Negotiated Rate or Negotiated Rate Formula is paying a higher unit rate.
 - (ii) In the event there is insufficient capacity to schedule all interruptible services for which the same rate is to be paid, Trailblazer shall allocate the available capacity pro rata based on the confirmed nomination volume.
- (2) Notwithstanding Section 3.5(b)(1) hereof, Trailblazer reserves the right, after a one (1) day notice, to interrupt service to any interruptible Shipper paying a discount rate to enable Trailblazer to provide service to another Shipper if such service would result in a higher unit rate; provided, however, that Trailblazer will not interrupt service to a Shipper paying the applicable maximum rate (or revenue equal to or greater than the applicable maximum rate pursuant to a Negotiated Rate or Negotiated Rate Formula) even if a Shipper which has agreed to a Negotiated Rate or a rate under a Negotiated Rate Formula would pay a higher unit rate. Within such one (1) day period, Shipper shall be allowed to increase its rate by any amount up to the applicable maximum rate specified in this Tariff. A Shipper agreeing to increase its rate hereunder shall be entitled to any higher priority associated with such higher rate; provided, however, that any Shipper paying the maximum rate applicable to its service (or revenue equal to or greater than the applicable maximum rate pursuant to a Negotiated Rate or Negotiated Rate Formula) shall be afforded highest priority even if a Shipper which has agreed to a Negotiated Rate or Negotiated Rate Formula is paying a higher unit rate. Among Shippers paying less than the applicable maximum rate, priority shall be determined based on rate level. Among Shippers agreeing to pay the same rate as of the termination of the one (1) day notice period, the priorities set out in Section 3.5(b)(1) shall apply. No Shipper may obtain a higher priority during any period of interruption to which a notice relates by agreeing to an increased rate after the end of the one (1) day notification period.

- (d) Trailblazer shall redetermine the priority of each Shipper under this Section 3.5 and reallocate capacity hereunder on a daily or such other periodic basis as is necessary for Trailblazer 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.
- (e) An Agreement under Rate Schedule ITS will include all Receipt and all Delivery Points available on Trailblazer's System. Notwithstanding the foregoing, a Shipper may not utilize a point for which there is no regulatory authorization to receive or deliver gas under the Agreement.

3.6 CAPACITY CONSTRAINTS

If Trailblazer 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, only to those Shippers with service affected by that portion of the System or at those points. Trailblazer 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.

3.7 UNAUTHORIZED OVERRUN

No Shipper shall have any right to tender Unauthorized Overrun Gas. Unauthorized overruns are subject to penalty as set out in the individual Rate Schedules. To the extent Trailblazer is unable to transport Unauthorized Overrun Gas without jeopardizing the safety of Trailblazer'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 Trailblazer, Trailblazer shall have the right to vent, without incurring any liability to Shipper, or any third party, such Unauthorized Overrun Gas as it is unable to transport. However, Trailblazer shall use its best efforts to avoid or minimize such venting.

3.8 OTHER TRANSPORTERS

Trailblazer's application of the priorities hereunder shall be subject to the actions of other transporters delivering or receiving gas on behalf of Shippers.

3.9 DELINQUENCY IN PAYMENT

- (a) Irrespective of any otherwise applicable priority, Trailblazer may suspend service to any Shipper which is delinquent in payments under any Agreement, subject to the following conditions:
 - (1) Trailblazer shall give Shipper written notice of the delinquency and of Trailblazer's intent to suspend service if the deficiency is not cured. If the delinquency is not remedied within fifteen (15) days of such notice, Trailblazer may suspend service. Trailblazer shall simultaneously provide written notice to the Commission of any such suspension; and
 - (2) If a Shipper which has been deficient in payment hereunder is again deficient in payment within six (6) months after the prior deficiency, then Trailblazer may suspend service to such Shipper within five (5) Business Days after providing notice hereunder unless Shipper remedies the deficiency within that time period.
- (b) In addition to or in lieu of suspension, Trailblazer may terminate service if the Shipper fails to remedy a delinquency in payment. Any such termination requires thirty (30) days' prior notice to Shipper and to the Commission. Such notice may be given simultaneously with the notice under Section 3.9(a)(1) of these General Terms and Conditions or with the notice under Section 3.9(a)(2) of these General Terms and Conditions. To avoid termination, the Shipper must remedy the deficiency within this notice period. Trailblazer shall concurrently notify the Commission of any actual termination of service under this provision.
- (c) Trailblazer may not assess reservation charges to a Shipper for suspended service and a Shipper may not release or recall firm capacity which is subject to suspension.
- (d) In the event of a good faith billing dispute, withholding of payment for the amount in dispute by Shipper shall not be considered a delinquency in payment, consistent with Section 13 of these General Terms and Conditions.
- (e) Trailblazer may not take any action under this Section 3.9 which conflicts with any order of the U.S. Bankruptcy Court.

3.10 DETERIORATION OF CREDIT

- (a) (1) If at any time Trailblazer reasonably determines based on adequate information available to it that a Shipper is not creditworthy under Section 14.1(a) of these General Terms and Conditions or if Shipper fails to maintain assurance of future performance under Section 14.1(b) of these General Terms and Conditions, Trailblazer may

notify such Shipper in writing (which writing shall set out the basis for Trailblazer's decision) that it has five (5) Business Days to provide Trailblazer with security consistent with Section 14.1(b) of these General Terms and Conditions which is adequate to cover all charges for one month's advance service. 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 14.1(b) of these General Terms and Conditions. If the Shipper has not satisfied the requirements in either of prior two (2) sentences by the end of the specified prior notice period, Trailblazer may immediately suspend service to Shipper. Trailblazer may terminate service once it has complied with the procedures in Section 3.10(d) of these General Terms and Conditions, including the requisite prior notice.

- (2) If Trailblazer 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 14.1(a) 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 Trailblazer determines that the Shipper is not creditworthy based on such information, Section 3.10(a)(1) of these General Terms and Conditions shall apply for suspension of service and Section 3.10(d) of these General Terms and Conditions shall apply for termination of service.
- (b) Any suspension of service hereunder may continue until Trailblazer is reasonably satisfied that Shipper is creditworthy under Section 14.1(a) of these General Terms and Conditions, until Shipper has provided adequate assurance of future performance under Section 14.1(b) of these General Terms and Conditions or until Trailblazer terminates services under Section 3.10(d) of these General Terms and Conditions.
- (c) At any time after a Shipper is determined to be non creditworthy by Trailblazer, the Shipper may initiate a creditworthiness re-evaluation by Trailblazer. Such reevaluation shall be performed consistent with Section 14.1(a) of these General Terms and Conditions. As part of the Shipper's re-evaluation request, the Shipper must either update or confirm in writing the prior information provided to Trailblazer related to the Shipper's creditworthiness. Such update should include any event(s) that the Shipper believes could lead to a material change in the Shipper's creditworthiness. After Trailblazer's receipt of a Shipper's request for re-evaluation, including all required information specified above, within five (5) Business Days,

Trailblazer shall provide a written response to the Shipper's request. Such written response should include either a determination of creditworthiness status, clearly stating the reason(s) for Trailblazer'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 Trailblazer determines that Shipper is now creditworthy, any security required under Section 14.1(b) of these General Terms and Conditions shall be terminated and any prepayment amounts (including any applicable interest) released to Shipper from escrow within five (5) Business Days after such determination.

- (d) In addition to or in lieu of suspension, Trailblazer may terminate service if the Shipper fails to provide adequate assurance of future performance consistent with Section 14.1(b) 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 in Section 3.10(a)(1) of these General Terms and Conditions. To avoid termination, the Shipper must satisfy Section 14.1(b) of these General Terms and Conditions within this notice period.
- (e) Trailblazer may not assess reservation charges to a Shipper for suspended service and a Shipper may not release or recall firm capacity which is subject to suspension.
- (f) In addition to any prior notice provided for above, Trailblazer shall simultaneously notify the Commission in writing of any suspension or termination of service under this Section 3.10.
- (g) Trailblazer may not take any action under this Section 3.10 which conflicts with any order of the U.S. Bankruptcy Court.

4. RECEIPT POINTS

4.1 FACILITIES AT RECEIPT POINTS

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

4.2 OBLIGATION

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

4.3 LOCATION

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

5. DELIVERY OF GAS FOR THE ACCOUNT OF SHIPPER**5.1 DELIVERY VOLUMES**

Commencing on the date of first acceptance by Transporter of natural gas delivered by or on behalf of Shipper at the Receipt Point(s) pursuant to an Agreement, and continuing thereafter during the term of that Agreement, Transporter shall deliver Equivalent Volumes, or cause Equivalent Volumes to be delivered 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. In determining Equivalent Volumes, Transporter shall retain gas in kind for Fuel Reimbursement, based on the method set out in Section 38 of the General Terms and Conditions of this Tariff.

5.2 DELIVERY FACILITIES

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

5.3 OBLIGATIONS

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

5.4 LOCATION

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

6. NEW FACILITIES CHARGE

- 6.1 When new and/or expanded facilities are required to accommodate receipt and/or delivery of gas under a request for new service, and Transporter determines that installation of such facilities will not impair service to any Existing Shipper or threaten the integrity of Transporter's System, Transporter will construct such facilities but Transporter shall require Shipper to pay all construction costs, including any filing fees and a reimbursement amount to compensate for federal income tax effects associated with such facilities, except that Transporter will pay the cost of such facilities when the criteria set forth below are satisfied.
- 6.2 (a) Transporter will pay the cost of the modification or construction of facilities required at Receipt or Delivery Point(s) to effectuate the receipt or delivery of natural gas hereunder when the construction or modification of such facilities is economically beneficial to Transporter.
- (b) (1) For the purposes of determining whether a gas supply project is economically beneficial to Transporter, Transporter will evaluate each prospective project based upon the amount of the reserves and deliverability characteristic of the gas supply to be attached. Facility additions at Receipt Points shall be evaluated based upon the incremental cost of service of the facilities to be constructed by Transporter, and the incremental revenues which Transporter estimates will be generated as a result of constructing and/or modifying such facilities.
- (2) For the purposes of determining whether a project to deliver gas is economically beneficial to Transporter, Transporter will evaluate each prospective project based upon the incremental cost of service of the facilities to be constructed by Transporter, and the incremental revenues which Transporter estimates will be generated as a result of constructing and/or modifying such facilities.
- (3) In estimating the incremental revenues to be generated, Transporter will base those revenues upon transportation rates it expects to be able to charge, exclusive of any surcharges, such as an ACA charge, and the projected incremental volumes which will result from the project. Transporter will consider volumes to be incremental if the volumes which will be transported would not otherwise flow through Transporter's System.
- (4) Based on the above listed criteria, the economic value of a project shall be determined using the discounted cash flow rate of return methodology with the minimum acceptable rate of return to be published from time to time on Transporter's Interactive Website.

When the present value of the incremental revenues from the project is greater than the present value of the incremental cost of service, Transporter will pay for the cost of the contemplated facilities. When the present value of the incremental revenues from the project is less than the present value of the incremental cost of service, Shipper shall pay for the cost of the contemplated facilities.

- 6.3 Any Contribution in Aid of Construction (CIAC) pursuant to this Section 6 shall be increased by an amount (Tax Reimbursement) to compensate for the corporate income tax effects thereof, according to the following formula:

$$\text{Tax Reimbursement} = [\text{Tax Rate} \times (\text{CIAC} - \text{Present Value of Tax Depreciation})] \times [1 + \{\text{Tax Rate}/(1 - \text{Tax Rate})\}]$$

- 6.4 When Transporter has previously paid for Receipt or Delivery Point facilities under this facilities reimbursement policy, Shipper shall, nevertheless, promptly pay Transporter for Transporter's net book value of such facilities when either of the following events occurs: (a) when Transporter's ability to fully recover such costs is denied in any Section 4 or Section 5 rate proceeding; or (b) when Shipper ceases operations at the facilities.

7. NOMINATION/REPORTING AND BALANCING**7.1 GENERAL**

- (a) Trailblazer provides personnel available to handle nominations seven (7) days a week, twenty-four (24) hours a day. Whenever Shipper desires service, Shipper shall furnish to Trailblazer a separate nomination for each nominated Receipt and Delivery Point under each Agreement with a beginning and end date, or beginning hour, if applicable, for flow which can be for any duration within the term of the applicable Agreement; provided, however, any such subsequent nomination shall not be binding to the extent Shipper submits subsequent nomination(s). All nominations should be considered original nominations and should be replaced to be 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-Intra-day Nominations, a rollover option is available such that a Shipper shall have the ability to nominate for several days, months, or years, provided the nomination begin and end dates are within the term of the Shipper's contract. All nominations should be based on a daily quantity and all volumes shall be expressed in Dth per day and shall be stated for each Receipt and Delivery Point.
- (c) If an upstream or downstream party requires additional information, if the volumes transported are subject to a discounted rate, or if additional information is otherwise required by Trailblazer, then, upon notification by Trailblazer, Shipper must include in each nomination such additional information as is specified by Trailblazer. Nominations must be submitted to Trailblazer through Trailblazer's Interactive Website, or such other electronic means as are mutually agreed upon by Trailblazer and Shipper. The sending party should adhere to nomination, confirmation and scheduling deadlines. The receiving party may waive any submittal deadline in this Section 7.
- (d) The standard quantity for nominations, confirmation and scheduling is dekatherms per gas day in the United States, gigajoules per gas day in Canada and gigacalories per gas day in Mexico. (For reference, 1 dekatherm = 1,000,000 Btus; 1 gigajoule = 1,000,000,000 joules; and 1 gigacalorie = 1,000,000,000 calories.) For commercial purposes, the standard conversion factor between dekatherms and gigajoules is 1.055056 gigajoules per dekatherm and between dekatherms and gigacalories is 0.251996 gigacalories per dekatherm. The standard Btu is the International

Btu, which is also called the Btu (IT); the standard joule is the joule specified in the SI system of units. The International Btu is specified for use in the gas measurement standards of the American Gas Association, the American Petroleum Institute, the Gas Processors Association and the American Society for Testing Materials. For non-commercial purposes, these associations note that the exact conversion factor is 1.05505585262 Gigajoules per Dekatherm.

7.2 NOMINATION CYCLES

Trailblazer supports the following nomination cycles:

- (a) The Timely Nomination Cycle: 11:30 a.m. for nominations leaving control of the nomination party; 11:45 a.m. for receipt of nominations by Trailblazer; noon to send Quick Response; 3:30 p.m. for receipt of completed confirmations by Trailblazer from upstream and downstream connected parties; 4:30 p.m. for receipt of scheduled quantities by shipper and point operator (central clock time on the day prior to flow).
- (b) The Evening Nomination Cycle: 6:00 p.m. for nominations leaving control of the nominating party; 6:15 p.m. for receipt of nominations by Trailblazer; 6:30 p.m. to send Quick Response; 9:00 p.m. for receipt of completed confirmations by Trailblazer from upstream and downstream connected parties; 10:00 p.m. for Trailblazer to provide scheduled quantities to affected shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (central clock time on the day prior to flow).

Scheduled quantities resulting from an Evening Nomination that does not cause another Service Requester on Trailblazer to receive notice that it is being bumped should be effective at 9:00 a.m. on the gas Day; and when an Evening Nomination causes another Service Requester on Trailblazer to receive notice that it is being bumped, the scheduled quantities should be effective at 9:00 a.m. on the gas Day.

- (c) The Intra-day 1 Nomination Cycle: 10:00 a.m. for nominations leaving control of the nominating party; 10:15 a.m. for receipt of nominations by Trailblazer; 10:30 a.m. to send Quick Response; 1:00 p.m. for receipt of completed confirmations by Trailblazer from upstream and downstream connected parties; 2:00 p.m. for Trailblazer to provide scheduled quantities to affected shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (central clock time on the gas Day). Scheduled quantities resulting from Intra-day 1 Nominations should be effective at 5:00 p.m. on the gas Day.

- (d) The Intra-day 2 Nomination Cycle: 5:00 p.m. for nominations leaving control of the nominating party; 5:15 p.m. for receipt of nominations by Trailblazer; 5:30 p.m. to send Quick Response; 8:00 p.m. for receipt of completed confirmations by Trailblazer from upstream and downstream connected parties; 9:00 p.m. for Trailblazer to provide scheduled quantities to affected shippers and point operators (central clock time on the gas Day). Scheduled quantities resulting from Intra-day 2 Nominations should be effective at 9:00 p.m. on the gas Day. Bumping is not allowed during the Intra-day 2 Nomination Cycle.
- (e) For purposes of Section 7.2 (b), (c), and (d), "provide" shall mean, for transmittals pursuant to standards 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.
- (f) The rights of a Releasing Shipper to recall capacity within any nomination cycle shall be governed by Section 16.14 of these General Terms and Conditions.
- (g) A Shipper which has been awarded firm capacity in a capacity release may submit a nomination using such capacity at the next available opportunity for nominations under this Section 7.2 which occurs on or after the time capacity is awarded, including an intraday nomination in either the Intra-day 1 or the Intra-day 2 Nomination Cycle, and which is consistent with Section 16.9(d) of these General Terms and Conditions.
- (h) Out-of-cycle ("OOC") (non-NAESB) nominations for FTB Shippers will only be accepted after the deadline for Evening Cycle nominations for the applicable Gas Day.

7.3 TIMELY NOMINATIONS

- (a) Timely nominations are nominations submitted consistent with the standard nomination cycle set out in Section 7.2(a).
- (b) Nominations received after the timely nomination deadline will be scheduled after the nominations received by that deadline.

7.4 REQUIRED NOMINATION CHANGES

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

7.5 CONFIRMATION BY TRAILBLAZER

- (a) Nominations made in accordance with Sections 7.2, 7.3, 7.4, and 7.6 hereof shall not become effective until Trailblazer has confirmed the nominated receipts and deliveries with upstream and downstream parties, subject to Section 7.5(c). Shipper shall designate the appropriate person(s) who has the authority to resolve allocation issues, if requested by Trailblazer and, if requested by Trailblazer, the appropriate person(s) to confirm nominations. Confirmations must be submitted to Trailblazer through its Interactive Website, or such other electronic means as are mutually agreed upon by Trailblazer and Shipper.
- (b) Subject to Section 7.2 and the other provisions of this Tariff, Trailblazer shall provide Shippers and point operators via its 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:
 - (i) 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 previously scheduled quantity will be the new confirmed quantity.
 - (ii) With respect to the processing of requests for increases during the intra-day 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 previously scheduled quantity will be the new confirmed quantity.
 - (iii) With respect to the processing of requests for decreases during the intra-day 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 intra-day nomination being

confirmed, based upon a cumulative uniform hourly quantity for each nomination period affected.

- (iv) With respect to Section 7.5 (c) (i), (ii), and (iii), 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:
 - (1) the Service Requester's Transportation Service Provider did not conduct the confirmation;
 - (2) the Service Requester is told by its Transportation Service Provider that the upstream confirming party did not conduct the confirmation;
 - (3) the Service Requester is told by its Transportation Service Provider that the upstream Service Requester did not have the gas or submit the nomination;
 - (4) the Service Requester is told by its Transportation Service Provider that the downstream confirming party did not conduct the confirmation;
 - (5) 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 will be imparted to the Service Requester on the Scheduled Quantity document.

7.6 INTRA-DAY NOMINATIONS

- (a) An intra-day nomination is a nomination submitted after the Timely Nomination Cycle, defined at Section 7.2(a), whose effective time is no earlier than the beginning of the gas Day and which runs through the end of that Day.
- (b) Trailblazer supports the nomination cycles set forth at Section 7.2 during non-Critical Times. During Critical Times, valid intra-day nominations may be submitted at any time.
- (c) Trailblazer will provide notification of bumped volumes through the Scheduled Quantity document, as posted on Trailblazer's Interactive Website, telephone or telefax consistent with Sections 15 and 24 of the General Terms and Conditions of this Tariff and through Electronic Notice Delivery consistent with GISB

Standards as adopted in Section 34 of these General Terms and Conditions. During non-Critical Times, Trailblazer will waive daily penalties applicable to bumped volumes on the day of the bump. Trailblazer will also waive penalties if it fails to provide appropriate notice of the bump.

- (d) For services that provide for intra-day nominations and scheduling, there is no limitation as to the number of intra-day nominations (line items as per GISB Standard 1.2.1) which a service requester may submit at any one standard nomination cycle or in total across all standard nomination cycles.
- (e) Revised predetermined allocations (described in Section 9 hereof) may need to be submitted in conjunction with the Intra-day Nomination in order to properly allocate the gas received at the nominated Receipt Point.
- (f) Unless Trailblazer agrees to the contrary, the revised nomination under an Intra-day Nomination may be limited by Section 7.5(c). Trailblazer and the interconnecting party will agree on the hourly flows of the Intra-day Nomination.
- (g) An Intra-day Nomination is only effective for a single day. There is no need to re-nominate if the Intra-day Nomination is intended to modify the existing nomination. The Shipper should submit a new timely nomination if the Shipper wants to replace the previously submitted standing nomination or commence service for the next gas Day.
- (h) Intra-day Nominations can be used to request increases or decreases in total flow, changes to Receipt Points, or changes to Delivery Points of scheduled gas.

7.7 END-OF-GAS-DAY SCHEDULED QUANTITY DOCUMENT

At the end of each gas day, Transportation Service Provider will provide the final scheduled quantities for the just completed gas day. With respect to the implementation of this process via the 1.4.x scheduled quantity related standards, Transportation Service Provider will send an end of gas day Scheduled Quantity document. Receivers of the end of gas day Scheduled Quantity document can waive the sender's sending of the end of gas day Scheduled Quantity document.

7.8 OVERRUN QUANTITIES

Shippers submitting nominations via Trailblazer's Interactive Website or EDI for transportation of overrun volumes (volumes in excess of the applicable point or Agreement MDQ) may either include such overrun volumes in their nominations for volumes within MDQ, or may submit separate nominations for such overrun volumes. If the Shipper elects to submit a separate nomination, the Shipper should mark that nomination as being for overrun volumes.

7.9 DELEGATION

A Shipper may delegate to any third party responsibility for submitting and receiving notices or nominations or performing other administrative duties under any Agreement, and an entity which controls a point of interconnection with Trailblazer may delegate to any third party responsibility for administering agreements regarding allocation of gas volumes 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 Trailblazer may reject any such limited designation if the limitations specified in the designation would result in an undue administrative burden.
- (c) Trailblazer may rely on communications from the designated representative of a Shipper or interconnecting entity for all purposes except to the extent the designation is explicitly limited as specified in the preceding Section 7.9(b). Communications by Trailblazer to such designated representative shall be deemed notice to Shipper or interconnecting entity except to the extent the representative's authority is explicitly limited with respect to the receipt of notice under the procedure set out in said Section 7.9(b).
- (d) Any third party may administer multiple transportation Agreements as the designated representative for one or more Shippers and/or interconnecting entities. However, such representative shall separately administer and account for each such Agreement.

7.10 TRANSFER NOMINATIONS

- (a) Whenever gas is purchased at a Receipt Point (including a pooling point) on Trailblazer's System by an entity that is not going to nominate that gas for receipt by Trailblazer under a transportation Agreement, that entity must submit a transfer nomination to Trailblazer through Trailblazer's Interactive Website (or EDI), identifying the quantities (in Dth) and the entities from whom the gas is being bought and the entities to whom the gas is being sold. Such transfer nominations are needed in order to be able to confirm the nominated receipts at that point and thus such transfer nominations are due by the deadlines applicable to Shipper nominations, subject to Section 7.2. In addition to the transfer nomination, the purchasing entity should submit a predetermined allocation in accordance with Section 9 of these General Terms and Conditions if there is more than one buyer of the purchasing entity's gas.

- (b) A third party may provide title tracking services on Trailblazer's system as follows:
 - (1) The entity seeking to provide such a service (Third Party Account Administrator) shall so notify Trailblazer in writing, in which event Trailblazer shall establish an identification number for nominations involving the Third Party Account Administrator.
 - (2) Transfer nominations consistent with this Section 7.10 must be made by the Shipper tendering gas for delivery to the Third Party Account Administrator, where subsequent title to such gas is to be tracked by the Third Party Account Administrator; and
 - (3) The Third Party Account Administrator shall maintain records of any title transfers after delivery of gas to it and shall submit a nomination consistent with this Section 7.10 for delivery of gas to the last party in the chain of title, which party shall also submit a nomination for receipt of the gas consistent with this Section 7.10.

7.11 NOMINATION PRIORITIES

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

7.12 OPERATIONAL BALANCING

Trailblazer agrees that, if requested by a Shipper, it will negotiate with an entity that operates the facilities interconnecting with Trailblazer at a Receipt Point (Balance Operator) in a good faith effort to reach an agreement to deal with imbalances at the Receipt Points specified (which would be a form of a Predetermined Allocation), subject to the following conditions:

- (a) Such agreement must set out a mutually agreeable procedure for dealing, as between Trailblazer and Balance Operator, with any difference between confirmed nominations and actual physical gas flow caused by operational conditions, so that any such discrepancy does not affect any Shipper;

- (b) The Balance Operator must meet the same creditworthiness standards as Shipper; and
- (c) Trailblazer and Balance Operator must not have previously entered into such agreement which was terminated because of Balance Operator's failure to perform. Nothing herein is intended to restrict Trailblazer's rights to terminate in accordance with its terms any agreement entered into hereunder, including without limitation the right to terminate for Balance Operator's failure to perform consistent with its obligations under the agreement.

7.13 SEGMENTATION OF CAPACITY

- (a) Commencing on December 1, 2003, a Shipper may segment the primary path of its own firm capacity to the extent operationally feasible through the nomination process under this Section 7.13. In addition, any Shipper may segment the primary path of its firm capacity on release of that capacity to the extent operationally feasible, by following the procedures set out in Section 16 of these General Terms and Conditions.
- (b) For the purposes of this Section 7.13 and subject to the other provisions hereof, a primary path segmentation of firm capacity (whether of Shipper's own capacity or on release) shall be deemed operationally feasible unless: (i) the segmentation would result in an increase in firm contractual obligation by Trailblazer on any segment or portion of its system; or (ii) the segmentation would result in a forward-haul in a direction opposite to the primary path of the Agreement being segmented, as further set out in (e) below [backhauls are also addressed in (e) below].
- (c) In the event a firm capacity path is segmented under this Section 7.13, each segment shall have access to all secondary points on Trailblazer's system, so long as Trailblazer's system is not zoned. Any point which is outside the segmentation path defined by the point(s) of segmentation within the original primary path of the underlying Agreement shall be treated as out-of-path secondary in relation to nominations for that segment. If the points nominated on an out-of-path secondary basis for any segment fall within another nominated segment of the original contract path, thereby creating an overlap, the following rules apply: (i) if the holder(s) of the primary path rights in the area of overlap has submitted (and Trailblazer has confirmed) nominations at or above the original contract MDQ, then any confirmed nomination on behalf of another segment in the area of overlap will be authorized overrun; and (ii) if the holder(s) of the primary path rights in the area of overlap has submitted (and Trailblazer has confirmed) nominations which are less than the original contract MDQ, then any confirmed nomination on behalf of another segment in the area of overlap will be authorized overrun only to the extent such nomination either increases the total confirmed nominations in the area of overlap above the

original contract MDQ or represents an overrun of the MDQ for the nominating segment.

- (d) The segment furthest upstream in relation to direction of flow for the primary path under the Agreement being segmented shall have the pooling point.
- (e) The direction of flow for path segments must be the same direction of flow as for the original path unless the releasing Shipper designates otherwise with Trailblazer's agreement or unless such a change in direction of flow is consistent with the Agreement. Trailblazer will respond to any segmentation or segmented release request which would entail a change in direction of flow under the contract within no more than two (2) Business Days. Trailblazer will agree to such a change in flow direction whenever it is operationally feasible, subject to determination of the applicable rate. A Shipper may segment a backhaul, but such segmentation shall be subject to review by Trailblazer on a case-by-case basis as to whether a backhaul on each resulting segment is operationally feasible. The Shipper (or Replacement Shipper in the case of a release) may nominate service at Receipt and Delivery Points for the path segment that results in a reverse flow from the original path; however, a forward haul will be treated as being outside of the path if the original path is a backhaul. Subject to the availability of point capacity and to ordinary nomination procedures, deliveries may be made at the same point for a forward haul on the upstream segment and a backhaul of the downstream segment. The forward haul will have priority at the point if the point capacity is not adequate.
- (f) Subject to the availability of firm point capacity and to the remainder of this subSection (f) and provided that the resulting segments do not overlap, the Releasing and Replacement Shipper involved in a segmented release may choose primary Receipt Points equal to their respective contract MDQs after the release and primary Delivery Points equal to their respective contract MDQs after the release; provided, however, that any additional segment capacity required shall be subject to the availability of such capacity on a firm basis and to Trailblazer's generally applicable capacity award procedures and that the award of any such capacity shall be limited to the term of the release. Additional primary points may not be designated if a Shipper is releasing to itself. Where a Replacement Shipper selects primary points which are outside the primary path under the Releasing Shipper's contract (and thus creates a new primary path at least partially outside the original primary path), any recall by the Releasing Shipper will be of capacity which contains the changed primary points, not the Releasing Shipper's original primary points; provided that a Releasing Shipper specifying recall rights in a release may include a provision in the release which precludes selection of any primary point by the Replacement Shipper which is outside the original primary path absent the Releasing Shipper's consent. Where the choice of a primary point entails a change to an existing primary point or the MDQ at that existing primary point under the original Agreement (so that the change

would result in a loss of MDQ at that primary point under the original contract), then subject to the availability of firm capacity at the new point(s) and subject to any generally applicable point change procedures of Trailblazer, a Shipper, a Replacement Shipper or a Subreplacement Shipper may change the primary Receipt or Delivery Points listed in the original Agreement to new point(s) if the original Shipper agrees to amend the original Agreement to change the primary Receipt and Delivery Point accordingly; provided, however, that consent of the original Shipper shall not be required in the case of a permanent release by that original Shipper of its firm capacity. Trailblazer shall not be obligated to reserve firm capacity to reinstate the former primary points upon expiration of the segmentation or the capacity release unless Trailblazer allows the Replacement Shipper or Subreplacement Shipper to change the point without the Releasing Shipper having agreed to the point change, in which latter case Trailblazer shall reinstate the primary point for the Releasing Shipper.

- (g) In the event that, notwithstanding Section 7.13, Trailblazer receives nominations as a result of segmentation which, if accepted, would result in an increase in its firm contractual obligation on any portion or segment of its system, any such increase resulting from segmentation of capacity shall be allocated among the segmenting Shippers submitting nominations which create such an increase, pro rata to their nominations, and the increase so allocated shall be treated as a request for authorized overrun.
- (h) The overrun provision of this Tariff shall apply to each segment and the associated secondary point rights.

7.14 RESERVATION CHARGE CREDITS

- (a) Trailblazer shall have the right, without liability to Shipper, to interrupt or curtail the transportation of Gas for Shipper for reasons of force majeure; or when necessary, to test, alter, modify, enlarge or repair any facility or property comprising a part of, or appurtenant to, Trailblazer's pipeline System, or otherwise related to the operation or maintenance thereof. Trailblazer shall endeavor to cause a minimum of inconvenience to Shipper because of such interruptions.
- (b) As used in this Section 7.14, Firm Daily Quantity shall mean the quantity of Gas nominated for firm service by Shipper that Trailblazer is obligated to schedule for delivery on a firm basis for Shipper at Primary Delivery Point(s) under a firm contract on a Day.
- (c) Except as provided in Section 7.14(d) below, in the event Trailblazer fails to confirm Nominations on any Day under any firm contract, then the applicable Reservation Charges shall be credited for the

quantity of Gas nominated but not scheduled for delivery by Trailblazer at Primary Delivery Points within the Shipper's Firm Daily Quantity under the contract; provided, however, that these charges shall not be credited to the extent Shipper uses secondary point service.

- (d) Trailblazer shall not be obligated to adjust the Reservation Charge under any contract pursuant to this Section 7.14, when Trailblazer's failure to confirm Nominations on any Day equal to the Firm Daily Quantity:
 - (1) is the result of the conduct of Shipper or the upstream or downstream operator of the facilities at the Receipt or Delivery Point respectively; or
 - (2) occurs either (a) within ten (10) Days following a force majeure event as contemplated by Section 22.1 of these General Terms and Conditions, or (b) prior to the date Trailblazer has or should have, in the exercise of due diligence, overcome the force majeure event, whichever occurs first.
- (e) Any adjustment shall be credited against transportation charges for a future Month or refunded if the contract has terminated. In no event shall such credit be provided to Shippers later than ninety (90) Days after the Month in which the credit was earned. Nothing in this Section should be interpreted to insulate Trailblazer from liability for direct damages resulting from its own negligence or malfeasance.

8. POOLING POINT**8.1 GENERAL**

A paper pooling point has been designated on Transporter's System. This point is not a physical point on the System, but is used solely for nomination and transportation rate determination purposes. Subject to the remainder of this Section, any number of FTS or ITS Agreements may be utilized to deliver gas to or from a pooling point. Shippers will be able to nominate gas volumes from one or more Receipt Points for delivery to a pooling point in order to aggregate supplies as long as such gas volumes are nominated for simultaneous receipt and further transportation and delivery by Transporter under Agreement(s).

8.2 INCLUSION IN AGREEMENTS

Agreements under Rate Schedules FTS and ITS automatically have the pooling point as both Receipt and Delivery Points with point MDQs equal to the contract MDQ. The pooling point shall be a secondary point for FTS Agreements unless included in the Agreement as a primary point.

8.3 PRIORITY DATE

For transportation Agreements pursuant to a valid request received on or before December 1, 1993, the pooling point is deemed to have been requested as of that date. For all other Agreements, the applicable pooling point or increases to the MDQs of the pooling point is deemed requested as of the date a valid request was received for the Agreement or for the amendment (in the case of a firm transportation Agreement) which results in an increase in the MDQ of the pooling point.

8.4 USE OF POINTS

Nominations to and from the pooling point will be subject to the same nomination and confirmation procedures as all other receipts and deliveries. All volumes nominated for transportation to a pooling point on any day must be matched with nominations of those volumes for transportation from the pooling point on the same day. No imbalances will be permitted at the pooling point. Section 3 of these General Terms and Conditions sets out the order of priority for scheduling nominations to and from the pooling point.

8.5 CHARGES

There will be no transportation commodity charges or, Fuel Reimbursement Percentage applicable to transportation of gas from a pooling point. The applicable

transportation commodity charges and Fuel Reimbursement Percentage will be charged under the Agreement used to transport the gas to the pooling point.

8.6 MARKET CENTERS

The pooling point is intended to facilitate aggregation of supplies and the development of market centers. Nothing in this Tariff is intended to inhibit the development of market centers.

9. DETERMINATION OF DAILY RECEIPTS

- 9.1 To the extent feasible, all volumes received by Transporter at a Receipt Point shall be allocated in accordance with the confirmed nominations for that point. In the event the actual volumes received by Transporter do not equal the confirmed nominations for that point, any underage or overage will be allocated as follows:
- (a) First, in accordance with the effective predetermined allocations (PDAs) submitted by those entities (Allocators) owning or controlling the gas being delivered to Transporter. An operational balancing agreement (OBA) is one type of a PDA. Shipper agrees that such an allocation is binding on Shipper.
 - (b) Then, if there is no effective PDA, pro rata to the extent applicable based on confirmed nominations or transfer nominations, as applicable. Shipper agrees that such an allocation is binding on Shipper.
- 9.2 The upstream or downstream party providing the point confirmation should submit the PDA to the allocating party after or during confirmation and before the start of the gas Day, except that no other PDAs need be submitted if an OBA is in effect at a point. Unless otherwise agreed, all PDAs must be submitted to Transporter through its Interactive Website or through EDI before the start of the gas Day the PDA is to be effective. Such PDA shall specify how any underage or overage from the confirmed nominated volumes should be allocated among the entities listed on the PDA. Transporter shall acknowledge receipt and acceptance of the PDA through its Interactive Website or EDI if received through its Interactive Website or via EDI if received via EDI. Such notification of acknowledgment and acceptance will be within fifteen (15) minutes of receipt via its Interactive Website if received via Transporter's Interactive Website or via EDI if received via EDI. Transporter's acceptance is contingent on Transporter being able to administer the allocation submitted by the Allocator. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentages, swing and operator provided value. Other examples of allocation methods which can be used are matching of supply sources with specified customers and combinations of methodology types. Different methods may be submitted for overages or underages. If the parties cannot agree, Section 9.1(b) shall apply.
- 9.3 A PDA will be effective as of the date specified thereon (which may not be earlier than the date on which the PDA is submitted to Transporter unless otherwise agreed) and will continue in effect through the end of the calendar month unless the Allocator submits a new PDA that is accepted by Transporter. PDAs may be submitted to Transporter on any business day or days during the month and should be submitted if necessary to reflect any changes in the Shippers or the allocation method at the point.

- 9.4 Allocators who should submit PDAs include the operator of the upstream facilities, the shippers or producers/owners of the gas being delivered by the upstream entity, buyers of the gas who are in turn selling the gas at that point, and Shippers who are using more than one transportation Agreement at that point.
- 9.5 After the end of each month, Transporter shall provide each Allocator who submits effective PDA(s) with a monthly allocation statement showing the volumes allocated in accordance with such PDA(s).
- 9.6 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.

10. DETERMINATION OF DELIVERIES**10.1 PREDETERMINED ALLOCATIONS**

In accounting for the volumes delivered by Transporter, in circumstances where multiple services are provided at any Delivery Point, the sequence of volumes delivered shall be determined by a predetermined allocation agreement between Transporter and the operator of the facilities immediately downstream of the point at which Transporter delivers gas. The upstream or downstream party providing the point confirmation should submit the PDA to the allocating party after or during confirmation and before the start of the gas Day. In the absence of such an agreement, Sections 10.2 and 10.3 shall control. Any new or proposed change to the methodology should be sent to Transporter before the start of the gas Day on which the methodology is to be effective. Transporter shall confirm receipt of the methodology within fifteen (15) minutes via its Interactive Website if received via its Interactive Website or via EDI if received via EDI. Transporter's acceptance is contingent on Transporter being able to administer the allocation submitted by the Allocator. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentages, swing and operator provided value. Other examples of allocation methods that can be used are combinations of methodology types. Different methods may be submitted for overages and underages.

10.2 DELIVERY SEQUENCE

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

- (a) Volumes scheduled under firm transportation Agreements consistent with confirmed nominations and within MDQ;
- (b) Volumes scheduled under interruptible transportation Agreements consistent with confirmed nominations and within MDQ;
- (c) Authorized Overrun Gas consistent with confirmed nominations;
- (d) Additional volumes shall be allocated pro rata based on confirmed nominations, but not to exceed the applicable MDQ, among ITS Agreements under which Shippers nominated that day; and
- (e) Any remaining volumes shall be allocated as Unauthorized Overrun Gas pro rata based on confirmed nominations among ITS Agreements under which Shippers nominated that day.

10.3 DEFICIENT VOLUMES

Any deficiency in takes from nominated or scheduled volumes shall, unless otherwise agreed, be identified to services by allocating volumes delivered in the sequence set out in Section 10.2. Volumes shall be allocated among Agreements within each class based on confirmed nominations.

11. SCHEDULING

Each Shipper has the obligation to ensure actual volumes delivered to Transporter at Receipt Points and actual volumes taken from Transporter at Delivery Points conform to the volumes nominated by the Shipper and confirmed by Transporter each day.

12. IMBALANCES**12.1 RESPONSIBILITY FOR BALANCING**

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

12.2 MONTHLY IMBALANCES, NETTING AND OFFSETTING

At the end of each calendar month, to the extent that a Shipper's Receipt Quantities (with the appropriate deductions for Fuel Reimbursement pursuant to Section 38 of the General Terms and Conditions of this Tariff) do not equal allocated deliveries under an Agreement on a per Dth basis, the following netting and offsetting procedures will apply:

- (a) Imbalances under a Shipper's different Agreements will then be netted together to obtain the Shipper's Total Monthly Imbalance. The Total Monthly Imbalance 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 of any Shipper which has notified Transporter that it has elected to have such information posted. Notification by the Shipper may be in writing or on Transporter's Interactive Website and shall be effective by 8:00 a.m. on the next Business Day (Central Clock Time) if the notification is received by 11:45 a.m. on a Business Day. Imbalance information authorized for posting through such notification shall be posted no later than the ninth Business Day of the month after the imbalance occurred. Shippers shall have the ability to post and trade imbalances, and imbalance information shall remain posted, until the seventeenth Business Day of the month after the imbalance occurred.
- (c) Transporter shall enable the imbalance trading process 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.

- (d) Imbalance trades can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. Imbalance trades are considered final when confirmed by the confirming trader and effectuated by Transporter.
- (e) After receipt of an Imbalance Trade Confirmation, Transporter shall send the Imbalance Trade Notification to the initiating trader and the confirming trader no later than noon (Central Clock Time) the next Business Day.
- (f) Shipper imbalances remaining after the imbalance netting and trading procedures set out in subsections (a)-(e) shall be cashed out as described in Section 12.3 of these General Terms and Conditions.

12.3 CASHOUT PROCEDURES

- (a) Any imbalance remaining will be cashed out on a tiered basis pursuant to the following schedule:

<u>IMBALANCE LEVEL</u>	<u>OVERAGE (Trailblazer pays Shipper)</u>	<u>UNDERAGE (Shipper pays Trailblazer)</u>
0% to 5%	100% x MIP	100% x MIP
Greater than 5% to 10%	90% x MIP	110% x MIP
Greater than 10% to 15%	80% x MIP	120% x MIP
Greater than 15% to 20%	70% x MIP	130% x MIP
Greater than 20%	60% x MIP	140% x MIP

- (b) Following any offsetting with other Shippers, a Shipper's remaining imbalance will be cashed out based on the percentage of that imbalance compared to the total receipts net of any applicable in-kind Fuel Reimbursement quantity for that Shipper during the month. For example, if the total receipts net of any applicable in-kind Fuel Reimbursement quantities were 1,000 Dth and the remaining underage imbalance after offsetting with other Shippers was 100 Dth, the total Imbalance Level would be 10%. The first 5% (50 Dth) would be cashed out at 100% of the MIP and the remaining 50 Dth would be cashed out at 110% of the MIP.
- (c) The Monthly Index Price (MIP) is based on prices as reported by Natural Gas Intelligence. Transporter shall use either the highest weekly price or the lowest weekly price determined for each Month as the MIP for all monthly Imbalances

subject to cashout hereunder, as described below. (1) For Gas owed Transporter, (negative Imbalances), the MIP shall be the highest of the weekly average prices for the Month in which the Imbalance occurred. (2) For Gas owed Shipper (positive Imbalances), the MIP shall be the lowest of the weekly prices 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; Spot Gas Prices" of the above publication (or the superseding reference if the publication titling is revised) at the following locations:

- (1) Northern Natural Demarc, Spot Delivered to Pipeline; and
- (2) Cheyenne Hub, Spot Delivered to Pipeline.

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) Following the ten (10) day period for offsetting imbalances, Shippers with remaining imbalances shall pay Transporter or will be credited with the appropriate cashout amounts.
- (e) In the event "Natural Gas Intelligence" ceases to publish entirely or fails to publish the index prices listed in subsection (c) above, the following procedures shall apply in determining a month's MIP:
 - (1) Should, in any given week, "Natural Gas Intelligence" fail to publish one of the two index prices used in determining that week's price for a location, the price will be determined using the remaining published index price.
 - (2) Should, in any given week, "Natural Gas Intelligence" fail to publish both of the index prices used in determining that week's price for a location, there will be no price for that week used in determining the month's MIP.
 - (3) Should, in a given month, there be less than two prices for a location available for the MIP calculation, the following alternate MIP procedures will apply: The MIP will be defined as the arithmetic average of:
 - (i) The closing price for the NYMEX natural gas futures contract applicable to the month in which the imbalance was created (i.e., the price at which that month's contract "went off the board"); and

- (ii) The individual daily closing prices for the following month ("spot month" or "near month") NYMEX natural gas contract during the month in which the imbalance was created, up to and including the day the "spot month" contract "goes off the board."

12.4 OPERATIONAL DATA VS. ACTUALS

In determining the cashout tier applicable under Section 12.3 above, Transporter will utilize the operational data posted on its Interactive Website as of the end of the month or the actual flow volumes, whichever results in a lower cashout tier.

12.5 PRIOR PERIOD ADJUSTMENTS

Any imbalances for a month that are booked after the transportation for that month has been billed will be cashed out at 100% of the MIP in effect during the month the imbalance occurred.

12.6 PURCHASE AND SALE OF GAS

Transporter is not providing a supply service under any Rate Schedule of this Tariff. Without limitation of the foregoing, Transporter may purchase and sell gas to the extent necessary to maintain System pressure, to implement the cash-out procedures under this Section 12 and to perform other System management or operational functions deemed necessary from time to time in connection with providing transportation services. The availability of Gas for sale or interest in purchasing Gas will be posted for bidding on Transporter's Interactive Website. If Transporter completes a purchase or sale of Gas, Transporter will post on its Interactive Website, to the extent feasible, not more than two (2) Business Days after the transaction is complete, the counterparty, the date of the purchase/sale, volume and the purchase/sale price. The information pertaining to a completed transaction shall remain on the Interactive Website for at least thirty (30) Days. Further, by April 1 of each Year, Transporter shall submit a report to the Commission stating the above information for each purchase/sale transaction occurring during the previous calendar Year. The annual report will also include information on the cost and revenue associated with the purchase/sale(s), an explanation as to the purpose of the purchase/sale(s), and all entities, including affiliates, from which Transporter purchased operational Gas. The point(s) of any such purchase or sale shall occur at any Receipt Points or Delivery Points on Transporter's System, or at points located with any off-System Capacity held by Transporter on other systems. Such purchase and sales shall be authorized pursuant to Transporter's blanket sales certificate and will be made on a non-discriminatory basis. Any purchaser of Gas will be required to arrange with Transporter for the necessary transportation from the point of sale. Nothing herein shall impose on Transporter any obligation to provide a supply function to any of its Shippers.

12.7 THIRD PARTY MANAGEMENT SERVICES

Third party providers may provide imbalance management services on behalf of Shippers on Transporter, subject to the following conditions being met:

- (a) The third party provider must obtain all requisite Commission approvals of the service (certification, approval of Tariffs, establishment of rates, etc.) prior to the commencement of service.
- (b) Contractual privity must be established between the third party providers and Transporter. The contractual arrangement must allow the third party service to be integrated into Transporter's operations.
 - (1) Transporter shall have the right to call on the third party for the service on short notice, within defined parameters, to effectuate necessary operational changes.
 - (2) Transporter must be given timely notice of the nature and level of the third party's service being provided on any day.
 - (3) The agreement between Transporter and the third party provider must define the operational changes the third party provider will effectuate which will offset the operational effects on Transporter of imbalances at points on the system covered by the third party service.
- (c) The physical facilities used by the third party to effectuate the service must include physical storage facilities and must be directly connected to Transporter's facilities and the storage facilities must be in close enough physical proximity to Transporter's system to support these operational effects, which may require almost instantaneous operational changes on Transporter. Bi-directional flow must be available at the Delivery and/or Receipt Points involved except where the Shipper's firm transportation contract path is a Backhaul and limited to delivery by displacement. The third party must have the ability to get gas onto or off of the pipeline system in order to truly provide a physical balancing service. The service cannot be a paper transaction or a simple Operational Balancing Agreement which puts the residual operational burden on Transporter.
- (d) The Agreement between Shipper and any third party must provide for acceptable compensation to Transporter in the event the third party fails to perform and Transporter must provide balancing service. Such compensation will be in addition to any penalties which may otherwise be applicable under any provision of the Tariff.

13. STATEMENTS, BILLING, PAYMENT AND DISCOUNTING POLICY**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 in this Section 13, "render" is defined as postmarked, time-stamped and delivered to the designated site. Invoices will be based on actuals (if available) or best available data. Quantities at points where OBAs exist will be invoiced based on scheduled quantities.

13.2 SHIPPER INFORMATION

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

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 which 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

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 sent to Shipper's designated site if sent by EDI, or three (3) days after the postmark date if sent by mail. The invoice number should be identified on all payments and the Shipper should submit supporting documentation identifying what is being paid. Transporter shall apply payment per such supporting documentation. If payment differs invoiced amount, remittance detail should be provided with the payment except when payment is made by electronic funds transfer, in which case the remittance detail is due within two (2) Business Days of the payment due date. Should Shipper fail to pay any undisputed portion of any bill as herein provided when such amount is due, interest on the unpaid portion of the bill shall accrue at the maximum allowable interest permitted under the Commission's Regulations. For any amount to be considered "disputed," Shipper must provide appropriate documentation supporting and identifying the basis for the dispute. If Shipper fails to make payment in accordance with this Section, Transporter may, in

addition to any other remedy it may have under this Tariff or under commercial law:
(a) suspend deliveries as provided in Section 3.9 of these General Terms and Conditions; and (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 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.
- (b) Prior period adjustment time limits should be six (6) months from the date of the initial transportation invoice and seven (7) months from date of initial sales invoice with a three (3) month rebuttal period, excluding government-required rate changes. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.
- (c) In no event will any changes be made after twenty-four (24) months from the date of statements, billings or payment, based on actualized volumes, unless the parties mutually agree.
- (d) Any error discovered as a result of a timely claim shall be corrected within thirty (30) days of the determination thereof. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

13.6 DISCOUNTING POLICY FOR RATES AND CHARGES

Transporter reserves the right to provide, by contract with any Shipper, for adjustment at any time of the rates for service to a level below the maximum rates applicable to such service, as stated in this Tariff, but no less than the minimum rates as applicable to such service, as stated in this Tariff. To the extent Transporter agrees to a discount of any reservation rates and reservation surcharges for firm transportation service, the discount will be apportioned first to the base reservation rate, and second, if the discount is greater than such base reservation rate, to any applicable reservation surcharge. To the extent Transporter agrees to discount any commodity rates and commodity surcharges for firm transportation service, the discount will be apportioned first to the base commodity rate, and second, if the discount is greater than such base commodity rate, to the commodity surcharge. To the extent Transporter agrees to a discount of any commodity rates and commodity surcharges for interruptible transportation service, the discount will be apportioned first to the base commodity rate, and second, if the discount is greater than such base commodity rate, to any

applicable commodity surcharge. Nothing herein will require Transporter to agree to any discount.

14. EVALUATION OF CREDIT

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

- (a) Acceptance of a Shipper's request for service and the continuation of service to a Shipper are contingent upon the Shipper satisfying creditworthiness requirements on an on-going basis. To determine creditworthiness, a credit appraisal shall be performed in accordance with the following criteria:

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.

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 agreement with Transporter, then the total potential fees and charges of all such service agreements shall be considered in determining creditworthiness.

As used in the prior paragraph, the term "tangible net worth" means the excess of assets over liabilities from an accounting standpoint, which is also known as "capital." For example, in the case of a corporation, tangible net worth is represented by the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts, if any. Transporter defines tangible net worth for a corporation as the sum of the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts less goodwill, patents, unamortized loan costs or restructuring costs, and other intangible assets. Only actual tangible assets are included in Transporter's assessment of creditworthiness. Tangible net worth is compared with the net present value of a Shipper's obligations to Transporter under its contracts in applying the 15% test in the prior paragraph.

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:

- (1) 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.
- (2) Consistent financial statement analysis will be applied by Transporter to determine the acceptability of the Shipper's current and future financial strength. The 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.
- (3) Results of bank and trade reference checks and credit reports must demonstrate that the Shipper is paying its obligations in a timely manner.
- (4) The 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.
- (5) Whether the Shipper is subject to any lawsuits or judgments outstanding which could materially impact its ability to remain solvent.
- (6) Whether the Shipper has or has had any delinquent balances outstanding for services provided previously by Transporter and whether the 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).
- (7) The nature of the Shipper's business and the effect on that business of general economic conditions and economic conditions specific to it, including the 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.

- (8) Any other information, including any information provided by the Shipper, that is relevant to the Shipper's current and future financial strength and the Shipper's ability to make full payment over the term of the contract.
- (9) 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) A 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.

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.

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 the Shipper and designate to whom the response should be sent. Transporter and the 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 the 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. The 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 the Shipper of all credit information provided pursuant hereunder, Transporter shall notify the Shipper's authorized representative(s) that it has received such information.

Transporter and the Shipper may mutually agree to waive this requirement. Shipper shall designate up to two representatives who are authorized to receive notices regarding the 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. The Shipper shall manage internal distribution of any creditworthiness notices that are received. Transporter shall designate, on its internet website or in written notices to the Shipper, the internet e-mail addresses of up to two representatives who are authorized to receive notices regarding the Shipper's creditworthiness. The 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 the Shipper and Transporter may mutually agree to other forms of communication in lieu of internet e-mail notifications.

- (b) If a Shipper fails to satisfy the credit criteria, such Shipper may still obtain or continue service hereunder if it elects one of the following options:
- (1) Payment in advance of all fees and charges for three (3) months' advance service;
 - (2) A standby irrevocable letter of credit covering all fees and charges for three (3) months' advance service drawn upon a bank acceptable to Transporter;
 - (3) 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
 - (4) Guarantee of all fees and charges for three (3) months' advance service by a person or another entity which does satisfy the credit appraisal.

Nothing herein shall be read to preclude Transporter from requiring, and enforcing for the term of the initial contracts, more than three (3) months of fees and charges for advance service as security in agreements supporting an application for a certificate to construct new or expanded facilities. For purposes of this paragraph, the term "initial contract" shall include any replacement contract entered into upon a permanent release of capacity under an initial contract.

- (c) Where a Shipper selects the prepayment option under Section 14.1(b) 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 14.1(b) of these General Terms and Conditions. If Transporter is required to draw down the funds in escrow, it will notify the Shipper and the Shipper must replenish such funds within three (3) Business Days after such notice.
- (d) Transporter's credit appraisal procedures involve the establishment of dollar credit limits on a standardized, nondiscriminatory basis. To the extent that a Shipper's accounts with Transporter do not exceed such limit, and Shipper has met all creditworthiness requirements as determined in periodic credit reviews by Transporter, which reviews may be conducted on at least an annual basis, no new credit appraisals shall be required when an existing Agreement is amended or a request for a new Agreement is made, provided that Shipper's payment history has been satisfactory and there is no bona fide basis for questioning Shipper's creditworthiness, subject to the provisions of Section 3.9 and 3.10 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 14.1(b) 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 which conflicts with any order of the U.S. Bankruptcy Court.

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

15. INTERACTIVE WEBSITE

15.1 WEBSITE DESCRIPTION

- (a) Transporter maintains the Interactive Website, a FERC compliant interactive internet website which is available for use by Shippers and other interested parties. The 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 information displayed or entered through this website are archived, and non-secure information is accessible to customers on a non-discriminatory basis. The data is kept for a three (3) year period, inclusive of both current and archived data.

Transporter posts gas quality information as follows:

- (1) Transporter provides on the Informational Postings portion of its Interactive Website a link to the natural gas quality provisions of this Tariff.
- (2) Transporter provides on the Informational Postings portion of its Interactive Website daily average gas quality information for prior gas day(s), to the extent routinely collected and readily available, for location(s) that are representative of mainline gas flow. To the extent that Transporter monitors Tariff-based gas quality provisions for locations representative of mainline gas flow by non-electronic-methods (e.g., spot sample) such information will be posted as soon as practicable. The gas quality information posted pursuant to this Tariff provision is operational in nature.

For purposes of this Tariff provision, "readily available" is that data which is currently available in electronic format or would be available electronically with minor enhancement(s) to existing data collection, processing and reporting capability.

This gas quality information is reported in units as specified in this Tariff's General Terms and Conditions. Gas quality information not specified in these General Terms and Conditions, if posted, is posted using units determined by Transporter.

The information available for the identified location(s) is provided in a downloadable format. In any event, compliance with gas quality requirements is in accordance with Transporter's

Tariff, including these General Terms and Conditions. Listed below are examples of gas quality attributes:

Heating Value
Interchangeability index(ices)/factor(s)
Hydrocarbon liquid drop out control
parameters(s)/factor(s)
Hydrocarbon Components, % of C1 - Cnn, as used in
determining Heating Value
Specific Gravity
Water
Nitrogen
Carbon Dioxide
Oxygen
Hydrogen
Helium
Total Sulfur
Hydrogen Sulfide
Carbonyl Sulfide
Mercaptans
Mercury and/or any other contaminants being
measured
Other pertinent gas quality information that is
specific in Transporter's Tariff, including these
General Terms and Conditions.

(3) Data posted pursuant to the prior paragraph, Section 15.1(a)(2), are made available on Transporter's Interactive Website for the most recent three-month period. Beyond the initial three-month period, the historical data is made available offline in accordance with regulatory requirements. Such posted data are provided in a tabular downloadable file described by Transporter in the posting. The first row of the file contains the column headers. For any location(s), Transporter may, at its discretion, elect to provide gas quality information in addition to that specified in the prior paragraph. Transporter may choose how to provide the information.

(b) The non-secure information is primarily comprised of FERC mandated informational postings. Transporter, at its sole option, may add informational Sections to this website in order to facilitate timely and complete communications with customers. The secure region provides access to Nominations, Flowing Gas/Volume Inquiry data, Invoicing, Contracting and Capacity Release Processing. Logons and

passwords required to enter the secure region of the website may be obtained per the procedures outlined in Section 15.2.

(1) INFORMATIONAL POSTINGS

The types of information available through the Informational Postings selection of this website include: (i) all affiliated marketer information, including names and addresses for affiliated marketing companies; (ii) reports on operationally available capacity, design capacity, unsubscribed capacity and released capacity at Receipt/Delivery Points; (iii) critical notices concerning capacity related issues and non-critical notices, providing relevant contracts and customer information; (iv) the FERC Index of Customers and the FERC Contract Transactional Postings, (v) the Tariff, with search, download and print capabilities; (vi) imbalance volumes available for trading among Shippers prior to cashout as provided in Section 12 hereof and (vii) point catalog.

(2) NOMINATIONS

This feature allows for submittal of all transportation nominations, transfer nominations, predetermined allocations and nomination priorities as required in Section 7. Operators can confirm volumes online. Shippers and point operators can review, print or download scheduled quantity reports.

(3) FLOWING GAS/VOLUME INQUIRY

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

(4) INVOICING

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

(5) CONTRACT REQUEST PROCESSING

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

(6) CAPACITY RELEASE REQUEST AND BID PROCESSING

This interactive feature allows Shippers to submit Capacity Release Requests and Bids, which, in turn, are automatically posted to this website as provided in Section 16. Additionally, Shipper with recall provisions in a release of capacity can initiate the recall process using this feature.

15.2 ACCESS TO INTERACTIVE WEBSITE

Shippers and other interested parties may obtain access to the Interactive Website by contacting a representative of Transporter's Electronic Customer Services Department in Lakewood, Colorado. Logons, passwords and access instructions will be supplied upon request under the following terms and conditions set forth in Sections 15.3 through 15.14. The internet address for this website is <http://pipeline.tallgrassenergyllp.com>. Subscribers to the Interactive Website agree to the terms and conditions set forth in Sections 15.3 through 15.14.

15.3 AUTHORITY OF EMPLOYEE

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

15.4 INSTALLATION OF SOFTWARE

Each Subscriber shall purchase and ensure that lawful installation of internet browser software occurs for each personal computer (PC) from which this website is accessed.

15.5 CONFIDENTIALITY

Certain information contained in this 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.

15.6 RELIANCE BY TRANSPORTER

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

15.7 ACCESS TO CONFIDENTIAL INFORMATION

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

15.8 LOGON

A Subscriber's logon and password are confidential and are used to identify that Subscriber. A Subscriber shall keep its logon and password confidential. A Subscriber will ensure that only authorized employees and agents of Subscriber will be given Subscriber's logon and password and only these authorized persons will be permitted to access this 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 this 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.

15.9 BREACH OF SECURITY

A Subscriber shall promptly notify Transporter if there is any indication that a security breach has occurred with regard to Subscriber's logon and password. This includes, but is not limited to: (a) loss of confidentiality of logon and password; (b)

termination of employment of any authorized employee; or (c) loss of authority to access this website by any authorized employee. Such notification shall be made to Transporter's Electronic Customer Services Department.

15.10 LIMITATION TO ACCESS

A Subscriber may attempt to access only that data for which Subscriber has authorization. A Subscriber shall provide supporting legal documentation prior to being given access to data of other subsidiaries, affiliates, or companies for whom it has an agency relationship. See Section 7 of these General Terms and Conditions for information on delegation.

15.11 LIMITS OF RESPONSIBILITY

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

15.12 RESERVATION

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

15.13 AGREEMENT BY NON-SHIPPER

Any Subscriber who is not a Shipper under one of the Rate Schedules in this volume of Transporter's FERC Gas Tariff will be required, as a precondition of access to this website, to sign an agreement with Transporter pursuant to which the Subscriber agrees to be bound by the provisions of this Section.

15.14 INDEMNITY

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

- (a) Subscriber's or its employees' or agents' breach of any of Subscriber's obligations under this Section 15, including any breach of confidentiality with respect to the assignment of logon(s) and 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 passwords(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 password(s) through no fault of Transporter, which interferes with the proper operation of Transporter's Interactive Website.

Notwithstanding the foregoing, neither Transporter nor Subscriber shall be liable to the other if an unauthorized user gains access to Transporter's Interactive Website through no fault of either Transporter or Subscriber.

16. CAPACITY RELEASE BY FIRM SHIPPERS**16.1 GENERAL**

- (a) Subject to the terms, conditions and limitations set forth in this Section 16, a Shipper holding capacity rights under an Eligible Firm Transportation Agreement shall have the right to release all or a portion of such capacity rights and, if a capacity release is effectuated under this Section 16, to receive a credit for reservation charge revenues received by Transporter from that other Shipper for such released capacity.
- (b) The capacity release timeline set forth in this Section 16 applies to all parties involved in the capacity release process provided that: 1) all information provided by the parties to the transaction is valid and the Replacement Shipper (or Subreplacement Shipper, if applicable) has been determined to be creditworthy before the Qualified Bid is tendered, 2) for index-based capacity release transactions, the Releasing Shipper has provided Transporter with sufficient instructions to evaluate the corresponding bids according to the timeline, and 3) there are no special terms or conditions of the release. Further, Transporter may complete the capacity release process in a different timeline if the offer includes unfamiliar or unclear terms and conditions (e. g., designation of an index not supported by Transporter).
- (c) Following is a summary of the capacity release process and deadlines set forth in greater detail in the remainder of this Section 16:
 - (1) For biddable releases (one (1) year or less):
 - (i) The Capacity Release Request should be tendered by no later than 12:00 p.m. Central Clock Time on a Business Day;
 - (ii) The open season ends no earlier than 1:00 p.m. Central Clock Time on a Business Day (evaluation period begins at 1:00 p.m. Central Clock Time during which contingency is eliminated, determination of winning Qualified Bid(s) is made, and ties are broken);
 - (iii) Evaluation period ends at 2:00 p.m. Central Clock Time;
 - (iv) Match or award is communicated by 2:00 p.m. Central Clock Time;
 - (v) Match response by 2:30 p.m. Central Clock Time;

- (vi) Award posting where match required by 3:00 p.m. Central Clock Time;
 - (vii) Contract issued within one (1) hour of award posting, nomination possible for the next nomination cycle after the capacity award which is consistent with Section 16.9(d) hereof (nomination is not contingent on a contract being issued or executed so long as the Replacement Shipper has preapproved credit).
- (2) For biddable releases (more than one (1) year):
- (i) The Capacity Release Request should be tendered by no later than 12:00 p.m. Central Clock Time four (4) Business Days before the award for long-term releases;
 - (ii) The open season ends no earlier than 1:00 p.m. Central Clock Time three (3) Business Days later (open season is three (3) Business Days);
 - (iii) Evaluation period begins at 1:00 p.m. Central Clock Time during which contingency is eliminated, determination of best bid is made, and ties are broken;
 - (iv) Evaluation period ends at 2:00 p.m. Central Clock Time;
 - (v) Match or award is communicated by 2:00 p.m. Central Clock Time;
 - (vi) Match response by 2:30 p.m. Central Clock Time;
 - (vii) Award posting where match required by 3:00 p.m. Central Clock Time;
 - (viii) Contract issued within one (1) hour of award posting, nomination possible for the next nomination cycle which is consistent with Section 16.9(d) hereof (nomination is not contingent on a contract being issued or executed so long as the Replacement Shipper has preapproved credit).
- (3) For prearranged releases not requiring bidding under this Section 16:

- (i) For the Timely Cycle, postings are due by 10:30 a.m.; contract issued within one 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 (Central Clock Time).
 - (ii) For the Evening Cycle, postings are due by 5:00 p.m.; contract issued within one 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 (Central Clock Time).
 - (iii) For the Intraday 1 Cycle, postings are due by 9:00 a.m.; contract issued within one 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 (Central Clock Time).
 - (iv) For the Intraday 2 Cycle, postings are due by 4:00 p.m.; contract issued within one 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 (Central Clock Time).
- (4)
- (i) Transporter will not award capacity release offers to a Shipper until and unless the Shipper meets Transporter's creditworthiness requirements applicable to all services that it receives from Transporter, including the service represented by the capacity release.
 - (ii) Transporter shall provide the original Releasing Shipper with Internet E-mail notification reasonably proximate in time with any of the following formal notices given by Transporter to the Releasing Shipper's Replacement Shipper(s), of the following:
 - (A) Notice to the Replacement Shipper regarding the Replacement Shipper's past due, deficiency, or default status pursuant to Transporter's Tariff;
 - (B) Notice to the Replacement Shipper regarding the Replacement Shipper's suspension of service notice;

- (C) Notice to the Replacement Shipper regarding the Replacement Shipper's contract termination notice due to default or credit-related issues; and
- (D) Notice to the Replacement Shipper that the Replacement Shipper(s) is no longer creditworthy and has not provided credit alternative(s) pursuant to Transporter's Tariff.

16.2 DEFINITIONS

(a) BID VALUE

The value assigned to a Qualified Bid or a Prearranged Release according to the bid evaluation procedures set forth in Section 16.10 or, if applicable, the bid evaluation procedures set forth in the Capacity Release Request.

(b) CAPACITY RELEASE REQUEST

The request that a Releasing Shipper submits to initiate the capacity release procedure under this Section 16.

(c) ELIGIBLE FIRM TRANSPORTATION AGREEMENT

A transportation agreement under Rate Schedule FTS or Rate Schedule FTB.

(d) MAXIMUM BID VOLUME

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

(e) MINIMUM BID VOLUME

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

(f) ORIGINAL SHIPPER

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

(g) PREARRANGED RELEASE

The binding written release agreement between a Releasing Shipper and a Prearranged Shipper covering Eligible Firm Transportation Agreement capacity rights, the effectiveness of which is subject only to: (1) the prequalification of the Prearranged Shipper under Section 16.15; and (2) the release of such capacity rights to the Prearranged Shipper as provided by this Section 16.

- (i) A Prearranged Release between a Releasing Shipper and an Asset Manager as that term is defined in 18 C.F.R. Section 284.8(h)(3), shall be defined for purposes of this Section 16, as a "Prearranged Asset Manager Release".
- (ii) A Prearranged Release between a Releasing Shipper and a Marketer Participating in a State-Regulated Retail Access Program, as that term is defined in 18 C.F.R. Section 284.8(h)(4), shall be defined for purposes of this Section 16, as a "Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program".
- (iii) A Prearranged Asset Manager Release and a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program are exempt from the Open Season Requirements set forth in this Section 16.

(h) **PREARRANGED SHIPPER**

A person or entity prequalified under Section 16.15 who has entered into a Prearranged Release with a Releasing Shipper for Eligible Firm Transportation Agreement capacity rights, including a Replacement Shipper under either a Prearranged Asset Manager Release, or a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program.

(i) **QUALIFIED BID**

A binding bid prequalified under Section 16.15 by a Qualified Bidder for capacity rights subject to a Capacity Release Request under this Section 16.

(j) **QUALIFIED BIDDER**

Any person or entity prequalified under Section 16.15 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 16.

(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 16.

(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 16.

(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 16.

(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.

16.3 RELEASE WITHOUT A PREARRANGED SHIPPER

A Shipper seeking to release its Eligible Firm Transportation Agreement capacity rights without a Prearranged Shipper shall deliver a Capacity Release Request to Transporter's Interactive Website (or in writing for posting on Transporter's

Interactive Website if Transporter's Interactive Website is unavailable for receiving Capacity Release Requests) which sets forth:

- (a) The Releasing Shipper's legal name, address and phone number, the Eligible Firm Transportation Agreement number, the date of the Eligible Firm Transportation Agreement and the name and title of the individual responsible for authorizing the capacity release;
- (b) The quantity of the capacity (in Dth per day) and the transportation path(s) [or segment(s) thereof] being released, including identification by Transporter's PIN Number of the Receipt Points, Delivery Points, pooling point defining the release path/segment and the firm capacity to be released at each such point;
- (c) Whether the capacity being released is subject to recall and/or reput, and if so, the exact conditions for such recall and/or reput (which conditions must conform to Sections 16.5 and 16.14);
- (d) The proposed effective date and proposed term of the release;
- (e) Whether the Releasing Shipper wants Transporter to actively market the Releasing Shipper's capacity rights pursuant to Section 17 of these General Terms and Conditions;
- (f) Whether the Releasing Shipper will accept Qualified Bids which are contingent on subsequent events (such as the subsequent purchase of upstream or downstream capacity), and if so, what events and the last date by which such contingency must be fulfilled;
- (g) The starting date for the open season and the length of time for the open season (which must conform to Section 16.7);
- (h) Whether the Releasing Shipper will accept Qualified Bids whose revenues will vary by the volume transported, and if so, any minimum amount to be billed as a reservation charge even if there is no flow (or insufficient flow);
- (i) Which of the bid evaluation procedures set forth in Section 16.10 the Shipper wishes to use, if any;
- (j) Which one of the following methods is acceptable for bidding on the given capacity release offer:
 - (1) Non-index-based release – dollars and cents,
 - (2) Non-index-based release – percentage of maximum rate, or

- (3) Index-based formula as detailed in the capacity release offer.

The bids for the given offer should adhere to the method specified by the Releasing Shipper. The bidder may bid the maximum reservation rate, in Transporter's Tariff, as an alternative to the method specified by the Releasing Shipper except when the release is index-based for a term of one year or less or utilizes market-based rates;

- (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 16.5), including any minimum price condition and whether the Releasing Shipper wishes to apply a bid evaluation procedure different than the bid evaluation procedure set forth in Section 16.10 for evaluating Qualified Bids for its capacity rights, and if so, all the factors to be used in evaluating Qualified Bids, including how its capacity rights are to be awarded in the event of a tie for the highest valued Qualified Bid and whether the Releasing Shipper has presubmitted an electronic bid for such bid evaluation procedure pursuant to Section 16.5(a).

16.4 PREARRANGED RELEASE

Subject to Section 16.6, a Shipper seeking to release its Eligible Firm Transportation Agreement capacity rights to a Prearranged Shipper shall deliver a Capacity Release Request via 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 telefax 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 16 by Transporter and to execute a Released Firm Transportation Agreement, which consists of Transporter's standard form of FTS or FTB Agreement and the terms

and conditions of the Prearranged Release, in accordance with Transporter's Tariff. Such statement shall also set forth:

- (1) The quantity of the capacity (in Dth per day) and the transportation path(s) [or segment(s) thereof] being released, including identification by Transporter's PIN Number (or Common Code) of the Receipt Points, Delivery Points, pooling point defining the released path/segment and the firm capacity to be released at each such point;
 - (2) The fixed reservation charge and/or volumetric charge 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 16.5 and 16.14); and
 - (4) The proposed effective date of the Prearranged Release and the proposed term of the Prearranged Release.
- (c) Whether the Releasing Shipper will accept Qualified Bids which are contingent on subsequent events (such as the purchase of upstream or downstream capacity), and if so, what events and the last date by which such contingency must be fulfilled;
- (d) Whether the Releasing Shipper will accept Qualified Bids with longer terms or larger volumes, and if so, what is the maximum volume and the longest term the Releasing Shipper will accept;
- (e) Whether the Releasing Shipper wants Transporter to actively market its capacity rights subject to the Prearranged Release pursuant to Section 17 of these General Terms and Conditions;
- (f) The starting date for and the length of time for the open season (which must conform to Section 16.7) and the length of time [consistent with Section 16.9(b)] for the Prearranged Shipper to be able to match a winning Qualified Bid;
- (g) Whether the Releasing Shipper will accept Qualified Bids whose revenues will vary by the volume transported, and if so, any minimum amount to be billed as a reservation charge even if there is no flow (or insufficient flow);
- (h) Which of the bid evaluation procedures set forth in Section 16.10 the Shipper wishes to use, if any;

- (i) Which one of the following methods is acceptable for bidding on the given capacity release offer:

- (1) Non-index-based release – dollars and cents,
- (2) Non-index-based release – percentage of maximum rate, or
- (3) Index-based formula as detailed in the capacity release offer.

The bids for the given offer should adhere to the method specified by the Releasing Shipper. The bidder may bid the maximum reservation rate, in Transporter's Tariff, as an alternative to the method specified by the Releasing Shipper except when the release is index-based for a term of one year or less or utilizes market-based rates;

- (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 16.2(g)(i) hereof, and the Asset Manager's obligation to deliver gas to, or purchase gas from, the Releasing Shipper;
- (l) Whether the release is a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program, as defined in Section 16.2(g)(ii) hereof; and
- (m) Any other applicable conditions (which must conform with Section 16.5), Including any minimum price condition and whether the Releasing Shipper wishes to apply a bid evaluation procedure different than the bid evaluation procedure set forth in Section 16.10 for evaluating Qualified Bids for its capacity rights, and if so, all the factors to be used in evaluating Qualified Bids, including how its capacity rights are to be awarded in the event of a tie for the highest valued Qualified Bid and whether the Releasing Shipper has presubmitted an electronic bid for such bid evaluation procedure pursuant to Section 16.5(a).

16.5 CAPACITY RELEASE REQUIREMENTS

- (a) All terms and conditions relating to a release which is the subject of a Capacity Release Request: (1) must be nondiscriminatory and applicable to all potential bidders; (2) must be made available to Transporter for posting; (3) must relate solely to the details of acquiring or maintaining the transportation capacity rights on Transporter, consistent with this Tariff and Order No. 712, which are the subject of the release; and (4) must not place any obligations or burdens on Transporter in addition to the terms and conditions applicable to a capacity release under this Section 16 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 16.10(b) through 16.10(d) must be objective, nondiscriminatory in all circumstances and contain a complete description of the bid evaluation procedure for posting on the Informational Postings portion of Transporter's Interactive Website. Transporter may require the Releasing Shipper to submit a working computer program to Transporter electronically which is compatible with Transporter's Interactive Website computer which will enable Transporter to make such alternative bid evaluation entirely through Transporter's Interactive Website. The Releasing Shipper shall warrant that the electronic bid conforms to the bid evaluation procedure in the Capacity Release Request.

For the capacity release business process timing model, only the following methodologies are supported by Transporter and provided to Releasing Shippers as choices from which they may select and, once chosen, will be used in determining the awards from the bid(s) submitted. They are: 1) highest rate, 2) net revenue and 3) present value. For index-based capacity release transactions, the Releasing Shipper should provide the necessary information and instructions to support the chosen methodology. Other choices of bid evaluation methodology (including other Releasing Shipper defined evaluation methodologies) can be accorded similar timeline evaluation treatment at the discretion of Transporter. However, Transporter is not required to offer other choices or similar timeline treatment for other choices, nor, is Transporter held to the timeline should the Releasing Shipper elect another method of evaluation.

- (b) The term of any release of capacity sought under this Section 16 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) Segmented releases are subject to Section 7.13 of these General Terms and Conditions.
 - (2)
 - (i) The maximum rates that may be bid and charged for a Released Firm Transportation Agreement that is for a term greater than one (1) year are the maximum lawful rates applicable to the Eligible Firm Transportation Agreement held by the Original Shipper. If the Original Shipper is paying a Negotiated Rate or a rate under a Negotiated Rate Formula pursuant to Section 35 of these General Terms and Conditions, a Qualified Bidder may not bid a rate which exceeds the applicable Recourse Rate or is less than the applicable

minimum rate, except as provided in Section 16.8(c) of these General Terms and Conditions.

- (ii) There is no maximum rate limitation applicable to bids for capacity release for a term of one (1) year or less, if the release is to take effect on or before one (1) year from the date on which Transporter is notified of the release.
- (e) A Capacity Release Request may include the right by a Releasing Shipper to recall all or part of the capacity, and/or to reput all or part of the recalled capacity, at any time and from time to time. All recalls or reputs must be made in accordance with the other provisions of Transporter's Tariff, including Section 16.14 of these General Terms and Conditions.
- (f)
 - (1) The Releasing Shipper may withdraw its posted Capacity Release Request during an open season under this Section 16 where unanticipated circumstances justify and no minimum bid has been received; following the close of the open season, a Releasing Shipper may not reject a winning Qualified Bid.
 - (2) Offer should be binding until written or electronic notice of withdrawal is received by Transporter.
 - (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 under the provisions of this Section 16 (except as prohibited by the Federal Energy Regulatory Commission Regulations).
- (h) Any Capacity Release Request not in compliance with this Section 16.5 and the other provisions of Transporter's Tariff shall be null and void and, even if posted, may be removed from Transporter's Interactive Website by Transporter at any time.

16.6 OPEN SEASON EXCEPTIONS

An open season is not required for: (a) a Prearranged Release for more than one (1) year at the maximum reservation charge applicable to the capacity being released, (b) a Short-term Prearranged Release, (c) a Prearranged Asset Manager Release, as defined in Section 16.2(g)(i) hereof or (d) a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program, as defined in Section 16.2(g)(ii) hereof. A Capacity Release Request which is not subject to an open season need only contain the information required in Sections 16.4(a) and (b). Such Capacity

Release Request must be delivered via 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 16.9 before the release transaction is to commence. A Releasing Shipper may not rollover, extend or in any way continue a Short-term Prearranged Release exempt from bidding under 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 16.3 and 16.4, or the re-release qualifies for any of the other exemptions from bidding, referenced in subSections (a), (c) or (d) hereof.

16.7 POSTINGS; OPEN SEASON

- (a) A Capacity Release Request received by Transporter via EDI (which is applicable only for Prearranged Capacity Release Request) or through Transporter's 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 16 shall be posted on the Informational Postings portion of Transporter's Interactive Website as requested. The posting shall contain the information contained in the Capacity Release Request, except that 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 charge, if applicable, (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 16.
- (b) An open season shall consist of: (1) a one (1) hour period on a Business Day between 12:00 p.m. and 1:00 p.m. Central Clock Time or (2) any number (no fractions) of Business Days running from 12:00 p.m. Central Clock Time on a Business Day to 1:00 p.m. Central Clock Time on the following Business Day, as requested by the Releasing Shipper in its Capacity Release Request; provided, however, that any capacity release for a period of one (1) year or longer must have an open season of at least three (3) Business Days, each running from 12:00 p.m. Central Clock Time on a Business Day to 1:00 p.m. Central Clock Time two (2) 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.

16.8 QUALIFIED BIDS FOR RELEASED CAPACITY RIGHTS

- (a) At any time during an open season, a Qualified Bidder may submit a Qualified Bid via Transporter's Interactive Website (or in writing for posting on Transporter's Interactive Website if Transporter's Interactive Website is unavailable for receiving Qualified Bids) seeking released capacity rights under a Capacity Release Request. In addition to being prequalified for credit pursuant to Section 16.15, each Qualified Bid must include the following:
 - (1) The Qualified Bidder's legal name, address, phone number, telefax number, the name and title of the individual responsible for authorizing the Qualified Bid and identification of the capacity rights for which the Qualified Bid is made;
 - (2) The term for the purchase;
 - (3) A Minimum Bid Volume and a Maximum Bid Volume (in Dth per day);
 - (4) The fixed reservation charge and/or volumetric charge that the Qualified Bidder agrees to pay for the capacity (and if a volumetric charge, any minimum amount to be billed as a reservation charge, which must be equal to or greater than any such amount designated by the Releasing Shipper);
 - (5) A statement that the Qualified Bidder agrees to all the terms and conditions of the Capacity Release Request, with only the modifications as expressly provided in its Qualified Bid, which modifications must be permitted by the Capacity Release Request and must conform with the requirements in Section 16. 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 16 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.
- (b) The volume in a Qualified Bid may not be less than the minimum volume required for an Eligible Firm Transportation Agreement under Transporter's

Tariff. Neither the volume nor the release term specified in a Qualified Bid may exceed the maximum volume or term specified in a Capacity Release Request, unless the Capacity Release Request specifically allows otherwise. A Qualified Bidder must accept all the terms and conditions of a Capacity Release Request submitted under Section 16.4 (involving a Prearranged Release) except for the level of the reservation charge and the MDQ, unless the Capacity Release Request specifically allows otherwise.

- (c) Except as provided herein, 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 charge applicable to the Eligible Firm Transportation Agreement capacity. If the Original Shipper is paying a Negotiated Rate or a rate under a Negotiated Rate Formula pursuant to Section 35 of these General Terms and Conditions, a Qualified Bidder may not bid a rate which exceeds the higher of: (i) the rate under the Negotiated Rate or Negotiated Rate Formula in the Original Shipper's contract; or (ii) the applicable Recourse Rate. The maximum Qualified Bid reservation charge includes all demand surcharges, including all direct-billed charges which are or may become applicable to the Eligible Firm Transportation Agreement capacity.
- (d) All Qualified Bids shall provide for payment of maximum commodity charges 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 and Fuel Reimbursement pursuant to Section 38 of the General Terms and Conditions of this Tariff.
- (e) A Qualified Bid received by Transporter during an open season shall be posted on Transporter's 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.
- (f) 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.

16.9 AWARDING OF RELEASED CAPACITY; EFFECTIVE DATE; GAS NOMINATIONS

- (a) For a Prearranged Release for which no open season is required under Section 16.6 and which is received at least one (1) hour prior to a nomination deadline on a 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 16 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 any or all of such winning Qualified Bid(s), but may not elect to match only a portion of a winning Qualified Bid. Such election shall consist of the Prearranged Shipper submitting notice to Transporter of its unconditional agreement to the terms and conditions of one or more of such winning Qualified Bid(s) in writing or electronic means. In the event of a timely match, then the Prearranged Shipper shall be awarded the released capacity. To the extent that the Prearranged Shipper fails to timely match (within the required time frame) the winning Qualified Bid(s) with a higher Bid Value, then the Qualified Bidder(s) who made the winning Qualified Bid shall be awarded the capacity. The timelines for the above actions shall be as provided in Section 16.1.
- (c) For any other Capacity Release Request, the capacity rights shall be automatically awarded to the winning Qualified Bidder(s) when Transporter has identified the entity(s) to receive the released capacity under this Section 16.
- (d) A capacity release shall become effective upon the awarding of Capacity consistent with this Section 16. Nominations for gas service utilizing the released capacity shall be accepted at the next available nomination opportunity which occurs on or after the time the release becomes effective hereunder, consistent with 18 C.F.R. Section 284.12(c)(1)(ii); provided that nominations cannot be effectuated prior to the beginning time specified in the release. Transporter shall issue a contract to the winning Qualified Bidder within one (1) hour after the capacity has been awarded. So long as the winning bidder has pre-approved credit, that bidder can submit a nomination consistent with the above regardless of whether a contract with Transporter covering the capacity awarded has been issued or executed; provided, however, that a contract must be executed under the provisions of the relevant rate schedule regarding timely execution of a contract tendered by Transporter in order for a Shipper to have continued service beyond the maximum time specified for timely contract execution. If the original Shipper has already submitted a nomination on a Day under the Agreement being released, and if the Replacement Agreement covering the released capacity is effective that same Day, the original Shipper may incur overrun charges if his nomination exceeds the reduced contractual parameters under the

original Agreement resulting from the release (i.e., if the original Shipper fails to reduce its nomination, or does not adequately reduce its nomination, at the first opportunity the Replacement Shipper has to nominate).

- (e) Gas nominations for transportation pursuant to released capacity are subject to the provisions of Section 7 of these General Terms and Conditions. Gas nominations by a Shipper utilizing released capacity awarded by Transporter shall constitute Shipper's binding acceptance of the terms and conditions of the capacity award by Transporter pursuant to this Section 16, 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 16, 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.

16.10 BID EVALUATION PROCEDURE

- (a) Unless specifically requested otherwise by a Releasing Shipper in its Capacity Release Request, Qualified Bids for released capacity shall be evaluated pursuant to Sections 16.10(b) through 16.10(g) below. Any Qualified Bid which does not meet a minimum price condition stated in the Capacity Release Request shall be rejected outright. Any Qualified Bid with a contingency must have such contingency eliminated before 3:00 p.m. Central Clock Time following the close of the open season, unless the Releasing Shipper's offer has specified a later time; otherwise, such Qualified Bid will be rejected.
- (b) Transporter shall calculate a Bid Value for each Qualified Bid and Prearranged Release (if any), and shall calculate the Winning Bid Value, as follows:
 - (1) For each month, the volume and reservation charge 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 charges 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 charge 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)(1).
- (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 Qualified Bids, best bid first (highest Bid Value or other evaluation criteria as specified by the Shipper in the Capacity Release Offer), until all offered capacity is awarded. The best Qualified Bid will be awarded its Maximum Bid volume and any subsequent bids will be awarded up to their Maximum Bid Volume but no less than their Minimum Bid Volume.
- (d) In the event ties exist among Qualified Bids, the Qualified Bid submitted and received earliest by Transporter's Interactive Web Site (or if Transporter's Interactive Web Site 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 (c) and (d) are applied.

Example (1) - Awarding by Best Bid

Assume: Capacity Release = 100,000/day for 5 years

Qualified Bids:

	Maximum Volume	Bid Term	Bid Price	Minimum Bid Volume
Bid (a)	40,000/day	5 years	\$.11	0
Bid (b)	40,000/day	5 years	\$.10	0
Bid (c)	40,000/day	5 years	\$.09	0

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

Example (2) - Awarding with Minimum Bid Volumes

The assumptions remain the same as in Example 1, except that we assume that Bid (c) has a Minimum Bid Volume of 40,000.

Winning Qualified Bids: Bids (a) and (b) would be allocated their Maximum Bid Volume of 40,000. Bid (c) would not be awarded any capacity since their Minimum Bid Volume is 40,000. 20,000 would remain with the Releasing Shipper.

Example (3) - Awarding using the tie-breaker

Assume: Capacity Release = 100,000/day for 5 years

Qualified Bids:

	<u>Maximum Volume</u>	<u>Bid Term</u>	<u>Bid Price</u>	<u>Minimum Bid Volume</u>	<u>Time Bid Received</u>
Bid (a)	60,000/day	5 years	\$.11	0	13:57:40
Bid (b)	50,000/day	5 years	\$.10	50,000	13:55:05
Bid (c)	35,000/day	5 years	\$.10	0	13:56:40
Bid (d)	35,000/day	5 years	\$.10	0	13:56:30

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

- (f) In no event shall this Section 16.10 result in winning Qualified Bids with a total volume in excess of the capacity specified in the Capacity Release Request.
- (g) The bid evaluation procedure set forth in this Section 16.10 shall only consider Qualified Bids to the extent they provide for an objectively quantifiable payment by the Qualified Bidder. A Qualified Bid based on a percentage of Transporter's reservation charge shall be evaluated by Transporter based solely on the maximum reservation charge 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 16.10, which procedure must comply with Section 16.5, Transporter shall determine the winning Qualified Bid(s) pursuant to the Releasing Shipper's bid evaluation procedure in its Capacity Release Request and electronic bid (if any) submitted by the Releasing Shipper pursuant to Section 16.5(a).

16.11 CONFIRMATIONS; RELEASED FIRM TRANSPORTATION AGREEMENT

At the time the award of capacity under this Section 16 is posted, Transporter shall send the winning Qualified Bidder or the Prearranged Shipper confirmation of the capacity release awarded to such Qualified Bidder or Prearranged Shipper. Prior to Transporter awarding capacity on a Prearranged Release, the Prearranged Shipper shall confirm electronically the terms of the Prearranged Release.

16.12 COMPLETED TRANSACTIONS

By 5:00 p.m. Central Clock Time after capacity has been awarded, 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 reawarded 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.

16.13 BILLING

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

Replacement or Subreplacement Shipper(s), as applicable, which received the released capacity. Releasing Shipper shall also be billed a marketing fee, if applicable, pursuant to the provisions of Section 17 of these General Terms and Conditions. As to any capacity released by a Releasing Shipper, the Releasing Shipper shall not be billed or be responsible for: (1) commodity charges; (2) scheduling charges or cashouts of imbalances; and (3) add-on charges and surcharges applicable to Transporter's commodity rates under Transporter's Tariff such as ACA and Fuel Reimbursement pursuant to Section 38 of the General Terms and Conditions of this Tariff, which are incurred by a Replacement Shipper or Subreplacement Shipper which received the released capacity.

- (c) If a Replacement Shipper or Subreplacement Shipper does not make payment to Transporter of the reservation portion of the charges due as set forth in its Released Firm Transportation Agreement, Transporter shall bill the Releasing Shipper(s) from whom such Replacement or Subreplacement Shipper received the capacity for the amount(s) due, including all applicable late charges authorized by Transporter's Tariff, and such amount shall be paid by such Releasing Shipper within ten (10) days of the receipt of such billing, or interest shall continue to accrue. In the event that the Replacement or Subreplacement Shipper has not paid such amount(s) due by the end of such ten (10) day period, then: (1) the Releasing Shipper has the right to recall the capacity; and (2) Transporter's rights against the delinquent Replacement/Subreplacement Shipper shall be subrogated to the related rights of the Releasing Shipper. Transporter shall make a reasonable effort to collect from the Replacement/Subreplacement Shipper the amount(s) due. Such reasonable effort shall not include incurring costs from outside attorneys, collection agents or other third parties.
- (d) All payments received from a Replacement or Subreplacement Shipper shall first be applied to reservation charges, then to late charges on reservation charges, then to scheduling charges and cashout amounts, then to late charges not on the reservation charges, and then last to commodity-based charges. Except as may be otherwise provided pursuant to Section 35 of these General Terms and Conditions, payments by Replacement or Subreplacement Shippers in excess of the total amount(s) due for the Released Firm Transportation Agreement capacity shall be a credit applied to any outstanding balance owed under any contract with Transporter, or a refund if requested in writing and no such outstanding balance exists.
- (e) REFUNDS DUE UNDER RELEASES GREATER THAN ONE (1) YEAR

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 Section 16.13(d) above). Except as may be otherwise provided pursuant to Section 35 of 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 Section 35 of these General Terms and Conditions, commodity rate refunds shall go to the party which paid the commodity charge.

(f) REFUNDS DUE UNDER RELEASES ONE (1) YEAR OR LESS

If Transporter is obligated to refund any amounts attributable to reservation charges for capacity which has been released above the maximum rate for one year or less, Transporter shall make the applicable refund to the Releasing Shipper notwithstanding the amount that Transporter has actually received from the Replacement Shipper (which amounts are credited to the account of the Releasing Shipper under Section 16.13(d) above). Transporter shall reflect the same credit from the Replacement Shipper but shall adjust its billing to the Releasing Shipper to reflect the revised maximum reservation rates. Except as may otherwise be provided pursuant to Section 35.4 of these General Terms and Conditions, commodity rate refunds shall go to the party which paid the commodity charge.

16.14 NOMINATIONS/SCHEDULING; RECALLS AND REPUTS

(a) RECALLING CAPACITY - GENERAL

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

(b) RECALL NOMINATION TIMELINE

Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity (scheduled or unscheduled) at any of the daily

nomination cycles consistent with the following (notice of the allocation of capacity between the Releasing Shipper and the Replacement Shipper hereunder is intended to be provided in a manner that will permit affected parties sufficient time to place nominations or take other corrective actions and thereby avoid penalties):

(1) TIMELY RECALL NOTIFICATION

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

(2) EARLY EVENING RECALL NOTIFICATION

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

(3) EVENING RECALL NOTIFICATION

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

(4) INTRADAY 1 RECALL NOTIFICATION

- (i) A Releasing Shipper recalling capacity must provide notice of such recall to Transporter and to the first Replacement Shipper no later than 7:00 a.m. on the day that Intraday 1 Nominations are due;

- (ii) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 8:00 a.m. on the day that Intraday 1 Nominations are due (Central Clock time); and

(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 2:30 p.m. on the day that Intraday 2 Nominations are due;
- (ii) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 3:30 p.m. on the day that Intraday 2 Nominations are due (Central Clock time).

(6) OTHER

For recall notifications provided to Transporter prior to the recall notification deadline specified in (1)-(5) of this Section 16.14(b) 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 (Central Clock Time).

(c) METHODS OF NOTIFICATION

- (1) The Replacement Shipper is to provide Transporter with no more than two Internet E-mail addresses to be used for recall notification under Section 16.14(b) of these General Terms and Conditions. The obligation of Transporter to provide notification is waived until at least one 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 should include the following information separated by commas in the following order: (1) "Recall", (2) the recall notification period, (3) the Effective 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 is to 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 is to be included in the subject line and the effective time of the recall is to be in the body of the E-mail. If Transporter allows capacity recall notification mechanisms in addition to Internet E-mail, the notification is to include at least the same level of information. Affected Replacement Shippers are to 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 is to 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 intra-day 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). In any recall notification provided to Transporter, the quantity should 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 Shippers(s) should equal the original released capacity less the recalled capacity that is adjusted based upon the EPC. Transporter shall not be obligated to deliver in excess of the total daily contract quantity of the release as a result of any recall. The service flexibility available to either the Releasing Shipper or the Replacement Shipper for the subject capacity shall not be less as a result of the recall.

(e) **REPUTS**

When capacity is recalled, it may not be reput for the same gas day.

(f) **DISPUTES**

In the event of a dispute between the Releasing Shipper and any other person as to the validity of any recall or reput, or the status of the holder of the capacity rights, Transporter shall be entitled to conclusively rely on any notice provided by

the Releasing Shipper. The Original Shipper, Replacement Shipper and/or Subreplacement Shipper involved in any such dispute shall indemnify and hold Transporter harmless from any costs, damages or expenses relating to Transporter's reliance on such notice. 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.

16.15 QUALIFICATION FOR PARTICIPATION IN THE CAPACITY RELEASE PROGRAM

- (a) Any person wishing to become a Qualified Bidder and make a Qualified Bid must satisfy the creditworthiness requirements in Section 14 of these General Terms and Conditions prior to submitting a Qualified Bid under this Section 16. A person cannot bid for services which exceed its pre-qualified level of credit-worthiness. Transporter shall process--and encourages--applications from potential Qualified Bidders seeking prequalification for bids they may make in the future.
- (b) Credit applications shall be completed in full with all information required to establish creditworthiness under the credit criteria included in Section 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.

16.16 COMPLIANCE BY SHIPPER

By acquiring released capacity, a Shipper agrees that it will comply with all provisions of Transporter's Tariff and all applicable Commission orders, rules and regulations. Such Shipper also agrees to be responsible to Transporter for

compliance with all applicable terms and conditions of Transporter's Tariff, as well as the terms and conditions of the Released Firm Transportation Agreement.

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 16.
- (b) A release by a Replacement Shipper shall not relieve the Original Shipper or the Replacement Shipper of their obligations under this Section 16.

16.18 CONVERSIONS BETWEEN MONTHLY AND DAILY RESERVATION RATES

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

16.19 TRANSPORTER'S RIGHT TO TERMINATE A CAPACITY RELEASE

Transporter may elect to terminate a Replacement Shipper's Agreement with Transporter upon prior written notice of at least thirty (30) days to the Replacement Shipper, under the following conditions:

- (a) The Releasing Shipper has failed to make timely payment or maintain credit (or provide adequate assurance of payment) in accordance with Sections 3.9, 3.10 and/or 14 of these General Terms and Conditions and Transporter has suspended or terminated service to the Releasing Shipper or has provided notice under Section 3.9 or Section 3.10 which ultimately results in suspension or termination of service; and

- (b) The rate stated in the Replacement Shipper's Agreement is less than the rate for service under Transporter's contract with the Original Shipper; provided, however, that (except as provided later in this paragraph) a Replacement Shipper which is creditworthy can continue an existing capacity release by notifying Transporter that it agrees to pay a rate which it specifies that equals the lower of: (i) the applicable maximum rate; or (ii) the same rate as is the original Agreement between Transporter and the Releasing Shipper. Alternatively, Transporter and the Replacement Shipper may agree upon other pricing terms that are equal to or lower than the rate options in the prior sentence, in which case the release shall continue.

17. ADVERTISEMENT AND MARKETING FEES**17.1 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 portion of its Interactive Website no later than the business day following receipt thereof if so requested, so long as the advertisement is not unlawful or inconsistent with Transporter's Tariff. The posted period requested may be for a period of time not to exceed one month. There will be no posting fee for such advertisements seeking to purchase capacity on Transporter. A response in and of itself to an advertisement seeking to purchase capacity never constitutes a capacity release; to release capacity, the Shipper holding the capacity rights must utilize the release procedures set forth in Section 16 of these General Terms and Conditions.

17.2 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.

**18. PRE-GRANTED ABANDONMENT, CONTRACT ROLLOVERS AND
RIGHT OF FIRST REFUSAL****18.1 GENERAL**

Subject to Section 18.3, service performed by Transporter under Part 284 of the Commission's Regulations shall expire, and shall be automatically abandoned, upon contract termination unless service is continued pursuant to Sections 18.2 or 18.3. Unless Transporter and Shipper expressly agree otherwise in the Agreement(s), a Shipper who has entered into a limited-term firm service Agreement(s) pursuant to Section 3.1(c) of these General Terms and Conditions may not elect to extend such limited-term agreement, except to the extent permitted under that provision.

18.2 RIGHT OF FIRST REFUSAL

- (a) Any Shipper under an FTS or FTB Agreement (1) executed after March 27, 2000, with a term of twelve (12) consecutive months or more at the applicable maximum rate or (2) with a primary term of one (1) year or greater which was in effect on March 27, 2000 shall have the right to continue receiving service after the expiration of its existing Agreement if, pursuant to the Right of First Refusal procedures set forth in this Section 18.2, it matches the price and term offered for such service by any other bidder; provided, however, that (irrespective of the price offered by the existing Shipper or any bidder) Transporter shall not be required to provide service at a discount from its applicable maximum rate unless it otherwise agrees; and, provided further that if a bid is submitted for a Negotiated Rate or Negotiated Rate Formula under Section 35 of these General Terms and Conditions, the existing Shipper need match only the value of that bid utilizing the Recourse Rate in lieu of the Negotiated Rate or Negotiated Rate Formula consistent with said Section 35.
- (b) To exercise the Right of First Refusal, Shipper must provide Transporter with notice of its intent to do so in a form specified by Transporter and must submit such notice at least six (6) months prior to the expiration of the existing Agreement. Transporter shall advise Shipper in writing of the date by which such notice must be submitted at least three (3) months prior to the last day on which such notice can be made on a timely basis. Such notice must specify a desired term of service and the desired MDQ in total and at each Receipt and Delivery Point. If the requested MDQ is greater than the existing MDQ in total and 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 shall be subject to the Right of First Refusal under this Section. The Right of First Refusal may apply to a portion of the original Shipper's then effective service. Any notice specifying a decrease in MDQ in total or at any point

shall not affect the existing Agreement during its remaining term. In the event that the existing Shipper submits a notice hereunder which sets out its willingness to pay the applicable maximum rate for service which is subject to the Right of First Refusal for the maximum term which may be considered in determining the best bid under Section 18.2(d), then the existing Shipper shall be entitled to continuation of service, consistent with such notice, subject only to Sections 18.2(g) and 18.4 hereof, and the posting matching and other procedures of Sections 18.2(c)-18.2(f) shall not apply.

- (c) The Recourse Rate which applies under this Section to any exercise of the Right of First Refusal shall be the Recourse Rate applicable to the contract.
- (d) Within fifteen (15) days after receipt of a notice under Section 18.2(b), Transporter shall post on the Informational Postings portion of its Interactive Website an Announcement of Capacity Availability Subject to Right of First Refusal (Capacity Announcement) which shall: (1) specify the original Shipper's service rights; (2) indicate the availability of such service as of the date the existing Agreement expires, subject to the Right of First Refusal; (3) state the maximum rate applicable to such service; (4) set out any other information required by this Section; and (5) solicit bids for such service. Such Capacity Announcement shall be maintained, and bids accepted via the Interactive Website, for a period of one (1) month from the initial posting.
- (e)
 - (1) Within one (1) week after the end of the one month period during which the Capacity Announcement is posted, Transporter shall convey to the original Shipper a term sheet for the best bid (based on price and term) which would qualify for such service in all respects (including meeting applicable credit criteria), which is a bona fide bid and which Transporter is willing to accept. Transporter may, but is not required to, accept any bid which reflects a discount from the applicable maximum rate. In assessing which is the best bid if more than one bid is received, Transporter shall apply the same criteria as are utilized to evaluate bids under the Capacity Release Program (except that contract terms in excess of ten (10) years shall not increase the value of any bid). If a bid is received for a Negotiated Rate or Negotiated Rate Formula pursuant to Section 35 of these General Terms and Conditions, the value of the bid shall be assessed utilizing the Recourse Rate in lieu of the Negotiated Rate or Negotiated Rate Formula consistent with said Section 35.
 - (2) Transporter's term sheet shall contain any and all terms of the bid but shall not identify the bidder; provided, however, such bid sheet

shall indicate if the best bid was submitted by an affiliate of Transporter. Except for the providing of such term sheet to the original Shipper, all terms and conditions of any bid and the identity of the bidder shall remain confidential; provided that the Commission may on request have access to such information on a confidential basis.

- (3) The original Shipper shall have two (2) weeks to notify Transporter whether or not it desires to match the best bid. To match the best bid, the original Shipper must agree to a price (up to the applicable maximum rate or Recourse Rate) and a term (up to ten (10) years) which at least equals the bid on all or any portion of the service the original Shipper desires to retain; provided, however, that if the original Shipper seeks to retain only a portion of its MDQ, the analysis of whether the original Shipper has matched the best bid may take into account the MDQ requested under the best bid relative to the MDQ the original Shipper seeks to retain. The original Shipper may provide a counteroffer which contains either a higher price than the best bid or a longer term than the best bid to offset a shorter term or a lower price than that offered in the best bid. Transporter shall determine whether such a counteroffer constitutes a match, utilizing the same criteria as were applied to determine the best bid.
- (f)
 - (1) If the original Shipper matches the best bid, it shall be entitled to continuation of service and shall be obligated to sign an Agreement tendered by Transporter which reflects the best bid or any counteroffer by the original Shipper which matches such best bid.
 - (2) If the existing Shipper fails to match the best bid, the existing Agreement shall terminate at the end of its term and service to the existing Shipper shall be automatically abandoned.
 - (3) Submission of a bid shall be binding on the bidder. The bidder submitting the best bid shall be obligated to sign an Agreement reflecting its bid if the original Shipper fails to match. Nothing herein shall preclude negotiation of a more acceptable Agreement by mutual consent of Transporter and such bidder; provided, however, that service may not be agreed upon under terms and conditions less favorable to Transporter than the best bid without providing the original Shipper an additional opportunity to match such revised terms and conditions.
- (g) In the absence of a qualified bid, Transporter shall notify Shipper of the rate (within applicable maximums and minimums) and the term shall be negotiated between Transporter and the Shipper. No discount or other special terms shall

apply to a rollover Agreement unless Transporter and Shipper mutually agree. If no agreement is reached prior to the end of the two (2) week period following Transporter's notice to Shipper, Shipper may, at that time, require that Transporter enter into an Agreement to provide service at the applicable maximum rate for a term specified by Shipper and running from the date the existing Agreement expires. Unless Shipper so elects at the end of the two (2) week period following Transporter's notice to Shipper, Transporter may negotiate with any Shipper, with the original Shipper having no further rights under this Section 18 and service under the existing Agreement shall be terminated and automatically abandoned at the expiration thereof.

- (h) If the Shipper is eligible to receive continued service under this Section 18.2, Transporter shall tender a rollover Agreement which conforms to the requirements of this Tariff prior to the expiration of the existing Agreement. Shipper and Transporter shall execute such rollover Agreement, or any modified Agreement upon which Transporter and Shipper may mutually agree which is not inconsistent with this Tariff, within two (2) weeks. If Shipper fails to execute the rollover Agreement on a timely basis, 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.

18.3 CONTRACTUAL ROLLOVERS

The term of service under any firm or interruptible transportation Agreement may be extended pursuant to a rollover or evergreen provision in such Agreement, which provision supersedes any otherwise applicable rollover or Right of First Refusal pursuant to this Section. In addition, the parties may subsequently negotiate rollover or evergreen provisions which differ from this Section. Transporter is not obligated to offer or agree to any such rollover or evergreen 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.

Any Agreement entered into pursuant to this Section 18 shall be evaluated on a stand-alone basis hereunder for purposes of determining whether it, in turn, is eligible for the Right of First Refusal under this Section.

18.4 VALID REQUEST CRITERIA

Unless waived by Transporter, the requirements for a valid request under the applicable Rate Schedule (including the applicable credit analysis) apply to any rollover Agreement.

19. MEASUREMENT**19.1 MEASUREMENT STANDARDS**

All meters (including Ultrasonic, orifice, turbine, rotary and diaphragm type) and electronic flow computers shall be installed in accordance with the following standards, where applicable and as may be revised from time to time:

- (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 Gas by Turbine Meters - AGA 7
- (e) Compressibility and Super compressibility for Natural Gas and other Hydrocarbon Gases - AGA 8
- (f) Table of Physical Properties for Hydrocarbons and Other Compounds of Interest to the Natural Gas Industry - GPA 2145
- (g) Flow Measurement Using Electronic Metering Systems - Section 1 Electronic Gas Measurement - API 21.1

19.2 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.

19.3 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 computer measurement is used, the absolute or gauge gas pressure will be measured directly, using an absolute or gauge pressure measuring device for continuous input to the electronic flow computer.

19.4 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 input to an electronic flow computer of standard manufacture selected by Transporter.

19.5 DETERMINATION OF GAS COMPOSITION, TOTAL HEATING VALUE, AND SPECIFIC GRAVITY

- (a) Total Heating Value shall be the number of Btus per cubic foot of Gas at the base condition of 14.73 psia 60 degrees Fahrenheit dry. The Btu value will be determined utilizing the complete actual composition of the Gas according to the methods in GPA Standard 2172-09, titled "Calculation of Gross Heating Value, Relative Density and Compressibility and Theoretical Hydrocarbon Liquid Content for Natural Gas Mixtures for Custody Transfer," with any subsequent amendments or revisions which Transporter may adopt in exercise of its reasonable judgment and corrected to the base conditions. For reporting purposes, Btu conversion factors will be reported to not less than three (3) decimal places and Pressure Base conversion factors will be reported to not less than six (6) decimal places. For calculation purposes, not less than six (6) decimal places will be used for both conversion factors.
- (b) The Gas Composition, Total Heating Value and specific gravity of the Gas may be determined by spot samples, continuous samples, or a recording chromatograph. In the event a continuous Gas sampling device is used, intervals mutually agreed upon should not be less than once every Month. For electronic flow computer measurement, the determination of Total Heating Value and specific gravity from a chromatograph shall input continuously into the computer for volume and energy calculations. In the event a continuous or spot Gas sampler is installed, then the Total Heating Value and specific gravity shall be determined in a laboratory by gas chromatograph. Such determinations shall be considered as the Total Heating Value and specific gravity of all Gas delivered. All Total Heating Value and specific gravity determinations made with a chromatograph shall use physical Gas constants for Gas compounds as outlined in GPA Std. 2145-00, 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 five (5) pounds of water per MMcf. If the Gas at the measurement Points contains more than five (5) pounds of water per MMcf, the Btu value shall be corrected for the actual water vapor of the flowing Gas based upon actual flowing conditions.

19.6 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 19.1 of these General Terms and Conditions.

19.7 MEASURING EQUIPMENT

Unless otherwise agreed upon, Transporter will install, maintain and operate or cause to be installed, maintained and operated, measuring stations equipped with flow meters and other necessary metering and measuring equipment by which the volumes of gas received and Equivalent Volumes delivered hereunder shall be determined. Shipper 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 Shipper, 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 flow computer components shall be done only by the equipment owner or such owner's representative, unless otherwise agreed upon. Both Transporter and Shipper 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 Shipper 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 therefrom, for inspection, subject to return within thirty (30) days after receipt thereof. The measurement equipment of Shipper shall be for check purposes only and, except as expressly provided herein, shall not be used in the measurement of gas for purposes hereof.

19.8 NEW MEASUREMENT TECHNIQUES

If, at any time, a new method or technique is developed with respect to gas measurement or the determination of the factors used in such gas measurement, such new method or technique may be substituted by Transporter in exercise of its reasonable judgment. Transporter shall promptly inform all Shippers of any new techniques adopted.

19.9 CALIBRATION AND TEST OF METERS

The accuracy of all measuring equipment shall be verified by Transporter at reasonable intervals, and if requested, in the presence of representatives of Shipper, but neither Shipper nor Transporter shall 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 promptly notify the other, and the parties shall then cooperate to secure a prompt verification of the accuracy of such equipment.

19.10 CORRECTION OF METERING ERRORS

If, upon any test, any measuring equipment is found to be inaccurate, such equipment shall be adjusted immediately to measure accurately. If, upon any test, the measuring equipment in the aggregate is found to be inaccurate by one percent (1%) or more at a recording corresponding to the average hourly rate of gas flow for the period since the last preceding test, any payments based thereon shall be corrected pursuant to Section 13.5 in 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. 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.

19.11 FAILURE OF MEASURING EQUIPMENT

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

- (a) By correcting the error if the percentage of error is ascertainable by calibration, special test, or mathematical calculation, or in the absence of (a);
- (b) By using the registration of any check meter or meters, if installed and accurately registering, or in the absence of both (a) and (b), then;
- (c) By estimating the quantity of receipt or delivery based on receipts or deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

19.12 PRESERVATION OF RECORDS

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

20. PRESSURE AND DELIVERY CONDITIONS

20.1 RECEIPT POINT PRESSURE

Shipper shall deliver gas to Transporter at the pressure prevailing in Transporter's System at the Receipt Point, as such pressure may vary from time to time.

20.2 DELIVERY POINT PRESSURE

Transporter shall deliver natural gas to Shipper at the Delivery Point at the pressure available in Transporter's pipeline at such point.

21. QUALITY OF GAS**21.1 HEAT CONTENT**

The gas delivered at each of the points of receipt and the point of delivery hereunder shall contain a Heating Value of not less than nine hundred fifty (950) Btu per cubic foot.

21.2 FREEDOM FROM OBJECTIONABLE MATTER

The gas received and delivered:

- (a) Shall be commercially free from dust, gums, gum-forming constituents, dirt, impurities or other solid or liquid matter which might interfere with its merchantability or cause injury to or interference with proper operation of the pipelines, regulators, meters, or other equipment of Trailblazer;
- (b) Shall not contain more than one (1) grain of hydrogen sulfide per one hundred (100) cubic feet of gas, as determined by methods prescribed in "Standards of Gas Service, Circular of the National Bureau of Standards," No. 405, page 134 (1934 edition), and shall be considered free from hydrogen sulfide if a strip of white filter paper, moistened with a solution containing five percent (5%) by weight of lead acetate, is not distinctly darker than a second paper freshly moistened with the same solution, after the first paper has been exposed to the gas for one and one-half (1-1/2) minutes in an apparatus of approved form, through which the gas is flowing at the rate of approximately five (5) cubic feet per hour, the gas from the jet not impinging directly upon the test paper; or the hydrogen sulfide content may be determined by an instrument selected by Trailblazer in exercise of its reasonable judgment;
- (c) Shall not contain more than twenty (20) grains of total sulfur (including the sulfur in any hydrogen sulfide and mercaptans) per one hundred (100) cubic feet;
- (d) Shall not at any time have an oxygen content in excess of ten parts per million (10 ppm) by volume, and the parties hereto shall make every reasonable effort to keep the gas free of oxygen;
- (e) Shall be delivered at a temperature not in excess of one hundred twenty degrees Fahrenheit (120 F.) or less than twenty degrees Fahrenheit (20 F.);
- (f) Shall not contain more than two percent (2%) by volume of carbon dioxide;

- (g) Shall not contain water vapor in excess of five (5) pounds per million (1,000,000) cubic feet of gas; and
- (h) Shall not contain any hydrocarbon fractions which might condense to free liquids in the line under normal pipeline conditions; provided that this subSection (h) shall not apply to gathering systems or lateral lines.

21.3 TOXIC AND HAZARDOUS SUBSTANCES

Shipper agrees to supply or cause its designee to supply to Trailblazer 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 Trailblazer's choosing. If at any time PCBs or any other toxic substances or chemicals that Trailblazer deems hazardous and/or in any way unsafe for transportation are found in the liquid samples supplied to Trailblazer by Shipper, Trailblazer 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 Trailblazer, Trailblazer shall restore service to Shipper at the affected Receipt Point.

21.4 NON-CONFORMING GAS

If at any time, gas tendered under the Agreement shall fail to conform to any of the quality specifications set forth above the receiving party may, at its option, refuse to accept delivery pending correction of the deficiency by the delivering party.

21.5 POSTING OF GAS QUALITY INFORMATION

Trailblazer posts information on gas quality on its system as described in Section 15.1(a) of these General Terms and Conditions.

22. FORCE MAJEURE**22.1 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, 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.

22.2 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, inability to obtain pipe or other material or equipment or labor, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rulers and people, interruptions by government or court orders, present or future orders of any regulatory body having proper jurisdiction that are not within Transporter's control or expected to result from regulatory requirements, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, and any other cause whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to overcome.
- (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.

23. POSSESSION OF GAS, TITLE AND RESPONSIBILITY

Shipper warrants that it will at the time of delivery to Transporter have good title to all gas so delivered free and clear of all liens, encumbrances and claims whatsoever. As between Shipper and Transporter, Shipper shall be deemed to be in control and possession of the gas and responsible for and hold Transporter harmless of and from any damage or injury caused thereby until it shall have been delivered to Transporter at the Receipt Point(s), after which Transporter shall be deemed to be in control and possession of such gas until its delivery to Shipper, or for Shipper's account at the Delivery Point(s) and while in such possession Transporter shall be responsible therefor and hold Shipper harmless of and from any damage or injury caused thereby. Transporter shall have no responsibility with respect to any gas on account of anything which may be done, happen or arise with respect to said gas until it is received by Transporter. Shipper shall have no responsibility with respect to said gas after its receipt by Transporter or on/account of anything which may be done, happen or arise with respect to said gas after such receipt until its delivery to Shipper, or for Shipper's account, at the Delivery Point(s). The point of the division of responsibility shall be the point of interconnection between the facilities of Transporter and Shipper, or their respective agents, at the Receipt or Delivery Point(s), as applicable. 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.

24. NOTIFICATION**24.1 GENERAL**

Except as provided otherwise in this Tariff or the Agreement, operational communications may be made by telephone or other mutually agreeable means without subsequent written confirmation, unless written confirmation is requested by either party hereto. Any notice, request, demand, statement or other formal communication shall only be deemed given when delivered by first class, certified or registered U.S. mail, overnight delivery, courier, telefax or Electronic Notice Delivery consistent with NAESB Standards as adopted in Section 34 of these General Terms and Conditions. Such delivery shall: (a) be sent to Transporter at the address specified in the Agreement, or through such electronic means as are available and authorized by Transporter, or at an address otherwise stated in a notice by Transporter to Shipper; and (b) be sent to Shipper at the address in the Agreement pursuant to the Rate Schedule, through Electronic Notice Delivery or at an address otherwise stated in a notice by Shipper to Transporter.

24.2 NOTIFICATION PROCEDURES**(a) PRICING**

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

(b) CAPACITY

- (1) Capacity available for firm service is communicated to requestors of that service under the provisions of the applicable firm Rate Schedule. The general availability of firm capacity is also communicated by Transporter's Interactive Website which is described in Section 15 of these General Terms and Conditions.
- (2) Capacity available for interruptible services is communicated to holders of interruptible Agreements by representatives of Transporter in response to the Shippers' nominations for service. The nomination and confirmation procedure is detailed in Section 7 of these General Terms and Conditions. The general availability of interruptible capacity is also communicated by Transporter's Interactive Website, which is described in Section 15 of these General Terms and Conditions.
- (3) When available capacity is affected by construction projects or unforeseen conditions, Transporter communicates such information primarily via the Interactive Website to its Shippers. Transporter also uses letters or telephone calls to communicate capacity information when such means are appropriate.

25. FACILITIES/OBLIGATION TO CARRY OUT AGREEMENT/FILINGS**25.1 FACILITIES**

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 or the operator of a point. To the extent that Shipper 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.

25.2 OBLIGATIONS TO CARRY OUT AGREEMENT

Other provisions of an Agreement notwithstanding, Transporter shall be under no obligation to commence service thereunder unless and until: (a) all facilities, of whatever nature, as are required to permit (as applicable) the receipt, measurement, transportation and delivery of natural 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.

25.3 REGULATORY FILINGS

After the execution of an Agreement, each party shall make and diligently prosecute, any and all necessary filings with Federal or other governmental bodies, or both, as may be required for the initiation and continuation of the service which is the subject of an Agreement. Upon either party's request, the other party shall timely provide or cause to be provided to the requesting party such information and material not within the requesting party's control and/or possession that may be required for such filings. Each party shall promptly inform the other party of any changes in the representations made by such party herein and/or in the information provided pursuant to this Section. Each party shall promptly provide the other party with a copy of all filings, notice, approvals, and authorizations in the course of the prosecution of its filings.

26. INDEMNIFICATION**26.1 GENERAL**

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

26.2 ELIGIBILITY FOR SERVICE

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

27. SUCCESSORS AND ASSIGNS

Any company which shall succeed by purchase, merger or consolidation to the properties, substantially as an entirety, of Shipper or Transporter shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under the Agreement; provided, however, that Transporter reserves the right to evaluate and approve the creditworthiness of the new entity in accordance with the Evaluation of Credit Section of these General Terms and Conditions. No other assignment of an Agreement or any of the rights or obligations thereunder shall be made by Shipper unless there first shall have been obtained the written consent thereto of Transporter. 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.

28. REGULATION

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

29. WAIVER AND INDEMNIFICATION

- (a) 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.
- (b) 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.
- (c) 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 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 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.

30. LIMITATION ON LIMITED LIABILITY COMPANY AND LINE PACK

30.1 LIMITATION ON LIABILITY OF LIMITED LIABILITY COMPANY

Any claim by Shippers against Transporter which may arise hereunder shall be made only against Transporter as a limited liability company and all rights to proceed against the owners therein, individually or collectively, or against their assets as a result of such claim or any obligations arising therefrom is hereby expressly waived by Shippers.

30.2 LINE PACK

Transporter shall be responsible for providing line pack on its System.

31. OPERATING CONDITIONS PURSUANT TO ORDER NOS. 497 AND 566**31.1 PERSONNEL AND FACILITIES**

Information on any operating facilities or operating personnel that Transporter shares with any of its marketing affiliates will be available on its Internet Website. Such information will be updated within three (3) business days of any change.

Transporter shall disclose to non-affiliated Shippers non-public operating data available to marketing affiliates related to Transporter.

31.2 VALID REQUEST INFORMATION

The specific information and format for a valid request for transportation service are contained in Section 3 of Rate Schedules FTS and ITS and Section 4 of Rate Schedule FTB of Transporter's FERC Gas Tariff.

31.3 COMPLAINT PROCEDURE

It is the goal of Transporter, as a provider of transportation services for others, that each of its existing and potential shippers receive service that is in accordance with Transporter's Tariff and is fully satisfactory to the customer. To that end, it is the policy of Transporter that customer concerns and problems, communicated in any form to any representative of Transporter, be satisfactorily resolved as informally, as rapidly and at as low a level as is possible. If attempts to resolve problems and concerns through such normal communication channels are unsuccessful, the procedures set forth in Sections 31.3(a) through 31.3(e) should be followed.

- (a) Formal complaints by Shippers and potential shippers shall be addressed to the Vice President, Business Management, located in Lakewood, CO. A complaint should contain as much specific information as is possible in order to facilitate the appropriate resolution of the matter. Anyone making a verbal complaint should specifically identify the communication as a complaint.
- (b) The Vice President, or his designee, shall acknowledge the receipt of the complaint within forty-eight (48) hours of receipt. If appropriate, Transporter's resolution of the matter will be communicated tentatively to the complainant at that time.
- (c) The Vice President, or his designee, shall communicate, as necessary, with others concerning the complaint and the formation of an appropriate response to it.
- (d) The timing and nature of subsequent communications with the complainant, including final resolution of the matter, shall be at the discretion of the Vice

President. Every effort shall be made to resolve finally each complaint in writing within thirty (30) days after the complaint was originally received. At a minimum, Transporter shall notify Shipper in writing of the status of the complaint within thirty (30) days of its receipt.

- (e) The foregoing recognizes that individual complaints may vary greatly as to complexity and seriousness. For this reason, the informed judgment of the Vice President shall be relied upon in each instance for the necessary determinations concerning such things as: (1) the exact steps to be taken in addressing the complaint; (2) the need to involve more senior officers in the matter; and (3) the appropriate final resolution of the complaint.

32. FERC ANNUAL CHARGE ADJUSTMENT (ACA) PROVISIONS**32.1 PURPOSE**

For the purpose of funding of the Federal Energy Regulatory Commission's (FERC) costs incurred in any fiscal Year, this Section 32 establishes an Annual Charge Adjustment to be applicable to Transporter's Rate Schedules as set forth below and in the applicable Currently Effective Rates Sections of this Tariff. Transporter shall not recover any annual charges recorded in FERC Account No. 928 in a NGA Section 4 rate case.

32.2 BASIS

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

32.3 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.

33. NON-WAIVER OF FUTURE DEFAULT

No waiver by either Shipper or Transporter of any one or more defaults by the other in performance of any of the provisions of the 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.

34. COMPLIANCE WITH 18 C.F.R., SECTION 284.12

- 34.1 Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ 2.0, 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.

Standards not Incorporated by Reference and their Location in Tariff:

NAESB Standard	Section No.	Section Name
0.3.3	14.1(a)(9)	Evaluation of Credit
0.3.4	14.1(a)(9)	Evaluation of Credit
0.3.5	14.1(a)(9)	Evaluation of Credit
0.3.6	14.1(a)(9)	Evaluation of Credit
0.3.7	14.1(a)(9)	Evaluation of Credit
0.3.8	3.10(c)	Priority of Service
0.3.9	3.10(c)	Priority of Service
0.3.10	14.1(a)(9)	Evaluation of Credit
1.2.4	7.6(a)	Nomination/Reporting and Balancing
1.2.12	7.5(c)(iii)	Nomination/Reporting and Balancing
1.3.1	1.0	Definitions
1.3.2(i-v)	7.2	Nomination/Reporting and Balancing
1.3.3	7.7	Nomination/Reporting and Balancing
1.3.4	7.1(a)	Nomination/Reporting and Balancing
1.3.5	7.1(a)	Nomination/Reporting and Balancing
1.3.7	7.1(a)	Nomination/Reporting and Balancing
1.3.8	7.6(b)	Nomination/Reporting and Balancing
1.3.11	7.6(h)	Nomination/Reporting and Balancing
1.3.13	7.6(g)	Nomination/Reporting and Balancing
1.3.14	7.1(d)	Nomination/Reporting and Balancing

NAESB Standard	Section No.	Section Name
1.3.19	7.8	Nomination/Reporting and Balancing
1.3.21	7.1(c)	Nomination/Reporting and Balancing
1.3.22	7.5(c)	Nomination/Reporting and Balancing
1.3.23	7.11	Nomination/Reporting and Balancing
1.3.32	7.6(d)	Nomination/Reporting and Balancing
2.2.1	1.0	Definitions
2.3.3	9.2	Determination of Daily Receipts
2.3.5	9.2, 10.1	Determination of Daily Receipts
2.3.6	10.1	Determination of Deliveries
2.3.9	1.0	Definitions
2.3.10	1.0	Definitions
2.3.14	19.10	Measurement
2.3.16	10.1	Determination of Deliveries
2.3.18	9.2	Determination of Daily Receipts
2.3.26	13.5(a)	Statements, Billing, Payment and Discounting Policy
2.3.28	13.3	Statements, Billing, Payment and Discounting Policy
3.2.1	1.0	Definitions
3.3.9	13.1	Statements, Billing, Payment and Discounting Policy
3.3.14	13.1, 13.3	Statements, Billing, Payment and Discounting Policy
3.3.15	13.5	Statements, Billing, Payment and Discounting Policy
3.3.17	13.4	Statements, Billing, Payment and Discounting Policy
3.3.18	13.4	Statements, Billing, Payment and Discounting Policy
3.3.19	13.4	Statements, Billing, Payment and Discounting Policy
4.3.89	15.1(a)(1)	Interactive Website
4.3.90	15.1(a)(2)	Nomination/Reporting and Balancing
4.3.91	15.1(a)(3)	Nomination/Reporting and Balancing
4.3.92	15.1(a)(3)	Nomination/Reporting and Balancing

NAESB Standard	Section No.	Section Name
5.3.1	16.1(b)	Nomination/Reporting and Balancing
5.3.2	16.1(c)	Nomination/Reporting and Balancing
5.3.3	16.5(a)	Nomination/Reporting and Balancing
5.3.4	16.10(c)	Nomination/Reporting and Balancing
5.3.5	16.13(a)	Nomination/Reporting and Balancing
5.3.8	16.3(c), 16.4(b)(3), 16.5(e)	Nomination/Reporting and Balancing
5.3.11	16.11	Nomination/Reporting and Balancing
5.3.13	16.8(6)(e)	Nomination/Reporting and Balancing
5.3.14	16.5(f)(2)	Nomination/Reporting and Balancing
5.3.15	16.8(6)(e)	Nomination/Reporting and Balancing
5.3.16	16.5(f)(1)	Nomination/Reporting and Balancing
5.3.19	16.5(g)	Nomination/Reporting and Balancing
5.3.25	16.7(c)	Nomination/Reporting and Balancing
5.3.26	16.3(j), 16.9(i)	Nomination/Reporting and Balancing
5.3.28	16.4(b)(1), 16.3(b)	Nomination/Reporting and Balancing
5.3.44	16.14(b)	Nomination/Reporting and Balancing
5.3.45	16.14b(6)	Nomination/Reporting and Balancing
5.3.46	16.14c(2)	Nomination/Reporting and Balancing
5.3.47	16.14c(1)	Nomination/Reporting and Balancing
5.3.48	16.14c(2)	Nomination/Reporting and Balancing
5.3.49	16.14c(3)	Nomination/Reporting and Balancing
5.3.50	16.14(2)	Nomination/Reporting and Balancing
5.3.51	16.14(a)	Nomination/Reporting and Balancing
5.3.52	16.14(c)(1)	Nomination/Reporting and Balancing
5.3.53	16.14(e)	Nomination/Reporting and Balancing
5.3.55	16.14(d)	Nomination/Reporting and Balancing

NAESB Standard	Section No.	Section Name
5.3.56	16.14(d)	Nomination/Reporting and Balancing
5.3.57	16.14(d)	Nomination/Reporting and Balancing
5.3.58	16.14(d)	Determination of Daily Receipts
5.3.59	16.15(a)	Determination of Daily Receipts

34.1 (a) Standards Incorporated by Reference:

General

Standards: 0.3.1, 0.3.2, 0.3.16, 0.3.17

Gas/Electric Operational Communications

Definitions: 0.2.1 to 0.2.4

Standards: 0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

Storage Information

Data Sets: 0.4.1

Operating Capacity and Unsubscribed

Standards: 0.3.18 to 0.3.22

Data Sets: 0.4.2, 0.4.3

Nominations Related Standards

Definitions: 1.2.1, 1.2.2, 1.2.3, 1.2.5, 1.2.6, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.13 to 1.2.19

Standards: 1.3.2(vi), 1.3.6, 1.3.9, 1.3.15, 1.3.16, 1.3.17, 1.3.18, 1.3.20, 1.3.24 to 1.3.31, 1.3.33 to 1.3.77, 1.3.79, 1.3.80

Data Sets: 1.4.1 to 1.4.7

Flowing Gas Related Standards

Definitions: 2.2.2 to 2.2.5, 2.3.1, 2.3.2, 2.3.4,

2.3.7, 2.3.8, 2.3.11, 2.3.12, 2.3.13, 2.3.15,
Standards: 2.3.17, 2.3.19, 2.3.20, 2.3.21, 2.3.22, 2.3.23, 2.3.25, 2.3.27, 2.3.29, 2.3.30, 2.3.31, 2.3.32, 2.3.33, 2.3.34, 2.3.35, 2.3.40 to 2.3.65

Data Sets: 2.4.1 to 2.4.18

Invoicing Related Standards

Standards: 3.3.1 to 3.3.8, 3.3.10 to 3.3.13, 3.3.16, 3.3.20 to 3.3.26

Data Sets: 3.4.1 to 3.4.4

Quadrant Electronic Delivery Mechanism Related Standards

Definitions: 4.2.1 to 4.2.20

Standards: 4.3.1, 4.3.2, 4.3.3, 4.3.5, 4.3.16, 4.3.17, 4.3.18, 4.3.20, 4.3.22 to 4.3.36,
4.3.38 to 4.3.62, 4.3.65 to 4.3.69, 4.3.72 to 4.3.76, 4.3.78 to 4.3.87,
4.3.93 to 4.3.102

Capacity Release Standards

Definitions: 5.2.1 to 5.2.5

Standards: 5.3.7, 5.3.9, 5.3.10, 5.3.12, 5.3.18, 5.3.20 to 5.3.24, 5.3.27, 5.3.29,
5.3.31 to 5.3.42, 5.3.54, 5.3.60, 5.3.62, 5.3.62a, 5.3.63 to 5.3.72

Data Sets: 5.4.14, 5.4.15, 5.4.16, 5.4.17, 5.4.20 to 5.4.27

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

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

No waivers or extensions have been requested or granted.

- 34.2 (a) Transporter shall utilize the standard data sets provided by the standards incorporated by reference in 18 CFR Section 284.12. Transporter's implementation guide for the standardized data sets specifies Transporter's intended use, if any, of the data elements that are coded as "business conditional" (BC) and "mutually agreeable" (MA) for purposes of EDI. The implementation guide may be obtained by contacting the Website Security Help Line and asking for the EDI coordinator. The Website Security Help Line phone number can be found at <http://pipeline.tallgrassenergyllp.com>.
- (b) Transporter shall utilize the North American Energy Standards Board Electronic Data Interchange Trading Partner Agreement – Dated: June 15, 2009 (Version 2.0, Standard 6.3.3).
- 34.3 Transporter's HTML page(s) is accessible via the Internet's World Wide Web at the following address: <http://pipeline.tallgrassenergyllp.com>

35. NEGOTIATED RATES**35.1 PRECONDITIONS TO NEGOTIATED RATES**

Rates to be charged by Transporter for service to any Shipper under Rate Schedule FTS, FTB or ITS may deviate in either form or level or both from the applicable maximum rate level in this Tariff, subject to the following provisions:

- (a) Transporter and Shipper have executed a valid Agreement containing therein or in a related agreement a specific mutual understanding that Negotiated Rate(s) or a Negotiated Rate Formula will apply to service for that Shipper;
- (b) At the time of execution of the Agreement (or the amendment to an Agreement), which first provides for the applicability to Shipper of the Negotiated Rate(s) or Negotiated Rate Formula, service was available pursuant to the terms and conditions (not modified by this Section 35) of Rate Schedule FTS or ITS of this Tariff, as applicable; and
- (c) No later than the Business Day on which Transporter commences service at such Negotiated Rate(s) or Negotiated Rate Formula (or if the day on which Transporter commences service is not a Business Day, then no later than the next Business Day after Transporter commences service), Transporter will make a Tariff filing advising the Commission of such Negotiated Rate or Negotiated Rate Formula, stating the name of Shipper, the type of service, the Receipt and Delivery Point(s) applicable to the service, the volume of the gas to be transported, any other charges, and specifying either: (i) the specific Negotiated Rate included in such Agreement; or (ii) the Negotiated Rate Formula included in such Agreement with sufficient specificity such that the rate in effect from time to time can be readily calculated. The Tariff section filed must also incorporate a statement that the Agreement does not deviate from the form of Service Agreement in any material respect.

35.2 CAPACITY ALLOCATION

To the extent the revenue level pursuant to the Negotiated Rate(s) or Negotiated Rate Formula provided for in Section 35.1 above should exceed the revenue level at the Recourse Rate, the Shipper paying such Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula shall be treated, for all capacity allocation purposes, as if the rate(s) paid had been equal to the Recourse Rate. Any Shipper, existing or new, paying the Recourse Rate(s) has the same right to capacity as a Shipper willing to pay a higher Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula. If the Negotiated Rate or the rate under a Negotiated Rate Formula is higher than the corresponding Recourse Rate, the Recourse Rate rather than the Negotiated Rate will be used as the price cap for release capacity pursuant to Section 16.8 of these General Terms and Conditions and for the Right of First Refusal pursuant to Section

18.2 of these General Terms and Conditions. Where the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula results in revenue which is greater than the Recourse Rate during certain portions of the relevant evaluation period but less than the revenue at the Recourse Rate during other portions of the relevant evaluation period (but the revenue pursuant to the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula equals or exceeds that which would be generated at the Recourse Rate for the entire evaluation period), the value of bids and requests at the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula shall be evaluated as though the Recourse Rate applied under such bid or request for the entire evaluation period. Where the Negotiated Rate(s) or rate(s) under the Negotiated Rate Formula result in revenue which is less than revenue at the Recourse Rate over the relevant evaluation period, the value of the bids or requests at the Negotiated Rate(s) or rate(s) under the Negotiated Rate Formula shall be evaluated based on such lower revenue and shall be afforded a correspondingly lower priority than bids or requests at the Recourse Rate.

35.3 ACCOUNTING FOR COSTS AND REVENUES

The allocation of costs to, and the recording of revenues from service at Negotiated Rate(s) will follow Transporter's normal practices associated with all of its services under this Tariff. Transporter will maintain separate records of Negotiated Rate and Negotiated Rate Formula transactions for each billing period. These records shall include the volumes transported, the billing determinants (contract MDQ), the rates charged and the revenue received associated with such transactions. Transporter will separately identify such transactions in Statements G, I and J (or their equivalent) filed in any general rate proceeding. Should Transporter institute a Tariff provision to flow through on a current basis to its Shippers the impact of certain transportation transactions, the treatment of revenues from Negotiated Rate(s) or Negotiated Rate Formula(s) shall be specified in such provision.

35.4 CAPACITY RELEASE REVENUE

Transporter and Shipper may agree hereunder to a Negotiated Rate or Negotiated Rate Formula which includes payment obligations or crediting mechanisms in the event of a capacity release which vary from those set out in Section 16.13 of these General Terms and Conditions. Nothing in the forgoing sentence, however, shall authorize Transporter or Shipper to violate the Commission's policy with respect to the negotiation of terms and conditions of service.

35.5 NEGOTIATED FUEL

Under this Section 35, Transporter may negotiate the Fuel Reimbursement Percentage and surcharge components of its rates. Transporter will protect Recourse Rate Shippers from subsidizing Shippers paying a negotiated Fuel Reimbursement Percentage and surcharge amounts as set out in this Section 35.5. The separate

accounting under Section 35.3 hereof will include separate accounting for Fuel Reimbursement and surcharge amounts collected and a comparison with the amounts which would have been collected at the maximum rate levels for the Fuel Reimbursement and surcharges stated in Transporter's Tariff. In the event that Transporter agrees as part of a Negotiated Rate or Negotiated Rate Formula to assess Fuel Reimbursement or surcharge amounts which are less than the amounts which would be collected at the maximum rate level for such components stated in Transporter's Tariff, Transporter will credit the maximum Recourse Rate surcharge amounts to its surcharge accounts and will credit the maximum Recourse Rate Fuel Reimbursement levels to its Fuel retainage accounts; provided, however, that Transporter is not required to include Fuel Reimbursement at maximum levels if it can show that no Fuel or less Fuel was used in providing the service.

- 35.6 With respect to a Negotiated Rate Agreement that contains a cap on the applicable Fuel Reimbursement Percentage, Transporter and Shipper may agree to extend such cap to temporary Replacement Shippers or permanent Replacement Shippers if the Shipper exits the natural gas transportation business. Transporter is not obligated to agree to any such cap extension under a capacity release; provided, however, to the extent it offers or agrees to any such provision, it must do so on a non-discriminatory basis for similarly situated Shippers. Transporter posts such negotiated rate Fuel Reimbursement cap extension provision on its Transactional Report in accordance with Section 284.13 of the Commission's Regulations.

35.7 TREATMENT OF DISCOUNTS

- (a) In addition to the discounting policy set forth in Section 13.6 of these General Terms and Conditions, 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.
 - (i) 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 by
 - (ii) 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.

36. ACQUIRED CAPACITY

- (a) Transporter may from time to time enter into transportation agreements with upstream or downstream entities, including other interstate pipelines, intrastate pipelines, or local distribution companies (Acquired Capacity). Transporter may use Acquired Capacity for its system operational needs and to render service to its customers. Except as provided in subSection (b), Transporter states that, if it transports gas for others using Acquired Capacity, it will apply to such services the same rates and tariffs as are applicable to onsystem customers, as such rates and tariffs may change from time to time. For purposes of any use of Acquired Capacity covered by this Section 36(a), the "shipper must hold title" requirement is waived.
- (b) Nothing herein shall be read to preclude Transporter from filing with the Commission for different tariff provisions applicable to any service which Transporter provides using Acquired Capacity; provided, however, that the waiver of the "shipper must hold title" requirement hereunder shall not apply in such a circumstance and Transporter will be required to seek a case-specific waiver of that requirement from the Commission.

37. OPERATIONAL CONTROL**37.1 GENERAL**

- (a) Transporter shall endeavor to maintain adequate pressure throughout its system and to preserve the overall operational integrity of its system; provided, however, that Transporter shall not be obligated to buy or sell gas or to install additional compression or otherwise modify its system for these purposes. Operating personnel for Shippers and other entities which are physically taking delivery of gas from Transporter or tendering gas to Transporter shall cooperate with Transporter in furtherance of this Section. Each Shipper shall designate the telephone and telefax numbers of one or more persons [but not more than two (2) primary and two (2) backup persons] for Transporter to contact on operating matters (including the receipt of Operational Flow Orders and notices of a Critical Time) at any time, on a 24-hour a day, 365-day a year basis. Such contact persons must have adequate authority and expertise to deal with such operating matters.
- (b) For the purpose of these General Terms and Conditions, the overall operational integrity of Transporter's system shall encompass the integrity of the physical system and the preservation of physical assets and their performance, the overall operating performance of the entire physical system as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of gas delivered.
- (c) Transporter shall post a Monthly Maintenance Schedule on its Interactive Website each month prior to bid-week for the subsequent month that contains a list of scheduled maintenance activities Transporter anticipates conducting in the subsequent month which are likely to result in curtailment or outages on the pipeline. Such Monthly Maintenance Schedule posting shall include the facilities anticipated to be impacted by the project, an estimate of the date each project will be conducted, and the name and amount of estimated curtailment for each segment anticipated to be impacted by the project. If it is necessary for Transporter to perform a new maintenance project in the subsequent month that was not previously included in the Monthly Maintenance Schedule posting, and that Transporter could not reasonably anticipate would be necessary to perform in the subsequent month when the Monthly Maintenance Schedule was posted, Transporter shall post an update to the Monthly Maintenance Schedule on its Interactive Website specific to the new maintenance project before the end of the current month in which the Monthly Maintenance Schedule posting was made.

37.2 FACILITY CONTROL

Transporter shall maintain actual physical and operational control of all transmission and other facilities on its system.

37.3 OPERATING PLAN

- (a) Transporter shall, on an annual or such more frequent basis as Transporter deems necessary for proper operation of its system, prepare and circulate to all Shippers an Operating Plan. Such Operating Plan shall set out a plan for operation of the system on a basis which approaches an optimum level, given ordinary engineering and operating constraints, and for maintenance of service at projected levels to all Shippers, consistent with applicable priorities of service. The Operating Plan may include, inter alia, a specification of:
 - (1) Desired levels of flow gas for each category of Shipper during various periods of the year.
 - (2) Plans to deal with specific contingencies Transporter anticipates may occur during the period covered by the Operating Plan.
- (b) The Operating Plan shall be for planning and informational purposes only and shall not be binding on Transporter or on any Shipper. It is further understood that, since all elements of an Operating Plan are subject to continual change and are contingent on the actions of numerous Shippers, the Operating Plan may not necessarily be an accurate depiction of the system at any point in time.
- (c) Transporter may request that Shippers periodically provide non-binding estimates of flow patterns, injections and withdrawals and other operating parameters. Such information may be used in preparation of the Operating Plan or in testing whether an Operating Plan previously circulated requires revision.

37.4 OPERATIONAL CONTROL SEQUENCE

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 empowered by this Section to take action to alleviate this situation. In responding to such a situation, Transporter shall first apply the Advisory Action procedures of Section 37.5. If such measures are not sufficient in Transporter's judgment to address the situation fully, Transporter shall next employ Operational Flow Orders as provided in Section 37.6. In the event Operational Flow Orders alone are not adequate, Transporter may invoke the Critical Time procedures set out in Section 37.7. Finally, Transporter may take unilateral action as provided in Section 37.8. 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 tend to alleviate the situation to be addressed. In

issuing Advisory Actions, Operational Flow Orders or a Critical Time, Transporter shall describe the conditions and the specific responses required from the affected parties. To the extent practicable, Transporter shall direct its actions hereunder to Shippers creating or anticipated to create the situation to be addressed and shall act consistent with Section 37.9. 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 through the Interactive Website on the status of the situation.

37.5 ADVISORY ACTIONS

In the event Transporter determines that action is required to avoid a situation in which system pressure is not maintained or in which 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 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) Change Receipt or Delivery Points;
 - (2) Change usage patterns (e.g., end users switch to alternate fuels);
 - (3) Provide assistance from other resources (such as customer storage);
 - (4) 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);
 - (5) Reconcile transportation imbalances; and/or
 - (6) Such other voluntary action as would tend to alleviate or forestall the situation.
- (b) Transporter may also take actions within its control which might tend to alleviate or forestall the situation. Such actions may include the following:
 - (1) Advise any Shipper which is not maintaining receipts and deliveries in balance that such imbalances must not continue;
 - (2) Curtail or require adjustments or supply shifts in ITS service;
 - (3) Take such other actions as are within Transporter's control and discretion to alleviate or forestall the situation.

37.6 OPERATIONAL FLOW ORDERS

- (a) In the event that, in Transporter's judgment, the Advisory Actions under Section 37.5 are not sufficient to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity of Transporter's system or to maintain operations required to provide efficient and reliable firm service, Transporter is authorized to issue Operational Flow Orders.
- (b) Notwithstanding the foregoing, Transporter shall take reasonable actions to minimize the issuance and the adverse impact of Operational Flow Orders, or of any other measure taken under this Section 37 in response to adverse operational events on Transporter's system. Transporter will issue Operational Flow Orders only if necessary 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 system reliability or service integrity on its system. Operational Flow Orders shall be lifted as soon as such conditions no longer prevail. The Operational Flow Order shall identify with specificity the situation to be addressed and shall (in addition to mandating specific actions) indicate voluntary actions by Shippers (increased takes or receipts/decreased takes or receipts, etc.) which would alleviate such situation. Operational Flow Orders shall also specify the time when compliance must be achieved. Such Operational Flow Orders may, subject to Section 37.11, 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:
 - (1) 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.
 - (2) Cease or reduce supply inputs into Transporter's system or at specific points.
 - (3) Commence or increase takes of gas from Transporter's system or from specific points, or shift takes to different points.
 - (4) Cease or reduce takes from Transporter's system or at specific points.
 - (5) Reconcile transportation imbalances.
 - (6) Such other actions as are within Shipper's control which may alleviate the situation to be addressed.
- (c) No Shipper will be required under an Operational Flow Order to exceed its total firm MDQ under its Agreements with Transporter under Part 284 of the

Commission's Regulations. Nor will a Shipper be required to accept delivery of gas which the Shipper cannot use in its plant or service territory. Further, a Shipper subject to an Operational Flow Order issued to increase deliveries at Receipt Points will have the option to decrease takes at Delivery Points by a like amount instead, and vice versa. Similarly, a Shipper subject to an Operational Flow Order issued to decrease deliveries at Receipt Points will have the option to increase takes at Delivery Points by a like amount instead, and vice versa.

- (d) In issuing Operational Flow Orders to correct problems with either too much gas or insufficient gas being received vis-a-vis 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 if that will restore system flexibility prior to issuance of generally applicable Operational Flow Orders or curtailment of firm services. This step will be taken when Shippers are failing to comply with previously issued Operational Flow Orders or when Transporter cannot identify which Shippers are creating the problem.
- (e) Notice of an Operational Flow Order will be posted on the Interactive Website, and will be the first item shown on the bulletin board feature of the Interactive Website. Transporter shall also post, as soon as available, information about operational parameters which affect when an Operational Flow Order will begin and end (e.g., significant changes in pressure on any pipeline segment, status of facility repairs, etc.). Transporter shall provide as much advance warning as possible of conditions which may create the need to issue an Operational Flow Order and the issuance of an Operational Flow Order. Transporter will endeavor to post the notice that it will issue an Operational Flow Order 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 an Operational Flow Order will be in effect for the next day. Transporter must attempt to give actual notice of an Operational Flow Order via telefax or telephone (provided a Shipper has given the numbers to Transporter as required in Section 37.1) at least four (4) hours prior to the start of the day before an Operational Flow Order will be effective as to a Shipper. Such notice shall specify the anticipated duration of the Operational Flow Order. An 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 on the Interactive Website that the Operational Flow Order has been lifted.

- (f) If any Shipper fails to comply with an Operational Flow Order during any period which is not a Critical Time, it shall be subject to a penalty of an amount per Dth determined below times any volume of gas by which it deviated from the requirements of the Operational Flow Order. A Shipper shall be exempt from such a penalty under this Section 37.6 to the extent the Operational Flow Order requires action beyond Shipper's contract limits under its Agreement with Transporter or if Shipper has complied within a reasonable range, which range will be specified in the Operational Flow Order. Penalties under this Section 37.6(f) shall be calculated as follows:

<u>Imbalance Level</u>	<u>Penalty (Greater of)</u>
0% - 5%	\$0
Greater than 5% - 10%	\$0.25/Dth or 12.5% x MIP
Greater than 10% - 20%	\$0.50/Dth or 25% x MIP
Greater than 20% - 50%	\$1.00/Dth or 50% x MIP
Greater than 50%	\$2.00/Dth or 100% x MIP

The MIP shall be calculated in accordance with Section 12.3(c) of these General Terms and Conditions and is based on the highest weekly price, in this context.

- (g) Within ninety (90) days after an Operational Flow Order has been lifted, Transporter will submit to the Commission a report which describes the specific operational factors which caused the Operational Flow Order to be issued and to be lifted.

37.7 CRITICAL TIME

- (a) Transporter shall advise Shippers on its system if it is declaring a Critical Time and shall specify the nature of the situation creating the Critical Time.
- (b) A Critical Time 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; (2) 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; (3) when system pressure on one or more pipeline segments 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; (4) when system pressure is rising and approaching a level or is expected to rise and approach a level that is at or above the maximum pressure at which

Transporter's facilities may be safely operated; or (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 on the Interactive Website system as to the reason(s) why a Critical Time was declared.

- (c) Notice of a Critical Time will be posted on the Interactive Website system, and will be the first information item shown on the bulletin board feature of the Interactive Website. Transporter will endeavor to post the notice on the Interactive Website before 4:00 p.m. Central Time or otherwise will endeavor to notify Shippers via the Interactive Website by 4:00 p.m. Central Time that they should check the Interactive Website again at a specified later time to see whether a Critical Time will be in effect for the next day. Transporter must attempt to give actual notice of a Critical Time via telefax or telephone (provided a Shipper has given the numbers to Transporter as required in Section 37.1) at least four (4) hours prior to the start of the day before a Critical Time will be effective as to a Shipper. Such notice shall specify the anticipated duration of the Critical Time. A Critical Time 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 Interactive Website that there is no longer a Critical Time.
- (d) Transporter may issue Operational Flow Orders as described in Section 37.6 during a Critical Time.
- (e) The penalty for failure to abide by an Operational Flow Order issued during a Critical Time shall be determined as follows:

<u>Critical Time Imbalance Level</u>	<u>Penalty (Greater of)</u>
0 - 3%	\$0
Greater than 3% - 10%	\$.50 Dth or 25% x MIP
Greater than 10% - 20%	\$1.00 Dth or 50% x MIP
Greater than 20% - 50%	\$2.00 Dth or 100% x MIP
Greater than 50%	\$4.00 Dth or 200% x MIP

MIP shall be calculated in accordance with Section 12.3(c) of these General Terms and Conditions and is based on the highest weekly price in this context.

37.8 UNILATERAL ACTION

In the event that the actions under Sections 37.4 through 37.7 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, and supply received into Transporter's system, even though gas may be owned by a person other than the entity receiving delivery. Transporter shall not, however, be responsible as a supplier of gas to any Shipper.

37.9 APPLICABILITY OF ACTIONS

- (a) In exercising its authority pursuant to Sections 37.4 through 37.8, 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:
 - (1) First, to any Shipper which is causing disruption due to its failure to maintain receipts and deliveries in balance or to match physical flows with nominated receipts or deliveries;
 - (2) Second, to any Shipper which has failed or is failing to take action to anticipate a change in demand;
 - (3) Third, to any Shipper which is operating in a manner which conflicts with sound operational practices in relation to Transporter's system; and
 - (4) Lastly, to all other Shippers.
- (b) Notwithstanding subSection (a), any Shipper which has taken voluntary action to alleviate a situation shall be exempted from further action hereunder to the extent of its voluntary action until Transporter has applied equivalent measures to other Shippers.
- (c) Operational Flow Orders shall require action within any Shipper class proportionate to appropriate and relevant parameters, such as applicable contract quantities or current or recent flowing gas volumes.

37.10 USE OF PENALTY FUNDS

All amounts collected by Transporter for i) Cash-Out Penalties, ii) Unauthorized Overrun Charges, and iii) other penalties billed for failure to comply with an Operational Flow Order, including during a Critical Time, shall be allocated and

distributed to Shippers each year. Such allocations and distributions are to be made as follows:

- (a) Cash-Out Penalties will be netted against costs incurred. These amounts will be used to compensate Transporter for any cash-out expenses and for any costs it has incurred. 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 for the reporting period shall be multiplied by the net penalty charge revenue to determine the applicable direct payment or invoice credit to each shipper.
- (b) With respect to Unauthorized Overrun Chares, and Operational Flow Orders, any remaining amounts will be refunded pro rata, based on a Shipper's total reservation and commodity charges paid during the year, as compared to all Shippers; excluding, however, any Shipper which failed to comply with an Operational Flow Order or which had an Unauthorized Overrun. A Shipper's eligibility for refunds shall be determined on a monthly basis and a Shipper which failed to comply with any Operational Flow Order or which had an Unauthorized Overrun shall be excluded from refunds only for the month in which that event occurred. Where capacity has been released, amounts shall be distributed to the original Shipper, except in the case of a permanent release where amounts shall be distributed to the Replacement Shipper.
- (c) Any costs incurred in excess of penalty revenues will be carried forward to the next year's calculation with interest at the rate set forth in 18 C.F.R. 154.501(d)(1).

37.11 STANDARDS

- (a) In issuing 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 protected, 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 on a non-discriminatory manner, without regard to the source of supply, the identity or nature of any Shipper or the identity of any entity tendering or receiving gas except as otherwise explicitly provided herein.

38. PERIODIC RATE ADJUSTMENT (PRA) - FUEL REIMBURSEMENT

38.1 Purpose and Applicability: This Section 38 establishes a Periodic Rate Adjustment ("PRA") mechanism for the purpose of adjusting the total Fuel Reimbursement Percentage as set forth in the Currently Effective Rates section of this FERC Gas Tariff ("Fuel Reimbursement Percentage"). This provision specifies the procedure to be utilized to adjust such percentage to reflect: (a) changes in the level of Transporter's Fuel use per unit of relevant service required to recover related Fuel costs, and (b) amortization of the Unrecovered Fuel Reimbursement Accounts ("UFRA") provided for in Section 38.5 hereof. All amounts for reimbursement of Fuel and UFRA shall be recovered in-kind by Transporter by applying the Fuel Reimbursement Percentage to the volume transported.

38.2 DEFINITIONS

- (a) "AMIP" for any month shall mean the simple arithmetic average per dekatherm cost as derived from five (5) weekly prices as reported by Natural Gas Intelligence in the table entitled "Natural Gas Intelligence Weekly Gas Price Index; Spot Gas prices" for the locations defined in Section 12.3(c) of the General Terms and Conditions in Transporter's FERC Gas Tariff. The issues of such publication to be used in determining each month's weekly average prices shall include all issues with publication dates within the calendar month, plus the first publication of the next month.
- (b) "Gas Fuel" shall mean the actual dekatherm quantity of gas consumed as determined under Section 38.4(c).
- (c) "Electric Compression Costs" shall mean the gas equivalent of Electric Power Costs, as determined under Section 38.4(b).
- (d) "Electric Power Costs" ("EPC") shall mean the cost, as determined under Section 38.4(b) hereof, of electric power purchased by or for Transporter to be used in the system operations. EPC shall also include all costs or surcharges of whatever kind imposed by electric power suppliers that may be billed or allocated to Transporter.
- (e) Fuel means the total Gas Fuel and Electric Compression Costs plus and Unrecovered Fuel Reimbursement Account.
- (f) "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. The initial Base Period shall be calendar year 2014.

- (g) "Recovery Period" shall mean the period during which the revised Fuel Reimbursement Percentage may be in effect, which shall be a twelve (12) month period commencing with the effective date of the next redetermination as specified in Section 38.3.
- (h) "Fuel Reimbursement Amount" shall be the monthly dollar value derived pursuant to Section 38.5(b)(ii) hereunder.
- (i) "Fuel Cost Amount" shall be the monthly dollar value derived pursuant to Section 38.5(b)(i) hereunder.

38.3 PERIODIC RATE ADJUSTMENT

- (a) The Fuel Reimbursement Percentage shall be re-determined annually to be effective April 1, and may, at Transporter's election, be re-determined based on interim filings at Transporter's discretion.
- (b) Transporter shall file its adjustment to the Fuel Reimbursement Percentage at least thirty (30) days prior to the effective date of the re-determination, based on the procedures set out in Sections 38.4 and 38.5. 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.

38.4 CURRENT FUEL REIMBURSEMENT

The methodology used to derive the Fuel Reimbursement Rate for each periodic rate adjustment is as follows:

- (a) Fuel Reimbursement Rate. Fuel is divided by Receipt Quantities, to calculate the Fuel Reimbursement Rate.
- (b) Electric Power Costs. Electric Power Costs to be included in Fuel are determined as set out in this subsection (b) Electric Power Costs are calculated by taking the sum of: the actual electric power charges during the Base Period, as adjusted for changes which are known and measurable with reasonable accuracy, divided by the AMIP to calculate the Electric Compression Costs which represent the gas equivalents of the Electric Power Costs and is expressed as dekatherms.
- (c) Gas Fuel. The Gas Fuel to be included in Fuel consists of the actual dekatherm quantity consumed during the Base Period, as adjusted for changes which are known and measurable with reasonable accuracy.
- (d) The AMIP used in the calculation in (b) above shall be the AMIP for the twelve months that is forecast for the Recovery Period.

- (e) Backhaul and other transactions that are not assessed the Fuel Reimbursement Percentage hereunder shall not be included in the Receipt Quantities that are used to calculate the Fuel Reimbursement Percentage. The Receipt Quantities used in the calculation of the Fuel Reimbursement Rate shall be the Receipt Quantities for the Base Period, adjusted for known and measurable changes.

38.5 UNRECOVERED FUEL REIMBURSEMENT ACCOUNT

Beginning January 1, 2014, Transporter shall establish and maintain a current deferral subaccount of Unrecovered Fuel Reimbursement Account to provide for reconciling actual costs and recoveries as a rate adjustment (UFRA) to the next Periodic Rate Adjustment filing.

- (a) The accumulated current deferral subaccount balances of Account No. 182.3 may include the following:
 - (i) The monthly deferral of a dollar amount associated with Transporter's actual Fuel.
 - (ii) The monthly deferral of Transporter's actual Fuel Reimbursement Amount.
 - (iii) Adjustments to prior months' revenue.
 - (iv) Transfers of any unamortized amounts remaining in a deferral subaccount of Account No. 182.3 after the related surcharge amortization period has expired.
 - (v) All refunds or revenue credits, including any out-of-period billing adjustments.
 - (vi) Carrying charges on the current deferral and amortizing subaccounts.
- (b) The amount to be included in the current deferral subaccounts shall be calculated as follows:
 - (i) Transporter shall determine the actual Fuel incurred that month. That volume is multiplied by the AMIP for that month to determine the Fuel Cost Amount.
 - (ii) Transporter shall then determine the amount recovered under the Fuel Reimbursement Percentage, as follows: the quantity recovered

shall be determined by multiplying the Fuel Reimbursement Percentage, as set forth in this FERC Gas Tariff, in effect during the deferral Month, by the appropriate actual Receipt Quantities during the month. The quantities recovered in-kind will be valued at Transporter's AMIP during the month and shall be the Fuel Reimbursement Amount.

- (iii) The monthly deferral cost amount shall be determined by taking the difference between the dollar amounts derived in Section 38.5(b)(1) and Section 38.5(b)(2), herein. The resulting amounts shall be reflected in Transporter's current deferral subaccount.
- (iv) Transporter shall determine the monthly change in deferral associated with the monthly Fuel Reimbursement Percentage as follows:
 - (1) Transporter shall debit and increase the current deferral account in the event the actual Fuel Cost Amount exceeds the total value of the Fuel Reimbursement Amount that Transporter recovered hereunder.
 - (2) Transporter shall credit and reduce the current deferral account in the event the actual Fuel Cost Amount is less than the total value Transporter receives hereunder for the Fuel Reimbursement Amount.
 - (3) Transporter shall debit to increase (or credit to decrease) the deferred account for the passback (or recovery) of the UFRA component of the Fuel Reimbursement Percentage against the appropriate prior period deferral account.
- (v) Transporter will assess carrying charges on the applicable Account No. 182.3, Unrecovered Fuel Reimbursement Account. The carrying charge shall be the product of the following:
 - (1) The carrying charge base shall be the prior month's balance in the applicable Unrecovered Fuel Reimbursement Account carrying charge base, net of deferred income taxes and an adjustment necessary to effectuate quarterly compounding of carrying charges.
 - (2) Transporter shall compute a monthly carrying charge rate utilizing the effective annual FERC-approved interest rate prescribed in Section 154.501 of the FERC's Regulations.

Such rate shall be expressed to the nearest one ten-thousandth of 1%.

- (vi) As specified in Section 38.5(a) herein, the portion of all refunds or revenue credits impacting the cost amounts attributable to Fuel, including any out-of-period billing adjustments, along with the related interest paid, shall be included in the applicable Unrecovered Fuel Reimbursement Account. For purposes of this adjustment provision, any such refunds, revenue credits or out-of-period adjustments relating to the cost amounts shall be determined by multiplying those amounts by the ratio of the actual Receipt Quantities during the twelve (12) month period ending the month prior to receipt of the refund, revenue credit or adjustment, to the sum of the actual total quantities received on Transporter's system during the same period. Any such refunds, revenue credits or out-of-period adjustments relating to Fuel shall be directly applied to the applicable Unrecovered Fuel Reimbursement Account.
- (vii) To recover the balance in the applicable subaccount of the Unrecovered Fuel Reimbursement Account, an Unrecovered Fuel Reimbursement Account Rate (UFRA) will be calculated such that the current deferred account will be amortized in the Recovery Period. The Unrecovered Fuel Reimbursement Account Rate will be calculated by taking the final dollar balance from the current deferred sub-account and dividing this amount by the AMIP applicable to the Recovery Period to produce a dekatherm value. This mathematical product will be divided by the sum of the next twelve (12) months projected Receipt Quantities to determine the Unrecovered Fuel Reimbursement Account Rate (UFRA) component of the Fuel Reimbursement Percentage.

38.6 EFFECTIVE DATE

The Fuel Reimbursement Percentage will be applicable to Receipt Quantities effective January 1, 2014 and shall be revised thereafter on a periodic basis as set out in Section 38.3.

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